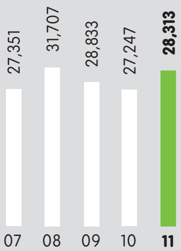
ANNUAL REPORT 2011

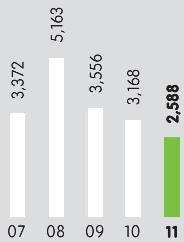
SYZYGY

KEY FIGURES OF SYZYGY AG

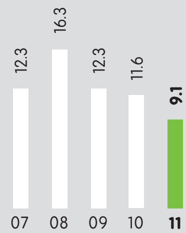
SALES
IN EUR'000



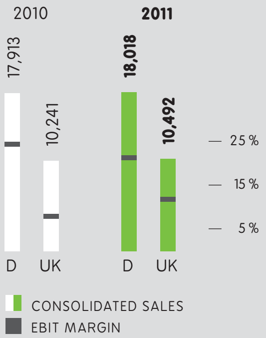
EBIT
IN EUR'000



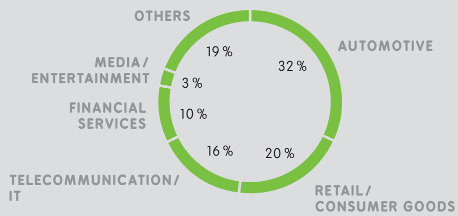
EBIT MARGIN
IN %



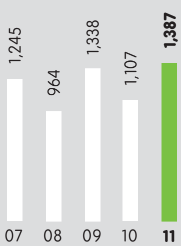
SALES AND EBIT MARGIN BY REGION
IN EUR'000



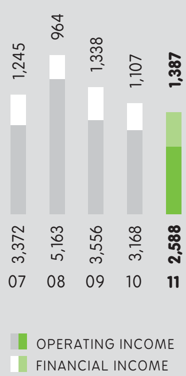
SALES ALLOCATION BY VERTICAL MARKETS



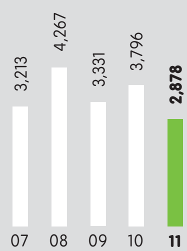
FINANCIAL INCOME
IN EUR'000



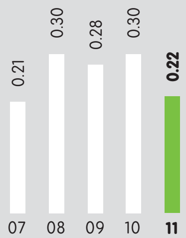
RATIO OF OPERATING INCOME TO FINANCIAL INCOME
IN EUR'000



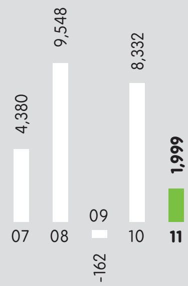
NET INCOME
IN EUR'000



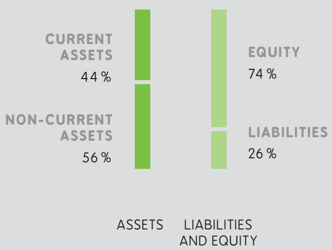
EARNINGS PER SHARE
IN EUR



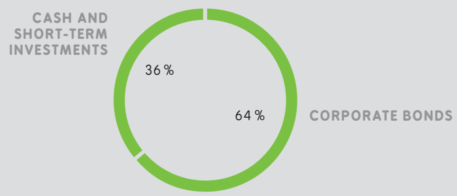
DEVELOPMENT OF OPERATING CASH FLOWS
IN EUR'000



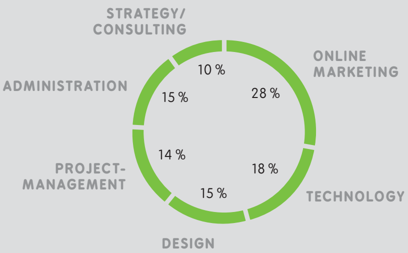
BALANCE SHEET STRUCTURE



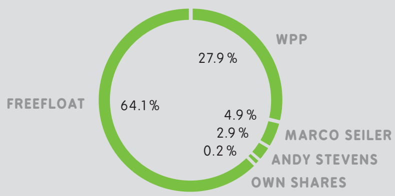
PORTFOLIO STRUCTURE OF CASH AND MARKETABLE SECURITIES



EMPLOYEES BY FUNCTION



SHAREHOLDER STRUCTURE



syzygy.net

01

2 / BOARD MEMBERS' STATEMENT
6 / THE SYZYGY GROUP
8 / ESSAY: THE BATTLE FOR THE LIVING ROOM
14 / GOAB – A TV EXPERIENCE CONCEPT
20 / THE STOCK
23 / REPORT OF THE SUPERVISORY BOARD
26 / CORPORATE GOVERNANCE

02

29 / FINANCIAL STATEMENTS
30 / MANAGEMENT REPORT
44 / CONSOLIDATED BALANCE SHEET
45 / CONSOLIDATED STATEMENT OF COMP. INCOME
46 / CONSOLIDATED STATEMENT OF CASH FLOWS
47 / STATEMENT OF CHANGES IN EQUITY
48 / NOTES
80 / INDEPENDENT AUDITORS' REPORT
81 / FINANCIAL CALENDAR AND CONTACT

Andy Stevens

COO

Frank Wolfram

CTO

Marco Seiler

CEO

BOARD MEMBERS' STATEMENT

Dear Shareholders,
Progress in the 2011 financial year was in line with our expectations. It saw investment in extending our portfolio of services as well as our national and international presence, including taking a stake in Ars Thanea, the establishment of two new companies in New York and Hamburg, and setting up a new branch in Frankfurt.

The establishment of a company in Berlin at the start of 2012 represented a further expansion of business operations. Despite these investments, the Management Board again proposes a dividend of EUR 0.20, making SYZYGY shares an attractive investment for value investors.

ASSESSMENT

The general economic environment in which the SYZYGY Group operated in the year under review remained very mixed. While the UK economy was unable to return to growth in 2011, the German economy grew by 3 per cent. The euro crisis led to customers in the finance sector curtailing their spending.

In this environment, the SYZYGY Group performed as we had expected. Sales were up, and due to the measures taken in 2011 the Group is more attractive than ever for clients and employees. We believe that the investments we have made will continue to have a positive impact on the Group's sales performance in 2012.

FINANCIAL RESULTS

SYZYGY increased its sales in the year under review by 4 per cent to EUR 28.3 million. Operating income of EUR 2.6 million was 18 per cent below the prior-year figure.

This drop is primarily due to the above-mentioned investments, which are aimed at boosting opportunities for growth.

Financial income improved significantly, rising 25 per cent to EUR 1.4 million. After income taxes, net income was EUR 2.9 million, down 24 per cent on the previous year. It should be noted here that special tax-related circumstances had a positive effect on net income in 2010, without which the decline would have been much less marked.

EARNINGS PER SHARE

SYZYGY generated earnings per share of EUR 0.22 in the 2011 financial year. Based on the continuing strong cash position of the SYZYGY Group, we are again proposing a dividend of EUR 0.20 per share to the Annual General Meeting. This corresponds to a payout ratio of 90 per cent and a dividend yield of 5.6 per cent (as at 31 December 2011). As such, SYZYGY remains a stable and interesting small cap even when financial markets are volatile. Its yield is once again significantly above the average for DAX-listed companies and other listed digital agencies.

DEVELOPMENT OF THE COMMUNICATIONS INDUSTRY

The digital industry remains a highly dynamic market with very substantial growth potential. For years, online advertising has shown impressive rates of increase that are significantly above average when compared with traditional advertising formats such as print media and radio spots.

In this constantly evolving environment, it is essential to focus on core skills and specifically on developing successful business areas. It is also important to identify trends and leverage the potential of new technologies to seize opportunities for growth.

The SYZYGY Group aspires to be a trendsetter in the digital marketplace. The future of television is a topic that is attracting increasing attention, not only in the digital sector. A related issue is how TV programming and online functionality can be intelligently combined. Social TV, live TV shopping, context-based information – these buzzwords will transform an entire industry in the years to come. Our GOAB project brings together our ideas and vision for the TV of the future in a concept study which has generated worldwide interest. For a detailed description, see pages 14ff of this annual report.

GROWTH STRATEGY

The SYZYGY Group has a strong market position in Germany, where it generates around two thirds of its sales. We intend to continue expanding this position, aided by an economy that is robust compared with other European countries.

We have set up a Creative Campus at our new location in Frankfurt. Part of SYZYGY Deutschland GmbH moved into the facility in January 2012. This is a key step towards boosting growth in the company's two main business areas, the agency business and the platform business. We have also formed two new companies at German creative hotspots, Hi-ReS! Hamburg and Hi-ReS! Berlin, in order to implement our strategy.

OUTLOOK

One goal for 2012 is to develop and expand the new locations and companies while ensuring they are successfully integrated into the Group. This will require further investment, especially in the Berlin and Frankfurt offices.

In addition to extending the range of services offered by the existing operating units, we are also continuing to explore the German market for growth opportunities via acquisitions.

Throughout all our business development activity, we wish to maintain our dividend policy going forward and remain an attractive company for yield-oriented investors. We therefore always aim to strike a proper balance between investment and returns. In 2012, we expect to see a rise in both sales and operating income.

On behalf of the whole SYZYGY Group we would like to thank our clients and you, our valued shareholders, some of whom have been supporting the Group for many years now. Our gratitude is also due to our employees. Their ideas, passion and constant curiosity about new technologies are instrumental in the SYZYGY Group's success on a day-to-day basis.

Lastly, we would like to express our special thanks to the members of the Supervisory Board. Their professional expertise and farsightedness have continued to make a constructive contribution to the development of the SYZYGY Group over the past year.

The Management Board

THE SYZYGY GROUP

SYZYGY is an international digital marketing agency group with 300 employees and offices in Bad Homburg, Frankfurt, Hamburg, London, New York and Warsaw. By keeping our fascination and curiosity for technology, brands and cultures, we create interactive experiences, that move people and simplify processes. And which deliver results for our clients.

Art of Imagination

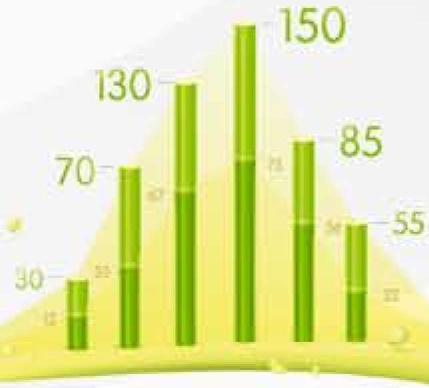
ARSTHANEA.COM

Warsaw-based agency Ars Thanea is internationally known for their high-quality output in the field of digital illustration, motion design and interactive design. Brands such as Discovery Channel, Nike, Ubisoft, Visa, Nutricia and Nvidia trust in this first league team of professionals.

Designstudio

HI-RES.NET

Multi-disciplinary design studio Hi-ReS! enjoys an enviable world-wide reputation for its interactive creativity. Clients of the London boutique include brands like Jägermeister, Chanel, Dolce & Gabbana, Hogan, Helmut Lang, The Economist and Edun.



SYZYGY

Design & Build

SYZYGY.CO.UK
SYZYGY.DE

SYZYGY develops international websites and platforms, which bring brands to life online and boost sales. Always driven by a deep understanding of strategic brand management, technology, user expectation and usability.

unique

Online Media

UNIQUEDIGITAL.CO.UK
UNIQUEDIGITAL.DE

The service portfolio of uniquedigital encompasses display advertising, SEA, SEO, affiliate marketing and social media as well as consultancy in the area of webanalytics, conversion optimization and cross-channel marketing. unique's work has been honored with several renowned effectiveness awards.

The battle for the living room

FRANK WOLFRAM, CTO

Television as we knew it is about to change. The Internet has become a strong competitor, turning passive viewers into active users. For the associated ecosystem, the cards are being reshuffled. Broadcasters, producers, the electronics industry and advertisers have to meet the challenge.

The living room is where we gather to relax and socialise – where we go to be entertained, to listen to the radio and watch TV. Commercial TV, countless channels and hefty advertising budgets are all features of a thriving ecosystem that has grown up around television.

After the music industry and newspaper publishing, the Internet is now transforming television as a medium and also the associated ecosystem. The turning point was probably when YouTube became the largest online video platform and began competing with traditional TV for viewers.

THE YOUTUBE PHENOMENON

Every single second, an hour of video content is uploaded to YouTube. Within 24 seconds, a whole day's worth of content is available. In Germany, the amount of time spent viewing content on YouTube has now overtaken that spent watching shows on ARD and ZDF, the country's two big public broadcasters. For the next generation, YouTube already ranks alongside traditional TV. It has spawned stars whose videos are viewed hundreds of millions of times. The most successful creators of such clips receive a share of the advertising revenue via a partner programme. Additionally, the NextUp programme provides funding to support the next generation of young talent. Advertisers can reach YouTube users through a variety of formats. In Germany alone, there are currently 36 million users a month. Commercially, YouTube increasingly resembles a traditional broadcaster.

DISAGGREGATION OF CONTENT

The rise of YouTube opened broadcasters' eyes. They realised it was time for them to follow their viewers online and start offering content for a second showing on the Internet. Not only on their own video platforms, which all of the major broadcasters now have, but also on platforms such as Apple's iTunes and Videoload, the video-on-demand portal operated by Deutsche Telekom.

Content is no longer just available on linear broadcasting stations, it can be accessed on demand and individually.

This has led to a disaggregation of programme content. The genie is out of the bottle: content is no longer just available on linear broadcasting stations, it can be accessed on demand and individually, e.g. as a single episode of a series and via multiple platforms. This has changed user behaviour. We are consuming less linear broadcasting and more on-demand programme content. We choose what to watch, and when. Previously, broadcasters had to fight for the attention of passive viewers to gain the top spot on our remote controls. In future, the struggle for a more mature audience of active users will be even tougher. With an increasing variety of content on offer, the discoverability of programmes has become a problem both for providers and users. TV broadcasters will need to semantically enrich their content so it is easily searchable and comes at the top of results lists – a kind of search engine optimisation for TV content.

THE SECOND SCREEN PHENOMENON

These days we're far less likely to watch TV together with friends and family than we used to. But when we do, we're not only focused on our big TV screens but also on a notebook, smartphone or tablet. In a Nielsen survey conducted in May 2011, a staggering 70 per cent of respondents said they use their iPad while watching TV.

Broadcasters have already started to leverage this second screen phenomenon. Newsreaders regularly refer viewers to additional content available online. Several startup companies in the US, UK and Germany are also positioning themselves to benefit, with TV viewing guides being the focus of these developments. As well as conventional programme listings, recommendations from friends on social media are being included – tweek.tv is an example of this. These second screen TV guides don't just list live TV shows, they also cover online video libraries (fanhattan.com) and offer additional information relevant to the programmes on air (see zeebox.com from the UK and intonow.com in the US).

eBay is taking this a step further in the US. An iPad app offers users a "Watch with eBay" feature that displays current eBay items on the second screen that match the content of the current programme.

In 2011, a total of 10 million Internet-equipped TVs were sold in the EU. In 2012, that figure is set to exceed 13 million – with 4.3 million of those sets being in Germany.

The second screen also enables interaction with live programmes. People's desire for a collective experience still endures, as illustrated by the popularity of sports programmes and casting shows. The collective experience is amplified by the participatory element. Using the "The Voice of Holland –Thuis Coach" app, 500,000 viewers participated live in the corresponding casting show. Well-known German TV host Thomas Gottschalk uses social media in his early evening programme specifically so he can engage in dialogue with his viewers.

With our Future TV concept GOAB, we show how these features could converge into one experience using the second screen.

SMARTER TELEVISIONS

The consumer electronics industry is joining the battle for the living room. LG, Loewe, Phillips and Sharp have teamed up to create a "Smart TV Alliance". As well as being able to watch linear TV on such sets, it's possible to play online content, such as YouTube films, or programmes from the media libraries of various broadcasters. The devices also include a web browser, enabling access to the wider Internet. Smart TVs can be controlled via a smartphone or tablet using special apps. Another option is a special remote control that often comes with a complete QWERTY keyboard. Video telephony using Skype is also already available.

Google is part of this race too. Like with the Android smartphone operating system, a platform strategy applies: Google TV will be offered free of charge to consumer electronics manufacturers as a smart TV operating system. It will include an integrated web browser and an app store for TV-related applications – as well as access to traditional TV.

The broadcasters themselves are not just standing idly by. They have hit on HbbTV (Hybrid Broadcast Broadband TV) as a way of connecting linear TV programmes with the Internet. Similar to the old teletext (e.g. Ceefax in the UK), users can press a button on their remote while watching a programme and access a wide variety of information. On modern smart TVs, this will only take up part of the screen. The displayed content is downloaded from the Internet.

THE FUTURE IS HERE

Television as we know it is on the cusp of change. Passive viewers watching linear programming will become a thing of the past, replaced by users with all the information they could wish for at their fingertips – including the ability to participate in programmes. As such, conventional broadcasters need to transform their traditional business models. Internet giants like Google, Amazon and naturally Apple are poised to profit from the restructuring of the TV ecosystem. On the hardware front, consumer electronics manufacturers face the need to develop smart TVs.

The direct link between viewing experience and contextual advertising offers ever more precise and efficient ways of reaching consumers. For our clients, the advertisers, this is a huge advantage. On the downside, planning and implementing such campaigns is more complex than before. This challenge gives agencies such as ours a key role as clients seek to benefit from the exciting opportunities offered by this brave new TV world.

GOAB

A TV experience concept
for TV of the future

What do people expect from the television of the future? This question was raised and explored by SYZYGY Lab Team. Our concept study GOAB intelligently combines TV programming and online functionality. Starting point of all ideas is the viewer with his or her individual needs and viewing habits.

New technological advances are driving the development of television sets, but the requirements and wishes of the viewer often seem to get left behind.

GOAB is a cloud-based TV experience concept from SYZYGY that isn't tied to broadcasters, web TV or on-demand services. The viewer's requirements are paramount. The key element is a second screen – an additional display in the form of a laptop, tablet PC or smartphone.

GOAB will recommend programmes to users based on their individual profile, i.e. their interests, their friends and their viewing habits. It's no longer important to know the source of the programme; what matters is the relevance of the content to the user. During the programme, the viewer can connect with friends online, buy products, obtain additional information, actively participate in the programme or simply watch TV.

RECOMMENDATIONS
Collating basic data on the user, including viewing habits, likes, dislikes, as well as analysis of their social networks, makes it possible to create a profile of the user's interests. Using this profile, the content offering is filtered so that the first thing the viewer sees are their top recommendations. The quality of the recommendations improves each time the function is used.

MOOD SEARCH
The Mood Search function in GOAB filters media content by adjectives that describe either a mood or a feeling. Because the search result can be saved as a separate channel, you can create channels to suit various moods.

ACTIVE TV

GOAB allows active participation in programmes. Examples include viewers attempting to answer quiz questions at the same time as the candidate in the studio.

COMMERCE

A direct connection between the programme and commercial content is established when products that are seen in the show can be bought immediately: the secret agent's luxury watch, the columnist's stilettos, the convertible the couple are escaping in.

This approach means that the system not only takes the viewer's individual preferences into account, it also stores personal information such as age, gender and clothes size. The system will thus show a female viewer the dress worn by the lead actress and also its availability in the correct size, as well as the cheapest price, based on a price comparison system.

CONTEXT

When watching a sports or news programme, for example, the user can call up statistics and additional information relating to the programme being aired. Selecting particular highlights allows fast access to the corresponding section of the programme to watch it again.

Depending on which security settings are selected, the viewer can see whether their friends are watching the same programme. Using live video pictures, users can watch the show with their friends, reacting directly to the programme and enjoying a communal TV watching experience with them – wherever they are.

AWARDS

We have received worldwide recognition for GOAB from the industry as well as from design-, technology- and TV-enthusiastics. GOAB has hit a nerv: people are ready for the television of the future.

We are proud that we have achieved more than 155,000 views of our GOAB-showreel, 3.452 Facebook-likes, 3.100 tweets, 448 comments and 366 articles, including Computerlove, Creative Advertising, Design made in Germany, Fastcodesign, WEAVE, Wired.it, FAZ, New Scientist, Mediapost and the Global Innovation Report. In addition, we are very happy with the creative awards GOAB has received so far, such as IF communication design award, DDC Gute Gestaltung und Crea Credential Award.

THE STOCK

BASIC SHARE FACTS

ISIN	DE0005104806
WKN	510480
SYMBOL	SYZ
REUTERS	SYZG.DE
BLOOMBERG	SYZ:GR
LISTING SEGMENT	REGULATED MARKET, PRIME STANDARD
STOCK EXCHANGE CENTRES	XETRA, Berlin, Dusseldorf, Frankfurt, Hamburg, Hannover, Munich, Stuttgart
TOTAL NUMBER OF SHARES	12,828,450 no-par value bearer shares
THEREOF OWN SHARES	25,000
MARKET CAPITALISATION	EUR 45.28 Mio. (Basis: closing price of EUR 3.53 on 12/30/2011)
FREEFLOAT (DEFINITION DT. BÖRSE)	71.9 %
FREEFLOAT MARKET CAPITALISATION	EUR 32.56 Mio.
INDUSTRY GROUP	IT-Services

STOCK STATISTICS 2011

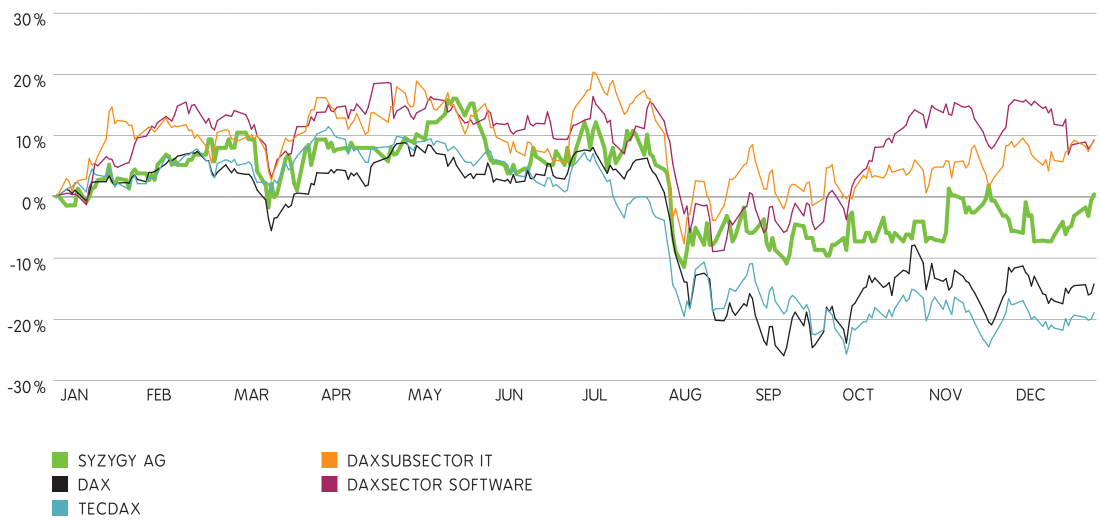
INDEX RANKING TECDAX	Position 71 (market capitalisation) Position 95 (exchange transaction)
ORDINARY DIVIDEND	EUR 0.20 (05/30/2011)
AVERAGE DAILY TURNOVER (SHARES)	11,987 shares/EUR 43,980 (thereof XETRA: 7,288 shares/EUR 26,852)
XETRA CLOSING PRICE AS PER 12/30/2010	EUR 3.52
XETRA CLOSING PRICE AS PER 12/30/2011	EUR 3.53
HIGHEST XETRA CLOSING PRICE	EUR 4.09 (05/19/2011)
LOWEST XETRA CLOSING PRICE	EUR 3.10 (08/08/2011)
PRICE PERFORMANCE AS PER 12/30/2011	EUR 0.01 (0.2 %)
OVERALL PERFORMANCE AS PER 12/30/2011	EUR 0.21 (6.0 %)

DESIGNATED SPONSOR

HSBC TRINKAUS & BURKHARDT AG

ANALYSTS

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



THE STOCK MARKET IN 2011

In marked contrast with the euphoria among financial experts at the start of the year, the stock market had many unpleasant surprises in store for investors in 2011. Although the buoyant economy at the start of the year provided the springboard for rising stock prices, the nuclear disaster in Japan in March put a major damper on positive sentiment. The DAX lost 13 per cent of its value by the end of the month, falling to 6,656 points. However, the temporary state of shock did not last long. Just fourteen days after the accident, the German benchmark index began to rise again, reaching a three-and-a-half-year high on May 2 at 7,527 points.

Anyone dreaming of making the 8,000 point mark was quickly brought back down to earth. As the euro crisis intensified, the high proved to be short-lived. At the end of July, Greece's credit rating was downgraded, followed in August by the cut in the US rating, meaning there was only one direction for the DAX: down. It was not until mid-September that it regained some traction, after dropping below the 5,000 point level for a brief period. Although the benchmark index did struggle back up slightly in the following few weeks, uncertainty in the financial markets was an obstacle to sustained recovery.

The DAX closed 2011 at 5,989 points, 15 per cent below the level as at December 30, 2010.

The TecDAX essentially tracked the DAX, but saw greater losses in the order of 19 per cent. The year was more successful in the DAXsector Software and DAXsubsector IT Services, which recovered significantly better from the price crashes in July, both ending the year with gains of 9 per cent.

PERFORMANCE OF SYZYGY SHARES AND DIVIDEND

SYZYGY stock largely reflected the performance of the indices, particularly the DAXsubsector IT Services.

Starting at XETRA closing price of EUR 3.52 on December 30, 2010 the stock made steady gains in the subsequent weeks. Although the general uncertainty following the nuclear accident at Fukushima initially wiped out the price gains of 10 per cent made up until then, the SYZYGY share price quickly resumed its growth trajectory, reaching its high for the year at EUR 4.09 (+16 %) on May 19.

SYZYGY shares fell sharply during the widespread market sell-off at the end of July, dropping EUR 0.66 within a few days, around a fifth of their value. August 8 marked the low point of the year, at EUR 3.10. As the year progressed, SYZYGY slowly recouped some of the losses, ending 2011 on last year´s level at EUR 3.53.

Taking into account the dividend of EUR 0.20, SYZYGY shares returned EUR 0.21 or 6.0 per cent in the year under review. This figure is comparable with the previous year.

A total of 3.08 million SYZYGY shares with a total price of EUR 11.8 million were traded across all German stock markets on 257 trading days. This corresponds to a daily average of 11,987 SYZYGY shares, 21 per cent less than in 2010.

The Annual General Meeting of SYZYGY AG on May 27, 2011 approved distribution of an ordinary dividend of EUR 0.20 per share for the 2010 financial year. This was paid starting on May 30, 2011.

The dividend yield of 5.7 per cent significantly outperformed other listed digital agencies. While Pixelpark again did not make any distribution, the dividend yield of SinnerSchrader shares was 4.02 per cent, and that of Ad Pepper shares 2.77 per cent. These calculations are based on the XETRA closing price on the relevant balance sheet date for the 2010 financial year.

SHAREHOLDER STRUCTURE

As at December 31, 2011, the shareholders' structure was unchanged compared to the 2010 balance sheet date. Out of a total of 12,828,450 shares, the WPP Group continued to hold 27.9 per cent, Marco Seiler 4.9 per cent and Andrew Stevens 2.9 per cent. 0.2 per cent of the shares were held as treasury stock by SYZYGY AG.

Three institutional investors informed us in the period under review that their shareholding had exceeded the threshold of 3 per cent:

Share Value Stiftung, Germany, holds a total of 3.01 per cent according to its most recent notification of July 28, 2011; Wallberg Invest S.A., Luxembourg, holds a total of 3.04 per cent according to its most recent notification of April 21, 2011; and Capiton Value Beteiligungs-GmbH, Germany, holds a total of 3.26 per cent of the shares according to its most recent notification of January 14, 2011.

In line with the Deutsche Börse definition, the shares held by WPP and the treasury stock held by SYZYGY AG are allocated to non-freefloat. The freefloat was therefore 71.9 per cent.

INVESTOR RELATIONS

SYZYGY AG pursues a policy of providing transparent, timely information 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 business model and the development of the Group, representatives of the management team again attended capital market conferences in the year under review and conducted individual discussions with analysts, investors and representatives of the business and financial press. For example, SYZYGY AG held presentations at the 9th Small Cap Conference and the German Equity Forum (both in Frankfurt), as well as at Capital Market Conferences in Zurich (ZKK) and Munich (MKK).

GBC AG and GSC Research GmbH were engaged to provide analysis on our company in order to supply the market with regular up-to-date assessments and forecasts about the Group's performance and future development. HSBC Trinkaus remained responsible for designated sponsoring.

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, ad hoc announcements and the "Annual Document" can also be found there, with the latter including an overview of all the information published by SYZYGY AG during the previous financial year.

REPORT OF SUPERVISORY BOARD

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. In particular, the Supervisory Board studied the quarterly reports on a regular basis and approved them following discussion with the Management Board.

MEETINGS AND ATTENDANCE

A total of six ordinary meetings of the Supervisory Board were held together with the Management Board in the 2011 financial year, on January 21, March 28, April 26, May 26, July 28 and October 25. All Management Board and Supervisory Board members were either present at these meetings in person or took part by telephone and all important events were discussed and the necessary decisions taken. The operational performance of the individual companies and the Group as a whole was discussed on a regular basis. Further topics discussed in the individual meetings are outlined below:

Following a thorough discussion and debate at its meeting of January 21, 2011, the Supervisory Board passed a resolution to make a wider separation between the main business areas of SYZYGY Deutschland GmbH. This relates to the premises and structure of the two areas, namely the agency business and the platform business. The aim is to create the conditions required to ensure the best possible development of the two areas. A decision was also taken to establish a new company, Hi-ReS! Hamburg GmbH, and to transfer the business operations of SYZYGY Deutschland GmbH's Hamburg office to the new entity. Acquisition of a stake in ArsThanea was also discussed and debated at the meeting on January 21.

After carefully reviewing all the documents, the Supervisory Board received detailed information on the financial statements for the 2010 financial year from members of the Management Board at its accounts review meeting of March 28, 2011. The auditors also attended, presenting the key aspects and results of their checks. All questions were answered by the Management Board and auditors to the Supervisory Board's full satisfaction. The Supervisory Board was thus able to verify that the audit had been correctly conducted and the audit reports properly prepared. Following the presentations, the annual financial statements and the consolidated financial statements were adopted and approved.

On March 28, the agenda for the 2011 Annual General Meeting and the Management Board's dividend proposal were discussed and agreed.

At the meeting held on April 26, the Supervisory Board discussed and approved the figures for the first quarter of 2011.

In addition to discussing the company's performance, the primary purpose of the meeting of May 26 was to prepare for the Annual General Meeting on the following day.

On July 28, the Supervisory Board discussed and approved the figures for the first half of 2011. After careful consideration, it also passed a resolution to acquire a 26 per cent stake in Ars Thanea.

At the meeting held on October 25, the Supervisory Board discussed and approved the business figures for the period to September 30, 2011. It also approved the joint Corporate Governance Declaration issued by the Management Board and Supervisory Board.

Other topics discussed regularly at the meetings included:

- personnel appointments for key positions
- mergers & acquisitions/ international expansion
- strategic direction of the SYZYGY Group
- risk situation of the SYZYGY Group
- acquisition of new clients
- competitive situation
- budgeting and financial planning
- dividend policy
- share price
- election of the auditor

Furthermore, from 12th to 14th October, 2011, the members of the Management Board and the Supervisory Board held a workshop to discuss SYZYGY Group´s strategic direction.

In the current financial year, a Supervisory Board meeting was held on March 26 to adopt the 2011 financial statements.
There was also continual dialogue between the Management Board and Supervisory Board between the ordinary meetings of the Supervisory Board. In particular, the Management Board provided regular written reports about the company's performance and other important events.

MEMBERSHIP AND COMMITTEES
The composition of the Supervisory Board, which consists exclusively of independent members, remained unchanged during the reporting period.

The term of office will expire with the end of the annual general meeting for the financial year 2013.

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. Wilfried Beeck, a financial expert with extensive knowledge of accounting and internal control procedures, took a particular interest in the financial statements, auditing and election of the auditor.

On May 27, 2011, the Annual General Meeting approved the actions of the Management Board and the Supervisory Board in the financial year 2010.

CORPORATE GOVERNANCE
On November 2, 2011, 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 May 26, 2010. 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.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS, APPROPRIATION OF NET PROFIT
Following a proposal by the Supervisory Board, the Annual General Meeting appointed Frankfurt-based BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft as auditors on May 27, 2011. The Supervisory Board has not identified any circumstances that could give rise to a lack of impartiality on the part of the auditors. The auditor himself has issued a statement of independence. Apart from auditing the financial statements, the auditor did not provide any other services.

BDO audited the annual financial statements, the consolidated financial statements and the management report for the 2011 financial year on behalf of the Supervisory Board and granted an unrestricted auditor's certificate in each case. The annual financial statements were prepared in accordance with the provisions of the German Commercial Code (HGB) and the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). All documents relating to the financial statements, audit reports and the Management Board's proposal regarding the appropriation of profits were provided to all members of the Supervisory Board in a timely manner for their deliberations. The auditor also reported to the Supervisory Board on the audit of the accounting-related internal control and risk management system, which did not reveal any weaknesses.

After carefully reviewing all documents, the Supervisory Board received detailed information on the financial statements 2011 from members of the Management Board at its meeting of March 26, 2012. The auditors also attended, presenting the key aspects and results of their checks and being available to answer any questions. All questions were answered by the Management Board and auditor to the Supervisory Board's satisfaction. 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.

Bad Homburg v. d. H., March 26, 2012
The Supervisory Board

Michael Mädel
Chairman of the Supervisory Board

CORPORATE GOVERNANCE AT SYZYGY AG

"Corporate Governance" describes a set of internationally recognized standards and regulations for the responsible and transparent governance of listed companies. In Germany, these standards have been laid down in the German Corporate Governance Code (GCGC), which was adopted in 2002 and has been subject to various amendments ever since then. The code presents recommendations ("shall") as well as suggestions ("should", "can"). Companies may deviate from the recommendations, but have to disclose the exceptions in a yearly declaration of conformity pursuant to § 161 of the German Stock Corporation Act (AktG).

In 2009, transparency law was extended. With coming into force of the German Accounting Law Modernization Act ("BilMog"), § 289a was added to the German Commercial Code (HGB). As of this, the declaration of compliance has to be part of a more elaborate corporate governance statement.

In detail, this statement encompasses:

1. the declaration of conformity with the German Corporate Governance Code in accordance to §161 AktG

2. relevant information on employed corporate governance practices beyond legal requirements

3. a description of the working methods of the Management and Supervisory Board as well as information on the composition and working methods of their committees.

Already in the past, SYZYGY AG publicly avowed its willingness to abide by nationally and internationally recognized standards of fair and responsible corporate governance. In its first declaration in 2002, SYZYGY AG officially recognized the principles, as they are stipulated in the German Corporate Governance Code (GCGC).

SYZYGY AG complies with the current version of the Code as amended on May 26, 2010 with exceptions as stated in the Declaration of Compliance 2011.

DECLARATION OF COMPLIANCE 2011 WITH THE GERMAN CORPORATE GOVERNANCE CODE AS AMENDED ON MAY 26, 2010

Pursuant to Art. 161 of the German Stock Corporation Act (AktG), the Management and Supervisory Board of SYZYGY AG hereby declare that the recommendations of the German Corporate Governance Code (GCGC) as amended on May 26, 2010 have been and are met with the following exceptions:

- Filling of managerial positions in consideration of diversity and, in particular, in appropriate consideration of women (section 4.1.5): In accordance with the general equality principle, the management of SYZYGY AG fill managerial positions not on the basis of gender but with respect to qualifications.

- Appointment of Management Board Members in consideration of diversity and, in particular, in appropriate consideration of women (section 5.1.2): In accordance with the general equality principle, the Supervisory Board of SYZYGY AG appoint Management Board members not on the basis of gender but with respect to qualifications.

- Formation of committees of Supervisory Board Members (sections 5.3.1, 5.3.2 and 5.3.3):
  As the Supervisory Board consists of three members only, no committees were and will be set up.

- Specification of concrete objectives regarding the composition of the Supervisory Board (section 5.4.1):
  The new section 5.4.1 asks the Supervisory Board to specify concrete objectives regarding its composition. The last elections to the Supervisory Board were conducted in May 2009 before section 5.4.1 came into effect. Therefore, an according statement does not yet exist. The Supervisory Board Members of SYZYGY AG are designated experts of the IT- and media industry, though. In the run-up of the next elections to the Supervisory Board, SYZYGY AG will specify concrete objectives for the composition of the Board.

- Compensation of Supervisory Board Members (section 5.4.6):
  By mutual agreement, all Supervisory Board Members receive the same compensation as their amount of work is comparable.

Bad Homburg v. d. H., November 2, 2011

The Management and Supervisory Board
SYZYGY AG

REMUNERATION REPORT

The remuneration report is a material part of the declaration of conformity with the German Corporate Governance Code. It sets out the basis used for the remuneration of SYZYGY AG's Management and Supervisory Boards. It also declares both the level and structure of this remuneration.

MANAGEMENT BOARD REMUNERATION

The remuneration system for the Management Board is determined by SYZYGY AG's Supervisory Board. The full remuneration package consists of the following components:

- non success-related remuneration
- success-related remuneration
- other benefits

The non success-related remuneration is paid monthly as a basic salary. The success-related remuneration consists of two components:
A success-related bonus is granted upon achievement of financial targets at end-of-quarter, stipulated in the annual plan and agreed upon by the Supervisory Board. Additionally, upon achievement of long-term business goals the members of the Management Board will receive SYZYGY shares with a holding period of at least two years.

The Management Board members receive other benefits in the form of contributory payments to accident - and pension insurances as well as the private use of a company car or a car allowance of up to 15.000 Euro per year respectively.

SUPERVISORY BOARD REMUNERATION

The remuneration of SYZYGY AG's Supervisory Board is governed by article 6 (8) of the company's Articles of Association and is based on a resolution of the Shareholders' General Meeting of June 4, 2003. In addition to reimbursement of their expenses, each member of the Supervisory Board receives a remuneration package made up of a fixed and a variable component. The fixed remuneration is EUR 15,000. This fixed remuneration goes up by EUR 5,000 if the company's share price has risen by at least 20 per cent during the financial year in question. The definitive share prices for the year-on-year comparison are determined from the share's average closing price in the Xetra trading system on the Frankfurt stock market during the first five trading days of a given financial year and the first five trading days of the following year. Members of the Supervisory Board not in office for the full year receive pro-rata remuneration.

Additional information on remuneration of the executive bodies can be found on pages 35 f and 80. The annual declarations of conformity, remuneration reports and relevant basic information are permanently available on the website at www.syzygy.net under Investor Relations.

FINANCIAL STATEMENTS 2011

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

For an overview of the financial figures 2011
please see the preface pages.

MANAGEMENT REPORT

1. GENERAL

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

2. BUSINESS ACTIVITIES AND STRUCTURE OF THE GROUP

SYZYGY is an international agency group for digital marketing with some 280 employees. The Group consists of SYZYGY Aktiengesellschaft and its eight subsidiaries: SYZYGY Deutschland GmbH, SYZYGY UK Ltd, uniquedigital GmbH, Unique Digital Marketing Ltd, the design studios Hi-ReS! London Ltd, Hi-ReS! New York Inc and Hi-ReS! Hamburg GmbH, and Mediopoly Ltd. The Group has also held a stake in Polish design studio Ars Thanea, Warsaw, since August 3, 2011. Rather than being fully consolidated, the associated company is taken into account in financial income as at December 31, 2011, using the at equity method.

The operating units of the SYZYGY Group offer large international companies a comprehensive range of digital marketing services, from strategic consulting to project planning, concepts and design to technical realisation of websites, online campaigns, platforms and mobile applications. The company's services are complemented by Computer-Generated Imagery (CGI), search engine marketing and online media planning. SYZYGY thus enables its clients to use the (mobile) 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.

3. ECONOMIC ENVIRONMENT

3.1 GENERAL ECONOMIC SITUATION

The 2011 financial year in Europe was dominated by a constant stream of new developments relating to the euro crisis, which escalated further during the year. Following Greece and Ireland, Portugal also found itself in serious financial difficulties and applied for support from the EFSF bailout fund in April 2011. Although special summit meetings followed each other with increasing frequency, their effectiveness remained in doubt. In December, rating agency Standard & Poor's threatened to downgrade the credit rating of 14 Eurozone countries, which it then did in nine cases a short time later. While Germany retained its top rating, France and Austria were downgraded to AA+. Italy, Spain, Portugal and Cyprus each dropped two notches.

Back in August, Standard & Poor's had stripped the USA of its AAA rating, which the country had held continuously since 1941, downgrading the world's biggest economy to AA+.

Despite the increasing weakness of the Southern European periphery, the overall Eurozone economy proved surprisingly robust. Eurostat and the International Monetary Fund calculated GDP (gross domestic product) growth of 1.5 per cent and 1.6 per cent respectively for 2011, following 1.9 per cent the year before.

Germany took top spot among the strongest Eurozone economies, with above-average growth of 3.0 per cent. The ifo Business Climate Index revealed that this growth story was not without its problems, however. The index fell several points in the course of the third quarter, with respondents less optimistic about both their current situation and the future of their companies than in the first half of the year.

Growth in the UK was only 0.9 per cent, once again lagging the average of the 27 EU states (+1.6 %). It was also down on the growth of the British economy in 2010 (+2.1 %). Public debt, declining industrial output and over-dependence on the fragile financial sector were all obstacles to sustained economic recovery.

3.2 ADVERTISING MARKET

Advertising spending in 2011 revealed a now familiar picture. While total spend across all advertising channels saw growth rates of no better than the middle single-digit range, both globally and in the markets in which SYZYGY operates, the online advertising market grew much more strongly.

According to estimates by ZenithOptimedia, companies worldwide spent 3.5 per cent more on advertising in 2011 than in 2010. Of a total spend of USD 458 billion, USD 72.8 billion was invested in online advertising, a rise of 13.8 per cent.

In line with the unexpectedly strong economy, the German gross advertising market also grew. It gained 5 per cent in the first half of 2011 according to Nielsen, but growth then slowed over the rest of the year. Total spending was EUR 25.8 billion, up 3.5 per cent.

The driver of growth was again the Internet, with expenditure on banner advertising, for example, reaching EUR 2.9 billion in the period under review – 22.5 per cent more than in the prior year, 2010.

PricewaterhouseCoopers calculated annual online advertising sales of EUR 4.0 billion (+11.4 %) for Germany, while the German Online Marketing Group (OVK) put total spend much higher, at EUR 5.7 billion. This variation is primarily due to the fact that different advertising and marketing activities are taken into account in each of the forecasts.

In October 2011, ZenithOptimedia forecast a rise in online advertising spending of 8.7 per cent for the UK. In contrast, the overall advertising market is expected to have risen by only 0.9 per cent to GBP 11.8 billion in 2011.

Whole-year figures from the Internet Advertising Bureau (IAB) were not yet available when this report was being prepared, but for the first half of 2011 the IAB calculated that investment in digital advertising reached GBP 2.26 billion, 13.5 per cent more than in the first six months of the prior year. Expenditure across all advertising channels, on the other hand, only rose by 1.4 per cent according to the IAB.

4. PERFORMANCE AND SITUATION OF THE GROUP

4.1 SALES

The SYZYGY Group increased its sales in the year under review by 4 per cent to EUR 28.3 million. With business still slow in the UK, another significant factor was that customers in the financial sector were curtailing their spending. As the euro crisis intensified, they reduced their advertising spend substantially from the second half of the year onwards. As a result, the proportion of sales accounted for by the financial services sector fell by 5 percentage points to a level of 10 per cent. After several years of decline, the proportion generated with customers from the automotive sector saw an increase, reaching 32 per cent at the balance sheet date. The retail and consumer goods sector (20 %) and telecommunications/IT (16 %) remained constant. Media/entertainment posted a small drop to 3 per cent. SYZYGY generated 19 per cent of its sales with companies that cannot be assigned to any of these industries, 3 percentage points more than in 2010.

As in the two previous years, the SYZYGY Group's ten largest clients accounted for 59 per cent of total sales.

4.2 OPERATING EXPENSES AND DEPRECIATION

Since the cost of sales rose slightly ahead of sales, gross margin fell by 2 percentage points to 31 per cent.

Sales and marketing costs amounted to EUR 2.5 million in the year under review, 5 per cent more than in 2010. Major costs were incurred through the development of a new corporate design, which brings all the SYZYGY Group's individual entities together under one visual roof. This item also reflects expenditure resulting from expansion of the portfolio of services and the associated sales and salary costs.

General administrative expenses rose by 3 per cent to EUR 3.9 million; the increase is mainly due to higher consultancy fees relating to mergers & acquisitions activity and start-up costs for Hi-ReS! New York.

4.3 OPERATING INCOME AND EBIT MARGIN

In the year under review, the SYZYGY Group invested heavily in developing and expanding its areas of business. Establishment of two new companies, Hi-ReS! New York and Hi-ReS! Hamburg, led to expenses for formation, start-up and relocation, amounting to some EUR 0.4 million. Relocation of a part of SYZYGY Deutschland GmbH to Frankfurt city centre and taking a stake in Ars Thanea also incurred costs that adversely affected operating income. As a result, EBIT fell by 18 per cent to EUR 2.6 million.

The EBIT margin went down by three percentage points to 9 per cent.

4.4 FINANCIAL POSITION AND FINANCIAL INCOME

Liquid funds and securities totalled EUR 19.6 million at the balance sheet date, 18 per cent less than at December 31, 2010. Significant cash outflows were recorded primarily in the first half of the year, resulting from payment of an ordinary dividend (EUR 2.6 million), tax payments of EUR 2.2 million and earn-out payments relating to previous company acquisitions amounting to EUR 0.7 million.

Net interest income improved by 20 per cent to EUR 1.3 million, corresponding to a return of 6.8 per cent on the average available liquid funds and securities. The significant rise is due primarily to capital gains of EUR 0.3 million.

Including income from participations of EUR 0.1 million, financial income totalled EUR 1.4 million.

As at the balance sheet date, investments comprised 64 per cent corporate bonds and 36 per cent overnight deposits (prior year: 75 % and 25 % respectively). The average residual maturity was 5.7 years.

4.5 INCOME TAXES, NET INCOME, EARNINGS PER SHARE

Following a very low income tax charge in 2010 due to special circumstances related to reclaiming corporation tax and trade tax on unrecognised impairment losses, tax liability returned to normal levels in the year under review, at EUR 1.1 million. Net income was down 24 per cent to EUR 2.9 million. With 12,803,450 shares qualifying for participation in the profits, this represents earnings per share of EUR 0.22.

4.6 SEGMENT REPORTING

In line with the management approach, SYZYGY AG uses geographical criteria to report segments and thus distinguishes between Germany and the UK.

In Germany, sales rose slightly to EUR 18.0 million despite a reluctance to invest on the part of clients in the financial sector and weaker online marketing results. Operating income of EUR 4.0 million was 8 per cent below the prior-year figure, while the EBIT margin of 22 per cent remains very satisfactory.

In a tough economic environment, the UK segment increased its sales slightly for the first time since the 2008 financial year, growing them by 3 per cent to EUR 10.5 million. With EBIT coming in at EUR 1.3 million, the EBIT margin was 12 per cent. Central functions include the revenue and expenses of the holding company and Hi-ReS! New York that cannot be allocated to the segments; EBIT in this area was EUR -2.7 million (prior year EUR -1.9 million).

Overall, the German companies generated 63 per cent of total Group sales, while the proportion attributable to the UK agencies was 37 per cent. Due to its higher profitability, the German segment made a disproportionate contribution of 76 per cent to the operating income of the two segments.

4.7 OPERATING CASH FLOW

While operating cash flow was still EUR -5.0 million in the first two quarters, it improved considerably as the year went on, closing at EUR 2.0 million as at the balance sheet date.

Considerable inflows were derived from the net income of EUR 2.9 million and the reduction in accounts receivable by EUR 2.2 million. Meanwhile, settlement of tax liabilities totalling EUR 2.2 million had a negative impact. This amount includes both payments in arrears for 2009 and payments on account for 2011. Cash outflows also resulted from the reduction in accounts payable by EUR 0.7 million due to less online marketing business as at year-end compared with the previous year.

4.8 INVESTMENTS, RESEARCH AND DEVELOPMENT

SYZYGY invested EUR 1.5 million in intangible assets and fixed assets in the 2011 financial year. This primarily includes purchases made in relation to the two relocations, for SYZYGY Deutschland and Hi-ReS! Hamburg. Investment was also made in software and hardware, as well as other equipment for the Group's employees.

Expenses were also incurred in the first half of the year for development of the innovative GOAB TV concept, in which SYZYGY intelligently combines conventional television with Web functionality. GOAB has met with a huge response worldwide and attracted the attention of big-name companies across a range of industries. The implementation of individual elements is currently at the planning stage.

4.9 FINANCIAL STATUS

Total assets of the SYZYGY Group were EUR 54.1 million at the reporting date, 8 per cent less than the previous year.

The reduction in assets is due principally to the decrease in liquid funds and securities. At about EUR 19.6 million, they were approximately 18 per cent below the previous year's level. A reduction in accounts receivable by EUR 2.2 million, attributable to a year-end drop in online marketing sales compared with the previous year, was a further factor in the decline in total assets.

There were increases in intangible assets and fixed assets. Investment in office equipment increased the value of this item by EUR 0.8 million to a total of EUR 2.6 million.

The stake in Ars Thanea, which is measured and recognised at equity, also increased fixed assets by EUR 0.6 million.

Equity of EUR 39.9 million was EUR 0.5 million below the previous year's level. This figure results from a EUR 0.8 million drop in cumulated other net income and a rise in retained earnings of EUR 0.3 million.

Other liabilities fell by EUR 1.2 million to EUR 0.6 million since unlike the previous year they comprise lower income tax liabilities and no more earn-out liabilities relating to previous company acquisitions. The latter item was settled in full in the year under review, such that the figure reported as at December 31, 2011 now only includes liabilities from ongoing business.

The Group equity ratio has increased again due to the drop in total assets relative to total equity. As at the balance sheet date it was 74 per cent, compared with 69 per cent as at the previous year's reference date.

SUMMARY IN ACCORDANCE WITH DRS 15

The following table shows a multi-year comparison of key financial figures in accordance with DRS 15:

	2007	2008	2009	2010	2011
Sales in EUR'000	27,351	31,707	28,833	27,247	28,313
EBIT in EUR'000	3,372	5,163	3,556	3,168	2,588
EBIT margin	12%	16%	12%	12%	9%
Earnings per share in EUR	0.21	0.30	0.28	0.30	0.22

4.10 EMPLOYEES

As at December 31, 2011, the companies in the SYZYGY Group employed 269 persons, an increase of 12 per cent. 178 employees worked for the four German entities, namely SYZYGY AG (19), SYZYGY Deutschland GmbH (88), uniquedigital GmbH (59) and Hi-ReS! Hamburg GmbH (12); 86 persons were employed in the agencies of the UK segment: SYZYGY London Ltd (40), Unique Digital Marketing Ltd (32) and Hi-ReS! London Ltd (14). In addition, 5 persons were employed at Hi-ReS! New York Inc.

Ten freelance employees also worked for the SYZYGY Group on average over the financial year.

Sales per head were EUR 103,000 (annual average).

In terms of employees by function, online marketing comprised the largest group at 28 per cent. Technology-related roles were filled by 18 per cent of employees, while 15 per cent worked in design and the same percentage in administration. 14 per cent of employees were engaged in project management and 10 per cent worked in strategy consulting.

5. 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.

5.1 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 basic remuneration
- performance-related remuneration
- other benefits

The non performance related remuneration is paid each month as a basic salary. Performance related remuneration includes two components: the first component is paid on the basis of achieving financial targets set in the yearly planning for each of the quarters and decided upon by the Supervisory Board. Secondly, members of the Management Board are awarded shares with a holding period of at least two years if long-term objectives are achieved.

The members of the Management Board receive other benefits in the form of payment of contributions to pension and accident insurance as well as private use of a company car or a car allowance of up to EUR 15,000 per year.

COMMITMENTS IN THE EVENT OF TERMINATION

The Company has not entered into any commitment to provide the Management Board of SYZYGY AG with retirement benefits. If an employment contract is terminated prematurely, a severance payment would be 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 post contractual competition prohibition of up to 12 months may be agreed following premature termination of the contract. In this case, the Management Board member will additionally receive compensation of 50 per cent of their most recently received average contractual payments.

Details of the remuneration of the Management Board for the 2011 financial year can be found in the notes to the consolidated financial statements.

5.2 REMUNERATION SYSTEM FOR THE SUPERVISORY BOARD

Remuneration of the Supervisory Board is set out in Article 6 (8) of SYZYGY AG's Articles of Association and dates from a resolution passed by the Annual General Meeting on June 4, 2003. In addition to having their expenses reimbursed, each member of the Supervisory Board receives remuneration consisting of a fixed and a variable component. The fixed remuneration amounts to EUR 15,000 per year. It 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.

Details of the remuneration of the Supervisory Board for the 2011 financial year can be found in the notes to the consolidated financial statements.

6. 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 12,828,450 and is divided into 12,828,450 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.

- At 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 27.90 per cent of the shares. It should additionally be noted that the Chairman of the Management Board holds 4.86 per cent and the Chief Operating Officer (COO) of SYZYGY AG 2.93 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 May 29, 2009 authorised the Management Board to increase the common stock of SYZYGY AG, with the agreement of the Supervisory Board, by up to EUR 1,200,000 in the period to May 28, 2014 by issuing a total of 1,200,000 option rights for one SYZYGY AG no par value share each.

- In line with the Annual General Meeting's resolution of May 28, 2010, the Management Board is authorised, within 5 years, 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.

- The Annual General Meeting's resolution of May 27, 2011 authorises the Management Board to increase the common stock of the company, with the agreement of the Supervisory Board, on one occasion or on several occasions up to an overall maximum of EUR 6,000,000 in the period to May 27, 2016 by issuing new bearer shares against cash contributions and/or contributions in kind (Authorised Capital 2011).

- 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.

7. RISKS AND OPPORTUNITIES OF FUTURE BUSINESS DEVELOPMENT

7.1 RISKS

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 for SYZYGY. Any capacity adjustments which may be necessary become effective with a time lag and involve restructuring costs.

OPERATING RISK

Approximately 59 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 usually 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, the success of the SYZYGY Group could be at risk.

CURRENCY RISK

SYZYGY generates around one third of its sales in the UK, so exchange rate fluctuations between sterling and the euro can affect sales and annual net income positively or negatively in the event of deviation from the rate used for planning purposes. Nevertheless, SYZYGY does not enter into any hedging transactions because sales in the UK market are countered by expenses 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 relating to 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 price of such securities, while a decline has a positive impact. SYZYGY minimises default risk by investing in a diversified range of investment-grade securities and counters interest rate risk by investing in varying maturities.

RISKS FROM ACQUISITIONS

Company acquisitions have been and still 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 will entail impairment losses. In these circumstances an exceptional depreciation of goodwill would prove necessary.

TAX RISK

SYZYGY AG applied an impairment loss on foreign subsidiaries in its 2001 financial statements. Due to the sustained losses being made at SYZYGY France S.A. at that time and the subsequent management buy-out at the nominal price of EUR 1.00, this stake was written down to a fair value of zero, giving rise to a tax loss of EUR 2.0 million. The Bad Homburg tax office rejected this impairment loss in subsequent years, citing Article 8b [3] of the Corporation Tax Act (KStG). This legislation, it claimed, no longer allowed impairment losses on foreign subsidiaries. In the meantime the European Court of Justice (ECJ) has recognised impairment losses in comparable cases. As a result, SYZYGY recognised a tax and interest claim against the tax office amounting to EUR 1.1 million in its 2010 financial statements and the company asserted the claim in 2011. The Bad Homburg tax office has so far not lodged an appeal. If the outcome of the appeal goes against the company, SYZYGY would have to take legal action in order to assert the claims in court. All judicial proceedings incur risks in relation to the outcome of the case, even if similar cases have already been decided positively at supreme court level.

7.2 OPPORTUNITIES

In recent years the Internet has become almost indispensable as a communication medium for large swathes of the population, for both private and job-related use. This trend is being boosted by the increasing shift of TV and video content to the Web, combined with the huge success of social networks, which are helping to further embed the Internet in users' lives. Widespread use of tablet PCs and continuing leaps in smartphone capabilities have given additional impetus to the integration of digital content into everyday life, opening up entirely new horizons to advertisers for mobile targeting and selling.

The Internet has brought a fundamental change to the rules of marketing, making the advertising market more fragmented and more complex than ever. Agencies must find ways of excelling in this sophisticated world, strategically, creatively and technologically. There are two challenges facing firms in this sector: they must meet the increasing demands of an "always-on" society while also providing support to companies in achieving their goals in relation to sales and reputation. The potential of digital channels for marketing purposes is far from exhausted; rather, it increases with each technological innovation.

SYZYGY has been an Internet agency since the early days and can look back on many years of extensive digital capability. The Group is aligning itself with the advancing convergence of online and offline communication by developing cross-company units for digital management of strategy and brands. By doing so, SYZYGY can become the first-choice partner for new marketing challenges and increasingly take the role of lead agency for high-profile brands.

8. INTERNAL CONTROL SYSTEM

The risk early warning systems used are based on monthly reporting. This reporting includes new business activities and the qualitative performance of the subsidiaries, in addition to financial reporting (budget, updated forecast and actual figures). A risk management system is integrated into financial reporting which ensures that risk identification, risk communication and monitoring of operational risk takes place at monthly intervals. Risks are then aggregated at holding company level and risk management action is initiated by the holding company. Additionally, all the subsidiaries are subject to a monthly review.

In accordance with Article 289 [5] of the Handelsgesetzbuch (HGB – German Commercial Code), the accounting requirements of SYZYGY AG are implemented in most subsidiaries with a standard bookkeeping system with a standard chart of accounts used across the SYZYGY Group. All subsidiaries are subject to an internal audit at least once a quarter by the Central Finance Department of SYZYGY AG. This involves analysing, checking and ensuring compliance with accounting requirements and scrutinising the procedures for processing data. Financial transactions always require two signatures as part of an approval procedure (dual-control principle).

The internal control systems are buttressed by external auditing bodies, such as the statutory auditor, and external tax audits.

After preparation of the SYZYGY Group's quarterly reports, they are examined and approved by the Supervisory Board of SYZYGY AG.

In addition, accounting staff are brought up to date with statutory requirements via regular internal and external training courses.

9. OUTLOOK AND FORECAST

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

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

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

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

9.1 GENERAL ECONOMIC DEVELOPMENT

In this fourth year since the collapse of Lehman, the economic future of Europe appears to be more uncertain than ever. In some regions, economic performance seems to be stabilising, albeit at a low level. Elsewhere, the Southern European countries are struggling with a vicious circle of rising debt, a shrinking economy, unemployment and weak domestic demand. The impact of a possible Greek bankruptcy and of the associated multi-billion bailout packages are particularly difficult to gauge. Predictions therefore carry a greatly increased downside risk. For this reason, forecasts often refer to their underlying assumption that the Greek debt crisis can be resolved and that it will not have any unforeseeable consequences for the Eurozone and the overall European economy.[1]

Even though the various forecasts differ in detail, they do agree in terms of the general trend. It is expected that growth in 2012 will be below the previous year's level in many cases and even mild recessions are possible, while 2013 is expected to usher in economic recovery.

Eurostat forecasts slight growth of 0.5 per cent for the 17 Eurozone countries in 2012. In contrast, the International Monetary Fund (IMF) expects the European economy to shrink by 0.5 per cent. The forecasts for 2013 are somewhat more positive, at 1.3 per cent and 0.8 per cent respectively.

Germany will also be unable to maintain the 3.0 per cent growth it achieved in 2011. Eurostat and the German federal government expect that Germany will see GDP performance of 0.8 per cent and 0.7 per cent respectively in 2012, while the IMF again comes in with a more conservative figure, at 0.3 per cent. For 2013, the forecasts are for 1.5 per cent growth.

Although not in the Eurozone, the UK is significantly affected by events on the European continent due to its close economic and financial ties with the monetary union countries. The country also faces fundamental structural problems due to its strong focus on the financial sector, with manufacturing playing a shrinking role. These problems remain unresolved.

As a result, forecasts for the UK in 2012 are also low, averaging 0.5 per cent. This figure is based on 27 individual figures ranging from -1.3 per cent to 1.5 per cent. At 0.5 per cent to 2.5 per cent, the range for 2013 at least indicates a common trend, averaging out at 1.8 per cent.

9.2 ADVERTISING MARKET

In 2012, the European advertising market is confronted with two very different influences. On the one hand, we have negative economic expectations and the uncertainties surrounding the euro crisis, which could have an inhibiting effect on advertising spend. On the other hand, the world will be watching two major international events this year, the Summer Olympics and the European Football Championship, which will boost advertising.

For Germany, PricewaterhouseCoopers forecasts a rise in total advertising investment of 3.7 per cent in 2012. Online advertising is expected to see a double-digit increase, up 11.6 per cent. PwC calculated similar figures for 2013, at 3.1 per cent and 11.1 per cent respectively.

The German Online Marketing Group (OVK) believes the online advertising market will grow by 11 per cent in 2012, reaching a total of EUR 6.3 billion.

1 – All the forecasts available at the time this annual report was prepared were made before February 20, 2012, i.e. before the commitment to a further bailout package for Greece amounting to EUR 130 billion.

In the case of the UK, the Advertising Association/WARC expects that the declining economy will partially offset the special impact of the Olympics and the European Championship. The Association has therefore revised its previous forecast for 2012 downwards by just under one percentage point, to 3.8 per cent. ZenithOptimedia has also cut its forecast for the UK slightly, and now expects a rise in advertising spend of 4.5 per cent. Expenditure on online advertising is expected to be 10.4 per cent higher than in 2011.

9.3 PERFORMANCE OF THE SYZYGY GROUP

Digital marketing has so far proved to be largely crisis-proof due to its precision targeting and the high degree of transparency regarding its success. As a result, SYZYGY expects that companies will continue to dedicate more of their existing advertising budget to online advertising and search engine marketing, or increase their budgets in this area, even when the economy is softening.

In addition to social networks, the mobile Internet and applications for smartphones and tablet PCs offer ever wider and more complex opportunities for digital marketing.

SYZYGY currently sees opportunities for organic and inorganic growth primarily in Germany. Moving into new offices in Frankfurt city centre was an important step towards making a wider separation between the main business areas of SYZYGY Deutschland GmbH. The aim is also to strengthen and expand these two areas, namely the agency business and the platform business.

The Group also established the new company Hi-ReS! Berlin GmbH in January 2012, which will commence business operations in the second quarter of 2012.

For 2012, the SYZYGY Group is aiming to achieve double-digit growth in sales. This growth is expected to be driven by the German segment, while sales in the UK segment are likely to fall slightly.

Investment in expanding the Group could put pressure on the operating income of the German segment. For this reason, SYZYGY anticipates only single-digit EBIT growth in both segments overall.

For 2013, SYZYGY expects a return to double-digit growth in both business segments, in terms of both sales and EBIT.

The newly formed company Hi-ReS! New York is expected to achieve double-digit sales growth and a positive operating result both in 2012 and in 2013.

10. MATERIAL EVENTS AFTER THE BALANCE SHEET DATE

With effect from January 25, 2012, the SYZYGY Group established the new company Hi-ReS! Berlin GmbH, which will commence business operations in the second quarter of 2012.

No other significant events occurred that could have a material impact on the Company’s net assets, financial position and results of operations.

11. DECLARATION ON COPORATE GOVERNANCE IN ACCORDANCE WITH ART. 289A HGB (GERMAN COMMERCIAL CODE)

On November 2, 2011, the Supervisory Board and the Management Board released an updated declaration of conformity with the German Corporate Governance Code.

Additional information on the functioning of the Management Board and the Supervisory Board are provided in the corporate governance statement.

Both declarations can be found on the SYZYGY website at www.SYZYGY.net in the Investor Relations section.

RESPONSIBILITY STATEMENT BY THE LEGAL REPRESENTATIVES IN ACCORDANCE WITH SECTION 37Y WPHG (GERMAN SECURITIES TRADING ACT) IN CONJUNCTION WITH SECTION 37W PARA. 2 NO. 3 WPHG

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Bad Homburg v.d.H., March 26, 2012

SYZYGY AG
The Management Board

CONSOLIDATED BALANCE SHEET

ASSETS		12/31/2011	12/31/2010
	NOTE	EUR'000	EUR'000
Non-current assets			
Goodwill	(3.1)	19,495	19,401
Fixed assets, net	(3.2)	2,565	1,750
Fixed asset investment	(3.3)	604	
Other assets	(3.4)	511	487
Deferred tax assets	(3.5)	603	57
Total non-current assets		**23,778**	**21,695**
Current assets			
Cash and cash equivalents	(3.6)	7,533	5,839
Marketable securities	(3.6)	12,024	18,042
Accounts receivable, net	(3.7)	8,523	10,675
Prepaid expenses and other current assets	(3.8)	2,203	2,215
Total current assets		**30,283**	**36,771**
Total assets		**54,061**	**58,466**

EQUITY AND LIABILITIES		12/31/2011	12/31/2010
	NOTE	EUR'000	EUR'000
Equity			
Common stock*	(3.9.1)	12,828	12,828
Additional paid-in capital	(3.9.3)	20,207	20,207
Own shares	(3.9.4)	-116	-116
Accumulated other comprehensive income	(3.9.5)	-2,900	-2,107
Retained earnings	(3.9.6)	9,918	9,601
Total Equity		**39,937**	**40,413**
Non-current liabilities			
Long term liability	(3.13)	200	249
Deferred tax liabilities	(5.7)	57	55
Total non-current liabilities		**257**	**304**
Current liabilities			
Tax accruals and liabilities	(3.12)	785	2,874
Other provisions	(3.11)	2,170	1,439
Customer advances		2,052	2,399
Accounts payable	(3.11)	8,255	9,205
Other current liabilities	(3.13)	605	1,832
Total current liabilities		**13,867**	**17,749**
Total liabilities and equity		**54,061**	**58,466**

* Contingent Capital EUR'000 1,200 (Prior year: EUR'000 1,200).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		2011	2010	DIFF.
	NOTE	EUR'000	EUR'000	
Sales	(5.1)	**28,313**	**27,247**	**4 %**
Cost of sales		-19,609	-18,170	8 %
Sales and marketing expenses		-2,542	-2,415	5 %
General and administrative expenses		-3,939	-3,810	3 %
Other operating income/expense, net	(5.2)	365	316	16 %
Operating profit		**2,588**	**3,168**	**-18 %**
Financial income, net	(5.6)	1,387	1,107	25 %
Income before taxes		**3,975**	4,275	-7 %
Income taxes	(5.7)	-1,097	-479	129 %
Net income		**2,878**	**3,796**	**-24 %**
thereof Income share to shareholders of SYZYGY AG		2,878	3,796	-24 %
Period Net income		**2,878**	**3,796**	**-24 %**
Currency translation adjustment	(5.8)	241	524	-54 %
Net unrealized gains/losses on marketable securities	(3.6)	-1,550	347	n. a.
Tax effect		516	-42	n. a.
Other comprehensive income		**-793**	**829**	**n. a.**
Comprehensive income		**2,085**	**4,625**	**-55 %**
Earnings per share from total operations (diluted and basic in EUR)	(6.1)	0.22	0.30	-27 %

CONSOLIDATED STATEMENT OF CASH FLOWS

	12/31/2011	12/31/2010
	EUR'000	EUR'000
Period net income	**2,878**	**3,796**
Adjustments to reconcile income from continuing operations to net cash provided by operating activities		
– Writedown of marketable securities	-213	237
– Depreciation on fixed assets	628	773
– Profit and loss on sale of securities	-236	-301
– Income tax income and expenses	1,097	479
– Interest income and expenses	-1,090	-804
– Income from Fixed Asset Investments at equity	-62	0
– Other non-cash income and expenses	50	-1,178
Changes in operating assets and liabilities:		
– Accounts receivable and other assets	2,169	7,416
– Customer advances	-347	678
– Accounts payable and other liabilities	-2,222	-3,131
– received/paid income taxes	-1,530	-446
– received/paid interest	877	813
Cash flows provided by operating activities	**1,999**	**8,332**
Proceeds from sale of fixed assets	113	77
Changes in other non-current assets	-24	-26
Investments in fixed assets	-1,495	-296
Purchases of marketable securities	-5,135	-19,117
Proceeds from sale of marketable securities	10,052	16,275
Acquisition of at equity companies	-531	0
Acquisition of consolidated companies	-723	-5,159
Cash flows used in investing activities	**2,257**	**-8,246**
Capital increase	0	2,572
Dividend	-2,561	-2,561
Cash flows from financing activities	**-2,561**	**11**
Total	**1,695**	**97**
Cash and cash equivalents at the beginning of the year	**5,839**	**5,747**
Exchange rate differences	**-1**	**-5**
Cash and cash equivalents at the end of the year	**7,533**	**5,839**

STATEMENT OF CHANGES IN EQUITY

EUR'000	NUMBER OF SHARES (IN THOUSAND)	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	OWN SHARES	RETAINED EARNINGS	ACCUM. OTHER COMPRE-HENSIVE INCOME: FOREIGN EXCHANGE CURRENCY	ACCUM. OTHER COMPRE-HENSIVE INCOME: UNREALISED GAINS AND LOSSES	TOTAL EQUITY
January 1, 2010	**12,078**	**12,078**	**18,385**	**-116**	**8,444**	**-2,591**	**-345**	**35,855**
Comprehensive income					3,796	524	305	4,625
Dividend					-2,561			-2,561
Increase of capital	750	750	1,822					2,572
Transfer in Retained Earnings					-78			-78
December 31, 2010	**12,828**	**12,828**	**20,207**	**-116**	**9,601**	**-2,067**	**-40**	**40,413**
January 1, 2011	**12,828**	**12,828**	**20,207**	**-116**	**9,601**	**-2,067**	**-40**	**40,413**
Comprehensive income					2,878	241	-1,034	2,085
Dividend					-2,561			-2,561
December 31, 2011	**12,828**	**12,828**	**20,207**	**-116**	**9,918**	**-1,826**	**-1,074**	**39,937**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES AND METHODS

1.1 GENERAL

The consolidated financial statements of SYZYGY AG (”SYZYGY“, ”SYZYGY Group“ or ”Company“ in the following) for the 2011 financial year have been prepared in accordance with the International Financial Reporting Standards (IFRS) 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, 2011, as they are applied in the European Union and in line with the supplementary provisions of Article 315a of the Handelsgesetzbuch (HGB – German Commercial Code). The financial year corresponds to the calendar year.

The Company was entered in the Commercial Register at the District Court of Bad Homburg (HRB 6877) on May 1, 2000 under the company name SYZYGY AG. The Company's registered office is in Bad Homburg, Germany. Its address is: SYZYGY AG, Im Atzelnest 3, 61352 Bad Homburg v. d. H., Germany.

1.2 BUSINESS ACTIVITY

SYZYGY is a worldwide agency group for interactive marketing. SYZYGY AG acts as a management holding providing central services for Strategy, Planning, technological Development, Accounting, IT-Infrastructure and Treasury. Moreover, SYZYGY AG supports the entities in New Business activities and provides sales from projects with third parties. As operating entities, the subsidiaries are responsible for providing consultancy and other services. With branches in Bad Homburg, Frankfurt/Main, Hamburg, London and New York, the subsidiaries offer large international 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 (mobile) 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, financial services, telecommunications/IT, retail and consumer goods and media and entertainment industries.

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 IFRS-compliant accounting and valuation principles. The reporting dates for these companies correspond to the reporting date for the Group.

As at December 31, 2011, the following subsidiaries were included in the consolidated financial statements of SYZYGY AG, since SYZYGY AG holds the majority of the voting rights, directly or indirectly, and it can control the financial and corporate policy of these companies:

- Hi-ReS! Hamburg GmbH, Hamburg, Germany (Hi-ReS! HH)
- Hi-ReS! London Ltd, London, United Kingdom (Hi-ReS! LON)
- Hi-ReS! New York Inc, New York City, United States (Hi-ReS! NY)
- Mediopoly Ltd, Jersey, United Kingdom (Mediopoly)
- SYZYGY Deutschland GmbH, Bad Homburg v.d.H., Germany (SYZYGY Deutschland)
- SYZYGY UK Ltd, London, United Kingdom (SYZYGY UK)
- uniquedigital GmbH, Hamburg, Germany (uniquedigital)
- Unique Digital Marketing Ltd, London, United Kingdom (Unique Digital UK)

In addition to the fully consolidated entities, Ars Thanea s.k.a., Warsaw, Poland (Ars Thanea) is consolidated at equity as a joint venture.

Joint ventures are entities where management is exercised jointly with other parties.

Associated entities are companies on which SYZYGY has major influence and which are neither consolidated companies nor joint ventures.

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 book values of the subsidiaries are offset against the subsidiary's 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 or if there are indications of impairment losses, in accordance with the regulations of IAS 36, using a single-stage test procedure.

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

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

Due to the type of business and the structure of the Group, no determination and elimination of interim results takes place.

Joint ventures consolidated at equity are entered in the balance sheet with the proportional evaluated assets (plus possible Goodwill), liabilities and contingent liabilities. Goodwill derived from at equity method is not regularly depreciated. The sustainability of the financial investment derived from the at equity method will be tested if indications for impairment occur. If the book value exceeds the recoverable amount, the difference has to be accounted as depreciation in value. The recoverable amount is defined as fair value less cost of disposal and use value.

Income tax effects are taken into account and deferred taxes are recognised during consolidation procedures that affect income.

1.5 USE OF ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets, liabilities and financial obligations at the reporting date and income and expenses during the reporting period. Estimates were required in particular when evaluating provisions, receivables associated with work in progress, option rights and correspondingly in the case of goodwill.

Measurement of tangible fixed assets and intangible assets requires estimates for calculating fair value at the date of acquisition, if they were acquired as part of a business combination. The expected useful life of the assets must also be estimated. Assessments made by management are used as a basis for determining the fair value of assets.

The recoverable amount for the cash generating units was calculated on the basis of assessments made by management as part of the impairment test. Section 3.1, Goodwill, contains further details.

Management establishes provisions for doubtful receivables to take account of expected losses resulting from the insolvency of customers. The criteria that management uses to assess provisions for doubtful receivables include the breakdown by maturity of the balances receivable and experience of derecognising receivables in the past, customers' credit ratings and changes to payment terms. If the financial position of customers deteriorates, the actual derecognition may exceed the scope of the expected derecognition.

When determining deferred tax assets and liabilities, the expected actual income tax must also be calculated for each tax object and an assessment made of temporary differences resulting from the different treatment of certain items between the financial statements for IFRS purposes and for tax reporting purposes. Any temporary differences will result in the recognition of deferred tax assets and liabilities in the consolidated financial statements. Deferred tax assets are recognised to the extent that they are likely to be used. If there is a change in the impairment test for deferred tax assets, the recognised deferred tax assets (as originally established) must be reduced and recognised in net income or such that net income is not affected, or adjusted deferred tax assets must be capitalised and recognised in net income or such that net income is not affected. The recognition and measurement of provisions depend to a large extent on estimates made by SYZYGY. The judgement that a financial liability has arisen or quantification of the possible amount of the payment obligation is based on an assessment of the particular situation by management. Provisions for expected losses are established if it is highly unlikely that performance and consideration relating to the transaction will balance each other and this loss can be reliably estimated.

Actual results may differ from these estimates. Assumptions and estimates are always made on the basis of the most recent information available at the time. If the outcome deviates from expectations, the relevant items will be adjusted if necessary.

Please see the breakdown of the individual items in the consolidated financial statements for the carrying amounts of the assets and liabilities subject to estimation uncertainties as at the reporting date.

1.6 FOREIGN CURRENCY TRANSLATION

The notion of a functional currency is applied to translation of financial statements of consolidated companies prepared in foreign currencies. Since the foreign subsidiaries are economically independent, the local currency is the functional currency of these companies. For this reason, in accordance with IAS 21 38 ff assets and liabilities are translated using the exchange rate at the balance sheet date, whereas income and expenses are translated at the average annual exchange rate. Translation differences are shown in other income in the statement of comprehensive income without affecting net income. In accounting for fixed assets, the position is converted at the start and at the end of the financial year using the exchange rate at the respective date and the remaining items are converted at average rates of exchange. Any difference is shown as an exchange rate difference in a separate line, both for acquisition and production costs and for accumulated depreciation and amortisation.

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 foreign currency gains or losses directly affect income.

1.7 APPLICATION OF PUBLISHED STANDARDS (IFRS) AND INTERPRETATIONS (IFRIC)

FIRST TIME ADOPTION OF BULLETINS OR AMENDMENTS TO BULLETINS

In the course of the financial year, SYZYGY AG observed the following bulletins or amendments to bulletins issued by the IASB for the first time:

- IFRS 1: First-time adoption of International Financial Reporting Standards (amendment)
  This amendment to IFRS 1 provides first-time adopters with the same relief with regard to preparing comparative figures as for the enhanced disclosures for financial instruments under IFRS 7/IAS 24: Related Party Disclosures (revision)
  The definition of related parties (associated companies and persons) was extensively revised by the amendments. There are also disclosure exemptions for entities in which the government holds a stake and exerts at least a major influence.

- IAS 32: Financial Instruments – Classification of Rights Issues (amendment)
  Addresses accounting for rights issues denominated in foreign currency for entities that are listed on several international stock exchanges. Rights and options for the acquisition of equity capital instruments are treated as equity capital instruments, regardless of their currency.

- IFRIC 14/IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (amendment)
  This interpretation relates to pension plans for which minimum funding requirements exist. If the entity makes prepayments for contributions, it is permitted to recognise them as an asset.

- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments
  This interpretation applies to the exchange of outside capital into an issuer's equity instruments. In IFRIC 19 it is made clear that the entity's equity instruments that are issued in the course of the conversion are to be viewed as part of the consideration paid to extinguish the financial liability.

- Various amendments or corrections to existing IFRSs or subsequent amendments through modifications made previously to other IFRSs:

  – First-time adoption of International Financial Reporting Standards through Improvements to IFRSs (AIP 2010)

  – IFRS 3: Business Combinations through Improvements to IFRSs (AIP 2010)

  – IFRS 7: Financial Instruments: Disclosures through Improvements to IFRSs (AIP 2010)

  – IAS 1: Presentation of Financial Statements through Improvements to IFRSs (AIP 2010)

  – IAS 34: Interim Financial Reporting through Improvements to IFRSs (AIP 2010)

  – IFRIC 13: Customer Loyalty Programmes through Improvements to IFRSs (AIP 2010)

  – Subsequent amendments through IAS 27 Consolidated Financial Statements and Accounting for Investments in Subsidiaries to IAS 21, IAS 28 and IAS 31

First-time adoption of the above-mentioned bulletins or amendments to bulletins issued by the IASB does not have any impact on the Group's net assets, financial position or results of operations.

STANDARDS ISSUED AND TRANSPOSED INTO EU LAW BUT NOT YET ADOPTED

The following standards, interpretations and amendments had been published by the IASB up to the balance sheet date and transposed into EU law but do not apply to SYZYGY AG until the subsequent period. SYZYGY AG has not opted for early adoption.

- IFRS 7: Financial Instruments – Disclosures (amendment)
  In October 2010, the IASB published the bulletin "Disclosures – Transfers of Financial Assets" as an amendment to IFRS 7 "Financial Instruments: Disclosures". The amendment stipulates quantitative and qualitative disclosures for transfers of financial assets in which the transferred assets are derecognised in their entirety or remain subject to the transferring entity's continuing involvement. This is intended to provide users with a better insight into transactions such as securitisations. The amendments are applicable to financial years beginning on or after July 1, 2011. In November 2011, it was transposed by the European Union into EU law.

First-time adoption of these provisions is not expected to have a material impact on the SYZYGY Group's net assets, financial position or results of operations.

STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED BUT NEITHER TRANSPOSED INTO EU LAW NOR YET ADOPTED

- IFRS 9: Financial Instruments - categories
  The IASB published IFRS 9 "Financial Instruments" in November 2009. The amendments have not yet been transposed by the European Union into EU law. IFRS 9 covers the classification and measurement of financial assets. IFRS 9 divides financial assets into two classifications: those measured "at amortised cost" and those measured

"at fair value". IFRS 9 contains an option for fair value measurement by allowing financial assets that would normally be assigned to the "at amortised cost" category to be designated as "at fair value" instead if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

- IFRS 9: Financial Instruments – financial liabilities
In October 2010, the IASB published the standards applicable to accounting for financial liabilities. These are integrated into IFRS 9 "Financial Instruments" and replace the existing standards in IAS 39 "Financial Instruments: Recognition and Measurement". The new bulletin adopts the requirements for recognition and derecognition and most of the standards for classification and measurement unchanged from IAS 39. The bulletin is applicable to financial years beginning on or after January 1, 2015. This bulletin has not yet been transposed by the European Union into EU law.

- Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12
The IASB published the bulletin "Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12" in December 2010. The new bulletin stipulates the type of realisation that must be assumed for particular assets, since the tax consequences are different depending on the type of realisation. It is applicable to financial years beginning on or after January 1, 2012 and has not yet been transposed by the European Union into EU law.

- Three new IFRSs (IFRS 10, IFRS 11, IFRS 12) and two revised standards (IAS 27, IAS 28)
In May 2011, the IASB published three new IFRSs (IFRS 10, IFRS 11, IFRS 12) and two revised standards (IAS 27, IAS 28) on accounting for interests in subsidiaries, joint arrangements and associated entities. The provisions have not yet been transposed by the European Union into EU law and are mandatory for financial years beginning on or after January 1, 2013.

- IFRS 10: "Consolidated Financial Statements" & IAS 27 "Consolidated and Separate Financial Statements
IFRS 10 "Consolidated Financial Statements" introduces a uniform method of consolidation and, in doing so, eliminates the previous distinction between "normal" subsidiaries (IAS 27) and special purpose entities (SIC-12). An investor controls an investee if and only if the investor has power over the investee, has exposure to variable returns or has rights to returns, and has the ability to use its power over the investee to affect the amount of the variable returns. When IFRS 10 comes into effect, it will supersede SIC-12 "Consolidation – Special Purpose Entities"; the standards related to consolidated financial statements in IAS 27 "Consolidated and Separate Financial Statements" will also be superseded.

- IFRS 11: Joint Arrangements
  IFRS 11 "Joint Arrangements" will replace IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". It covers accounting for joint ventures and joint operations. On withdrawal of IAS 31, application of the proportionate consolidation method for joint ventures will no longer be permitted. Application of the equity method is now addressed by the new version of IAS 28 "Interests in Associates and Joint Ventures" and covers both associated entities and joint ventures. In a joint operation, the allocable assets, debt, expenses and earnings are transferred directly into the consolidated and annual financial statements of the "joint operator" on the basis of its proportionate holding.

- IFRS 12: Disclosure of Interests in Other Entities
  IFRS 12 "Disclosure of Interests in Other Entities" brings together all the disclosure requirements to be met in the consolidated financial statements in relation to subsidiaries, joint arrangements and associated entities as well as unconsolidated structured entities.

- IAS 27: Separate Financial Statements
  The new version of IAS 27 "Separate Financial Statements" covers only the accounting treatment of subsidiaries, joint ventures and associated entities in the financial statements as well as related disclosures in the Notes (separate financial statements pursuant to Article 325 [2a] of the Handelsgesetzbuch (HGB – German Commercial Code).

- IAS 28: Investments in Associates and Joint Ventures
  The new version of IAS 28 "Investments in Associates and Joint Ventures" deals with the inclusion of shares in associated entities and joint ventures based on the equity method.

- IFRS 13: Fair Value Measurement
  The IASB also published IFRS 13 "Fair Value Measurement" in May 2011. In this standard, the IASB creates a uniform, overarching standard for measuring fair value. IFRS 13 is mandatory in advance for financial years beginning on or after January 1, 2013. The core of the new standard includes a new definition of fair value: The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There is almost no change in the scope of these provisions in relation to financial instruments. The familiar three-level fair value hierarchy is to be applied comprehensively. Application of IFRS 13 is not expected to result in any extended disclosures in the Notes to SYZYGY's financial statements. The provisions have not yet been transposed by the European Union into EU law.

- IAS 1: Presentation of Financial Statements
  The IASB published amendments to IAS 1 "Presentation of Financial Statements" in June 2011. The amendments stipulate that the items presented in other comprehensive income must be divided into two categories, depending on whether or not they will be recognised in the statement of profit and loss (recycling) in future. The amendments to IAS 1 are mandatory for financial years beginning on or after July 1, 2012 and have not yet been transposed by the European Union into EU law. SYZYGY is examining the resulting effects on presentation of the financial statements.

- IAS 19: Employee Benefits
  The IASB also published amendments to IAS 19 "Employee Benefits" in June 2011. The amendments result in the discontinuation of current choices on how to account for actuarial gains and losses. Since the "corridor" approach will no longer be permitted, actuarial profits and losses must be recorded immediately in full within equity and only such that net income is not affected. At present, SYZYGY does not view the amendments as relevant to its financial statements.

- IAS 32: Financial Instruments: Presentation
  In December 2011, the IASB published clarification of the offsetting provisions in IAS 32 "Financial Instruments: Presentation". In order to satisfy the offsetting requirements of IAS 32, the new provisions stipulate that the legally enforceable right of set-off currently held by the reporting entity may not be conditional on a future event and must apply both in the ordinary course of business and in the event of default and insolvency on the part of a contracting party. It is also stipulated that a gross settlement system satisfies the offsetting requirements of IAS 32 insofar as no significant credit and liquidity risks remain, receivables and liabilities are processed in a single offsetting process and, as a result, the system is equivalent to a net settlement. The new provisions are mandatory with retrospective effect for financial years beginning on or after January 1, 2014 and have not yet been transposed by the European Union into EU law. At present, SYZYGY expects that none of the changes will be material.

- IFRS 7: Financial Instruments: Disclosures
  Also in December 2011, the IASB published extended disclosure requirements for offsetting rights in IFRS 7 "Financial Instruments: Disclosures". In addition to extended disclosures relating to offsetting actually carried out under IAS 32, disclosure requirements are introduced for existing offsetting rights, irrespective of whether offsetting was actually carried out under IAS 32. The new provisions are mandatory with retrospective effect for financial years beginning on or after January 1, 2013 and have not yet been transposed by the European Union into EU law. At present, SYZYGY does not expect that extended disclosure requirements will apply.

1.8 OTHER INFORMATION

Unless stated otherwise, amounts in the Company's consolidated financial statements are presented in thousand euros. The financial reporting is effected under going concern principles.

In accordance with application of IAS 1, the balance sheet is divided into non-current and current assets and liabilities. Assets and liabilities which are due within one year are regarded as current. Irrespective of their maturity, inventories and accounts receivable and payable are also regarded as current if they are not sold, consumed, or become due within one year, but are sold, consumed, or become due within the normal course of the operating cycle.

The statement of comprehensive income has been prepared in accordance with IAS 1.103 using the cost of sales method for expenses and income to be reported as net income. Sales are shown against the expenses incurred in generating them. These expenses can be allocated to the functional areas production, sales, and general administration.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 INTANGIBLE ASSETS, GOODWILL AND FIXED ASSETS

Intangible assets comprise goodwill, brand equity and software.
Intangible assets are accounted for in the balance sheet in accordance with IAS 38. Consequently, single purchased intangible assets are recognised at cost and amortised using the straight-line method over a period of three years if they have a finite useful life. Otherwise, there is no such amortisation. The scheduled expense resulting from amortisation is reported under functional costs in the statement of comprehensive income, according to allocation of assets to the functional areas of the company.

Intangible assets arising from acquisition of a company are measured at their fair value at the time of the acquisition in accordance with IFRS 3. Cases of subsequent impairment are treated as unscheduled write-downs. If the fair value of assets which have been the subject of an unscheduled write-down increases, the increase is recorded as an appreciation.

In accordance with IFRS 3 in conjunction with IAS 36 and 38, intangible assets with indefinite useful lives, such as goodwill from company acquisitions, are not amortised but tested for impairment at least once a year in accordance with the provisions of IAS 36. When carrying out the impairment test, the carrying amounts of the equity capital of the cash generating units underlying the goodwill, including the carrying amounts of the goodwill allocated to the respective cash generating unit, are compared on December 31 with the recoverable amounts of these cash generating units. The recoverable amount is the higher of the fair value less costs to sell and the value in use. SYZYGY defines the individual companies as cash generating units. The values in use are determined using the discounted cash flow (DCF) method. Future cash flows to be discounted using the DCF method are determined using medium-term planning for financial and assets positions and results of operations. Past experience, knowledge of current operational results and management estimates of future developments are all reflected in this planning. Management estimates of future developments in particular, such as sales performance, involve a high degree of uncertainty. If the carrying amount to be tested exceeds the recoverable amount according to the DCF method, impairment applies and the value must be written down 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 of between three and thirteen years.

If indications for unscheduled impairment losses on intangible or tangible fixed assets occur, a decision needs to be made in accordance with IAS 36 as to whether the fixed assets concerned should be written down to their market value or fair value. This is the case if the recoverable amount is lower than the carrying amount. If reasons for unscheduled write-downs of fixed assets – except for goodwill – cease to apply, the write-downs are reversed.

2.2 FINANCIAL INSTRUMENTS
Financial instruments with respect to SYZYGY include securities and derivative financial instruments as well as means of payment.

Securities classified as available-for-sale in accordance with IAS 39 are carried at cost, usually corresponding to fair value, when first reported and subsequently at fair value usually corresponding to market values in the financial markets. Unrealised gains and losses are reported in the "Other net income" item in equity capital and in the statement of comprehensive income in "Change in unrealised gains and losses on securities available-for-sale which does not affect income". Exceptions include non-temporary impairment losses, and gains and losses from foreign currency translation of monetary items, which are recognised in the statement of profit and loss. If a security in the category available-for-sale is sold or unscheduled impairment is detected, the gains and losses previously accumulated in the revaluation reserve for financial investments are recognised in net income. Impairment of equity instruments recognised in income in the past is not reversed in net income. In contrast, reversals of impairment losses on securities on outside capital instruments are recognised in net income.

Changes in interest rates may lead to fluctuation in the price of fixed-income securities, depending on their duration. No interest rate hedging is entered into.

Derivative financial instruments are accounted for at fair value and recognised in net income.

2.3 ACCOUNTS RECEIVABLE
Accounts receivable are recorded at the time of sales recognition or on performance. Recognisable risks are taken into account by making value corrections. Accounts receivable are stated at their nominal value if no allowances are necessary due to default risk. Receivables due after more than one year are discounted in line with market rates. Services performed as part of fixed-price projects which are realised analogue 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 reported as a reduction in equity. Accordingly, buying back shares leads to lower equity. The total purchase cost is disclosed as an item to be deducted from equity.

Gains from the sale of treasury stock are allocated to additional paid-in capital such that net income is not affected.

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

Deferred tax assets and liabilities are shown separately in the balance sheet, unless they can be offset against each other for submission to the same tax authority. Deferred taxes are stated using the statutory tax rates expected to apply in the countries in question at the time of realisation.

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

2.6 ACCOUNTS PAYABLE AND OTHER PROVISIONS

In accordance with IAS 39, current liabilities are shown at the time of acquisition at the repayment amount, which approximates to their market value. Non-current liabilities are determined according to the effective interest method by discounting the settlement amount, a process which is continued until maturity.

In accordance with IAS 37, other provisions are only formed if a corresponding legal or de facto 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.

2.7 CONTINGENT LIABILITIES

Contingent liabilities are potential liabilities resulting from incidents in the past and their existence is due to occurrence or non-occurrence of a single or multiple unsecured future events which are not completely under control of SYZYGY. Moreover, contingent liabilities are current obligations resulting from incidents in the past where flow of resources representing economic benefit is improbable or the amount of obligations cannot be reliably estimated.

Contingent liabilities are measured at their fair value only if being taken over with an acquisition of a company. Otherwise they will not be measured.

2.8 OTHER ASSETS AND LIABILITIES

Other assets and liabilities are recognised at their nominal value or settlement amount. Any impairments of other assets are taken into account through individual value adjustments.

2.9 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 analogue to the percentage of completion method. 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 updated planning. Provisions for expected losses on contracts are established in the period in which such losses become apparent.

With some projects, milestones are specified. In these cases, sales associated with a particular milestone are recognised when the Company has performed all work 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 when placing the advertising campaign in online portals. The invoice amounts are reported as "Gross sales" in the income statement, including media purchases. Accordingly, the "Net sales" item shows the gross sales less direct costs for purchasing advertising space. Sales are realised when the campaign in question is run.

Income from interest and comparable items is recognised on an accrual basis.

2.10 EXPENSES FROM OPERATING LEASE CONTRACTS

According to IFRS, the economic property in leasing objects is attributed to the contractual partner in a leasing agreement who bears material chances and risks associated with the leasing object. Within operating lease the lease provider bears essential chances and risks so that the lease object is recorded on the lease provider's balance sheet. The lessee accounts the paid leasing instalments as income statement-related during the lease agreement.

2.11 ADVERTISING EXPENSES

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

2.12 INCOME TAXES

Actual income taxes are determined on the basis of the tax rules applicable in the countries in which the respective company operates. In accordance with IAS 12, calculation of deferred taxes includes tax deferments 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 or income unless they are associated with items whose changes in value are recognised directly in equity. In such cases, the deferred tax is also recognised directly in equity.

2.13 EARNINGS PER SHARE

Earnings per share are calculated in accordance with IAS 33 and correspond to total net income of the Group divided by the weighted average number of shares in circulation during the financial year. The acquisition of treasury stock reduces the number of shares in circulation accordingly.

In addition to the outstanding shares, all outstanding options which have not been exercised and whose intrinsic value during the reporting period was positive are taken into consideration when calculating diluted earnings. The intrinsic value is the difference between the fair value and exercise price of an option. The number of additional shares to be taken into consideration according to this principle 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 as the 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 SHEET

3.1 GOODWILL

Reported goodwill of kEUR 19,495 (previous year: kEUR 19,401) arose from acquisition of uniquedigital in Hamburg, Unique Digital UK in London and Hi-ReS! LON. Goodwill includes exercising the option to acquire the outstanding 20 per cent of shares in Hi-ReS! LON.

SYZYGY defines the individual companies as cash generating units. The values in use are determined using the discounted cash flow (DCF) method. Future cash flows to be discounted using the DCF method are determined using medium-term planning for financial and asset positions and results of operations. In the course of determining the EBIT figures, the underlying planning was adjusted accordingly. The adjustments to the earn-out payments and option entitlement led to a disposal of goodwill of kEUR 66 in the 2011 financial year. In 2010, the adjustments led to a disposal of kEUR 284.

Goodwill and intangible assets with indefinite useful lives acquired in the course of business combinations were allocated to the following cash generating units for impairment testing:

- uniquedigital
- Unique Digital UK
- Hi-ReS! LON

The following table shows the carrying amounts of the goodwill allocated to the cash generating units and of intangible assets with indefinite useful life.

An impairment test of goodwill on December 31, 2011 revealed that there was no need to recognise an impairment loss. The recoverable amount for the cash generating units was calculated on the basis of the value in use using cash flow forecasts as at December 31, 2011. The forecasts are based on financial planning approved by management for a period of five years, updated each year. The most important assumptions underlying the determination of fair value include assumptions of growth rates, margin development and discount rate.

	UNIQUEDIGITAL			UNIQUE DIGITAL UK			HI-RES! LON		
EUR'000	2011	2010	2008	2011	2010	2008	2011	2010	2008
Goodwill	8,841	8,841	8,841	8,450	8,308	7,963	2,204	2,252	2,445
Intangible assets (indefinite useful life)	0	0	0	130	127	121	176	174	164

In the case of the cash generating units Unique Digital UK and Hi-ReS! LON, an interest rate for risk-free 30-year government bonds of 2.92 per cent (previous year: 3.99 per cent), an unchanged risk premium of 5.0 per cent and a sector beta of 0.6 (previous year: 0.539) were used as a basis, producing a WACC (Weighted Average Cost of Capital) of 5.9 per cent (previous year: 6.7 per cent) after tax, or 8.2 per cent (previous year: 9.3 per cent) before tax. An unaltered average tax rate of 28 per cent was applied. The relevant business plans for Hi-ReS! LON are based on expected sales growth of 20.2 per cent (previous year: 8 per cent) for 2012 and 5 per cent p. a. (previous year: 5 per cent) for the years 2013 to 2016, and 0 per cent as terminal value. For Unique Digital UK, business planning is based on expected sales growth of 8.6 per cent for 2011 (previous year: 38.5 per cent decrease) and 10 per cent p. a. growth (previous year: 15 per cent growth) for the years 2013 to 2016, and 0 per cent as terminal value.

With respect to online advertising, market research institutes expect growth of 10 per cent in the UK for 2012. Based on the underlying information, management did not identify any need in the updated analysis for impairment either at Unique Digital UK or Hi-ReS! LON. Goodwill of kEUR 8,450 (previous year: kEUR 8,308) for Unique Digital UK and kEUR 2,204 (previous year: kEUR 2,252) for Hi-ReS! LON is allocated to the respective cash generating units.

In the case of uniquedigital in Germany, an interest rate for risk-free 30-year government bonds of 2.55 per cent (previous year: 3.52 per cent), an unchanged risk premium of 5.0 per cent and a sector beta of 0.6 (previous year: 0.539) were assumed, producing a WACC (Weighted Average Cost of Capital) of 5.6 per cent (previous year: 6.2 per cent) after tax, or 7.9 per cent (previous year: 8.9 per cent) before tax. An unaltered average tax rate of 30 per cent was applied. The business plan envisages sales decrease of 0.4 per cent p. a. (previous year: 8 per cent decrease) for the year 2012, and 23 per cent growth for 2013 (previous year: 15 per cent) and 10 per cent p. a. (previous year: 15 per cent p. a.) for the years 2014 to 2016, and 0 per cent as terminal value.

Market research institutes expect growth of 11 per cent in Germany for 2012. Based on the underlying information, management did not identify any need in the updated analysis for impairment at uniquedigital, to which goodwill of kEUR 8,841 is allocated.

If the key assumptions regarding interest rates, growth rates and margin development change, different values in use for the cash generating units will result. A 1 per cent rise in the interest rate for 30-year government bonds would result in a rise in WACC of 1.5 percentage points in Germany and consequently a 16 per cent drop in values in use due to the higher discounting factor. The effect on values in use in the UK would be similar.

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

Fixed assets changed as follows in the previous year:

EUR'000	GOODWILL	INTANGIBLE ASSETS	LEASEHOLD IMPROVEMENTS	OPERATING AND OFFICE EQUIPMENT	TOTAL
Cost January 1, 2010	**19,249**	**844**	**738**	**4,621**	**25,452**
Additions	0	36	2	278	316
Disposals	-284	0	-12	-313	-609
Exchange rate changes	436	21	5	64	526
Cost December 31, 2010	**19,401**	**901**	**733**	**4,650**	**25,685**
Accumulated amortisation, depreciation and write-downs January 1, 2010	**0**	**436**	**485**	**3,100**	**4,021**
Additions	0	66	72	635	773
Disposals	0	0	-4	-288	-292
Exchange rate changes	0	3	1	28	32
Accumulated amortisation, depreciation and write-downs December 31, 2010	**0**	**505**	**554**	**3,475**	**4,534**
Carrying amount at December 31, 2009	**19,249**	**408**	**253**	**1,521**	**21,431**
Carrying amount at December 31, 2010	**19,401**	**396**	**179**	**1,175**	**21,151**

Changes in fixed assets in the financial year are as follows:

EUR'000	GOODWILL	INTANGIBLE ASSETS	LEASEHOLD IMPROVEMENTS	OPERATING AND OFFICE EQUIPMENT	TOTAL
Cost January 1, 2011	**19,401**	**901**	**733**	**4,650**	**25,685**
Additions	1	17	572	907	1,497
Disposals	-111	0	-49	-223	-383
Exchange rate changes	204	8	2	24	238
Cost December 31, 2011	**19,495**	**926**	**1,258**	**5,358**	**27,037**
Accumulated amortisation, depreciation and write-downs January 1, 2011	**0**	**505**	**554**	**3,475**	**4,534**
Additions	0	55	37	536	628
Disposals	0	0	-25	-179	-204
Exchange rate changes	0	3	1	15	19
Accumulated amortisation, depreciation and write-downs December 31, 2011	**0**	**563**	**567**	**3,847**	**4,977**
Carrying amount at December 31, 2010	**19,401**	**396**	**179**	**1,175**	**21,151**
Carrying amount at December 31, 2011	**19,495**	**363**	**691**	**1,511**	**22,060**

Intangible assets include brand equity of kEUR 306 (prior year: kEUR 301) after foreign currency effects. This brand equity is due to first-time consolidation of Hi-ReS! LON and Unique Digital UK. It is therefore fully attributable to the segment UK and has an indefinite useful life. Operating and office equipment mainly refers to hardware and office fittings. There were no indications of a need for unscheduled amortisation in the financial year.

3.3 FIXED ASSET INVESTMENT STATED AT EQUITY

On August 3, 2011 SYZYGY AG acquired 26 per cent of shares in the Polish design studio Ars Thanea s.k.a. in Warsaw. As a joint venture, Ars Thanea is consolidated at equity. The purchase price has been PLN 2,400,000 and SYZYGY has been paid correspondingly kEUR 531 in cash in 2011. At balance sheet date, Ars Thanea showed fixed assets to the amount of kEUR 2,071 and current assets of kEUR 365. Current liabilities amounted to kEUR 166 and long-term liabilities did not exist. Thus, total assets amounted to kEUR 2,436. In 2011, Ars Thanea generated sales of kEUR 1,246 and net income of kEUR 323.

26 per cent of the net income generated from August till December are attributable to SYZYGY AG. SYZYGY accounted for these kEUR 62 in the financial income. Moreover, the fixed asset investment increased by a positive foreign currency exchange rate at balance sheet date by kEUR 11 and are shown in other income in the statement of comprehensive income without affecting net income. At closing date, the fixed asset investment in Ars Thanea is accounted to the amount of kEUR 604.

3.4 OTHER NON-CURRENT ASSETS

Other non-current assets are accounted to the amount of kEUR 511 (prior year: kEUR 487). They are mostly related to rent deposits of kEUR 510 (prior year: kEUR 487), which were almost completely attributable to SYZYGY UK.

3.5 DEFERRED TAX ASSETS

Due to different valuations of securities classified as available-for-sale deferred tax assets amount to kEUR 421 (prior year: 58 deferred tax liabilities). Hereby, different valuations to commercial law amount to deferred tax assets of kEUR 475 and deferred tax liabilities of kEUR 54 which has been set off against each other.

In addition, deferred tax assets have been accounted because of different valuations for SYZYGY Deutschland's fixed assets, non-accounted interest receivables as well as SYZYGY AG's provisions for investor relations, to the amount of kEUR 102 (prior year: kEUR 115). Moreover, deferred tax assets have been accounted in conjunction with a loss carried forward at Hi-ReS! NY to the amount of kEUR 80. The composition of deferred tax assets is disclosed in section 5.7, Income taxes.

3.6 FINANCIAL ASSETS AND FINANCIAL INSTRUMENTS

Cash, bank deposits and time deposits with maturities under 3 months are shown in the table below:

EUR'000	12/31/2011	12/31/2010
Cash and cash equivalents	7,533	5,839

Cash and cash equivalents are measured at fair value on each reporting date and recognised in net income.

The fund disclosed in the consolidated statement of cash flows comprises exclusively the amounts indicated in this balance sheet item. There are no restrictions on disposal of the assets indicated here.

The "Securities" item covers debt instruments publicly issued by companies.

Like in the previous year, all securities are classified as available-for-sale and therefore are recognised at market value. As can be seen in the following table, the market value of all securities as at December 31, 2011 was kEUR 1,548 below the acquisition cost (prior year: kEUR 235). The previous year's figure was attributable to unrealised price profits in value of kEUR 347 and unrealised price losses of kEUR 345.

Purchases and sales of securities are accounted with value date.

Market value is determined using quoted market prices in accordance with Level 1 of the fair value hierarchy. The unrealised price losses are reported in "Change in unrealised gains and losses on securities which does not affect income" in the statement of comprehensive income whereas permanent impairments are recorded as income statement-related.

						12/31/2010
EUR'000	**COST**	**UNREALISED GAINS**	**UNREALISED LOSSES**	**APPRECIATION**	**PERMANENT IMPAIRMENT**	**BOOK VALUE/ MARKET VALUE**
Available-for-sale	18,277	347	-345	0	-237	18,042
Securities	18,277	347	-345	0	-237	18,042

						12/31/2011
EUR'000	**COST**	**UNREALISED GAINS**	**UNREALISED LOSSES**	**APPRECIATION**	**PERMANENT IMPAIRMENT**	**BOOK VALUE/ MARKET VALUE**
Available-for-sale	13,572	121	-1,882	213	0	12,024
Securities	13,572	121	-1,882	213	0	12,024

The following table shows the maturities of securities as per December 31, 2010:

EUR'000	< 1 YEAR	1-5 YEARS	5-10 YEARS	INDEFINITE	TOTAL
Available-for-sale	976	9,197	7,869	0	**18,042**
Securities	976	9,197	7,869	0	**18,042**

The following table shows the maturities of securities as per December 31, 2011:

EUR'000	< 1 YEAR	1-5 YEARS	5-10 YEARS	INDEFINITE	TOTAL
Available-for-sale	0	5,157	6,867	0	**12,024**
Securities	0	5,157	6,867	0	**12,024**

The performance of the securities portfolio is dependent on changes in interest rates and credit spreads. On average, the portfolio has a duration of around 5.7 (prior year: 5.3), so that a change in valuation parameters of 1 per cent results in a corresponding change in the securities portfolio of 5.7 per cent. This means that if credit spreads rise by 100 basis points and interest rates stay the same, the value of the securities portfolio will decline by around 5.7 per cent.

SYZYGY reduces default risk on securities by ensuring that a rating of at least BBB- is required in the case of new investments. All investments are continually monitored with regard to changes in rating and the investment decision is reviewed. As a matter of policy, maximum exposure to a single issuer is limited to EUR 2.0 million. In the case of new investments with a BBB- rating, exposure is limited to EUR 1.0 million. All securities are also subject to price changes which depend on credit spread changes and the remaining term to maturity.

3.7 ACCOUNTS RECEIVABLE

These items comprise the following:

EUR'000	12/31/2011	12/31/2010
Accounts receivable	8,299	10,476
PoC receivables	224	199
	8,523	**10,675**

Receivables and sales of kEUR 224 (prior year: kEUR 199) are disclosed in line with the percentage of completion method for services not yet billed. Costs of kEUR 204 were incurred for PoC projects, resulting in a margin of kEUR 20.

According to IAS 39, accounts receivable fall into the "Loans and receivables" valuation category.

Appropriate individual value adjustments are made for recognisable default risks, while uncollectable receivables are written off. In 2011, as in prior year, no such value adjustments had to be made.

The term structure of receivables is as follows:

Of which not written down at the reporting date and overdue in subsequent time periods

Accounts receivable (after valuation allowances) EUR'000	**0-90 DAYS**	**91-180 DAYS**	**181-360 DAYS**	**MORE THAN 360 DAYS**
as at December 31, 2011	8,379	89	51	4
as at December 31, 2010	10,608	38	6	23

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3.8 OTHER ASSETS

Other assets as of December 31, 2011 and 2010 consist of the following:

EUR'000	12/31/2011	12/31/2010
Tax receivables	1,265	1,141
Interest receivables	385	542
Prepaid expenses	489	473
Other	64	59
	2,203	**2,215**

All other assets are due within 12 months. The interest receivables fall into the "Loans und receivables" valuation category in accordance with IAS 39 and represent realisable financial instruments. They are shown in the following breakdown by maturity:

Interest receivables EUR'000	0-90 DAYS	91-180 DAYS	181-360 DAYS
as at December 31, 2011	144	133	108
as at December 31, 2010	329	110	103

Prepaid expenses include advance payments for rent, Internet connections and insurance.

3.9 EQUITY

3.9.1 COMMON STOCK

As of December 31, 2011, common stock comprised 12,828,450 no-par value bearer shares. These shares have a stated value of EUR 1.00; 25,000 of them belonged to treasury stock.

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

In thousands	SHARES	IN %
WPP Group (UK) Ltd (directly and indirectly)	3,581	27.92
Marco Seiler	622	4.85
Andrew Stevens	375	2.92
Free float	8.225	64.12
Treasury stock	25	0.19
	12,828	**100.0**

3.9.2 AUTHORISED AND CONTINGENT CAPITAL

At the Annual General Meeting on May 27, 2011, the resolution regarding a possible increase in 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 May 27, 2016. The authorised capital amounts to EUR 6,000,000.

Furthermore, at the Annual General Meeting on May 29, 2009, the Management Board was authorised to issue a maximum of 1,200,000 additional shares (contingent capital) in connection with the employee stock-based compensation plan. As in the previous year, no options were exercised in the 2011 financial year.

3.9.3 ADDITIONAL PAID-IN CAPITAL

In 2011 there have not been any effects on additional paid-in capital. In 2010, additional paid-in capital increased by kEUR 1,822 due to a realised capital increase. The new shares were issued at market value. According to § 272 section 2 HGB, the increasing amount compared to the stated value of 1.00 EUR has to be recorded as agio in the additional paid-in capital.

3.9.4 TREASURY STOCK

On May 28, 2010, the Annual General Meeting authorised the Management Board to acquire a maximum of 10 per cent of the Company's outstanding shares until May 28, 2015. Treasury shares do not entitle the Company to any dividend or voting rights. The Company is authorised to resell or call in treasury shares, to offer them to employees of the Company as compensation, or to offer treasury shares to third parties in the course of acquiring companies. As of December 31, 2011 SYZYGY kept 25,000 own shares.

3.9.5 OTHER COMPREHENSIVE INCOME

In the 2011 financial year, other comprehensive income summarised under "Other net income" amounted to kEUR -793 (as at December 31, 2010: kEUR 829) and can be attributed mainly to gains from currency translation (kEUR 241) and unrealised gains or losses from securities (kEUR -1,034).

3.9.6 RETAINED EARNINGS

Dividend distributions are based on the distributable equity disclosed in the annual financial statements of SYZYGY AG according to HGB (German Commercial Code). On May 27, 2010, the Annual General Meeting approved a dividend of EUR 0.20 per share, which was distributed on May 30, 2011, with retained earnings of kEUR 8,220 being carried forward to new account. As at December 31, 2011, the financial statements of SYZYGY AG showed retained earnings of kEUR 9,078. The consolidated financial statements of the Group show retained earnings of kEUR 9,918.

3.10 STOCK-BASED COMPENSATION

On May 29, 2009, the Company's shareholders approved an employee stock option plan. Under this plan, each stock option may be exercised in exchange for one share of SYZYGY AG over a period yet to be determined and subject to a vesting requirement of two years.

No stock options were granted during the reporting period.

3.11 ACCOUNTS PAYABLE AND OTHER PROVISIONS

As at December 31, 2011 and 2010, accounts payable and other provisions consisted of:

EUR'000	12/31/2011	12/31/2010
Accounts payable	8,255	9,205
Other provisions:		
– Obligations towards other parties	1,142	715
– Personnel-related provisions	737	487
– Investor relations and financial reporting	291	237
	10,425	**10,644**

Obligations towards other parties essentially relate to outstanding invoices and customer bonuses, while personnel-related provisions comprise employee bonuses and holidays. All accounts payable and other provisions are due within one year and can be allocated to the "Financial liabilities at amortized cost" valuation category.

Statement of changes in provisions as of December 31, 2010 EUR'000	BOOK VALUE 1.1.2010	USAGE	REVERSAL	ADDITION	BOOK VALUE 31.12.2010
Obligations towards other parties	1,056	-976	-40	675	715
Personnel-related provisions	582	-554	-9	468	487
Investor relations and financial reporting	200	-200	0	237	237
	1,838	**-1,730**	**-49**	**1,380**	**1,439**

Statement of changes in provisions as of December 31, 2011 EUR'000	BOOK VALUE 1.1.2011	USAGE	REVERSAL	ADDITION	BOOK VALUE 31.12.2011
Obligations towards other parties	715	-567	-116	1,110	1,142
Personnel-related provisions	487	-296	0	546	737
Investor relations and financial reporting	237	-204	0	258	291
	1,439	**-1,067**	**-116**	**1,914**	**2,170**

3.12 TAX LIABILITIES

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

EUR'000	12/31/2011	12/31/2010
German VAT	231	1,568
German income taxes	433	672
British VAT	46	466
British income taxes	75	168
	785	**2,874**

The liabilities created as at the previous year's reference date from the above-mentioned tax position were fully paid in the financial year, at kEUR 2,874.

3.13 OTHER LIABILITIES

The components of other liabilities are detailed in the following:

EUR'000	12/31/2011	12/31/2010
Social security, salary and church taxes	355	334
Obligations from options	200	249
Obligations from earn-out payments	0	776
Other	250	722
	805	**2,081**

The obligation arising from earn-out payments in respect of the acquisition of Hi-ReS! LON was due in 2011 and have been paid in cash to the amount of kEUR 723. The liability was dependent on the continuing company's performance in the first quarter of 2011. In respect of Hi-ReS! LON there is also a mutual option to acquire the outstanding 20 per cent of the shares which must be exercised by 2015 at the latest. Due to the long time span, the mutual option is shown as non-current liability.

The following table shows the maturities of other liabilities and non-current liabilities as at December 31, 2011:

EUR'000	< 1 YEAR	1-5 YEARS	5-10 YEARS	INDEFINITE	TOTAL
Other liabilities	605	0	0	0	**605**
Non-current liabilities	0	200	0	0	**200**

The following table shows the maturities of other liabilities and non-current liabilities as at December 31, 2010:

EUR'000	< 1 YEAR	1-5 YEARS	5-10 YEARS	INDEFINITE	TOTAL
Other liabilities	1,832	0	0	0	**1,832**
Non-current liabilities	0	249	0	0	**249**

Other liabilities have been valued on the basis of the "Financial liabilities at amortized cost" valuation category.

4. SEGMENT REPORTING

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

As the holding company, SYZYGY AG mainly delivers services to the operating units and therefore needs to be considered separately. Sales of SYZYGY AG with third parties are attributable to the segment Germany as well as the corresponding portion of operating income. As in the prior year, the UK segment consists of SYZYGY UK, Unique Digital UK, Hi-ReS! LON and Mediopoly. Germany comprises SYZYGY Deutschland, uniquedigital and Hi-ReS! HH. Hi-ReS! NY is included in central functions and consolidation as this company can be seen as marginal in terms of minor sales and total assets. The individual segments apply the same accounting principles as the SYZYGY Group.

The criteria used by SYZYGY AG to assess the performance of the segments include sales and EBIT. The attribution of sales to third parties to the segment is based on the registered office of the selling company. The internal sales in the segment reporting are not matter of sales in the statement of comprehensive income but sales from goods and services taking place between segments but not outside the group. Transactions between segments, which are charged at market prices, were eliminated.

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

Segment investments comprise investments in intangible assets and fixed assets.

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

31.12.2011 EUR'000	**GERMANY**	**UNITED KINGDOM**	**CENTRAL FUNCTIONS AND CONSOLIDATION**	**TOTAL GROUP**
Sales	18,018	10,492	-197	**28,313**
Internal sales	597	281	-878	**0**
Operating income (EBIT)	3,966	1,280	-2,658	**2,588**
Financial income	71	5	1,311	**1,387**
Assets	19,642	20,400	14,019	**54,061**
Of which goodwill	8,841	10,654	0	**19,495**
Investments	1,293	145	14	**1,452**
Depreciation and amortisation	413	195	20	**628**
Segment liabilities	10,352	5,411	-1,639	**14,124**

31.12.2010 EUR'000	**GERMANY**	**UNITED KINGDOM**	**CENTRAL FUNCTIONS AND CONSOLIDATION**	**TOTAL GROUP**
Sales	17,913	10,241	-907	**27,247**
Internal sales	493	414	-907	**0**
Operating income (EBIT)	4,330	777	-1,939	**3,168**
Financial income	74	-5	1,038	**1,107**
Assets	18,987	21,844	17,635	**58.466**
Of which goodwill	8,841	10,560	0	**19,401**
Investments	271	33	12	**316**
Depreciation and amortisation	540	226	7	**773**
Segment liabilities	9,810	8,588	-345	**18,053**

SYZYGY generated more than 10 per cent of consolidated sales with one client in the Germany segment and with one client in the UK segment. SYZYGY realised EUR 4.6 million with the client in the UK segment and EUR 3.2 million with the one in the Germany segment.

5. NOTES ON THE STATEMENT OF COMPREHENSIVE INCOME

5.1 SALES

The sales figures include sales from the service areas online marketing and design & build. SYZYGY Group reports net sales in its financial reporting. The net sales figures are arrived at by deducting media costs from gross sales. Media costs are incurred in the online marketing subsidiaries as transitory items when managing client budgets.

In 2011, SYZYGY AG generated gross sales of kEUR 21,035 from design & build (prior year: kEUR 19,576) and kEUR 51,308 (prior year: kEUR 67,744) from online marketing services. Online marketing includes media costs of kEUR 43,749 (prior year: kEUR 59,849), resulting in net sales of kEUR 7,559 (prior year: kEUR 7,895). Between the service areas, there have been internal sales in value of kEUR 281 (prior year: kEUR 224).

5.2 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses consist of the following:

EUR'000	2011	2010
Exchange rate effects	102	78
Employee usage of company cars	78	49
Release of provisions	116	49
Other	69	126
	365	**316**

5.3 COST OF PURCHASED SERVICES

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

EUR'000	2011	2010
Cost of purchased services	3,350	4,842

5.4 PERSONNEL EXPENSES

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

EUR'000	2011	2010
Salaries and wages	14,647	12,421
Social security	1,954	1,806
	16,601	**14,227**

In 2011, the average number of full-time employees in the SYZYGY Group was 264 (prior year: 241 employees).

By the end of the 2011 financial year, the total number of SYZYGY employees rose to 269 (prior year: 242). The employees are distributed across the following functional areas within the Company:

Number of persons	2011	2010
Strategy/consulting/project management	65	58
Online marketing/online media	74	58
Technology	49	49
Design	40	40
Administration	41	37
	269	**242**

5.5 DEPRECIATION AND AMORTISATION

Depreciation and amortisation comprises the following:

EUR'000	2011	2010
Amortisation of intangible assets	55	66
Depreciation of fixed assets	573	707
	628	**773**

5.6 FINANCIAL INCOME

EUR'000	2011	2010
Interest and similar income	1,090	1,196
Income from the sale of securities, net	236	322
Interest expense and similar expenses	-1	-180
Income from at-equity investments	62	0
	1,387	**1,107**

Interest income includes interests received of kEUR 877 (prior year: kEUR 827) as well as income by appreciation of securities which have been permanently impaired of kEUR 213. In prior year interest income contained an interest on additional claim of tax refunds in value of kEUR 222.

Income from the sale of securities comprises gains of kEUR 264 and losses of kEUR 28. Financial income contains a release of the time valuation reserve of kEUR 233 as sales of securities were realised. In the prior year, the market value of these securities has been accounted in equity not affecting income. Interest expense and similar expenses contain interest expenses in value kEUR 1.

In accordance with IFRS 7.20, net gains and losses must be broken down according to valuation category:

Interest and similar income, interest expense and similar expenses and income from the sale of securities are derived in full from the available-for-sale valuation category. Interest expenses include interest payments of kEUR 1 (prior year: kEUR 14)

The income from at-equity investments are completely allotted to the net income after tax of Ars Thanea from August to December 2011 attributable to SYZYG Y AG.

5.7 INCOME TAXES

EUR'000	2011	2010
Domestic income taxes	785	300
Foreign income taxes	335	226
Deferred taxes	-23	-49
	1,097	**479**

In Germany, a uniform corporation tax rate of 15 per cent is applicable. Taking into account the solidarity surcharge of 5.5 per cent, the tax rate amounts to 15.8 per cent. The tax rate for trade tax within Germany has been changed due to the breakdown of trade tax between locations in Bad Homburg and Hamburg. This results in a combined corporate income tax rate of 29.3 percent (prior year: 30.7 per cent) for the holding company.

In 2011, the standard tax rate in Great Britain was 26.5 per cent.

In the United States, a general federal tax of 34 per cent applies. Because of additional local taxes the effective tax rate adds up to 45 per cent for 2011.

In the financial year 2011, income tax payments of kEUR 1,530 (prior year: kEUR 2,445) were made.

Deferred tax assets and liabilities can be summarised as follows:

EUR'000	2011	2010
Deferred taxes assets		
Current assets (securities)	421	-58
Loss carried forward Hi-ReS! NY	80	0
Fixed assets	51	84
Provisions	35	31
Other	16	0
	603	**57**
Deferred taxes liabilities		
Effects from first-time consolidation of Hi-ReS! LON	55	55
Fixed assets	2	0
	57	**55**

The deferred tax assets at SYZYGY AG as holding company are the result of unrealised gains and losses of securities, being irrelevant for fiscal purposes, different useful lives of the assets in IFRS and the tax accounts as well as of different valuation of provisions for Investors Relations and interest claims.

The deferred tax liabilities result from first-time consolidation of Hi-ReS! LON and different useful lives of the assets of SYZYGY UK in IFRS and the tax accounts.

Tax transfer:

EUR'000	2011	2010
Income before taxes	3,975	4,275
Non deductible expenses	25	171
Taxable income	**4,000**	**4,446**
Expected tax expense	1,172	1,366
Foreign tax rates differential	-14	5
Tax refunds	-39	-929
Tax effect on fluctuations in the value of securities held as current assets	0	107
Other	-22	-70
Tax charge	**1,097**	**479**

The tax rate differences result in particular from a reduction of the standard tax rate from 28 per cent to 26 per cent effective April 1, 2011, thus results an average tax rate of 26.5 per cent for the United Kingdom. Furthermore, the deferred tax has been calculated based on future tax rates.

5.8 NOTES ON CURRENCY TRANSLATION

In accordance with IAS 21.52 in conjunction with IAS 39.9, currency translation differences of kEUR 241 (prior year: kEUR 524) are recorded in the statement of comprehensive income such that net income is not affected.

6. OTHER NOTES

6.1 EARNINGS PER SHARE

Earnings per share – diluted and basic – are calculated in accordance with IAS 33 as follows:

	2011	2010
Weighted average number of shares (in'000)	12,803	12,530
Net income in EUR'000	2,878	3,796
Number of options issued	0	0
Earnings per share, basic and diluted (EUR)	0.22	0.30

6.2 CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows was prepared in accordance with IAS 7 by applying the indirect method. In 2011, operating cash flow amounted to EUR 2.0 million (prior year: EUR 8.2 million). The funds exclusively comprise liquid assets. Further information is given in the Group Management Report.

6.3 RISK AND CAPITAL MANAGEMENT

With regard to assets, liabilities and planned transactions, SYZYGY is subject to risk arising from changes in currency and interest rates as well as the creditworthiness of securities issuers.

6.3.1 CURRENCY RISK

SYZYGY generates nearly 40 per cent of its sales outside Germany, so exchange rate fluctuations between sterling, US Dollar and the euro can affect sales and annual net income positively or negatively in the event of deviation from the rate used for planning purposes. The assets and liabilities of the British companies are translated into the reporting currency at the balance sheet date and are therefore subject to translation risk. The SYZYGY Group does not hedge this risk. In terms of operations, the Group companies conduct their activities predominantly in their respective functional currency. For this reason, SYZYGY does not enter into any hedging transactions because currency risk does not exceed annual net income/cash flows of SYZYGY AG. SYZYGY chooses not to hedge these cash flows since the costs and benefits of such cash flow hedges do not appear appropriate and the risk to net assets, financial position and results of operations is regarded as immaterial.

IFRS 7 requires the use of market risk sensitivity analysis to show the effects of hypothetical changes to relevant risk variables on profit or loss and equity. It is assumed that the portfolio as at the reporting date is representative of the year as a whole. Currency sensitivity analysis is based on the following assumptions:

The major non-derivative financial instruments (liquid assets, receivables, interest-bearing securities, accounts payable and other liabilities) are directly denominated in the functional currency. Changes in exchange rate therefore have no effect on profit or loss and equity.

Interest income and expenses from financial instruments are also recognised directly in the functional currency, so there is no currency risk.

SYZYGY is only exposed to currency risk with regard to net income denominated in foreign currency and the associated distributions.

6.3.2 INTEREST RISK

SYZYGY is only subject to interest risk with regard to securities. There are no financial liabilities which can create interest risk, and liquid assets were invested at variable rates on overnight terms.

Sensitivity analyses regarding interest rate changes must be presented in accordance with IFRS 7. Because SYZYGY classifies securities as available-for-sale as per IAS 39, interest rate changes have no immediate impact on the Company's earnings. Unrealised gains and losses are reported in "Other comprehensive income", which is a separate component of equity.

As at the balance sheet date, around EUR 12.0 million was invested in a securities portfolio with a duration of around 5.7 years. An interest change of 100 basis points with regard to the investments would result in a change in the fair value of the portfolio of around 5.7 per cent. This would lead to a change in the fair value of around kEUR 685. Increases in interest rates have a negative effect on performance of the portfolio, while decreases have a positive effect.

6.3.3 CREDIT AND DEFAULT RISK – RISK OF CHANGES IN CREDIT SPREADS

SYZYGY is exposed to credit and default risk from operations and also with regard to securities investments. SYZYGY reduces default risk on securities by ensuring that a rating of at least BBB– is required in the case of new investments. All investments are continually monitored with regard to changes in rating and the investment decision is reviewed. As a matter of policy, maximum exposure to a single issuer is limited to EUR 2.0 million. In the case of new investments with a BBB- rating, exposure is limited to EUR 1.0 million. All securities are also subject to price changes which depend on credit spread changes and the remaining term to maturity. A widening of credit spreads in a risk class leads to a corresponding price decrease, depending on the duration of a security. If the duration of the securities portfolio is 5.7 years and average credit spreads widen by 100 basis points, the portfolio's value would fall by 5.7 per cent. This would lead to a change in fair value of around kEUR 685 for SYZYGY.

On the operational side, default risk is continuously monitored at the level of the individual companies. SYZYGY mainly works for large customers with excellent credit ratings and thus did not suffer any bad debts. The volume of receivables due from individual customers is also not such that it involves an exceptional concentration of risk.

The maximum default risk is equivalent to the carrying amounts of financial assets in the balance sheet.

6.3.4 DERIVATIVE FINANCIAL INSTRUMENTS

As in prior year, SYZYGY did not use derivative financial instruments in the 2011 financial year for risk diversification and portfolio structuring in order to gain exposure to variable interest rates in addition to fixed-interest bearing securities, in line with market developments.

6.3.5 CAPITAL MANAGEMENT

SYZYGY's capital management policy is primarily aimed at financing both organic and inorganic growth and ensuring the ongoing course of business in the operating companies. SYZYGY aims to have an equity ratio within the target range of 60 per cent to 80 per cent, since this strengthens the competitiveness of a service provider such as SYZYGY. A further capital management objective is to raise the return on equity to over 10 per cent.

The key figures with regard to capital management are as follows:

EUR'000	2011	2010
Equity according to the balance sheet	39,937	40,413
Liabilities	14,124	18,053
Total capital	54,061	58,466
Equity ratio	74%	69%
Net income for the period	2,878	3,796
Return on equity	7%	9%

SYZYGY does not have any liabilities to banks; liabilities primarily comprise accounts payable, provisions, customer advances and future obligations arising from the acquisition of companies and tax liabilities.

6.3.6 LIQUIDITY RISK

SYZYGY has implemented a management for liquidity. In order to ensure financial flexibility and the ability to meet financial obligations at all times. SYZYGY holds a liquidity reserve in form of cash and marketable securities.

6.4 CONTINGENT LIABILITIES

SYZYGY provided guarantees to the value of kEUR 300 relating to leasing office space in Bad Homburg, Frankfurt and Hamburg. These guarantees depend on the ability of the companies in these offices to meet the financial obligations arising from the rental contract and their business operations.

6.5 OTHER FINANCIAL OBLIGATIONS

The Group companies have concluded leasing and rental agreements with regard to various office premises and vehicles. The future minimum annual payments resulting from these agreements amount to:

EUR'000	12/31/2011	12/31/2010
Within 1 year	1,703	1,104
1 to 5 years	5,192	2,912
More than 5 years	698	138
Total	**7,593**	**4,154**

In 2011, total expenses for rent amounted to kEUR 1,625 (prior year: kEUR 1,661). In 2011, income from subletting was received in value of kEUR 10 (prior year: kEUR 15). In 2011, kEUR 127 (prior year: kEUR 89) were spent on leasing obligations.

6.6 STATEMENT OF INVESTMENTS

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

EUR'000	SHARES	EQUITY	NET INCOME
Ars Thanea s.k.a., Warsaw, Poland	26 %	2,270	399
Hi-ReS! Hamburg GmbH, Hamburg, Germany	100 %	26	1
Hi-ReS! London Ltd, London, UK	80 %	118	10
Hi-ReS! New York Inc, New York City, USA	100 %	-96	-91
Mediopoly Ltd, Jersey, UK[1]	100 %	820	19
SYZYGY Deutschland GmbH, Bad Homburg, Germany[2]	100 %	383	0
SYZYGY UK Ltd, London, UK[1]	100 %	1,293	414
Unique Digital Marketing Ltd, London, UK	100 %	1,798	505
uniquedigital GmbH, Hamburg, Germany[3]	100 %	40	0

1 – Mediopoly holds 100 per cent of the shares in SYZYGY UK Ltd, which operates in the UK. The holding in SYZYGY UK is therefore indirect.
2 – There is a control- as well as a profit transfer agreement in place between SYZYGY Deutschland GmbH and SYZYGY AG in favour of SYZYGY AG.
3 - There is a profit and loss transfer agreement in place between uniquedigital GmbH and SYZYGY AG in favour of SYZYGY AG.

6.7 AUDITOR'S FEE

Auditing company BDO Deutsche Warentreuhand AG received a fee of kEUR 75 for auditing the annual and consolidated financial statements of SYZYGY AG for the 2011 financial year. No further work was given to BDO Deutsche Warentreuhand Wirtschaftsprüfungsgesellschaft.

6.8 INFORMATION ON ASSOCIATED COMPANIES AND PERSONS

The associated persons include the organs of the company as well as companies on which SYZYGY is able to execute major influence. In 2011, SYZYGY bought services from Ars Thanea in value of kEUR 77 for clients' projects. SYZYGY holds 26 per cent of the shares of Ars Thanea.

In 2010, one member of the Management Board has received half of the outstanding purchase price in value of kEUR 5,159 due to an acquisition taken place in 2007. The purchase price have been paid by own shares in value of kEUR 2,572 and kEUR 2,587 in cash. With the exception of remuneration for members of the Management Board and compensation for the Supervisory Board, no other transactions were carried out with associated parties in 2011 and 2010.

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

SYZYGY Deutschland GmbH and uniquedigital GmbH have availed themselves of the exemption according to Article 264 Section 3 of the HGB (German Commercial Code).

6.10 EVENTS AFTER THE BALANCE SHEET DATE

In January 2012, SYZYGY founded a new company Hi-ReS! Berlin GmbH. Hi-ReS! Berlin will start business in the second quarter of 2012.

The securities in the portfolio of SYZYGY have significantly gained in value during the first two months after closing date. Under the assumption that no purchase or sales had taken place, the portfolio would have had a total value of kEUR 13,166. This equates to an increase of kEUR 1,142 (around 10 per cent). There have not been any other major occurrences after closing date.

6.11 PARENT COMPANY BOARDS

6.11.1 MANAGEMENT BOARD

MARCO SEILER
Chairman
Managing Director, SYZYGY Deutschland GmbH and Mediopoly Ltd

FRANK WOLFRAM
Management Board
Managing Director, SYZYGY Deutschland GmbH and Hi-ReS! Hamburg GmbH

ANDREW STEVENS
Management Board
Managing Director, Unique Digital Marketing Ltd and SYZYGY UK Ltd

The members of the Management Board do not hold supervisory board membership or any similar positions.

In 2011, total remuneration of the Management Board amounted to kEUR 726. Marco Seiler received a basic salary of kEUR 250 and a variable salary of kEUR 12. Frank Wolfram had a basic salary of kEUR 225 and a variable portion of kEUR 11. Andrew Stevens had a basic salary of kEUR 218 and a variable portion of kEUR 10. The basic salaries and the fixed portions equate exactly the payments in 2010.

The members of the Management Board received no options in 2011 nor hold any options

The remuneration report contains further details regarding remuneration of the Management Board. The report is available on the Company's website in the Investor Relations section.

6.11.2 SUPERVISORY BOARD

MICHAEL MÄDEL
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 with respect to the year 2011. This corresponds to remuneration of kEUR 15 for each member of the Supervisory Board. All remuneration in 2011 comprised fixed payments. Members of the Supervisory Board have no options on SYZYGY shares. The remuneration report contains further details regarding remuneration of the Supervisory Board.

6.12 DIRECTORS' DEALINGS

Management Board: Shares	MARCO SEILER	FRANK WOLFRAM	ANDREW STEVENS	TOTAL
As per December 31, 2010	622,279	5,500	375,000	**1,002,779**
Purchases	0	0	0	**0**
Sales	0	0	0	**0**
As per December 31, 2011	622,279	5,500	375,000	**1,002,779**

Supervisory Board: Shares	MICHAEL MÄDEL	ADRIAAN RIETVELD	WILFRIED BEECK	TOTAL
As per December 31, 2010	0	10,000	120,000	**130,000**
Purchases	0	0	0	**0**
Sales	0	0	0	**0**
As per December 31, 2011	0	10,000	120,000	**130,000**

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

Threshold disclosure pursuant to section 26 paragraph 1 of the Securities Trading Act (Gesetz über den Wertpapierhandel – WpHG) dated January 17, 2011:

On January 14, 2011, Capiton Value Beteiligungs-GmbH, Berlin, Germany, has informed us pursuant to section 21 paragraph 1 WpHG that their holding of voting rights in SYZYGY AG exceeded the threshold of 3 % on January 11, 2011, and amounts to 3.26 % (418,402 voting rights) on that day.

On January 14, 2011, Capiton Value Management AG, Berlin, Germany, has informed us pursuant to section 21 paragraph 1 WpHG that their holding of voting rights in SYZYGY AG exceeded the threshold of 3 % on January 11, 2011, and amounts to 3.26 % (418,402 voting rights) on that day. Pursuant to section 22 paragraph 1 sentence 1 No. 1 WpHG, 3.26 % of voting rights (418,402 voting rights) are attributable to Capiton Value Management AG.

The voting rights are attributed to Capiton Value Management AG via the following controlled subsidiaries, whose share of voting rights in SYZYGY AG amounts to 3 % or more:

- Capiton Value Beteiligungs-GmbH

On January 14, 2011, Capiton Holding GmbH, Berlin, Germany, has informed us pursuant to section 21 paragraph 1 WpHG that their holding of voting rights in SYZYGY AG exceeded the threshold of 3 % on January 11, 2011, and amounts to 3,26 % (418,402 voting rights) on that day.

Pursuant to section 22 paragraph 1 sentence 1 No. 1 WpHG, 3.26 % of voting rights (418,402 voting rights) are attributable to Capiton Holding GmbH.

The voting rights are attributed to Capiton Holding GmbH via the following controlled subsidiaries, whose holding of voting rights in SYZYGY AG amounts to 3% or more:

- Capiton Value Beteiligungs-GmbH
- Capiton Value Management AG

THRESHOLD DISCLOSURE PURSUANT TO SECTION 26 PARAGRAPH 1 OF THE SECURITIES TRADING ACT (GESETZ ÜBER DEN WERTPAPIERHANDEL – WPHG) DATED APRIL 26, 2011:

On April 21, 2011, Wallberg Invest S. A., Luxemburg, Luxemburg, notified us pursuant to section 21 paragraph 1 WpHG that their holding of voting rights in SYZYGY AG, Im Atzelnest 3, 61352 Bad Homburg, has exceeded the threshold of 3% on April 15, 2011, and amounted to 3.04% (390,250 voting rights) on that date.

THRESHOLD DISCLOSURE PURSUANT TO SECTION 26 PARAGRAPH 1 OF THE SECURITIES TRADING ACT (GESETZ ÜBER DEN WERTPAPIERHANDEL – WPHG) DATED MAY 6, 2011:

On May 5, 2011, Mr. Marcel Ernzer, Luxemburg, has informed us pursuant to section 21 paragraph 1 WpHG that his holding of voting rights in SYZYGY AG exceeded the threshold of 3% on April 15, 2011, and amounts to 3.0421% (390,250 voting rights) on that day.

Thereof, 3.0421% of voting rights (390,250 voting rights) are attributable to him pursuant to section 22 paragraph 1 sentence 1 No. 1 WpHG.

The voting rights are attributed to Mr. Ernzer via the following controlled subsidiaries, whose share of voting rights in SYZYGY AG amounts to 3% or more:

- FAS S.A.
- Wallberg Invest S.A.

On May 5, 2011, FAS S.A., Luxemburg, Luxemburg, has informed us pursuant to section 21 paragraph 1 WpHG that their holding of voting rights in SYZYGY AG exceeded the threshold of 3% on April 15, 2011, and amounts to 3.0421% (390,250 voting rights) on that day.

Thereof, 3.0421% of voting rights (390,250 voting rights) are attributable to FAS S.A. pursuant to section 22 paragraph 1 sentence 1 No. 1 WpHG.

The voting rights are attributed FAS S.A. via the following controlled subsidiary, whose share of voting rights in SYZYGY AG amounts to 3% or more:

- Wallberg Invest S.A

THRESHOLD DISCLOSURE PURSUANT TO SECTION 26 PARAGRAPH 1 OF THE GERMAN SECURITIES TRADING ACT (GESETZ ÜBER DEN WERTPAPIERHANDEL – WPHG) DATED AUGUST 1, 2011

On July 28, 2011, Share Value Stiftung, Eisenach, Germany, notified us pursuant to section 21 paragraph 1 WpHG that their holding of voting rights in SYZYGY AG, Im Atzelnest 3, 61352 Bad Homburg v.d.H., Germany, has exceeded the threshold of 3% on July 22, 2011, and amounted to 3.01% (386,650 voting rights) on that date.

THRESHOLD DISCLOSURE PURSUANT TO SECTION 26 PARAGRAPH 1 OF THE GERMAN SECURITIES TRADING ACT (GESETZ ÜBER DEN WERTPAPIERHANDEL – WPHG) DATED AUGUST 3, 2011

On August 2, 2011, Mrs. Christiane Weispfenning, Germany, has informed us pursuant to section 21 paragraph 1 WpHG that her holding of voting rights in SYZYGY AG, Im Atzelnest 3, 61352 Bad Homburg v.d.H., exceeded the threshold of 3% on July 21, 2011, and amounts to 3.01% (385,995 voting rights) on that day.

Thereof, 2.97 % of voting rights (380,995 voting rights) are attributable to her pursuant to section 22 paragraph 1 sentence 1 No. 1 WpHG.

6.14 DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH ARTICLE 161, AKTG

The declaration of compliance with the German Corporate Governance Code in accordance with Article 161 of the AktG (German Public Companies Act) was issued on November 2, 2011 and is available to all shareholders on the Company's website.

6.15 DATE OF AUTHORISATION FOR PUBLICATION

The consolidated financial statements will be submitted for approval to the Supervisory Board on March 26, 2012.

RESPONSIBILITY STATEMENT BY THE LEGAL REPRESENTATIVES IN ACCORDANCE WITH SECTION 37Y WPHG (GERMAN SECURITIES TRADING ACT) IN CONJUNCTION WITH SECTION 37W PARA. 2 NO. 3 WPHG

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Bad Homburg v. d. H., March 26, 2012

SYZYGY AG
The Management Board



Marco Seiler | Frank Wolfram | Andrew Stevens

INDEPENDANT AUDITORS' REPORT

We have audited the consolidated financial statements prepared by the Syzygy AG, Bad Homburg v. d. H., comprising the statement of financial position, the statement of income and accumulated earn, statement of changes in equity, statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January 2011 to 31 December 2011. 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 sec .315a para. 1 HGB 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 sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (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 sec. 315a para. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of 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/Main, 26 March 2012
BDO AG
Wirtschaftsprüfungsgesellschaft

sgd. Dr. Rosien	sgd. ppa. Werner
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FINANCIAL CALENDAR 2012

INTERIM REPORT AS PER 03/31/2012	/	APRIL 30
GENERAL ANNUAL MEETING, FRANKFURT	/	JUNE 1
INTERIM HALF-YEAR STATEMENT 2012	/	JULY 31
SMALL CAP CONFERENCE (SCC), FRANKFURT	/	AUGUST 27
INTERIM REPORT AS PER 09/30/2012	/	OCTOBER 31
GERMAN EQUITY FORUM, FRANKFURT	/	NOVEMBER 12-14
CAPITAL MARKET CONFERENCE (MKK), MUNICH	/	DECEMBER 5-6

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