

SYZYGY



# KEY FIGURES OF SYZYGY AG

FIG. 1, PAGE 32  
**NET SALES**  
IN EUR'000

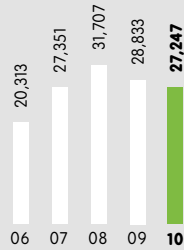


FIG. 2, PAGE 32  
**EBIT**  
IN EUR'000

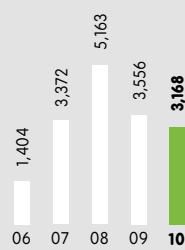


FIG. 3, PAGE 32  
**EBIT MARGIN**  
IN %

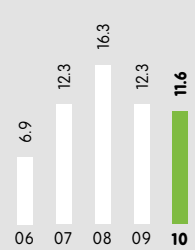


FIG. 4, PAGE 67  
**NET SALES AND EBIT MARGIN BY REGION**  
IN EUR'000

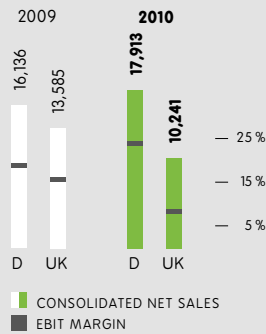


FIG. 5, PAGE 32  
**SALES ALLOCATION BY VERTICAL MARKETS**

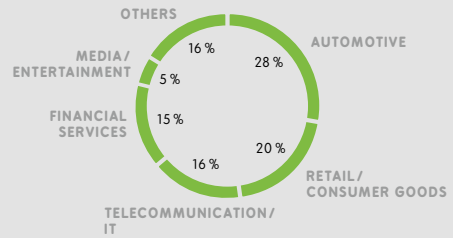


FIG. 6, PAGE 33  
**FINANCIAL INCOME**  
IN EUR'000

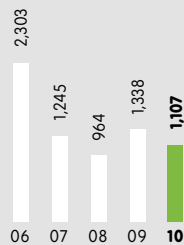


FIG. 7, PAGE 32/33  
**RATIO OF OPERATING INCOME TO FINANCIAL INCOME**  
IN EUR'000

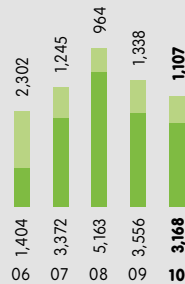
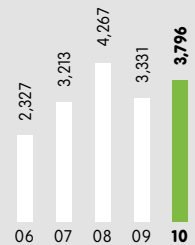


FIG. 8, PAGE 33  
**NET INCOME**  
IN EUR'000



■ OPERATING INCOME  
■ FINANCIAL INCOME

FIG. 9, PAGE 33  
**EARNINGS PER SHARE**  
 IN EUR



FIG. 10, PAGE 33  
**DEVELOPMENT OF OPERATING CASH FLOWS**  
 IN EUR'000

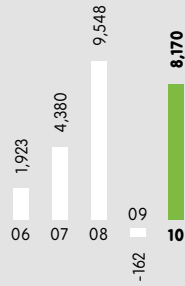


FIG. 11, PAGE 33/34  
**BALANCE SHEET STRUCTURE**

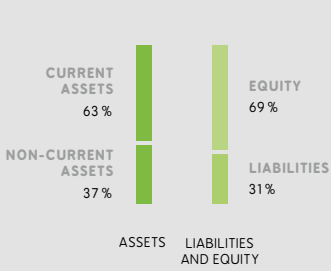


FIG. 12, PAGE 33  
**PORTFOLIO STRUCTURE OF CASH AND MARKETABLE SECURITIES**

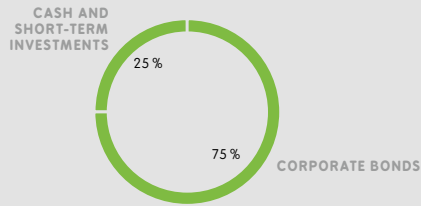


FIG. 13, PAGE 34  
**EMPLOYEES BY FUNCTION**

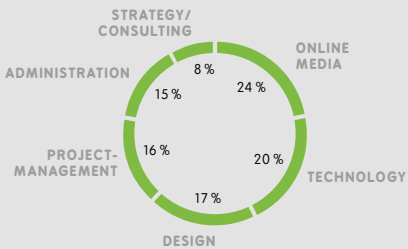
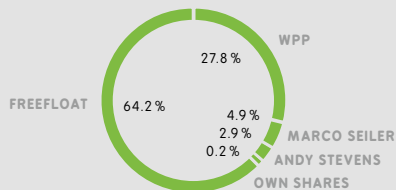


FIG. 14, PAGE 36  
**SHAREHOLDER STRUCTURE**





syzygy.net

## 01

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/  
Andy  
Stevens  
COO

/  
Frank  
Wolfram  
CTO

/  
Marco  
Seiler  
CEO



## BOARD MEMBERS' STATEMENT

*Dear Shareholders,  
the financial year now ended was in line with our expectations. We were also able to drive forward our defined strategy of international expansion, thereby creating the basis for future growth.*

### OUR ASSESSMENT

The performance of our operating units in Germany and the UK reflects the economic situation in these regions during the past year. The tough economic conditions in the UK had an adverse effect on the growth of our business. In contrast, economic recovery in Germany positively impacted our operating units. The online media segment benefited in particular, as demonstrated by the very encouraging development of the business.

### THE GROUP'S FINANCIAL RESULTS

Gross sales were 8 per cent above the previous year's level at EUR 87.1 million. Consolidated sales declined 6 per cent to EUR 27.2 million. As announced, our Company made investments to boost its competitiveness and equip ourselves for future growth. These investments impacted on operating income, which fell from EUR 3.6 million to EUR 3.2 million (-11%).

Operating cash flow performed exceptionally well. It amounted to EUR 8.2 million and further reinforces the already strong equity position. Liquid funds were up by EUR 3.3 million over the course of the year and now total EUR 23.8 million. The cash portion is thus EUR 1.86 per share.

At EUR 1.1 million, financial income is slightly below the prior-year level. Income before tax and financial income together resulted in net income of EUR 3.8 million.

### EARNINGS PER SHARE

Earnings per share are above our expectations due to a positive tax effect attributable to an impairment loss on foreign investments from the year 2002, the tax aspect of which has been in dispute since then. Earnings are EUR 0.30 per share, EUR 0.02 above the figure for 2009.

Based on the Company's strong cash position and the positive outlook going forward, we will be proposing a dividend of EUR 0.20 per share to the Annual General Meeting. Accordingly, the dividend yield of the Syzygy Group will again significantly exceed the average for DAX companies.

### BUSINESS SEGMENTS AND AREAS

The Syzygy Group achieved growth of 11 per cent in Germany, with online media performing exceptionally well. The UK was a challenging market for digital agencies last year as a weak economic environment put downward pressure on prices. Revenue fell by 25 per cent as a consequence.

## **AWARDS**

For companies in the communications sector, awards are important indicators of creativity and the ability to innovate. In the past year the Syzygy Group received a total of 47 awards for projects carried out on behalf of companies such as Telefonica O<sub>2</sub>, Jägermeister, The Economist, Avis and Chanel. This represents a further increase on the high level of recognition achieved in 2009.

## **DEVELOPMENT OF THE COMMUNICATIONS INDUSTRY**

The increasing popularity of social and mobile media, symbolised by Facebook and the iPhone, is the latest milestone in a media revolution which is transforming marketing and sales. This transformation offers exciting opportunities for future growth. The Syzygy Group is investing in expanding its range of services to leverage the potential of these developments for its clients.

In his essay from page 16, Dr Paul Marsden, Social Commerce strategist for the Syzygy Group, describes this change and the associated opportunities for companies. Dr Marsden's work for the Syzygy Group includes writing the blog <http://socialcommercetoday.com>, which is now the first port of call worldwide for many major companies and e-commerce market leaders seeking to build their understanding of social commerce.

## **INTERNATIONAL EXPANSION**

International expansion is an important element in the development of the Syzygy Group. The opening of a Hi-ReSI office in New York City is enabling the Group to extend its operations to the American continent.

In addition, we are set to take the existing excellent cooperation with Polish design studio Ars Thanea to the next level by acquiring a stake in the company. This will enable the Syzygy Group to build up capacity in Eastern Europe and extend the range of services, including 3D production.

Ars Thanea ([www.arsthanea.com](http://www.arsthanea.com)) is a showcase player in Eastern Europe, with its spectacular creative work repeatedly sparking huge interest. Recent projects have included Nike, Ubisoft and the Discovery Channel in the USA. The studio also realised the online activities for the Shanghai Expo on behalf of the Polish government. In 2010, Ars Thanea developed the Moonsters game for the iPhone, which has clocked up almost 500,000 downloads to date.

By investing in existing operating units and through expanding its operations internationally, the Syzygy Group is better equipped than ever to help clients successfully meet the challenges of the media revolution.



**NEW CORPORATE IDENTITY**

During the current year, the Syzygy Group will make further investments and expand the Group's range of services and geographic presence. A new corporate identity will reflect the confidence we feel as a group of high-performing companies.

The new corporate identity will bring all the operating units together under one visual roof while presenting the agency brands Syzygy, unikedigital and Hi-ReS! as part of the Syzygy Group. It is a visual communication of the character and vitality of the entire Group.

**OUTLOOK**

The outlook for the Syzygy Group is positive, with growth returning. Although the general economic environment in the UK is improving only slowly, we expect double-digit growth of our net sales.

We will make further investments to boost growth in the years ahead. Despite these investments, we estimate that this year's income will exceed that of last year, allowing us to retain the unbroken dividend policy of the Syzygy Group in the coming year. This confirms Syzygy as an interesting small-cap which represents growth and an attractive dividend yield.

The Management Board of the Syzygy Group would like to thank our clients and you, our valued, loyal shareholders of Syzygy AG. Our wholehearted thanks also go to all the people who make up and support the Syzygy Group, and their families. The Syzygy Group is home to more nationalities than ever, representing a range of different cultures. We are proud of the people in the Syzygy Group whose curiosity about changing behavioural patterns and fascination for technology are helping to shape the future of communication in the digital age.

Special thanks are due to the members of the Supervisory Board. The international composition of the Syzygy Group's Supervisory Board was of particular value in a year when we accessed the US and Polish markets as part of the international expansion of our operations. As in previous years, the Supervisory Board's wealth of experience and expert knowledge remain important cornerstones for the development of the Syzygy Group.

The Management Board

## THE SYZYGY GROUP

Syzygy is an international full-service interactive agency group with 280 employees and offices in Frankfurt, Hamburg, London, Warsaw and New York. In the fiscal year 2010, Syzygy generated net revenues of EUR 27 million. With billings of more than EUR 87 million, it is one of the leading online media agencies in Germany and the UK.

SYZYGY

### Design & Build

**SYZYGY.CO.UK**

**SYZYGY.DE**

Interactive agency Syzygy develops online projects, programs and platforms, all driven by customer insight and user expectations, supported by data.



## Online Media

**UNIQUEDIGITAL.CO.UK**  
**UNIQUEDIGITAL.DE**

Honored with several effectiveness awards, digital media agency *uniquedigital* help clients to maximize the return from online media investments across all digital channels from SEM and display through social media strategies.



## Designstudio

**HI-RES.NET**

Multi-disciplinary design studio *Hi-Res!* enjoys an enviable worldwide reputation for its interactive creativity. Clients of the London boutique include brands like Chanel, Doritos, Nokia, Sony, the Economist and Dolce & Gabbana.



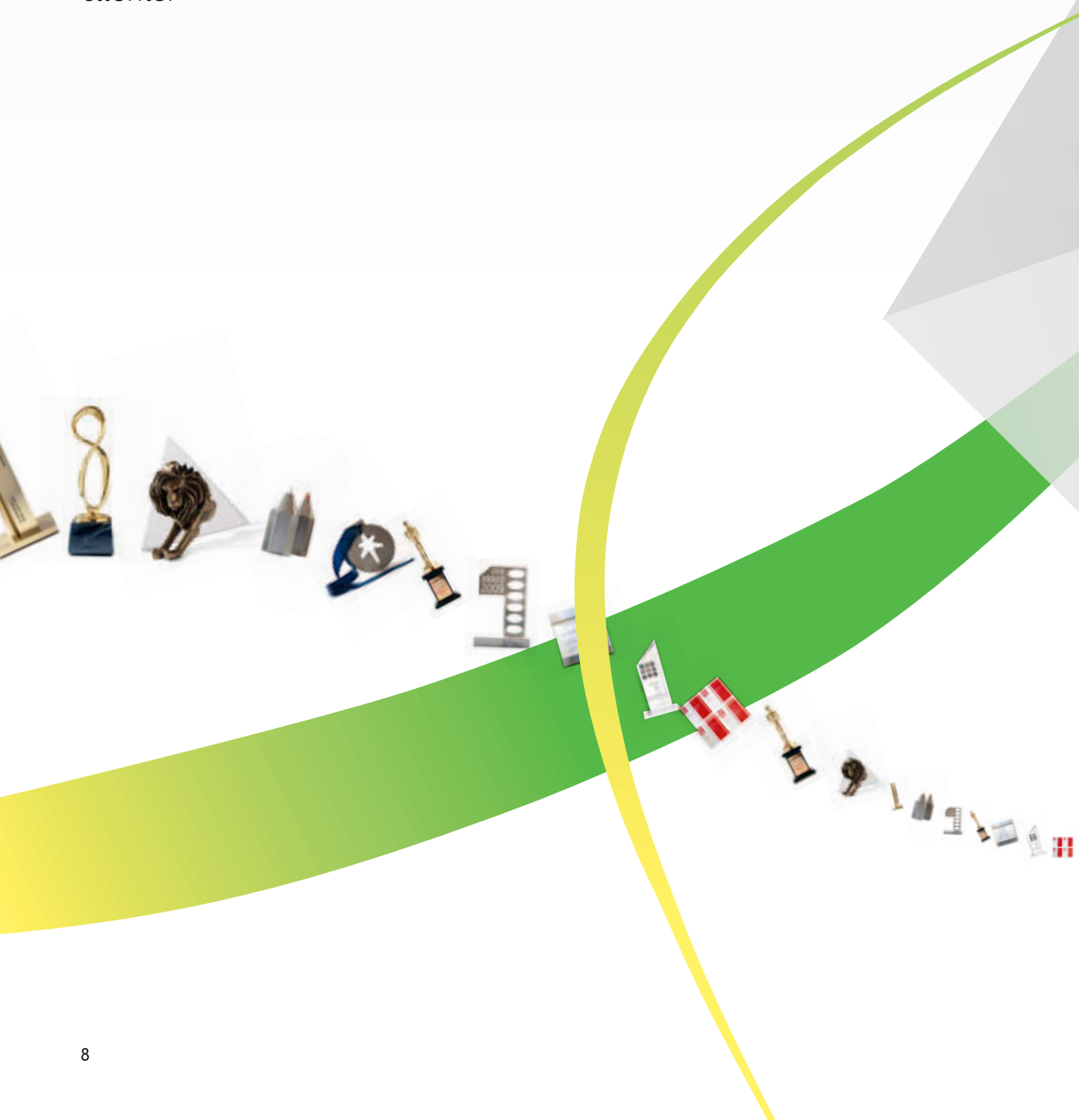
## Art of Imagination

**ARSTHANEA.COM**

Warsaw-based *Ars Thanea* are internationally known for their high-quality output in the field of interactive design, motion design and digital illustration. Brands such as Diesel, Nike, Ubisoft, Visa, Nutricia and Wrigleys trust in the digital art of this 17-member team.

## AWARDS

*Awards are important indicators of an agency's ability to innovate. In 2010, Syzygy was awarded with 47 national and international accolades for 15 different projects – all of which were successfully realised on behalf of our clients.*



<b>ADC AWARDS</b>	/ JÄGERMEISTER	/ ACCOLADE
<b>ANNUAL MULTIMEDIA</b>	/ ZDF / ADC DEUTSCHLAND / HENKEL / JÄGERMEISTER	/ ACCOLADE / COMMENDATION / COMMENDATION / COMMENDATION
<b>BOCCIA AWARD</b>	/ TELEFÓNICA O <sub>2</sub>	/ 3RD PLACE
<b>CANNES LIONS</b>	/ THE ECONOMIST / THE ECONOMIST / GREENPEACE / ZDF	/ SILVER / 2x BRONZE / SHORTLIST / SHORTLIST
<b>DATA STRATEGY AWARDS</b>	/ AVIS	/ WINNER
<b>DESIGNPREIS DEUTSCHLAND</b>	/ JÄGERMEISTER / MERCEDES-BENZ VANS / UNIQUEDIGITAL	/ 2x NOMINATION / 2x NOMINATION / NOMINATION
<b>DDC</b>	/ CHANEL / HENKEL / ZDF	/ GOLD / BRONZE / BRONZE
<b>DMMA ONLINESTAR</b>	/ HENKEL / TELEFÓNICA O <sub>2</sub> / ZDF	/ SHORTLIST / SHORTLIST / SHORTLIST
<b>IF COMMUNICATION AWARD</b>	/ CHANEL / TELEFÓNICA O <sub>2</sub> / ZDF	/ ACCOLADE / ACCOLADE / ACCOLADE
<b>NMA EFFECTIVENESS AWARDS</b>	/ AVIS	/ FINALIST
<b>NEW MEDIA AWARD</b>	/ CHANEL / JÄGERMEISTER / SOFTWARELOAD.DE	/ BRONZE / TOP 10 / YOUNG LIONS / TOP 10
<b>NEW YORK FESTIVALS</b>	/ JÄGERMEISTER / JÄGERMEISTER / CHANEL	/ BRONZE / 4x FINALIST CERTIFICATE / FINALIST CERTIFICATE
<b>ONE SHOW INTERACTIVE</b>	/ TELEFÓNICA O <sub>2</sub> / THE ECONOMIST	/ MERIT AWARD / FINALIST
<b>RED DOT</b>	/ ZDF	/ BEST OF THE BEST
<b>THE FWA</b>	/ JÄGERMEISTER	/ SITE OF THE DAY
<b>WEBBY AWARDS</b>	/ GREENPEACE / THE ECONOMIST / JÄGERMEISTER / THE ECONOMIST	/ 2x WINNER / 2x WINNER / OFFICIAL HONOREE / 2x NOMINEE

## SHOWCASE THINKING SPACE

*There are places where things happen that can only be explained by inspiration. Places that generate ideas. Thinking spaces. Hi-ReSI made them accessible to everyone on behalf of The Economist.*



<http://thinkingspace.economist.com>



#### THE ECONOMIST'S SPACE ODYSSEY 2010.

The Economist is more than just a business magazine. The topics it covers also include art and culture. Word about this had not yet reached its target group, the "intellectually curious", though - until the launch of "Thinking Spaces", that is. By developing the website, Hi-ReSI succeeded in transforming the online community's perception of the brand. The "Thinking Spaces" mark completely new web terrain for the magazine, not just in terms of content. They also stand for a new, more restrained form of online communication where people – and their stories – take centre stage.

#### THINKING SPACES – A COLLECTIVE SPACE FOR IMAGINATION.

"Thinking Spaces" asks the question: "Where do you get your ideas?" Visitors to the website have the door opened to the places where leading figures in the European art and culture scene get their ideas. They tell their stories – and explain the role The Economist plays. As such, the website illustrates how place and idea can form a unit that is more than the sum of its parts. Because it covers different dimensions – just like the "Thinking Spaces" concept, which combines online and offline. Apps for iPad and iPhone enable users to upload photos of their idea places onto city maps. The result is an international guide to inspiration, taking people to places that they would otherwise never have gone to: the idea places of others.

# SHOWCASE JÄGERMEISTER HOUSE CALL

Jägermeister is extending its territory – right into the living rooms of a new target group. To launch JÄGER On Ice, Jägermeister made house calls – looking for people and their true stories.

The screenshot shows a video player interface. At the top, there are navigation tabs: 'PROLOG', 'EPISODEN', and 'JÄGER ON ICE'. Below the tabs, the text 'Hausbesuch bei...' is displayed. A central video frame shows two men, one wearing a cowboy hat, with a 'Play' button overlaid. To the right, a map highlights the location 'Krefeld'. Below the video frame, the title 'BEEF JERKY BEI ANDREAS & BAND IN KREFELD' is shown in orange. The main text describes the story of a band in Krefeld. At the bottom, there is a decorative horizontal line with a small icon in the center.

PROLOG EPISODEN JÄGER ON ICE

KAMP-LINTFORF

Hausbesuch bei...

Andreas

Play

Krefeld

KAMP-LINTFORF

KREFELD

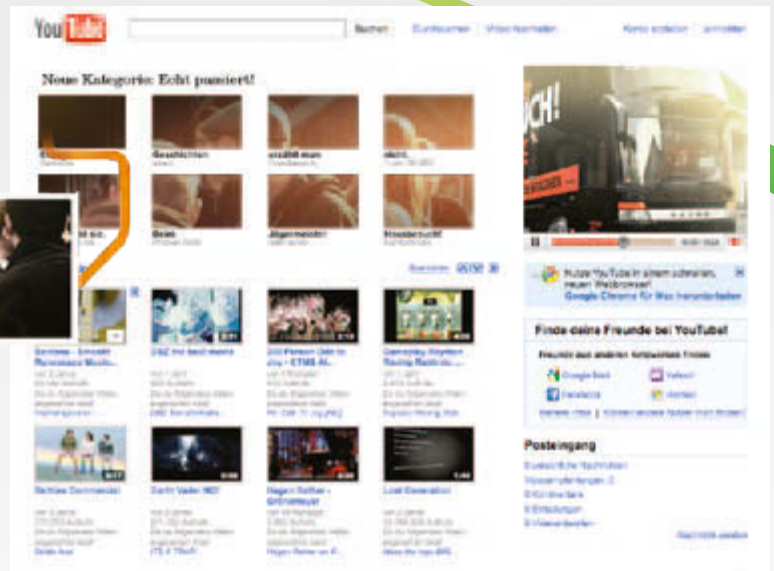
KORSCHENBROICH

FLORIA KÖLN

**BEEF JERKY BEI ANDREAS & BAND IN KREFELD**

Das Fleisch macht die Musik. Und Andreas macht das Fleisch. Denn in Krefeld sind „Hack Mack Jackson“ nur die Vorband für den Main Act und der ist unangefochtener Publikumsliebhaber und heißt: Homemade Beef Jerky. Das Beef hat Groupies, einen Fan-Song und eine große Zukunft als Germanys next Top-Delikatesse. Und wir wissen jetzt: Texas liegt in NRW.





#### JÄGER ON ICE TOURS GERMANY.

Jägermeister is long established as a party shot – among 18 to 25-year-olds. But at some stage, they want to do more than just celebrate. They want to enjoy themselves. At home. With friends. To prevent their relationship with Jägermeister being just a passing phase at a certain age, the herbal liqueur is revealing an unknown side to its new target group – JÄGER On Ice. It's the chillout remix of the classic drink for more relaxed moments. And its launch campaign is the response to the tendency of people in their mid-twenties to stay in more. On the Jägermeister House Call tour, Jägermeister travels around Germany and visits its fans backstage – in their own homes. The result: people and stories that are just like Jägermeister: genuine.

#### TRUE STORIES: JÄGERMEISTER HOUSE CALL.

"JÄGER On Ice is looking for true stories" was the key message of the accompanying online marketing campaign, aiming at recruiting hosts for house calls. Central element and awareness grabber was a prominent YouTube banner. It leveraged the authenticity value of the upload platform and the usage habits of its users to communicate true Jägermeister stories, using slick mimicry. We imitated the familiar YouTube interface and added the category "True Stories" to a fictitious video overview. This area was used to hold house call episodes disguised as user videos which merged when clicked into a single large-format campaign trailer. The surprise effect was enormous: The banner generated almost 100,000 clicks on the placement date – almost twice as many as expected.



# SHOWCASE AVIS

*Paid search can achieve more than just conversion.  
This is demonstrated by a project aimed at more efficient  
fleet management implemented by unikedigital and Avis.*

## FLEET

### SUPPLY

Rental station fleet  
availability assessment  
(Avis Information)

### DEMAND

Rental station demand forecast  
(Unique Forecast)

## MARKETING INTELLIGENCE

### PROMOTIONS

### PRICING

### TRAVEL TRENDS

unique



DARWIN  
INSIGHT

**REAL-TIME LOCALISED  
PROFITABLE MARKETING  
STRATEGY**



## PROFIT

**ASSET ROTATION**  
(utilisation)

**PRICING STRATEGY**

**ANCILLARIES**

### **PAID SEARCH AS THE FOUNDATION FOR SUCCESS.**

Avis is a leading car rental firm worldwide, with 4,000 locations. Stiff competition, slow growth and a tendency towards mass market pricing and product strategies are hallmarks of the sector. Avis was quick to respond to these threats, using paid search to acquire customers and boost sales. One of the biggest challenges nevertheless remains: fleet management.

Unrented vehicles do not generate any revenue, while at the same time incurring storage costs. This makes it crucial for Avis to be able to estimate and manage demand in order to align paid search activities and vehicle availability as closely as possible.

### **EFFICIENT FLEET MANAGEMENT AND PROFITABILITY.**

uniquedigital put together an interdisciplinary team comprising search, data and technology experts to work with Avis on developing a new solution for more efficient fleet management. The data collected via paid search provided the foundation. By combining it with country-specific information from Avis about vehicle availability and other aspects, it proved possible to exactly align demand and paid search offer price – and to constantly adjust it. Destinations were only advertised actively via paid search if there was a minimum number of vehicles available at those locations. When bottlenecks arose, the real-time data allowed fast adjustment of the strategy. This specific targeting enabled Avis to boost the efficiency of its paid search activities significantly, with a corresponding increase in fleet management profitability.



# Tap Like Buy

*Three simple words. But they are shaping the future of digital marketing and open up a whole new range of possibilities, unthought of only some years ago*

BY DR PAUL MARSDEN / DIGITAL ETHNOGRAPHER, SYZYGY GROUP

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**TAP:** *We used to click, now we tap. We tap and we interact directly and intuitively with screens and objects, no mouse or keyboard required. Tap to activate, tap for more information – two-finger tap for options. The future of digital is gesture control – and the simple tap is where it starts.*

Of course, tapping today mostly means tapping the screens of smart phones, tablets, portable entertainment devices and in-car navigation systems; mobile devices that are increasingly connected to the Internet. By tapping, we have a world of real-time near-infinite information at the tips of our fingers – wherever we go. And by tapping we also communicate with that world and the people in it. Indeed, the simple tap is a metaphor for the rise of smart mobile: Internet traffic from mobile devices is growing far faster than desktop Internet ever did, and is set to eclipse the latter within the next 36 months. This means challenges and opportunities.

Challenges because we have to think mobile; everything we do now has to work on a mobile screen – PC screen mock-ups will soon be as antiquated as WAP screens. And opportunities because mobility combined with wireless connectivity have unleashed us from the desktop and from the drudgery of brochureware,

opening up an exciting new world where we use digital technology to deliver true value. Add into this mobile mix gesture control, location-awareness, social networking, mobile broadband, video and VoIP and we have a perfect storm for digital innovation. Microsite – Rest In Peace – the future is Apps.

And that's just the beginning; low-cost touch-screen technology means we'll be soon tapping our cereal packets, clothes and even ourselves for more information. If connected devices today can tweet-on-tap our body-fat and blood sugar levels to the world – then the future will only be limited by our imagination. It is said that the key to happiness is excitement for the future. Then the tactile tap means we are happy. Tap – Like – Buy.



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**LIKE:** *When Facebook dropped the 'Fan' button and replaced it with the 'Like' button, some marketers groaned. Smart marketers smiled. Facebook was doing nothing less than rewiring the web.*

Whereas the tradition web link connected pages to pages, the Like button connects content to people, both inside Facebook and on external websites, adding sentiment and a social dimension to the Net. And through Facebook's open graph protocol, people now have shareable personal 'Like banks' that can be used to offer instant personalisation. Amazon, Microsoft, Levi's, Yelp and IMDB feature among the 10,000 new websites integrating with Facebook every day, using the Facebook Like and Facebook Login (social sign-on) button to enhance user experience.

Not only a simple button for 1-click engagement and 1-click sharing, the Like button is also a metaphor for the rise of the social web. Today, the social web is synonymous with Facebook; one in ten humans are active on the social network. In Facebook, individual games garner more players than the total number of users in the largest of other social networking platforms. What this means is that for campaign sites,

information sites and even retail sites - it now often makes more sense to build in, or at least with Facebook.

Innovating with, and in Facebook is not without its challenges; we're having to learn new competencies for mastering the fast-evolving world of Facebook page and application development. And having to learn new marketing based on network-thinking for a new Recommendation Economy: In this new world of marketing, a customer is simply a means for a brand to get a new customer. But as one of the largest application platforms available, hosting upwards of 500,000 apps, Facebook is also providing us with an unprecedented opportunity to help our clients use digital to deliver value to their customers - helping and entertaining them. The Like button has not only made the web social, it has made it useful. Tap – Like – Buy.

Buy Now

Buy Now

Buy Now

**BUY:** *If the Like button has a rival in the digital space today, it's the Buy button. Of course, e-commerce has been around ever since a \$ 12.48 purchase was made online back in 1994 for a Sting CD (Ten Summoner's Tales). But online commerce has been unleashed onto mobile screens and into social networks.*

When Procter & Gamble decided to start selling direct under its own name in 2010, it set up a social commerce store in Facebook, not on the open web. Not only because Facebook is where most people spend most of their time online, but because Facebook facilitates brand advocacy, the one marketing response known to drive growth. Just as the 'pop-up store' trend of temporary points of sale to support and monetize events and campaigns is sweeping across traditional retail, pop-up retail in Facebook is becoming big business.

And the Buy button has collective power; we're seeing the resurgence and rise of group-buying, where shoppers connect to buy in bulk at group-discounts. Groupon, the poster-child for social commerce, has grown from a simple blog to a \$1bn group-buy platform in less than two

years, connecting over 25 million subscribers, increasingly via mobile handsets. And it is mobile commerce, or m-commerce that is the genuine revolution in retail - both online and offline, with product code scanning apps for price comparison, socially augmented reality apps that overlay user reviews on stores and aisles, OTA (over-the-air) instant digital product and content delivery, live time-sensitive digital shopping events, auto check-in loyalty rewards programs, geo-fenced advertising and NFC (near field communication) mobile wallets. It's a far cry from the simple web shop of yesterday.

**Tap – Like – Buy. Transformative words for an industry undergoing accelerated change. And in this Darwinian world where it is not the strongest that survives, nor the most intelligent, but the one most responsive to change, the 'Tap – Like – Buy' trinity is our mantra at Syzygy as we future-proof ourselves and our clients for our shared digital destinies. Tap – Like - Buy.**

# 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 45.16 Mio. (Basis: closing price of EUR 3.52 on 12/30/2010)
FREEFLOAT	64.2%
FREEFLOAT MARKET CAPITALISATION	EUR 28.9 million
INDUSTRY GROUP	IT-Services

## STOCK STATISTICS 2010

RANKED IN TECDAX-INDEX AS PER 12/31/2010	Position 78 (market capitalisation) Position 86 (exchange transaction)
ORDINARY DIVIDEND	EUR 0.20 (05/31/2010)
AVERAGE DAILY TURNOVER (SHARES)	15,252 shares/EUR 54,054 (thereof XETRA: 10,894 shares/EUR 37,697)
XETRA CLOSING PRICE AS PER 01/02/2010	EUR 3.40
XETRA CLOSING PRICE AS PER 12/30/2010	EUR 3.52
HIGHEST CLOSING PRICE 2010	EUR 3.81 (05/03/2010)
LOWEST CLOSING PRICE 2010	EUR 3.25 (07/14/2010)
PRICE PERFORMANCE AS PER 12/31/2010	EUR 0.12 (3.5%)
OVERALL PERFORMANCE AS PER 12/31/2010	EUR 0.32 (9.4%)

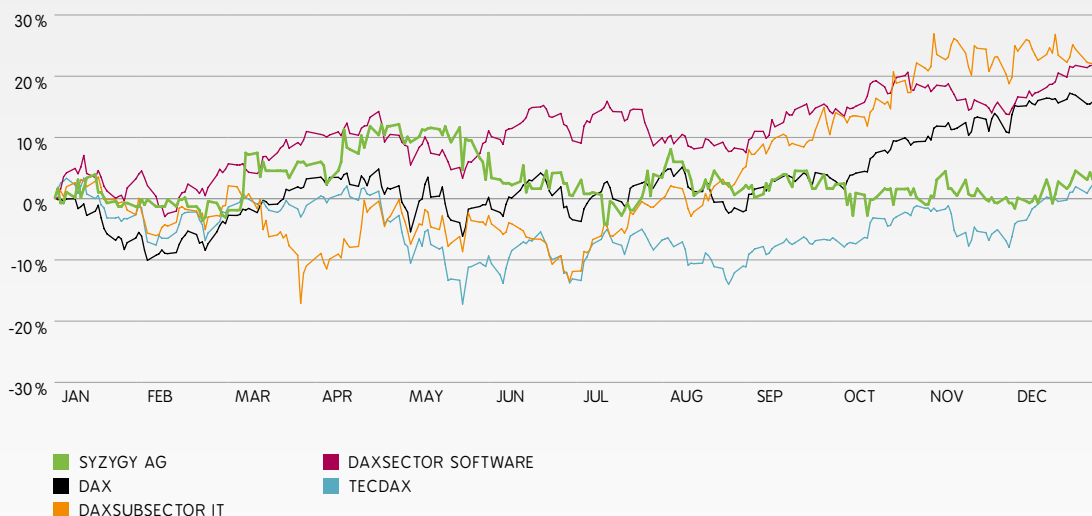
## DESIGNATED SPONSOR

HSBC TRINKAUS & BURKHARDT AG

## ANALYSTS

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





### THE STOCK MARKET IN 2010

In common with the general economic situation, the stock market recovered more quickly from the crisis than had been expected at the start of 2010.

Although the DAX made a weak start to the new year, slipping to 5,434 points by the start of February, it then recovered well and passed the 6,000 points mark again in mid-March. The provisional peak at the end of April was followed by a phase of high volatility lasting until October. In an impressive year-end rally, the DAX then climbed steadily and closed the year at just under 7,000 points, up 16 per cent over the 12-month period. This put the German benchmark index ahead of many international indices, being outperformed in Europe only by the Austrian ATX. The automotive industry was a primary driver, while the underperformance of utilities E.on and RWE acted as a drag on the DAX.

Other German indices also posted a surprisingly impressive performance. The mDAX was up about one third to 10,128 points by year-end, while the sDAX did even better at 45 per cent, closing the year at 5,173 points. Following its significantly above-average gain in the previous year, the TecDAX was the only disappointment, with a single-digit rise of just 4 per cent.

### PERFORMANCE OF SYZYGY SHARES AND DIVIDEND

Syzygy shares started 2010 with a sideways movement, proving to be robust in comparison with the initial downward trend of the major stock market indices. High turnover in the first half of March drove the price up by EUR 0.25 to EUR 3.65 within a single day. Supported by a general market recovery and the announcement of a dividend payment of EUR 0.20, the share price climbed further until it reached its high for the year on April 27, at EUR 3.81. In line with the trend of the TecDAX and DAXsubsector IT, Syzygy shares subsequently also lost value and slid to their yearly low of EUR 3.25 on July 14. Although the price recovered rapidly, it lagged the rally of the DAX, sDAX and DAXsubsector IT. From mid-August onwards, Syzygy shares moved sideways again and closed the year at EUR 3.52 with a small gain of 3.5 per cent. The overall performance of Syzygy shares was EUR 0.32 or 9.4 per cent as at 31 December 2010. At 15,252 shares, the average daily trading volume on all German stock exchange centres was twice as high as in the previous year (7,952 shares). Over the year as a whole, 3.92 million Syzygy shares with a total price of EUR 13.9 million were traded.

The Annual General Meeting of Syzygy AG on May 28, 2010 approved an ordinary dividend of EUR 0.20 per share for the 2009 financial year. The resulting dividend yield of 5.7 per cent (as at December 31, 2010) significantly outperformed the other listed digital agencies, such as Sinner-schrader (3.6%), Ad Pepper and Pixelpark (both 0%). The dividend was paid on May 31, 2010.

#### **SHAREHOLDER STRUCTURE**

In May 2010, Syzygy AG issued 750,000 new bearer shares as part of a capital increase. The increase in the total number of shares to the current level of 12,828,450 has changed the shareholder structure slightly in comparison with the previous year. The portion held by WPP fell to 27.8 per cent; Marco Seiler fell below the 5 per cent mark, holding 4.9 per cent of the shares as at the reporting date. 2.9 per cent of the shares were in the possession of Andrew Stevens, leaving a free float of 64.2 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 8th Small Cap Conference and the German Equity Forum (both in Frankfurt), while participation in the Munich Capital Markets Conference had to be cancelled at short notice due to illness.

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](http://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, disclosure 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 2010 financial year, on January 15, March 26, April 23, May 28, July 27 as well as on October 26.

All members were present at these meetings either in person or took part by telephone and all important events were discussed and the necessary decisions made.

At the meeting held on January 15, the budget 2010 was discussed and approved. On March 26, both the annual financial statements and the consolidated financial statements were adopted and approved and the agenda for the annual general meeting was discussed.

In particular, the following topics were discussed at the meetings:

- / corporate governance
- / 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
- / financial reporting
- / share price
- / election of the auditor

The Corporate Governance declaration was adopted in writing by means of a circulated document in the second week of December. On March 28, 2011, a further meeting was held up to the adoption of the 2010 financial statements.

There was also continual dialogue between the Management Board and Supervisory Board between the meetings. In particular, the Management Board provided regular written reports about business 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 28, 2010, the Annual General Meeting approved the actions of the Management Board and the Supervisory Board in the financial year 2009.

## **CORPORATE GOVERNANCE**

On December 14, 2010, 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 on page 35 as well as in the notes on page 73.

## **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 28, 2010. 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 2010 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 from members of the Management Board at its meeting of March 28, 2011. 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, March 28, 2011  
The Supervisory Board



Michael Mädler  
CHAIRMAN OF THE SUPERVISORY BOARD

# CORPORATE GOVERNANCE AT SYZYG AG

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

The existing Code was updated again on May 26, 2010. This year's declaration of conformity is based upon the revised version.

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

Syzygy AG continues to comply with the current version of the Code with exceptions as stated in the Declaration of Compliance 2010.

## **DECLARATION ON CORPORATE GOVERNANCE IN ACCORDANCE WITH ARTICLE 289A, HGB (GERMAN COMMERCIAL CODE)**

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

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., December 14, 2010

The Management and Supervisory Board  
Syzygy AG

#### **REMUNERATION REPORT**

The remuneration report is a material part of the corporate governance report. 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 level of the variable element varies depending on the performance of the Syzygy share.

Additional information about remuneration of the executive bodies can be found on pages 35 and 73. The annual declarations of conformity, remuneration reports and relevant basic information are permanently available on the website at [www.syzygy.net](http://www.syzygy.net) under Investor Relations.





# FINANCIAL STATEMENTS 2010

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please see the preface pages.

# MANAGEMENT REPORT

## 1. GENERAL

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

## 2. BUSINESS ACTIVITIES AND STRUCTURE OF THE GROUP

Syzygy is a European agency group for interactive marketing with some 250 employees. The Group consists of Syzygy Aktiengesellschaft and its six subsidiaries: Syzygy Deutschland GmbH, Syzygy UK Ltd., unikedigital GmbH, Unique Digital Marketing Ltd., the design studio Hi-ReSI London Ltd. and Mediopoly Ltd.

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

## 3. ECONOMIC ENVIRONMENT

### 3.1 GENERAL ECONOMIC SITUATION

The unprecedented rally experienced in year one after the economic slump of 2009 took observers by surprise. Key economic figures and barometers of sentiment in many parts of the world recovered much more quickly and strongly than had been expected by most economists at the start of 2010. As the year progressed, these indicators charted a perfect V-shape in many countries.

The national economies in the eurozone saw mixed performance and drifted further apart. The debt crisis experienced by several member states continued to cause uncertainty in the financial markets and led to discussion in political and business circles about the future of the common currency.

The German economy, which underwent the deepest recession of the post-war period in 2009, proved to be the European locomotive, making significant progress particularly in the spring and summer. The highest growth since reunification, at 3.6 per cent, significantly outstripped the original forecasts, which had varied between 1.4 per cent (German federal government) and 1.7 per cent (German Institute for Economic Research (DIW), Berlin). In addition to strong demand from abroad, domestic factors also came into play in the second half of the year, reflecting an optimistic mood among German consumers and businesses.

Despite being particularly hard hit by the crisis, the UK started the year with a moderate upturn in the economy that lasted three quarters. In the winter months, however, the country suffered a setback: GDP fell by 0.5 per cent in the fourth quarter, detracting from performance for the whole year and limiting growth to 1.4 per cent. Weather-dependent sectors such

as construction and logistics, which were hit by the early arrival of winter, were not the only contributors to this negative performance, the financial and service sector was also adversely affected. As a result, the recovery is not nearly as dynamic as in Germany.

### 3.2 ONLINE ADVERTISING MARKET

The advertising sector recovered in parallel with the general economy in 2010. Although the figures vary depending on the way data is collected, the various statistics do indicate a clear trend: the paradigm shift in advertising is continuing. Digital channels are attracting increasingly large shares of budgets and, slowly but surely, making life difficult for newspapers and magazines in particular.

Media agency ZenithOptimedia estimates global ad spending for the past year at some USD 450 billion, almost 5 per cent more than in 2009. As in the past, the Internet performed well above average, achieving year-end sales growth of 14 per cent to reach USD 62 billion. This lifted its slice of the advertising cake by 1.2 percentage points to 14 per cent.

In Germany, investment in conventional media (including online) amounted to EUR 25 billion according to the Nielsen advertising statistics, around 11 per cent more than in 2009. The Internet (in this case: banner advertising) was the front runner by a big margin, posting an impressive gain of 34.7 per cent as at year-end, with a total spend of EUR 2.4 billion.

The German Online Marketing Group (OVK, part of the German Association for the Digital Economy), which extrapolates the Nielsen statistics to 100 per cent and adds affiliate and search-engine marketing, had to revise its statistics for 2010 significantly upwards. In mid-2010, the OVK was still expecting a rise in gross advertising investment of 19 per cent,

while the OVK Online Report 2011/01 announced growth of 26 per cent to around EUR 5.4 billion. Accordingly, the Internet has further increased its share of total German advertising spending from 16.5 per cent to 19.2 per cent.

Based on figures from the first three quarters of 2010, the UK's Advertising Association calculated a 6.6 per cent increase in total ad spending, representing the largest rise since 2004. In addition to TV and outdoor advertising, online was one of the top performers with sales growth of 11 per cent in the third quarter. The estimates from ZenithOptimedia are somewhat more conservative, forecasting an increase of 6.9 per cent for online advertising in the UK.

The Internet Advertising Bureau (IAB) and eMarketer provide absolute figures: the IAB calculated that online advertising sales for the first half of 2010 were GBP 2 billion, while eMarketer puts the figure at GBP 3.3 billion for the full year. Both sets of figures are equivalent to growth of 10 per cent. Social networks benefited disproportionately. They generated advertising revenue of GBP 130 million, representing a 44 per cent increase over the previous year.

#### **4. PERFORMANCE AND SITUATION OF THE GROUP**

##### **4.1 SALES**

The Syzygy Group reports gross and 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.

Particularly positive business development at unikedigital Hamburg, which included both acquiring new clients and increased business from existing clients, led to 8 per cent growth in gross sales for the Group, to EUR 87.1 million. After deducting media turnover of EUR 59.8 million, net sales were EUR 27.2 million, 5.5 per cent down on the previous year. This is primarily due to the continuing tough economic environment in the UK. Not only is the economic situation generally uncertain, there is also additional impact in the shape of tough competition and margin pressure on agencies.

The relatively unfavourable conditions in the UK become particularly clear when looking at business by region. While the German companies are performing very strongly and were able to increase their net sales by 11 per cent to EUR 17.9 million, sales in the UK are down by a quarter, to EUR 10.2 million. A particularly adverse effect was felt from the ongoing reluctance of automotive clients to invest in design and technical realisation, combined with the loss of an online marketing client who now produces services in-house rather than outsourcing them as before. As a consequence, the EBIT margin of the UK companies fell from 15.7 per cent to 7.6 per cent, while the German agencies achieved 24 per cent (previous year: 18.6%), significantly boosting their profitability in the year under review.

While sales to clients from the automotive industry fell in the reporting year, the Syzygy Group was able to tap into new sources of sales revenue, especially in the financial services and miscellaneous sectors. This has changed the sales breakdown by sector slightly compared to the previous year. Automotive clients accounted for 28 per cent of net sales (previous year: 30%), followed by companies in the retail and consumer goods sector, which generated exactly one fifth of sales (previous year: 25%). With a share of 16 per cent, sales in the telecommunications/IT sector remained almost constant. The financial services and miscellaneous sectors each posted growth of three per cent, contributing 15 and 16 per cent respectively to total sales.

At 59 per cent, the proportion of sales accounted for by the ten largest clients was unchanged over the prior year.

##### **4.2 OPERATING INCOME (EBIT) AND EBIT MARGIN**

Operating income was adversely affected by the weak performance of the UK segment and the associated restructuring measures. EBIT fell by around EUR 400,000 or 11 per cent to EUR 3.2 million, equivalent to an EBIT margin of 12 per cent. Against the backdrop of the challenging situation in the UK, the profitability of the Syzygy Group remains good.

##### **4.3 OPERATING EXPENSES AND DEPRECIATION**

The gross margin rose slightly by 1 percentage point to 33 per cent, due to a slightly bigger fall in the cost of sales than in net sales.

Sales and marketing costs amounted to EUR 2.4 million, 7 per cent or EUR 0.2 million more than in the same period of the prior year. This is primarily due to boosting sales activity, the creation of strategy teams in Germany and the UK, and further enhancement of the Syzygy Group's corporate identity.

General administrative expenses and other income continued at the same level as the previous year, while depreciation increased slightly.

#### **4.4 FINANCIAL INCOME**

In 2010, the Syzygy Group again generated strong financial income of EUR 1.1 million (previous year: EUR 1.3 million). This corresponds to a return of 5.2 per cent (previous year: 6.1 per cent) on the average available liquidity reserves, or a 17 per cent decrease compared to the prior year.

Short-term interest rates remained at a very low level, putting pressure on financial income. The yield on bonds with relatively long maturities was also down slightly and price gains of EUR 0.3 million were realised, compared with EUR 0.4 million in the previous year.

Investment strategy remains geared towards long-term income. The average residual maturity of all securities was increased to five years (prior year: four years). Liquid funds have been invested with an eye to risk diversification, with a strong focus on investment-grade corporate bonds.

At year-end, liquid funds and securities comprised 25 per cent overnight and bank deposits and 75 per cent corporate bonds.

#### **4.5 INCOME BEFORE TAX**

Overall, income before tax was down at EUR 4.3 million in comparison with EUR 4.9 million in the previous year. Lower financial income and a drop in operating income were both factors in this decline.

#### **4.6 NET INCOME, INCOME TAXES, EARNINGS PER SHARE**

Income taxes amounted to EUR 0.5 million in the 2010 financial year, compared to EUR 1.6 million in the previous year. The decrease is attributable to an impairment loss on foreign investments from the year 2002, the tax aspect of which has been in dispute since then. The matter has now been decided by the European Court of Justice and the Federal Finance Court (Bundesfinanzhof). The ruling was applied to the financial statements of Syzygy AG and resulted in total extraordinary tax income of EUR 0.9 million. Net income is thus EUR 3.8 million, with earnings per share of EUR 0.30.

#### **4.7 OPERATING CASH FLOW**

Operating cash flow was strong in all four quarters, amounting to EUR 8.2 million at year-end 2010, compared with EUR -0.2 million in the previous year.

The key positive factors were a fall in accounts receivable by EUR 6.1 million and net income of EUR 3.8 million. Higher advance payments of EUR 0.7 million also contributed to this strong inflow of funds. The only negative impact was from a reduction in accounts payable by EUR 3.2 million. The drop in accounts payable and receivable is due to a fall in online marketing in the UK; it should be noted here that the level of receivables in the previous year was increased by timing effects.

#### **4.8 NET ASSETS AND BALANCE SHEET POSITION**

Total assets of Syzygy AG were EUR 58.5 million at the balance sheet date, slightly below the previous year's figure of EUR 61.7 million.

Relevant changes on the assets side were accounts receivable, down EUR 6.1 million, and securities, which rose by EUR 3.3 million.

Non-current liabilities and other liabilities primarily result from purchase price commitments related to company acquisitions. During the financial year, some of these obligations were reclassified from long-term liabilities to current liabilities because they fall due in 2011. Purchase price payments were also made in 2010. Other changes result from recalculation of outstanding purchase price payments in the form of earn-outs and options.

Overall this resulted in long-term liabilities decreasing by EUR 1.0 million and other liabilities by EUR 4.2 million.

In line with the receivables on the assets side, accounts payable also fell by EUR 3.2 million to EUR 9.2 million. Syzygy AG's equity increased by EUR 4.6 million in the year under review. A capital increase with an inflow of EUR 2.6 million, a fall in comprehensive income of EUR 0.8 million and a EUR 1.2 million decrease in net profit were the key factors here. Comprehensive income includes changes in value that do not affect net profit and that are due to changes in the value of securities and foreign currency positions.

The equity ratio rose from 58 per cent in 2009 to 69 per cent due to the increase in equity compared to total assets.

In summary, the key financial figures are shown below in a multi-year comparison in accordance with DRS 15:

	2006	2007	2008	2009	2010
Sales, net in EUR'000	20,313	27,351	31,707	28,833	27,247
EBIT in EUR'000	1,404	3,372	5,163	3,556	3,168
EBIT margin	7%	12%	16%	12%	12%
Earnings per share in EUR	0.19	0.21	0.30	0.28	0.30

#### 4.9 EMPLOYEES

As at 31 December 2010, the Syzygy Group employed a total of 242 people, 4 per cent fewer than on the prior year reporting date.

The three German companies Syzygy AG (16), Syzygy Deutschland GmbH (100) and unikedigital GmbH (46) employed 162 persons, while the three UK agencies Syzygy UK Ltd. (39), Unique Digital Marketing Ltd. (26) and Hi-ReS! London Ltd. (15) accounted for a total of 80 members of staff.

In addition, the Group used an average of 15 freelance employees to cover peak periods and optimise capacity utilisation. Sales per head were EUR 106,000 (annual average).

In terms of employees by function, there was almost no change compared to the previous year: at 24 per cent, online marketing was the largest group of employees, while 20 per cent of employees worked in technology-based roles. Design accounted for 17 per cent of the workforce, and 16 per cent worked in project management. 8 per cent worked in strategic consulting for clients, with 15 per cent of employees employed in administration.

## 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 remuneration
- performance-related remuneration
- other benefits.

The non-performance-related remuneration is paid each month as a basic salary. Performance-based remuneration includes two components: the first component is paid on the basis of achieving 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. The amounts attributable to each of the members of the Management Board can be found in the notes.

### COMMITMENTS IN THE EVENT OF TERMINATION

The Management Board of Syzygy AG has no claim to retirement benefits. If an employment contract is terminated prematurely, a severance payment will 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 12 months may be agreed following premature termination of the contract. In this case, the Management Board member will receive compensation of 50 per cent of his or her most recently received average contractual payments.

Details of the remuneration of the Management Board for the 2010 financial year can be found in the notes to the consolidated financial statements.

### 5.2 REMUNERATION OF THE SUPERVISORY BOARD

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

A detailed presentation of the remuneration of the Supervisory Board for the 2010 financial year can be found in the notes to the Syzygy AG 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 has notified the Company that it holds a total of 27.88 per cent of the shares. It should additionally be noted that the Chairman of the Management Board holds 4.86 per cent and the 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 June 30, 2006 authorises the Management Board to increase the common stock of Syzygy AG, with the agreement of the Supervisory Board, by up to EUR 6,000,000 in the period to June 30, 2011 by issuing new no-par value shares against cash contributions or contributions in kind. The Management Board and Supervisory Board have used some of this facility, with the result that authorised capital of EUR 5,250,000 exists as at December 31, 2010.

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 acquire treasury stock up to a total of 10 per cent of the common stock via the stock exchange or via a public offer to buy directed at all shareholders.

- Syzygy AG has made no material agreements that would be triggered by a change of control.
- No compensation agreements have been entered into with members of the Management Board or employees for the event of a takeover bid.



## **7. RISKS AND OPPORTUNITIES OF FUTURE BUSINESS DEVELOPMENT**

Syzygy AG is subject to a large number of risks which could have a negative impact on its net assets, financial position and results of operations. Management of Syzygy AG regularly analyses opportunities and risks, both in the operational areas and at central level.

Different risk categories are distinguished when identifying individual risks. Risks are identified, quantified and qualitatively assessed across the Group using a common management, planning and reporting system.

The results of operations of Syzygy AG are determined by the performance of the subsidiaries and their ability to cover costs incurred by the parent company, in addition to the interest income that is also expected in the future.

The risks and opportunities for the future development of Syzygy AG are therefore closely correlated from a financial viewpoint with the risks of the Group's operating companies. The results of operations of Syzygy AG will depend to a large extent on the subsidiaries' earnings.

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

The future financial performance of Syzygy AG is subject to various risks. These risks could have a negative impact on the financial position and earnings, with the result that Syzygy AG does not reach its planned business targets. These risks will continue to be assessed constantly by the Management Board of Syzygy AG, which will also define possible measures to reduce them. This risk assessment refers both to the scope of a possible impact on the earnings and financial position, and on the probability with which a risk factor could have repercussions.

### **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. Any capacity adjustments which may be necessary are not immediately effective 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 costs accordingly at short notice.

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

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

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

### **PERSONNEL RISK**

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

### **CURRENCY RISK**

Syzygy generates around one third of its net 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. Syzygy does not enter into hedging transactions because both net income and costs are typically calculated in sterling. Syzygy is thus only exposed to foreign exchange risk in terms of the amount of its annual net income.

### **INVESTMENT RISK**

Investment strategy for liquid funds is geared towards long-term income. Liquid funds are therefore invested in corporate bonds and other fixed-interest securities in a manner designed to ensure risk diversification. All fixed-interest securities are subject to interest rate and default risk. A rise in long-term interest rates has a negative effect on the 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 strategy. 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.

### **7.2 OPPORTUNITIES**

Over recent years, the Internet has become virtually indispensable for large swathes of the population, for both private and job-related use. This trend is boosted by the increasing shift of TV and video content to the Web, combined with the huge success of social networks, which bind users to the Internet even more. Widespread use of tablet PCs and never-ending leaps in smartphone capabilities have given additional impetus to integration of digital content into everyday life, opening up entirely new horizons to advertisers for mobile targeting and selling.

The Internet has transformed 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 helping companies to achieve their goals in relation to sales and reputation. And the Internet's potential as a marketing channel is far from exhausted. Indeed, it gains momentum with each technological innovation.

Syzygy has been an Internet agency since the early days and can look back on many years of extensive online experience. The Group is responding to the growing 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 and emerging 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 that ensures 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 keeping with Article 289 (5) of the Handelsgesetzbuch (HGB – German Commercial Code), one of the ways the accounting requirements of Syzygy AG are implemented in the subsidiaries is that a standard bookkeeping system with a standard chart of accounts is 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. The internal control system is supplemented by approval procedures covering activities such as financial transactions (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 regularly brought up to date with statutory requirements via internal and external training courses.

## 9. OUTLOOK AND FORECAST

Like with 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 can have a positive or a negative impact on the Group's growth.

Forecasts about future economic performance are based on a constantly shifting set of data and are consequently fraught with uncertainty. Although 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, actual results may nevertheless differ.

The Syzygy Group draws up its forecasts on the basis of its organic development. Accordingly, 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

The unexpectedly rapid recovery of the global economy is causing top international managers to take a positive view going forward. According to the Global Annual CEO Survey conducted by PricewaterhouseCoopers, the last time executives responded with such an optimistic assessment of growth prospects over the next few years was in 2007. German CEOs were particularly upbeat, with three quarters anticipating increased sales in the next three years. At global level, half of the business leaders shared this appraisal.

In the eurozone, mixed economic performance can be expected to continue in 2011. The average GDP growth of 1.4 per cent forecast by the statistical service of the European Union (Eurostat) encompasses figures ranging from -3.0 per cent for Greece to +4.4 per cent for Estonia. In 2012, however, Eurostat believes that the peripheral countries will catch up again. The differences between the individual members of the monetary union will be reduced and collective growth of 1.8 per cent should be achieved.

Forecasts for the German economy in 2011 range from 2.0 per cent (Bundesbank) to 2.5 per cent (OECD and others), with the more optimistic estimates predominating. The first forecasts for 2012 are for between 1.3 per cent (DIW) and 2.2 per cent (OECD), with the expectation that the upturn will lose momentum.

Average forecasts for UK economic performance in 2011 assume growth of 2.0 per cent, but fluctuate widely from 1.1 to 3.1 per cent. Uncertainties arise from the drastic budget cuts, the 2.5 per cent VAT increase and the financially dire straits of Ireland, the UK's fifth-largest export market. Eurostat believes the UK economy will grow by 2.5 per cent in 2012, while the British Chamber of Commerce gives a rather more cautious assessment of 1.8 to 2.1 per cent.

## **9.2 ONLINE ADVERTISING MARKET**

The Internet has long since established itself as a major advertising channel and will continue to see above-average growth. The World Advertising Research Center (WARC), for example, predicts an increase in spending of 4.5 per cent for the global advertising market in 2011, but expects the Internet to grow by 13 per cent. ZenithOptimedia came up with similar figures of 4.5 per cent and 14 per cent respectively.

There is a similar picture in terms of countries, although forecasts for the very mature online advertising market in the UK are more modest, at 6.2 per cent (WARC) or 5.9 per cent (ZenithOptimedia). These figures for the Web nevertheless substantially exceed the 2.7 and 2.5 per cent growth that WARC and ZenithOptimedia respectively forecast for the UK advertising market as a whole.

Looking at Germany, PricewaterhouseCoopers expects average annual growth in online advertising of 12.5 per cent up to 2014, compared to a 4.8 per cent rise in total advertising spend.

The German Online Marketing Group (OVK) believes the online advertising market will grow 16 per cent in 2011, reaching a total of EUR 6.2 billion.

Mobile online advertising is set to perform particularly well in both countries. Although still in its infancy, its potential and appeal will increasingly come to the fore in the years to come. In Germany, PwC anticipates average annual rates of increase around the 33 per cent mark up to 2014. In the UK, Enders Analysis regards annual growth of mobile advertising in the order of 45 per cent up to 2015 as realistic.

### 9.3 PERFORMANCE OF THE SYZYGY GROUP

The general economic recovery, especially in Germany, combined with the trend towards moving marketing activities onto the Internet provide the Syzygy Group with excellent conditions for continued success in the years ahead.

The Syzygy Group see itself very well positioned to help leading brands face the challenges posed by an increasingly digitalised world. By establishing Hi-ReS! New York at the start of the 2011 financial year, Syzygy has taken an important step towards driving forward international expansion, tapping into new client potential in the USA and further enhancing the Company's attractiveness to highly qualified employees.

It is difficult to make precise forecasts about the future development of the Group. Having said that, major clients have announced that they plan to increase their budgets for the current financial year compared with 2010, and increased participation in agency pitches last year is having a positive impact on new business development.

Syzygy therefore expects double-digit growth of both net sales and operating income in 2011 and 2012. With respect to segments, double-digit growth is expected for both Germany and the UK, while the operating income will grow stronger in the UK than in Germany in 2011 and 2012.

### 10. MATERIAL EVENTS AFTER THE BALANCE SHEET DATE

In January 2011, Syzygy AG established a new company in New York. Hi-ReS! New York Inc. will commence business operations in the first quarter of 2011, servicing clients in the US.

Also, in February 2011 Syzygy AG and Ars Thanea s.c., Warsaw, Poland, signed a letter of intent to intensify their existing collaboration. As part of this move, Syzygy AG plans to acquire 26 per cent of the shares in Ars Thanea.

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 CORPORATE GOVERNANCE IN ACCORDANCE WITH ARTICLE 289A OF THE HANDELSGESETZBUCH (HGB – GERMAN COMMERCIAL CODE)

On December 14, 2010 the Management Board and Supervisory Board issued and published an updated declaration relating to the Corporate Governance Code.

Operation of the Management Board and Supervisory Board is also described in the declaration on corporate governance.

Both declarations can be viewed on the website under »Investor Relations« at <http://www.syzygy.net>

Bad Homburg v.d.H., March 28, 2011  
Syzygy AG

The Management Board

## CONSOLIDATED BALANCE SHEET

ASSETS		12/31/2010	12/31/2009
	NOTE	EUR'000	EUR'000
<b>Non-current assets</b>			
Goodwill	(3.1)	19,401	19,249
Fixed assets, net	(3.2)	1,750	2,182
Other assets	(3.3)	487	462
Securities	(3.3)	0	2,578
Deferred tax assets	(3.4)	57	68
<b>Total non-current assets</b>		<b>21,695</b>	<b>24,539</b>
<b>Current assets</b>			
Cash and cash equivalents	(3.5)	5,839	5,747
Marketable securities	(3.5)	18,042	12,211
Accounts receivable, net	(3.6)	10,675	16,788
Prepaid expenses and other current assets	(3.7)	2,215	2,430
<b>Total current assets</b>		<b>36,771</b>	<b>37,176</b>
<b>Total assets</b>		<b>58,466</b>	<b>61,715</b>
<b>EQUITY AND LIABILITIES</b>			
		12/31/2010	12/31/2009
		EUR'000	EUR'000
<b>Equity</b>			
Common stock*	(3.8.1)	12,828	12,078
Additional paid-in capital	(3.8.3)	20,207	18,385
Own shares	(3.8.4)	-116	-116
Accumulated other comprehensive income	(3.8.5)	-2,107	-2,936
Retained earnings	(3.8.6)	9,601	8,444
<b>Total Equity</b>		<b>40,413</b>	<b>35,855</b>
<b>Non-current liabilities</b>			
Long term liability	(3.12)	249	1,226
Deferred tax liabilities	(5.7)	55	67
<b>Total non-current liabilities</b>		<b>304</b>	<b>1,293</b>
<b>Current liabilities</b>			
Tax accruals and liabilities	(3.11)	2,874	2,545
Accrued expenses	(3.10)	1,439	1,838
Customer advances		2,399	1,721
Accounts payable	(3.10)	9,205	12,450
Other current liabilities	(3.12)	1,832	6,013
<b>Total current liabilities</b>		<b>17,749</b>	<b>24,567</b>
<b>Total liabilities and equity</b>		<b>58,466</b>	<b>61,715</b>

\* Contingent Capital EUR'000 1,200 (Prior year: EUR'000 1,200). The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENT OF INCOME AND ACCUMULATED EARN

		2010	2009	CHANGE
	NOTE	EUR'000	EUR'000	
<b>Gross sales</b>	(5.1)	<b>87,096</b>	<b>80,487</b>	<b>8%</b>
Media turnover		-59,849	-51,654	16%
<b>Net sales</b>	(5.1)	<b>27,247</b>	<b>28,833</b>	<b>-6%</b>
Cost of revenues		-18,170	-19,718	-8%
Sales and marketing expenses		-2,415	-2,251	7%
General and administrative expenses		-3,810	-3,776	1%
Other operating income/expense, net	(5.2)	316	468	-32%
<b>Operating profit</b>		<b>3,168</b>	<b>3,556</b>	<b>-11%</b>
Financial income, net	(5.6)	1,107	1,338	-17%
<b>Income before taxes</b>		<b>4,275</b>	<b>4,894</b>	<b>-13%</b>
Income taxes	(5.7)	-479	-1,563	-69%
<b>Net income</b>		<b>3,796</b>	<b>3,331</b>	<b>14%</b>
thereof Income share to shareholders of Syzygy AG		3,796	3,331	14%
<b>Period Net income</b>		<b>3,796</b>	<b>3,331</b>	<b>14%</b>
Currency translation adjustment		524	334	57%
Net unrealized gains/ losses on mark. sec.		347	2,112	-84%
Tax effect		-42	0	
<b>Other comprehensive income</b>		<b>829</b>	<b>2,446</b>	<b>-66%</b>
<b>Comprehensive income</b>		<b>4,625</b>	<b>5,777</b>	<b>-20%</b>
Earnings per share from total operations (diluted and basic in EUR)	(6.1)	0.30	0.28	7%

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

	2010	2009
	EUR'000	EUR'000
Period Net income	3,796	3,331
Adjustments to reconcile income from continuing operations to net cash provided by operating activities		
– Writedown of marketable securities	237	0
– Depreciation on fixed assets	773	710
– Profit and loss on sale of securities	-301	-322
– Other non-cash income and expenses	-1,178	0
Changes in operating assets and liabilities:		
– Accounts receivable and other assets	7,416	-5,414
– Customer advances	678	-432
– Accounts payable and other liabilities	-3,579	2,498
– Tax accruals and payables, deferred taxes	328	-533
<b>Cash flows provided by operating activities</b>	<b>8,170</b>	<b>-162</b>
Proceeds from sale of fixed assets	158	5
Changes in other non-current assets	-26	-26
Investments in fixed assets	-314	-6,127
Purchases of marketable securities	-19,117	-5,515
Proceeds from sale of marketable securities	16,275	8,383
Acquisition of consolidated companies	-2,488	0
<b>Cash flows used in investing activities</b>	<b>-5,512</b>	<b>-3,280</b>
Dividend	-2,561	-1,808
<b>Cash flows from financing activities</b>	<b>-2,561</b>	<b>-1,808</b>
<b>Total</b>	<b>97</b>	<b>-5,250</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>5,747</b>	<b>10,991</b>
<b>Exchange rate differences</b>	<b>-5</b>	<b>6</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>5,839</b>	<b>5,747</b>

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



## STATEMENT OF CHANGES IN EQUITY

EUR'000	NUMBER OF SHARES (IN '000)	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	OWN SHARES	RETAINED EARNINGS	ACCUM. OTHER COMPREHENSIVE INCOME		TOTAL EQUITY
						FOREIGN EXCHANGE CURRENCY	UNREALISED GAINS AND LOSSES	
<b>January 01, 2009</b>	<b>12,078</b>	<b>12,078</b>	<b>18,385</b>	<b>-116</b>	<b>6,921</b>	<b>-2,925</b>	<b>-2,457</b>	<b>31,886</b>
Comprehensive income					3,331	334	2,112	5,777
Dividend					-1,808			-1,808
<b>December 31, 2009</b>	<b>12,078</b>	<b>12,078</b>	<b>18,385</b>	<b>-116</b>	<b>8,444</b>	<b>-2,591</b>	<b>-345</b>	<b>35,855</b>
<b>January 01, 2010</b>	<b>12,078</b>	<b>12,078</b>	<b>18,385</b>	<b>-116</b>	<b>8,444</b>	<b>-2,591</b>	<b>-345</b>	<b>35,855</b>
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
<b>December 31, 2010</b>	<b>12,828</b>	<b>12,828</b>	<b>20,207</b>	<b>-116</b>	<b>9,601</b>	<b>-2,067</b>	<b>-40</b>	<b>40,413</b>

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

# 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 2010 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, 2010, as they are to be 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 European agency group for interactive marketing. Syzygy AG acts as a management holding company. As operating entities, the subsidiaries are responsible for providing consultancy and other services. With branches in Frankfurt/Main, Hamburg and London, the subsidiaries offer large European companies an integrated portfolio of corporate Internet solutions, from strategic consulting to project planning, concepts, design and technical realisation. Syzygy's services are complemented by search engine marketing and online media planning. Syzygy thus enables its clients to use the Internet both as a powerful communications and sales medium and as a tool for extending and improving their interaction with customers, business partners and employees. The Group's

business focus is on the automotive, 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, 2010, the following subsidiaries were included in the consolidated financial statements of Syzygy AG as the top-level parent company and fully consolidated, 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! London Ltd., London, United Kingdom (Hi-ReS!)
- Mediopoly Limited, Jersey, United Kingdom (Mediopoly)
- Syzygy Deutschland GmbH, Bad Homburg v.d.H., Germany (Syzygy Deutschland)
- Syzygy UK Limited, London, United Kingdom (Syzygy UK)
- unquedigital GmbH, Hamburg, Germany (unquedigital)
- Unique Digital Marketing Ltd., London, United Kingdom (Unique Digital UK)

### 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 income statement 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.

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 and conditional purchase prices and the corresponding goodwill. Actual results can 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.

### **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 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 STANDARDS (IFRS), INTERPRETATIONS (IFRIC) AND AMENDMENTS ISSUED, 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 made use of early application.

- Amendments to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters"
- Revised IAS 24 "Related Party Disclosures"
- Amendment to IAS 32 "Classification of Rights Issues"
- Amendment to IFRIC 14 "Prepayments of a Minimum Funding Requirement"
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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

The "Improvements to IFRS (issued May 2010)" have not been endorsed by the balance sheet date, and were not applied.

First-time application of the improvements is not expected to have a material impact on the Syzygy Group's net assets, financial position or results of operations.

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

- IFRS 3 "Business Combinations"
- IFRIC 12 "Service Concession Arrangements"
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement – Eligible Hedged Items"
- IFRIC 17 "Distributions of Non-Cash Assets to Owners"
- IFRIC 18 "Transfers of Assets from Customers"
- Amendment to IAS 32 "Classification of Rights Issues"

First-time application of these standards or changes in standards is not expected to have a material impact on the Syzygy Group's net assets, financial position or results of operations.

### **1.8 OTHER INFORMATION**

Unless stated otherwise, amounts in the Company's consolidated financial statements are in thousands of 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.

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 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 income statement. 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.

For certain financial investments it is both intended and expected with reasonable certainty that they will be held to maturity. These financial assets are valued at acquisition cost at the time of acquisition; they are subsequently valued using the effective interest method.

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 according to the percentage of completion method (PoC) are also shown in accounts receivable (see also section 2.9, Revenue recognition).

## **2.4 TREASURY STOCK**

Treasury stock is 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 STOCK-BASED COMPENSATION**

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

**2.6 DEFERRED TAXES**

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

**2.7 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.

**2.8 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 according 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 ADVERTISING EXPENSES**

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

#### **2.11 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 deferrals on different valuations of assets and liabilities in the accounts prepared for financial accounting purposes (IFRS) and the accounts prepared for tax purposes. Current and deferred taxes are recognised as an expense 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.

#### **2.12 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 19,401 (previous year: kEUR 19,249) arose from acquisition of unquedigital GmbH in Hamburg, Unique Digital in London and Hi-ReS! Goodwill includes exercising the option to acquire the outstanding 20 per cent of shares in Hi-ReS! as well as the earn-out liabilities payable up to December 31, 2010 to the shareholders of Hi-ReS!

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 284 in the 2010 financial year. In 2009 the adjustments led to an addition of kEUR 1,122.

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:

- unquedigital GmbH
- Unique Digital Marketing Ltd.
- Hi-ReS! London Ltd.

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

EUR'000	UNQUEDIGITAL GMBH			UNIQUE DIGITAL MARKETING LTD.			HI-RES! LONDON LTD.		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Goodwill	8,841	8,841	8,842	8,308	7,963	6,278	2,252	2,445	3,007
Intangible assets (indefinite useful life)	0	0	0	127	121	114	174	164	156

An impairment test of goodwill on December 31, 2010 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. 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.

In the case of the Unique Digital Marketing and Hi-ReSI cash generating units in the UK, an interest rate for risk-free 30-year government bonds of 3,99 per cent (previous year: 4.4 per cent), an unchanged risk premium of 5.0 per cent and a sector beta of 0.539 (previous year: 0.8) were used as a basis, producing a WACC (Weighted Average Cost of Capital) of 6.7 per cent (previous year: 8.4 per cent) after tax, or 9.3 per cent (previous year: 11.7 per cent) before tax. An unaltered average tax rate of 28 per cent was applied. The relevant business plans for Hi-ReSI are based on expected sales growth of 8 per cent p. a. (previous year: 10 per cent) for 2011 and 5 per cent p. a. (previous year: 10 per cent) for the years 2012 to 2015, and 0 per cent as terminal value. For Unique Digital UK, business planning is based on expected sales reduction of 38.5 per cent p. a. for 2011 (previous year: 10 per cent growth) and 15 per cent p. a. growth (previous year: 10 per cent growth) for the years 2012 to 2015, and 0 per cent as terminal value.

With respect to online advertising, market research institutes expect growth of 6 per cent in the UK for 2011. Based on the underlying information, management did not identify any need in the updated analysis for impairment either at Unique Digital UK or Hi-ReSI Goodwill

of kEUR 8,308 (previous year: kEUR 7,963) for Unique Digital UK and kEUR 2,252 (previous year: kEUR 2,445) for Hi-ReSI is allocated to the respective cash generating units.

In the case of unikedigital in Germany, an interest rate for risk-free 30-year government bonds of 3,52 per cent (previous year: 4.1 per cent), an unchanged risk premium of 5.0 per cent and a sector beta of 0,539 (previous year: 0.8) were assumed, producing a WACC (Weighted Average Cost of Capital) of 6,2 per cent (previous year: 8.1 per cent) after tax, or 8,9 per cent (previous year: 11.6 per cent) before tax. An unaltered average tax rate of 30 per cent was applied. The business plan envisages sales decrease of 8 per cent p. a. (previous year: growth of 20 per cent) for the year 2011, and 15 per cent growth p. a. (previous year: 10 per cent) for the years 2012 to 2015, and 0 per cent as terminal value. Market research institutes expect growth of 13 per cent in Germany for 2011. Based on the underlying information, management did not identify any need in the updated analysis for impairment at unikedigital, 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 0,9 percentage points in Germany and consequently a 15 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	OPERATIONAL AND OFFICE EQUIPMENT	TOTAL
<b>Cost January 1, 2009</b>	<b>18,127</b>	<b>838</b>	<b>643</b>	<b>4,370</b>	<b>23,978</b>
Additions	914	99	90	539	<b>1,642</b>
Disposals	0	-119	0	-362	<b>-481</b>
Exchange rate changes	208	26	5	74	<b>-313</b>
<b>Cost December 31, 2009</b>	<b>19,249</b>	<b>844</b>	<b>738</b>	<b>4,621</b>	<b>25,452</b>
<b>Accumulated amortisation, depreciation and write-downs January 1, 2009</b>	<b>0</b>	<b>483</b>	<b>419</b>	<b>2,844</b>	<b>3,747</b>
Additions	0	64	65	581	<b>710</b>
Disposals	0	-119	0	-357	<b>-476</b>
Exchange rate changes	0	8	1	32	<b>41</b>
<b>Accumulated amortisation, depreciation and write-downs December 31, 2009</b>	<b>0</b>	<b>436</b>	<b>485</b>	<b>3,100</b>	<b>4,021</b>
<b>Carrying amount at December 31, 2008</b>	<b>18,127</b>	<b>355</b>	<b>224</b>	<b>1,524</b>	<b>20,230</b>
<b>Carrying amount at December 31, 2009</b>	<b>19,249</b>	<b>408</b>	<b>253</b>	<b>1,521</b>	<b>21,431</b>

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

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

Intangible assets include brand equity of kEUR 301 (prior year: kEUR 286) after foreign currency effects. This brand equity is due to first-time consolidation of Hi-ReSI and Unique Digital, is therefore fully attributable to the segment Great Britain, and has an indefinite useful life. Operational 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 OTHER NON-CURRENT ASSETS

Other non-current assets are related to rent deposits of kEUR 487 (prior year: kEUR 462), which were almost completely attributable to Syzygy UK.

Securities classified as held-to-maturity are now re-classed as available-for-sale. In previous year these securities amounted to kEUR 2,578.

In 2010, Syzygy AG reclassified securities with a nominal value of kEUR 3,000 from held-to-maturity to available-for-sale since it does not intend any longer to hold these securities until the end of their respective term. At the time of transfer from continued acquisition costs (held-to-maturity valuation) to available-for-sale valuation, the level of fair value at the time of reclassification is the measurement for balancing. Losses between fair value and continued acquisition costs have been recognised as income statement-related in value of kEUR 237.

A blackout period of two years now exists for the category held-to-maturity in which securities cannot be classified as that particular category.

### 3.4 DEFERRED TAX ASSETS

Due to different valuations of Syzygy Deutschland GmbH's fixed assets as well as Syzygy AG's provisions for investor relations, deferred tax assets amount to kEUR 57 (prior year: kEUR 68). The composition of deferred tax assets is disclosed in section 5.7, Income taxes.

### 3.5 FINANCIAL ASSETS AND FINANCIAL INSTRUMENTS

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

EUR'000	12/31/2010	12/31/2009
Cash and cash equivalents	5,839	5,747

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.

As of reporting date 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, 2010 was kEUR 235 below the acquisition cost (prior year: kEUR 345), whereof kEUR 237 resulting from re-classment from held-to-maturity to available-for-sale can be seen as not only preliminary impairment. The previous year's figure was attributable to unrealised price profits in value of kEUR 55 and unrealised price losses of kEUR 400. 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.

<b>12/31/2009</b>					
<b>EUR'000</b>	<b>COST</b>	<b>UNREALISED GAINS</b>	<b>UNREALISED LOSSES</b>	<b>PERMANENT IMPAIRMENT</b>	<b>BOOK VALUE / MARKET VALUE</b>
Available-for-sale	10,226	55	-43	0	10,238
Held-to-maturity	4,908	0	-357	0	4,551
Securities	15,134	55	-400	0	14,789

<b>12/31/2010</b>					
<b>EUR'000</b>	<b>COST</b>	<b>UNREALISED GAINS</b>	<b>UNREALISED LOSSES</b>	<b>PERMANENT IMPAIRMENT</b>	<b>BOOK VALUE / MARKET VALUE</b>
Available-for-sale	18,277	347	-345	-237	18,042
Held-to-maturity	0	0	0	0	0
Securities	18,277	347	-345	-237	18,042

The following table shows the maturities of securities as per December 31, 2009:

<b>EUR'000</b>	<b>&lt; 1 YEAR</b>	<b>1-5 YEARS</b>	<b>5-10 YEARS</b>	<b>INDEFINITE</b>	<b>TOTAL</b>
Available-for-sale	2,512	2,121	5,606	0	<b>10,239</b>
Held-to-maturity	1,972	971	1,607	0	<b>4,550</b>
Securities	4,484	3,092	7,213	0	<b>14,789</b>

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

<b>EUR'000</b>	<b>&lt; 1 YEAR</b>	<b>1-5 YEARS</b>	<b>5-10 YEARS</b>	<b>INDEFINITE</b>	<b>TOTAL</b>
Available-for-sale	976	9,197	7,869	0	<b>18,042</b>
Held-to-maturity	0	0	0	0	<b>0</b>
Securities	976	9,197	7,869	0	<b>18,042</b>

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 5.3, so a change in valuation parameters of 1 per cent results in a corresponding change in the securities portfolio of 5.3 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 5.3 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.

### 3.6 ACCOUNTS RECEIVABLE

These items comprise the following:

EUR'000	12/31/2010	12/31/2009
Accounts receivable	10,476	16,300
PoC receivables	199	488
	<b>10,675</b>	<b>16,788</b>

Receivables and sales of kEUR 199 (prior year: kEUR 488) are disclosed in line with the analogue percentage of completion method for services not yet billed. Costs of kEUR 177 were incurred for PoC projects, resulting in a margin of kEUR 22.

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 2010, 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) in EUR'000	0-90 DAYS	91-180 DAYS	181-360 DAYS	MORE THAN 360 DAYS
as at December 31, 2010	10,608	38	6	23
as at December 31, 2009	16,511	232	35	10

### 3.7 OTHER ASSETS

Other assets as of December 31, 2010 and 2009 consist of the following:

EUR'000	12/31/2010	12/31/2009
Tax receivables	1,141	1,220
Interest receivables	542	452
Prepaid expenses	473	514
Other	59	244
	<b>2,215</b>	<b>2,430</b>

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, 2010	329	110	103
as at December 31, 2009	345	59	48

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

### 3.8 EQUITY

#### 3.8.1 COMMON STOCK

As of December 31, 2010, common stock increased effective from May 20, 2011 by EUR 750,000 and 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	%
WPP Group (UK) Ltd. (directly and indirectly)	3,570	27.83
Marco Seiler	622	4.85
Andrew Stevens	375	2.92
Free float	8,236	64.20
Treasury stock	25	0.2
	<b>12,828</b>	<b>100.0</b>

#### 3.8.2 AUTHORISED AND CONTINGENT CAPITAL

At the Annual General Meeting on June 30, 2006, 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 June 30, 2011.

In the fiscal year 2010, Management Board and Supervisory Board have used this authority and decided an increase in common stock by kEUR 750. Authorised capital now totals kEUR 5,250. During the past financial year, no new shares were issued under this authorisation. 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 2010 financial year.

#### 3.8.3 ADDITIONAL PAID-IN CAPITAL

Because of the realised capital increase additional paid-in capital has been increased by kEUR 1,822, as the new share have been 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. In the previous year, there were no effects which had an impact on paid-in capital.



**3.8.4 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, 2010 Syzygy kept 25,000 own share were.

**3.8.5 OTHER NET INCOME**

Other comprehensive income summarised under "Other net income" amounted to kEUR 829 (as at December 31, 2009: kEUR 2,446) in the 2010 financial year and can be attributed mainly to gains from currency translation (kEUR 482) and unrealised gains or losses from securities (kEUR 347).

**3.8.6 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 28, 2010, the Annual General Meeting approved a dividend of EUR 0.20 per share, which was distributed on May 31, 2010, with retained earnings of kEUR 6,320 being carried forward to new account. As of December 31, 2010, the financial statements of Syzygy AG showed retained earnings of kEUR 10,781. The consolidated financial statements of the Group show retained earnings of kEUR 9,601.

**3.9 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.

**3.10 ACCOUNTS PAYABLE AND OTHER PROVISIONS**

As at December 31, 2010 and 2009, accounts payable and other provisions consisted of:

EUR'000	12/31/2010	12/31/2009
Accounts payable	9,205	12,450
Other provisions:		
– Obligations towards other parties	715	1,056
– Personnel-related provisions	487	582
– Investor relations and financial reporting	237	200
	<b>10,644</b>	<b>14,288</b>

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.

<b>Statement of changes in provisions as of December 31, 2009 EUR'000</b>	<b>BOOK VALUE 1.1.2009</b>	<b>USAGE</b>	<b>REVERSAL</b>	<b>ADDITION</b>	<b>BOOK VALUE 31.12.2009</b>
Obligations towards other parties	1,961	-1,690	-272	1,057	1,056
Personnel-related provisions	538	-404	0	448	582
Investor relations and financial reporting	331	-320	0	189	200
	<b>2,830</b>	<b>-2,414</b>	<b>-272</b>	<b>1,694</b>	<b>1,838</b>

<b>Statement of changes in provisions as of December 31, 2010 EUR'000</b>	<b>BOOK VALUE 1.1.2010</b>	<b>USAGE</b>	<b>REVERSAL</b>	<b>ADDITION</b>	<b>BOOK VALUE 31.12.2010</b>
Obligations towards other parties	1,056	-976	-40	673	715
Personnel-related provisions	582	-554	-9	466	487
Investor relations and financial reporting	200	-200	0	237	237
	<b>1,838</b>	<b>-1,730</b>	<b>-49</b>	<b>1,376</b>	<b>1,439</b>

### 3.11 TAX LIABILITIES

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

<b>EUR'000</b>	<b>2010</b>	<b>2009</b>
German VAT	1,568	294
German income taxes	672	640
British VAT	466	1,275
British income taxes	168	336
	<b>2,874</b>	<b>2,545</b>

The liabilities created as at the previous year's reference date from the above-mentioned tax position were fully retired in the financial year, at kEUR 2,545.

### 3.12 OTHER LIABILITIES

The components of other liabilities are detailed in the following:

<b>EUR'000</b>	<b>2010</b>	<b>2009</b>
Obligations from earn-out payments	776	5,236
Social security, salary and church taxes	334	341
Obligations from call options	249	1,226
Obligations from services not yet performed	0	0
Other	722	436
	<b>2,081</b>	<b>7,239</b>

The obligation arising from earn-out payments in respect of the acquisition of Hi-ReSI London Ltd. falls due in 2011. In respect of Hi-ReSI London Ltd., 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 spans, both the earn-out

obligation and the mutual option are shown as non-current liabilities.

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

<b>EUR'000</b>	<b>&lt; 1 YEAR</b>	<b>1-5 YEARS</b>	<b>5-10 YEARS</b>	<b>INDEFINITE</b>	<b>TOTAL</b>
Other liabilities	1,832	0	0	0	1,832
Non-current liabilities	0	249	0	0	249

The following table shows the maturities of other liabilities and non-current liabilities as at December 31, 2009:

<b>EUR'000</b>	<b>&lt; 1 YEAR</b>	<b>1-5 YEARS</b>	<b>5-10 YEARS</b>	<b>INDEFINITE</b>	<b>TOTAL</b>
Other liabilities	6,013	0	0	0	6,013
Non-current liabilities	0	954	272	0	1,226

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 delivers services to the operating units and therefore needs to be considered separately. The UK segment consists of Syzygy UK, Unique Digital UK, Hi-ReSI and Mediopoly. Germany comprises Syzygy Deutschland and unikedigital Hamburg. The individual segments apply the same accounting principles as the consolidated entity.

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

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

Segment investments comprise investments in intangible assets and fixed assets.

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

<b>12/31/2010</b> <b>EUR'000</b>	<b>GERMANY</b>	<b>UNITED KINGDOM</b>	<b>CENTRAL FUNCTIONS AND CONSOLIDATION</b>	<b>TOTAL GROUP</b>
Sales, gross	53,311	34,692	-907	<b>87,096</b>
Media costs	-35,398	-24,451	0	<b>-59,849</b>
Sales, net	17,913	10,241	-907	<b>27,247</b>
Internal sales	101	49	-150	<b>0</b>
Operating income (EBIT)	4,330	777	-1,939	<b>3,168</b>
Financial income	74	-5	1,038	<b>1,107</b>
Assets	18,987	21,844	17,635	<b>58,466</b>
Of which goodwill	8,841	10,560	0	<b>19,401</b>
Investments	271	33	12	<b>316</b>
Depreciation and amortisation	540	226	7	<b>773</b>
Segment liabilities	9,810	8,588	-345	<b>18,053</b>

<b>12/31/2009</b> <b>EUR'000</b>	<b>GERMANY</b>	<b>UNITED KINGDOM</b>	<b>CENTRAL FUNCTIONS AND CONSOLIDATION</b>	<b>TOTAL</b>
Sales, gross	36,655	44,747	-915	<b>80,487</b>
Media costs	20,492	31,162	0	<b>51,654</b>
Sales, net	16,163	13,585	-915	<b>28,833</b>
Internal sales	303	461	-764	<b>0</b>
Operating income (EBIT)	3,005	2,133	-1,582	<b>3,556</b>
Financial income	48	51	1,239	<b>1,338</b>
Assets	17,655	27,591	16,469	<b>61,715</b>
Of which goodwill	8,841	10,408	0	<b>19,249</b>
Investments	573	1,065	5	<b>1,643</b>
Depreciation and amortisation	464	239	7	<b>710</b>
Segment liabilities	8,391	19,494	-2,025	<b>25,860</b>

Syzygy generated more than 10 per cent of consolidated gross sales with one client in the Germany segment and with one client in the UK segment.

## 5. NOTES ON THE STATEMENT OF COMPREHENSIVE INCOME

### 5.1 SALES

The sales figures include sales revenue from the product areas online marketing and design and technical realisation. Syzygy Group reports gross and 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 2010, Syzygy AG generated gross sales of kEUR 19,576 from design and technical realisation (prior year: kEUR 21,473) and kEUR 67,744 (prior year: kEUR 59,095) from online marketing. Online marketing includes media costs of kEUR 59,849 (prior year: kEUR 51,654), resulting in net sales of kEUR 7,895 (prior year: kEUR 7,441). Between product areas there have been internal sales in value of kEUR 224 (prior year: kEUR 81).

### 5.2 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses consist of the following:

EUR'000	2010	2009
Exchange rate effects	78	-64
Employee usage of company cars	63	45
Release of provisions	49	272
Other	126	215
	<b>316</b>	<b>468</b>

### 5.3 COST OF PURCHASED SERVICES

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

EUR'000	2010	2009
Cost of purchased services	4,842	4,294

### 5.4 PERSONNEL EXPENSES

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

EUR'000	2010	2009
Salaries and wages	12,421	13,614
Social security	1,806	1,866
	<b>14,227</b>	<b>15,480</b>

In 2010, the average number of full-time employees in the Syzygy Group was 241 (prior year: 262 employees).

By the end of the 2010 financial year, the total number of Syzygy employees had fallen to 242. The employees are distributed across the following functional areas within the Company:

Number of persons	2010	2009
Strategy / consulting/ project management	58	60
Online marketing/ online media	58	54
Technology	49	52
Design	40	47
Administration	37	37
	<b>242</b>	<b>250</b>

### 5.5 DEPRECIATION AND AMORTISATION

Depreciation and amortisation comprises the following:

EUR'000	2010	2009
Amortisation of intangible assets	66	64
Depreciation of fixed assets	707	646
	<b>773</b>	<b>710</b>

### 5.6 FINANCIAL INCOME

EUR'000	2010	2009
Interest and similar income	1,049	1,196
Income from the sale of securities, net	303	322
Interest expense and similar expenses	-245	-180
	<b>1,107</b>	<b>1,338</b>

Interest and similar income contain interest on additional claims of tax refunds in value of kEUR 222. Interest income include interests received of kEUR 827 (prior year: kEUR 1,196)

Income from the sale of securities comprises gains of kEUR 327 and losses of kEUR 24. Prior year's interest and similar income included income from an interest-rate swap of kEUR 90. Interest expense and similar expenses contain depreciation on securities in value of kEUR 237.

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 all derived in full from the available-for-sale valuation category. Prior year's income from the interest rate swap fell into the valuation category "Financial liabilities at fair value through profit or loss". Interest expenses include interest payments of kEUR 14 (prior year: kEUR 23)

### 5.7 INCOME TAXES

EUR'000	2010	2009
Domestic income taxes	300	972
Foreign income taxes	226	624
Deferred taxes	-49	-33
	<b>479</b>	<b>1,563</b>

In Germany, a uniform corporation tax rate of 15 per cent applies effective January 1, 2008. The tax rate amounts to 15.8 per cent when one includes the solidarity surcharge of 5.5 per cent. The tax rate for trade tax was unchanged at 14.9 per cent, with a local multiplier of 350 per cent applying at the Company's registered office. This results in a combined corporate income tax rate of 30.7 per cent in Germany. In Great Britain the standard tax rate remained at 28 per cent.

In the financial year 2010, income tax payments of kEUR 446 (prior year: kEUR 953) were made.

Deferred tax assets and liabilities can be summarised as follows:

EUR'000	2010	2009
<b>Deferred taxes (assets):</b>		
Provisions	31	0
Fixed assets	84	68
Current assets (securities)	-58	0
	<b>57</b>	<b>68</b>
<b>Deferred taxes (liabilities):</b>		
Effects from first-time consolidation of Hi-ReS!	55	50
Current assets (securities)	0	17
	<b>55</b>	<b>67</b>

The deferred tax assets at Syzygy AG as controlling company are the result of different useful lives of the assets in IFRS and the tax accounts as well as of different valuation of provisions for Investors Relations.

The deferred tax liabilities result from first-time consolidation of Hi-ReSI and from unrealised price gains on securities, which are not accounted for tax purposes. The deferred tax liabilities at Syzygy AG have been netted of with the deferred tax assets at the german entities.

Tax transfer:

<b>EUR'000</b>	<b>2010</b>	<b>2009</b>
Income before taxes	4,275	4,894
Non deductible expenses	171	244
<b>Taxable income</b>	<b>4,446</b>	<b>5,138</b>
Expected tax expense	1,366	1,579
Foreign tax rates differential	5	-63
Tax refunds	-929	-42
Tax effect from the use of loss carry-forwards for which no deferred taxes were so far recognised	0	-564
Tax effect on fluctuations in the value of securities held as current assets	107	649
Other	-70	4
<b>Tax charge</b>	<b>479</b>	<b>1,563</b>

The tax rate differences result in particular from higher trade tax rates in Hamburg, while in the UK the standard tax rate is 28 per cent.

#### **5.8 NOTES ON CURRENCY TRANSLATION**

In accordance with IAS 21.52 in conjunction with IAS 39.9, currency translation differences of 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:

	2010	2009
Weighted average number of shares (in thsd.)	12,530	12,053
Net income in EUR'000	3,796	3,331
Number of options issued	0	0
Earnings per share, basic and diluted (EUR)	0.30	0.28

### 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 2010, operating cash flow amounted to EUR 8.2 million (prior year: EUR -0.2 million). The funds exclusively comprise liquid assets. Further information is given in the Group Management Report. Non-cash related transactions, which has not been recorded in the cashflow, are mainly attributable to conditional purchase prices in value of kEUR -197 (prior year: kEUR 914).

### 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 around half 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. 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/the 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 or (in some cases) as held-to-maturity as per IAS 39, interest rate changes have no immediate impact on the Company's earnings. Unrealised gains and losses are reported in "Accumulated other comprehensive income", which is a separate component of equity.

As at the balance sheet date, around EUR 18.0 million was invested in a securities portfolio with a duration of around 5.3. 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 5.3 per cent. This would lead to a change in the fair value of around kEUR 954. 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 5.3 and average credit spreads widen by 100 basis points, the portfolio's value would fall by 5.3 per cent. This would lead to a change in fair value of around kEUR 954 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

In the 2010 financial year Syzygy did not use derivative financial instruments 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. In the 2009 financial year, income of kEUR 90 was derived from an interest-rate swap.

#### 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 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	2010	2009
Equity according to the balance sheet	40,413	35,855
Outside capital	18,053	25,860
Total capital	58,466	61,715
Equity ratio	69%	58%
Net income for the period	3,796	3,331
Return on equity	9%	9%

Syzygy does not have any liabilities to banks; outside capital primarily comprises accounts payable, future obligations arising from the acquisition of companies and tax liabilities.

#### 6.4 CONTINGENT LIABILITIES

In 2008, Syzygy provided guarantees to the value of kEUR 250 relating to leasing new office space in Hamburg and Bad Homburg. This guarantee remains unchanged. In addition, Syzygy guarantees to the value of kEUR 500 related to a new client acquisition in 2010.

#### 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	31.12.2010	31.12.2009
Within 1 year	1,104	1,149
1 to 5 years	2,912	2,981
More than 5 years	138	654
<b>Total</b>	<b>4,154</b>	<b>4,784</b>

Total expenses for rent in 2010 amounted to kEUR 1,661 (prior year: kEUR 1,542). In 2010, income from subletting was received in value of kEUR 15 (prior year: kEUR 0). In 2010, kEUR 89 (prior year: kEUR 111) were spent on leasing obligations.

## 6.6 STATEMENT OF CONTROLLED INVESTMENTS

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

	SHARES	EQUITY	NET INCOME
	%	EUR'000	EUR'000
Hi-ReSI London Ltd., London, UK <sup>1</sup>	80	340	189
mediopoly Ltd., Jersey, UK <sup>2</sup>	100	787	8
Szyzyg Deutschland GmbH, Bad Homburg, Germany <sup>3</sup>	100	383	0
Szyzyg UK Ltd., London, UK	100	851	-72
Unique Digital Marketing Ltd., London, UK	100	1,253	432
uniquedigital GmbH, Hamburg, Germany <sup>3</sup>	100	40	0

Mediopoly holds 100 per cent of the shares in Szyzyg UK Ltd., which operates in the UK. The holding in Szyzyg UK is therefore indirect. There is a profit and loss transfer agreement in place between Szyzyg Deutschland GmbH and Szyzyg AG in favour of Szyzyg AG. There is a profit and loss transfer agreement in place between uniquedigital GmbH and Szyzyg AG in favour of Szyzyg AG.

## 6.7 AUDITOR'S FEE

Auditing company BDO Deutsche Warentreuhand AG received a fee of kEUR 78 for auditing the annual and consolidated financial statements of Szyzyg AG for the 2010 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 boards of Szyzyg AG. 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 2010 and 2009.

## 6.9 EXEMPTION ACCORDING TO ARTICLE 264

### SECTION 3 OF THE HANDELSGESETZBUCH (HGB – GERMAN COMMERCIAL CODE)

Szyzyg 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 2011, Szyzyg AG opened up a new company in New York. Hi-ReSI New York Inc. will work for American clients and will take up business activities in the first quarter of 2011.

Furthermore, Szyzyg AG and Ars Thanea s. c., Warsaw, Poland, have signed a letter of intent to intensify their cooperation. As part of this agreement, Szyzyg AG will acquire 26 per cent of shares in Ars Thanea.

There were no other material events after the balance sheet day

## 6.11 PARENT COMPANY BOARDS

### 6.11.1 MANAGEMENT BOARD

#### **MARCO SEILER**

Chairman  
Managing Director, Syzygy Deutschland GmbH

#### **FRANK WOLFRAM**

Management Board  
Managing Director, Syzygy Deutschland 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 2010, 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 members of the Management Board received no options in 2010 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 2010. This corresponds to remuneration of kEUR 15 for each member of the Supervisory Board. All remuneration in 2010 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

<b>Management Board: Shares (Number of shares)</b>	<b>MARCO SEILER</b>	<b>FRANK WOLFRAM</b>	<b>ANDREW STEVENS</b>	<b>TOTAL</b>
As per December 31, 2009	622,279	5,500	0	<b>627,779</b>
Purchases	0	0	375,000	<b>375,000</b>
Sales	0	0	0	<b>0</b>
As per December 31, 2010	622,279	5,500	375,000	<b>1,002,779</b>

<b>Supervisory Board: Shares (Number of shares)</b>	<b>MICHAEL MÄDEL</b>	<b>ADRIAAN RIETVELD</b>	<b>WILFRIED BEECK</b>	<b>TOTAL</b>
As per December 31, 2009	0	10,000	120,000	<b>130,000</b>
Purchases	0	0	0	<b>0</b>
Sales	0	0	0	<b>0</b>
As per December 31, 2010	0	10,000	120,000	<b>130,000</b>

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

Disclosure of voting rights in accordance with Article 26 Section 1 Sentence 1 Wertpapierhandelsgesetz (WpHG – Securities Trading Act)

On May 28, 2010, Marco Seiler, German Federal Republic, notified us that his share of voting rights in Syzygy AG has fallen below the threshold of 5 per cent on May 20, 2010 and amounts to 4.85 per cent as of this day (corresponding to 622,279 voting rights).

### 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 December 14, 2010 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 28, 2011.

**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 28, 2011  
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. Höhe, 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 2010 to 31 December 2010. 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, 28 March 2011

BDO AG  
Wirtschaftsprüfungsgesellschaft

sgd. Dr. Rosien  
Wirtschaftsprüfer  
(German Public Auditor)

sgd. ppa. Werner  
Wirtschaftsprüfer  
(German Public Auditor)



## FINANCIAL CALENDAR 2011

INTERIM REPORT AS PER 03/31/2011	/	APRIL 28
GENERAL ANNUAL MEETING, FRANKFURT	/	MAY 27
INTERIM HALF-YEAR STATEMENT 2011	/	JULY 28
SMALL CAP CONFERENCE (SCC), FRANKFURT	/	AUGUST 29-31
CAPITAL MARKET CONFERENCE (ZKK), ZURICH	/	SEPTEMBER 6
INTERIM REPORT AS PER 09/30/2011	/	OCTOBER 28
GERMAN EQUITY FORUM, FRANKFURT	/	NOVEMBER 21-23
CAPITAL MARKET CONFERENCE (MKK), MUNICH	/	DECEMBER 7-8

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