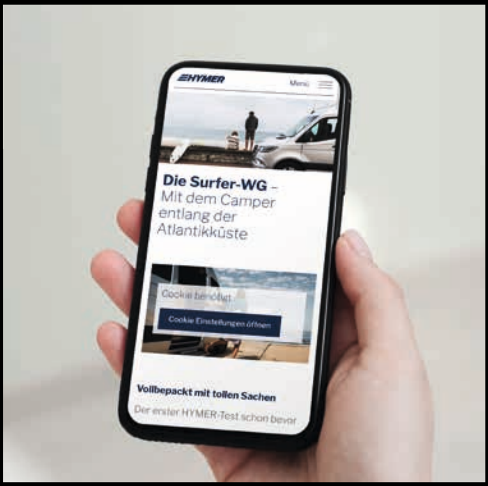
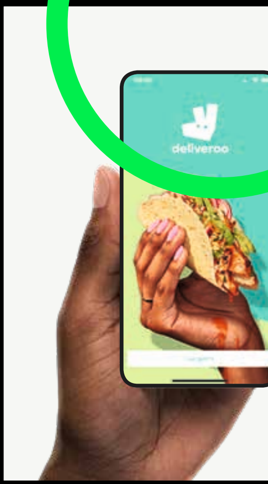
SYZYGY GROUP

The Future of Digitalisation **is now!**





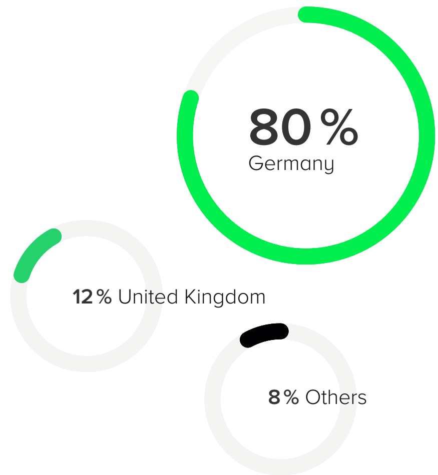
2020
Annual Report

ir.syzygy.net

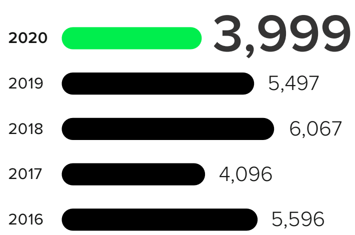
Content

Key **financial figures**

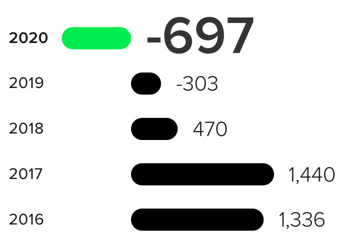
Development of sales
(in kEUR)



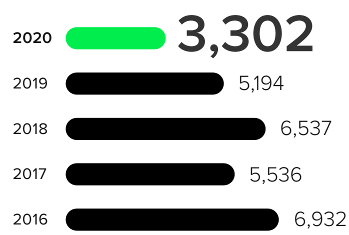
Sales by segments



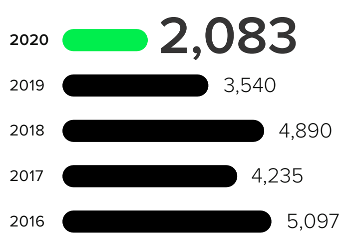
Operating income
(in kEUR)



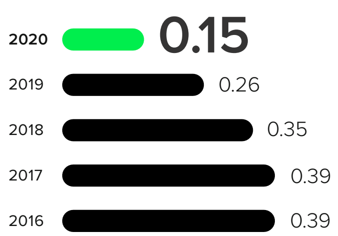
Financial income
(in kEUR)



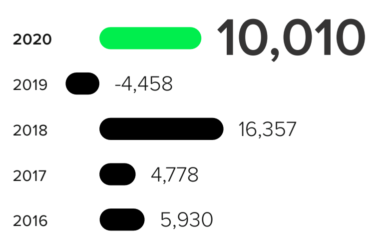
Income before taxes
(in kEUR)



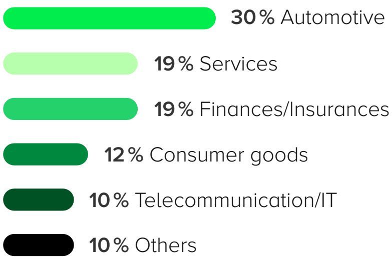
Net income
(in kEUR)



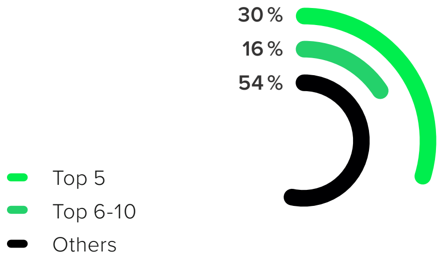
Earnings per share
undiluted (in EUR)



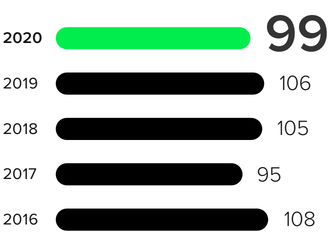
Operating cash flow
(in kEUR)



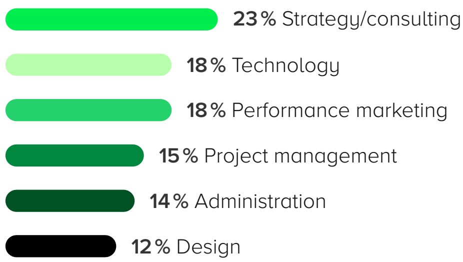
Sales allocation by vertical markets



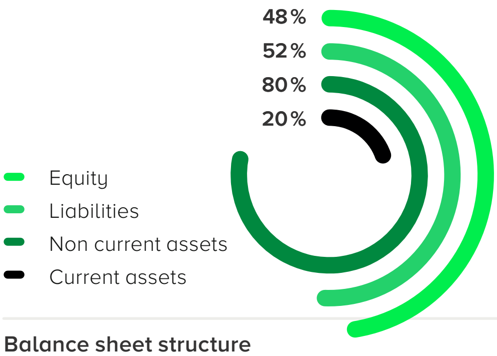
Sales by clients' volume



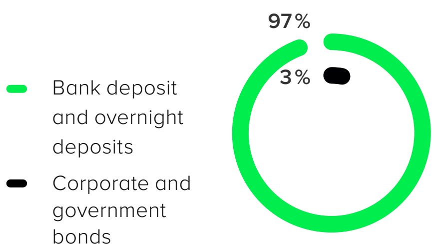
Sales by employees
(in kEUR)



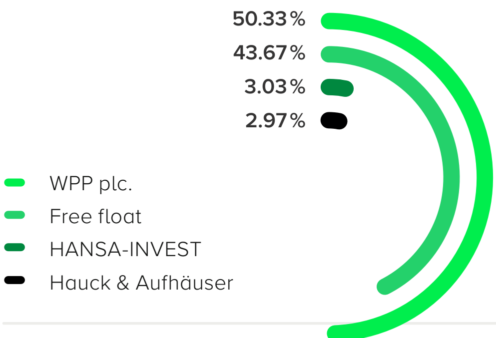
Employees by function



Balance sheet structure



Portfolio structure of cash and marketable securities



Shareholders' structure

Letter to the **shareholders**

Ladies and Gentlemen,
dear Shareholders,

The COVID-19 pandemic touched and defined almost every aspect of life last year. The SYZYGY GROUP's business areas were affected in different ways, although the company was able to stabilise its situation after the initial uncertainty.

The pandemic is acting as a catalyst for digital transformation on many levels. This will open up exciting new business opportunities for the SYZYGY GROUP going forward.

The global pandemic has substantially changed our everyday lives, having an impact on our society, our economy and thus also on our company. The duration of the pandemic and the extent of the challenges that it posed were not foreseeable when it began. As a result, last year we had litte visability into the future as we steered the company through the crisis.

At the heart of our actions was the well-being of our employees and their families, together with supporting the various efforts by the authorities to limit the impact of the pandemic. At the same time, we focused on our clients and on guiding the SYZYGY GROUP and its business through the crisis as best we could.

We'd like to start by looking back at the past year, and we want to be measured by what we forecast and what we actually achieved. When the prior-year annual report and the 2020 forecast were prepared (i.e. towards the end of March 2020), the initial impact of the pandemic on our business was already becoming apparent.

The outlook in the letter from the Management Board included the following key messages for 2020

"On the basis of the information currently available, we expect SYZYGY GROUP's sales to decline by between 10 and 20 per cent in the 2020 financial year. We also anticipate reduced profitability, with an EBIT margin in the mid single-digit range. The international markets will see a more severe decline than the Germany segment."

"Digitisation and digital transformation are dominant issues in the business world, everyday life and politics. Our field of business remains highly relevant, with the digitisation and transformation of sales and marketing still being one of the key challenges facing our clients."

"In 2020, we will continue to sharpen the focus of our consulting services and drive the integration of diffferent and USEEDS° as consulting partners in the Strategy service area. We will also reinforce SYZYGY's positioning as a consultancy and implementation partner across all three of our service areas. Our two performance marketing companies in Hamburg and Munich will integrate and expand their services under a joint management team and adopt a single identity."

In 2020, we repeatedly had to react to the situation at that particular time, but without losing sight of the goals we had set for the year. The COVID-19 pandemic caused major difficulties for some of our clients at the start of the crisis; they responded by making short-term spending cuts. Yet the pandemic also tended to boost long-term trends, with the result that digitisation and transformation of marketing and sales have gained momentum. We are ideally positioned here as a partner and service provider.

The guidance on sales provided a year ago at the onset of the pandemic was within the forecast range and the forecast profitability was even exceeded. In the end, the SYZYGY GROUP posted a 14 per cent decline in sales, with an EBIT margin of 7 per cent.

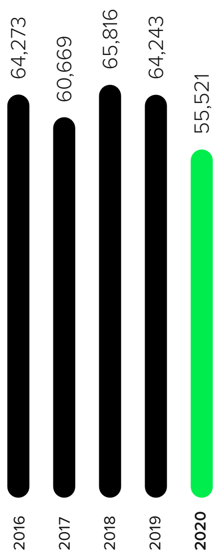
55,521

Sales
in kEUR

We completed the merger of diffferent and USEEDS on June 1, 2020, creating a strong consulting partner with 120 employees. We expect transformation of the new diffferent to be completed by mid-2021.

We also brought SYZYGY Media and SYZYGY Performance together under a joint management team – as a powerful brand, delivering synergies for our products and client access. The quality of our performance marketing services has been recognised through two Golden Effie awards and a “Grand Effie”, among other accolades. This is an outstanding achievement, with the Effie being one of the most prestigious marketing awards in Germany.

Development of sales
(in kEUR)



A look at our international business

The international companies were more severely affected by the pandemic crisis than our German businesses. As a result, we introduced restructuring measures in London and New York. New York will no longer operate as an independent location; business there will be managed from London. These measures have been effective. Although the operating results of SYZYGY London and SYZYGY New York were negative over the full year, they were positive in the fourth quarter. The business prospects for 2021 are accordingly positive.

Our Polish subsidiary had a mixed financial year. Sales were down by around 10 per cent. However, an impressive year-end spurt laid the foundation for a strong 2021. In the second half of the year, Ars Thanea implemented an outstanding project for Huawei, demonstrating its extensive expertise in computer-generated imagery. SYZYGY Poland, in turn, announced in December 2020 that it had acquired a major new client for e-commerce-related work.

»**Our goal is to bring people and brands together,** to transform structures and organisations, and to develop products, services and business models.«

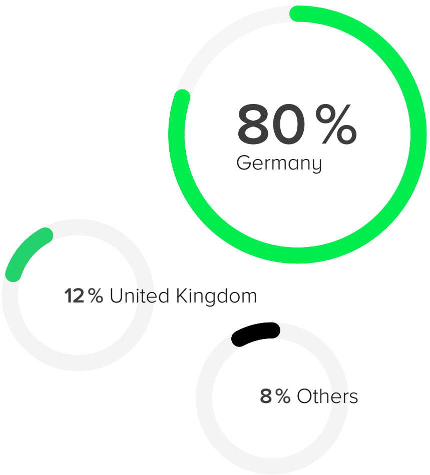
Performance in the core German market

The German companies proved to be resilient in the crisis, especially the business areas relating to technology, development of experiences and transformation. Performance marketing also recovered quickly after some initial uncertainty around client behaviour.

Only the consulting business had a relatively long lean period. By the third and fourth quarters, many of our clients had adapted to the new collaboration environment, such as working from home and digital working, with the result that our business regained normality.

A sharp drop in sales in the second quarter of 2020 was followed by a dynamic recovery. This resulted in a decline in sales of 8 per cent in the core German market at the end of the year, with continuing high profitability as demonstrated by a 14 per cent EBIT margin. Looking at the year as a whole, the technology division grew significantly. Performance marketing and the consulting division, in contrast, reported significant drops in sales.

Sales by segments



14%

EBIT-Margin in the core German market

The German companies, especially the performance companies, managed to acquire a number of medium-sized new clients in the second half of the year. The level of new business enquiries increased again from October onwards, following a period up to August 2020 when the volume of pitches was low.

Outlook

Lockdowns of varying length and intensity are also part and parcel of this year in Germany, in large parts of Europe and around the world. Mutations are spreading faster than the original virus and it is not yet possible to predict reliably whether and, above all, when there will be comprehensive protection of the population through vaccination. All this has an impact on the overall economic development in Germany, Europe and the world.

We nevertheless believe that the outlook for our market segments and our corporate development in 2021 is positive. We believe that the pandemic is accelerating a paradigm shift that will make digital experiences even more prominent and compelling for clients, consumers, businesses and their employees.

A year ago, when the pandemic arrived in Europe, our clients were not yet used to working entirely from home and making extensive use of digital tools and methods. Now we are working efficiently and effectively with our clients on topics and projects in a virtual setting. Virtual workshops, virtual contact and online customer care have become routine. Our daily work is a defining element of this new normality. Working from home, virtual collaboration and analogue meetings are all intertwined, creating a "best of both worlds" situation.

Digital transformation is also affecting almost every aspect of private life. Everyone's life has become digitalised faster in the past twelve months than in the whole of the past ten years. Consumers are using digital services and products like never before: piano lessons via WhatsApp, remote fitness training, virtual travel, video chats with family and friends, browsing products online and buying on the Internet – across all categories, from everyday items to expensive high-end consumer goods.

Digital experience is the key. We see huge opportunities in digitisation and transformation. Companies need to be even more committed and agile in adapting themselves and their brands to this change

→

10%

Outlook for 2021 sales development

»Digital experience is the key.
We see huge opportunities in
digitisation and transformation.«

Left to right:
Erwin Greiner / Chief Financial Officer (CFO)
Franziska von Lewinski / Chief Executive Officer (CEO)
Frank Ladner / Chief Technology Officer (CTO)

in order to gain a competitive edge for their products and services, to optimise business workflows, marketing and sales processes, and to create digital experiences that add value. All of this will prompt companies to invest even more systematically and decisively in digitisation and transformation.

We support our clients around these key challenges. By covering all aspects of strategy, product and activation, we are exceptionally well placed, especially since very few providers in the market can offer integrated solutions from a single source.

The SYZYGY GROUP is very well positioned in its markets. Digital experience is our DNA.

We believe that, overall, 2020 has clearly shown that companies which are managed digitally and make digital a fundamental part of their business model are more future-proof. A clearly defined digital culture that is also a daily reality has become the basis for transformation, while also increasing the value of a company.

The SYZYGY GROUP will continue to push ahead with its strategic goals. We expect economic momentum to increase significantly in the second half of the year. The first quarter of 2021 has already seen a step-up in digitisation and transformation. We have been able to add new clients to our sales pipeline, which is performing well.

This makes us optimistic that we will be able to achieve significant growth with increasing profitability in 2021. Consolidation pressure in our industry will intensify, due partly to the COVID-19 pandemic. As a result, as a strong player we will be on the lookout for external growth opportunities in addition to organic growth potential.

The Management Board of the SYZYGY GROUP would like to thank its clients for their trust and you, our shareholders, for your loyalty in these challenging times. Very special thanks go to the around 550 employees and their families, who have actively supported us during these difficult times and who are working tirelessly on the future of the SYZYGY GROUP.

We would also like to thank the Supervisory Board for its calm, supportive and constructive work.

We wish you and the SYZYGY GROUP a successful 2021 and look forward to continuing our shared journey.

Best regards on behalf of the entire SYZYGY GROUP management team,

the Management Board

Franziska von Lewinski (CEO)

Frank Ladner (CTO)

Erwin Greiner (CFO)

We are the SYZYGY GROUP. **We transform digital experiences**

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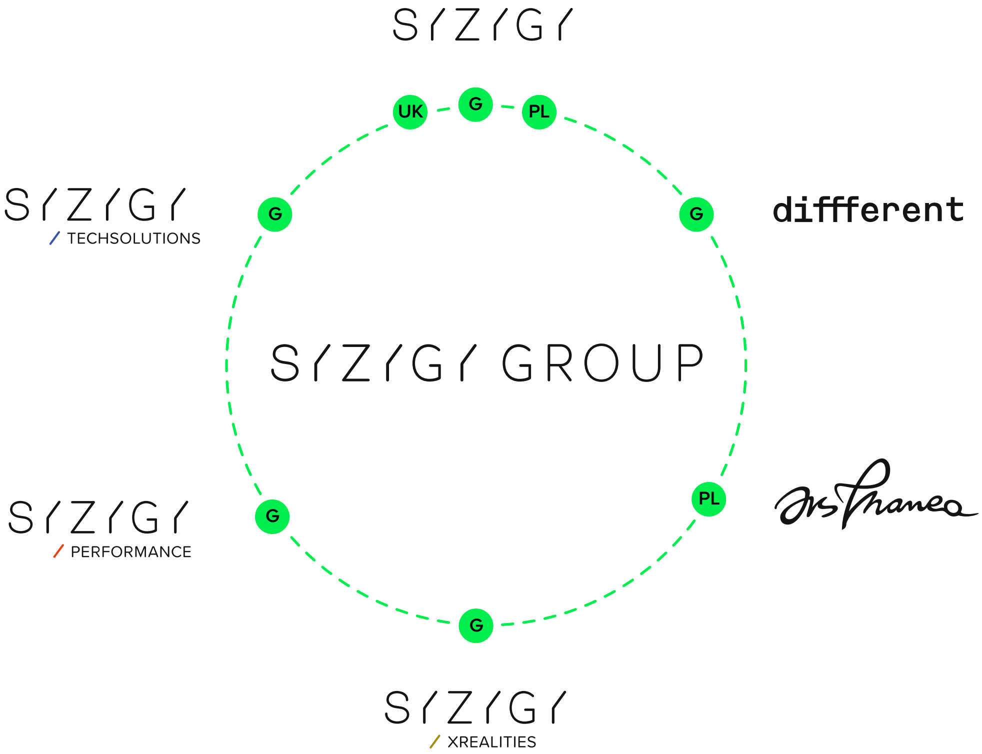
We digitise with a **human focus**, enabling us to deliver **positive experiences and growth for brands and businesses.**



Brands and specialists of the SYZYGY GROUP

We are over **550 experts for human experience, consulting, design, technology and performance.**

The SYZYGY GROUP consists of the consultancy and implementation partner for transformation in marketing and sales **SYZYGY**, the enterprise technology specialist **SYZYGY Techsolutions**, the performance marketing and media specialist **SYZYGY Performance** and the VR specialist **SYZYGY Xrealities.** Strategy and business design consultancy **diffferent** and design studio **Ars Thanea** are also part of the SYZYGY GROUP.

Together we support brands such as:

+ BMW
+ Commerzbank
+ Consorsbank
+ Daimler
+ Deliveroo
+ Eucerin
+ Kyocera
+ Lufthansa
+ Mazda
+ Miles & More
+ MINI Deutschland
+ mobile.de
+ O_2
+ PayPal
+ Porsche
+ Techniker Krankenkasse
+ Volkswagen

We create better experiences through **digitisation and transformation**

The Future of Digitalisation is now!
It's time to shape the future. For us, our clients and society. **Together we can craft a digital culture that generates positive change today and tomorrow.**

Bringing people and brands together

Brand and customer experiences in marketing & sales

Defining, designing and optimising customer journeys that make a difference because they exceed people's expectations. Always based on data and customer insights – true to our people-centred approach. Brought to life through content, services and technology. And activated through targeted media.

Beware of the experience trap:
Seamless and convenient is not enough! Experiences have to exceed expectations in order to create positive memories.

Digitising structures and organisations

Processes, technical infrastructures, methods and teams

Digital transformation and adaptation of processes, technical infrastructures and methods to provide the best possible digital experiences for all users. Enablement of employees and establishment of agile, flexible and collaborative ways of working.

Beware of the impact illusion:
Not everything that is technically feasible generates impact or empowers people – in fact the opposite is often the case.

Developing products, services and business models

Innovation and business design

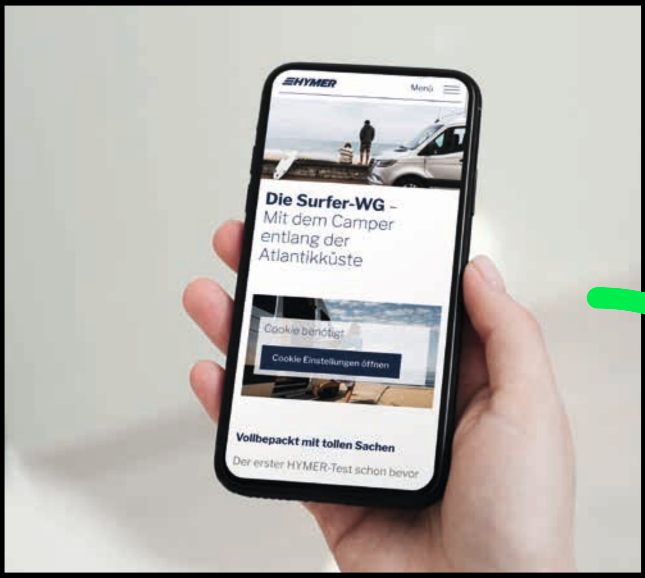
Developing, validating and implementing viable business models, products and services. We provide end-to-end support for successful integration of new ideas, create a digital culture and ensure sustained impact.

Beware of the theory trap:
Business models need to prove themselves in practice – not just in PowerPoint.

We listen, analyse, understand.
We think, plan and realise projects that match the brief.
We implement with measurable results.
We drive change – where it makes sense.
We love what we do.

»We want to bring
people and brands
together.«

Cases


HYMER
Menü
Die Surfer-WG –
Mit dem Camper entlang der Atlantikküste
Cookie Einstellungen öffnen
Vollbepackt mit tollen Sachen
Der erster HYMER-Test schon bevor

Deliveroo – five-star transformation in **the convenience market**

/

+ Digital strategy
+ Content strategy
+ SEO
+ ASO
+ UX

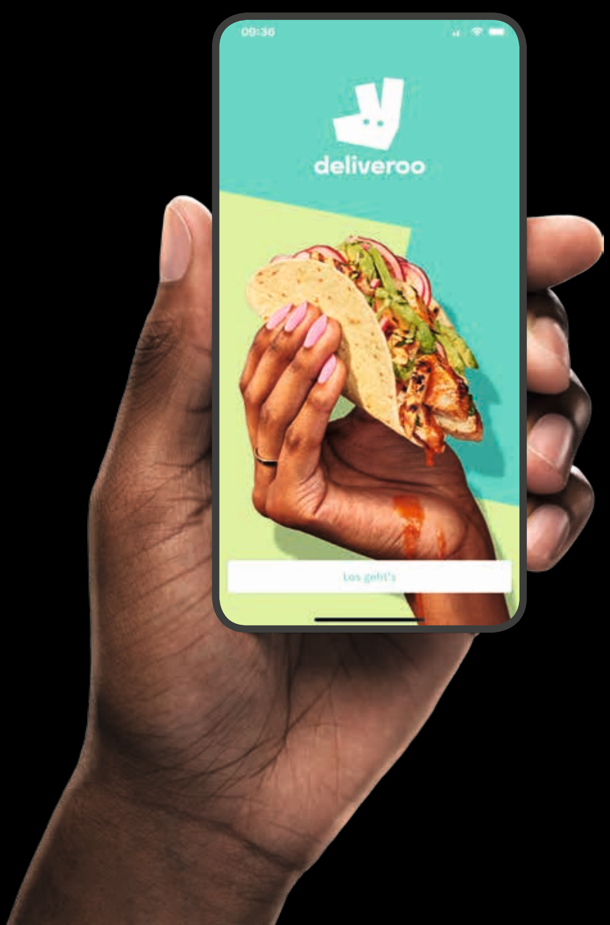
Our service

deliveroo

Brand

Deliveroo, one of the best known and most popular online take-out ordering and delivery platforms, managed to achieve enormous growth during the coronavirus lockdown by executing an agile switch in online marketing from B2C to B2B. SYZYGY UK supported the transformation of this global delivery service through an innovative strategy, while Deliveroo further intensified its relationship with consumers.

In the past, many people had their favourite dish delivered from a restaurant using the Deliveroo app. But the pandemic shook up the convenience market. Ever more people wanted to order food online, but there were fewer restaurants and drivers available to provide services.



Working at pace, we were able to help our client tackle supply and demand, support restaurants, arouse customer interest – and give the Deliveroo brand a lasting boost.

1

At the start of lockdown, we first acquired restaurants and drivers via earned campaigns in order to ensure that supply would be able to meet customer demand.

One of the genuine innovations in the sector involved being able to get deliveries from supermarkets, like Co-op and Aldi, using contactless ordering on the Deliveroo app.

2

A second step entailed reaching out to consumers in order to enhance penetration. A new content-driven network optimised for search engines (SEO) fostered brand development and turned the app into the primary touchpoint for users in answering the question: “What should we have to eat today?”

3

What’s more, the subsequent app store optimisation (ASO) boosted the conversion rate. In just two months, our content approach significantly increased downloads in the app store.

During each phase of the transformation, we worked closely with Deliveroo to measure penetration and relevance in order to **quickly optimise across markets, channels and creation.**

Our approach

The success of our strategy rests on a culture of experimentation and shows that it’s precisely this digital culture that allows businesses to adapt to any future eventuality. In the end, it’s innovation that secures market share in this sector, and the pandemic accelerated the acceptance of delivery services via online apps by around 2 to 3 years. Our agile approach will help Deliveroo to stay ahead in future as well

Porsche design online shop – **eCommerce as a service**

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PORSCHE DESIGN

Brand

- Project management
- Process consulting
- Frontend and backend development
- Content maintenance
- Operation and maintenance

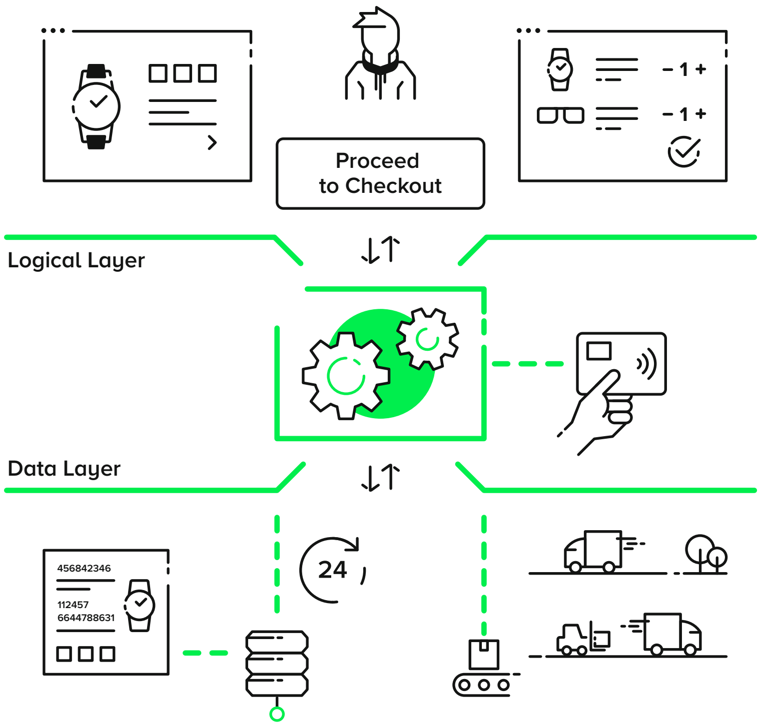
Our service

Design enthusiasts definitely get what they're looking for in Porsche Design's new virtual flagship store. SYZYGY Techsolutions assisted its client in developing an efficient, forward-looking approach that lets the company showcase itself to the targeted audiences in a manner that is appropriate to the line of products.

Porsche Design is hugely popular with fans of the lifestyle brand and collectors of limited editions. But they need to be able to enjoy these high-quality products, ranging from leather goods to accessories, as well as the brand and the history of this design icon, at an exclusive level not only in Porsche Design stores but online as well. That's why we technologically enhanced the store's role as a central touchpoint for brand and product communication while expanding its core role in sales and service.

The global store is based on a standardised e-commerce solution. Wherever possible, we also helped provide for short development and update cycles through core functionalities and made sure the application would remain viable well into the future. Since our client wasn't focused on achieving maximum sales, we concentrated on optimising product presentation for the targeted design-aware audience. All systems and processes used for order processing (i.e. fulfilment) and after sales service were fully integrated into the application. This kind of automation helps promote product sales and serves in particular to stabilise upstream and downstream processes within the system while also improving service.

In terms of implementation, we used a global, cloud-based commerce solution from Episerver to host the Porsche Design shop. The architecture of the backend is clearly structured and carefully designed to facilitate customer service. Supply



Process overview

chains, warehouses and the partner shop are hooked up via the REST API programming interface to enable data exchange with other systems. The user interface on the frontend utilises cutting-edge HTML5.

This state-of-the-art technology, along with improved features, ensures maximum long-term viability for Porsche Design’s virtual flagship store. What’s more, it affords fans of lifestyle products an exclusive shopping and product experience in the online world of Porsche Design.

»Our approach for the virtual flagship store of Porsche Design was to create a target group- and product-compliant **staging in a future-proof application.**«

Audi embeds the customer's voice **in the show car development process**

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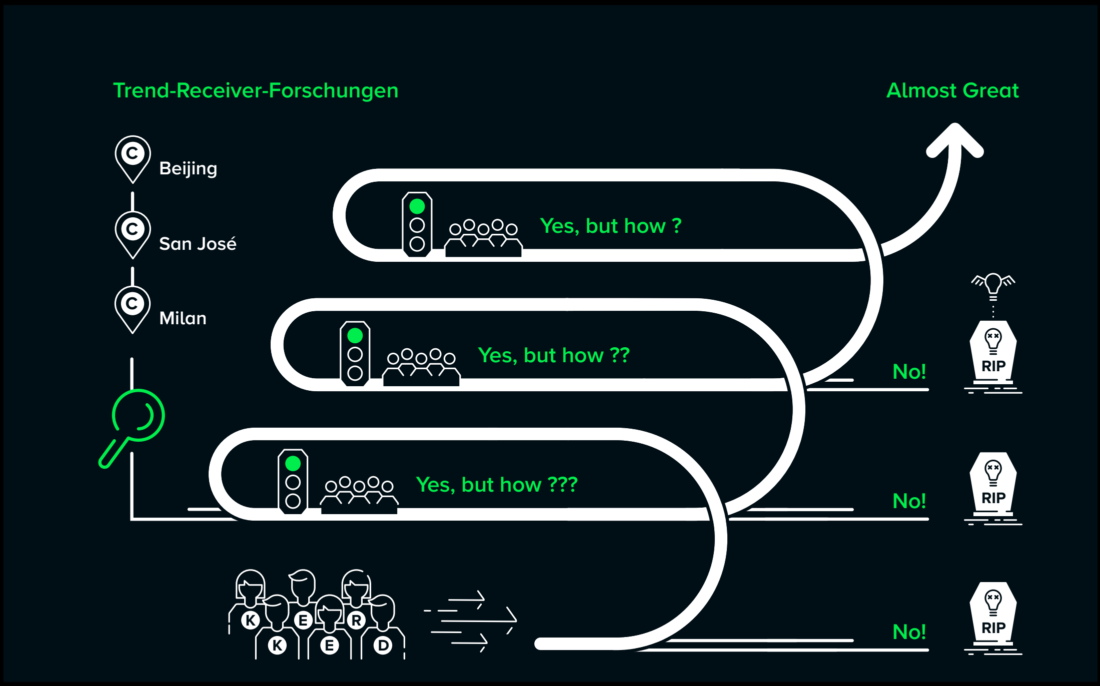
Brand

Plenty of car makers talk about focusing on the customer, but how much influ-ence does the prospective purchaser really have on a vehicle's design and equipment? In developing its show car, Audi took a ground-breaking step in a co-creation project with diffferent, a member of the SYZYGY GROUP.

Plenty of car makers talk about focusing on the customer, but how much influence does the prospective purchaser really have on a vehicle's design and equipment? In developing its show car, Audi took a ground-breaking step in a co-creation project with diffferent, a member of the SYZYGY GROUP.

With production models, more than five years can pass between initial idea and finished car. A show car is developed in a fraction of that time, with customers typically only being involved in the first phase of the development cycle. Audi decided to take a different approach. To bridge the gap between insights and outcome, customers were integrated into the process right from the outset and through to completion of the show car. The requirements were highly complex, particularly as there is no such thing as a one-size-fits-all customer and COVID-19 called for new ways of involving customers in the process.

Working together with the marketing and design departments, we started by designing a co-creative, iterative process that we then supported during implementation. Customers were integrated into the development process at multiple stages, beginning with the earliest phase, thus ensuring that customer desirability was just as important in developing the product



Customer-Co-Creation process

C = Client
D = Designer
E = Developer
R = Reseacher

»**To bridge the gap between insights and outcome,** customers were integrated into the process right from the outset and through to completion of the show car.«

as the design team's feasibility and execution needs. To be able to incorporate the wishes of car buyers directly into vehicle development, we conducted trend receiver research in major cities across China, the EU and the US with individuals who have an acute awareness of change. During the pandemic, we also carried out co-creation sessions where we faced the challenge of not being able to get designers and customers together in the same physical location. We responded by developing online solutions that nonetheless put the voices of customers from different continents centre stage. Our active mediation ensured that all participants were on the same page. This facilitated the process of cultural transformation and boosted customer-centric thinking at Audi.

Applying this global co-creative and iterative approach, we worked closely with our customer Audi to develop a blueprint for all future show cars. Who knows, maybe precisely this blueprint will also give Audi a competitive advantage in developing production vehicles in the future.

+ Process innovation & implementation
+ Customer centricity management

Our service

Distinct brand experiences on **a multi-brand infrastructure** for the Erwin Hymer Group

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ERWIN HYMER GROUP

Brand

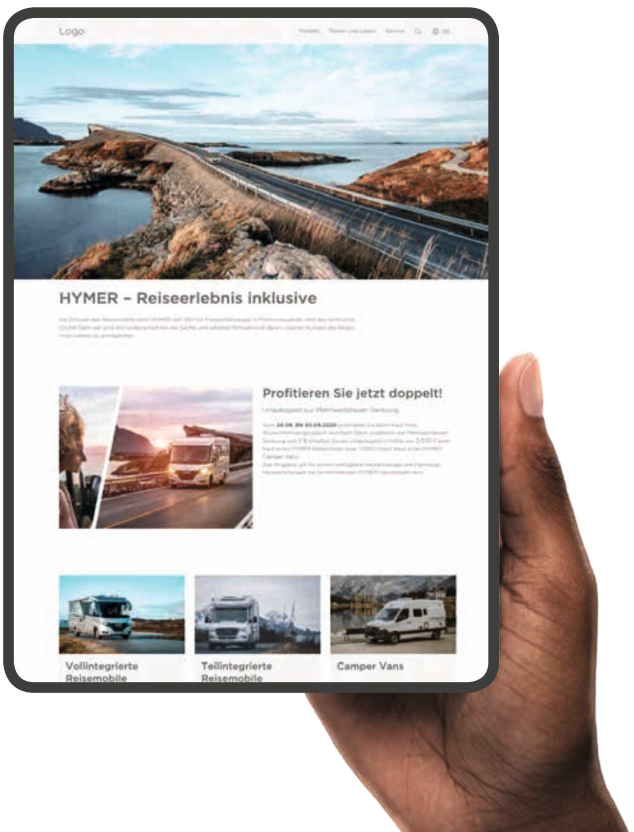
- Requirements management
- Customer journey mapping
- UX and design system
- Pattern libraries
- Tech & process consulting
- MarTech & data integration
- Stakeholder management
- Content and roll-out

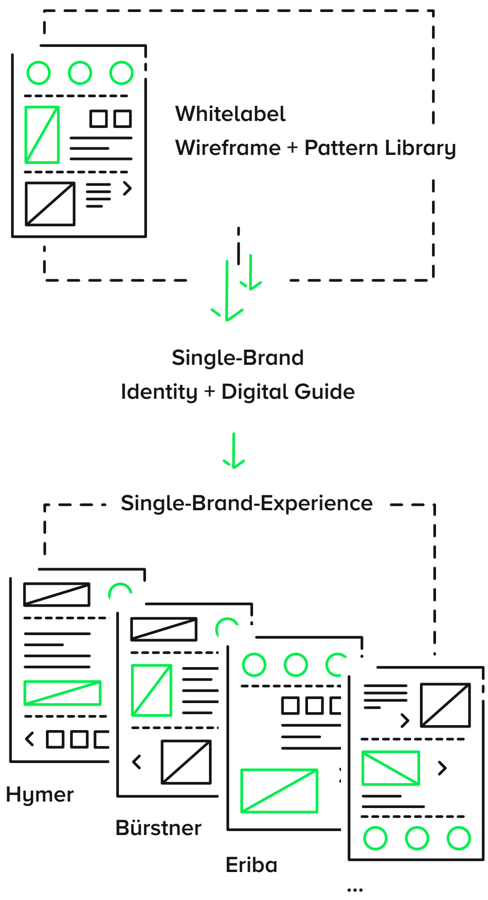
Our service

The Erwin Hymer Group is a wholly-owned subsidiary of Thor Industries, the world's leading manufacturer of recreational vehicles, which has over 25,000 employees.
The companies in the Erwin Hymer Group manufacture motor homes and caravans, specialise in accessories and provide rental and financing services.

The Erwin Hymer Group (EHG) is home to a variety of brands, including Hymer, Bürstner, Dethleffs, Eriba and LMC. These brands provide customers around the globe with the opportunity to experience world-class recreational and mobility adventures. Digital products and services play a central role in generating added value for each of these manufacturers.

The bold, distinctive brand images these established companies have created over many decades need to be reflected in every digital platform experience. We are advising EHG on how to meet that challenge and assisting them in implementing a solution.





Whitelabel product

Erwin Hymer Group

The Erwin Hymer Group sees itself as an enabler of its brands. As such, it strives to provide each of them with its own digital brand experience. To make that happen, we created a white-label product that allows us to implement digital platform projects efficiently and cost-effectively. This standardised infrastructure harmonises entries in product databases, captures user data throughout the customer journey, personalises user experiences and creates a modular basis via a white-label UI pattern library. This serves as the foundation of the digital applications used for all EHG brands, and was designed specifically for the recreational vehicle sector and its target audiences. It's thus possible to create websites and a wide range of other applications very efficiently, while also having ample scope for creativity and ensuring that each application conveys a distinct brand identity.

This has allowed EHG to bundle investment in technological infrastructure and thereby avoid duplication of effort. In turn, this harmonisation has resulted in marked acceleration of the transformation of digital brand, product and service experiences at Group level.

Accordingly, each EHG brand has benefited from the establishment of centralised marketing automation, sales and product database consolidation across markets, and harmonisation of the application environment.

New SEA strategy leads to **lead increase** despite Corona

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In the automotive market, search engine advertising (SEA) is a key element in digital communication aimed at steering potential customers to dealers.Together with MINI Germany, SYZYGY Performance therefore launched a new SEA strategy in the Corona year 2020.

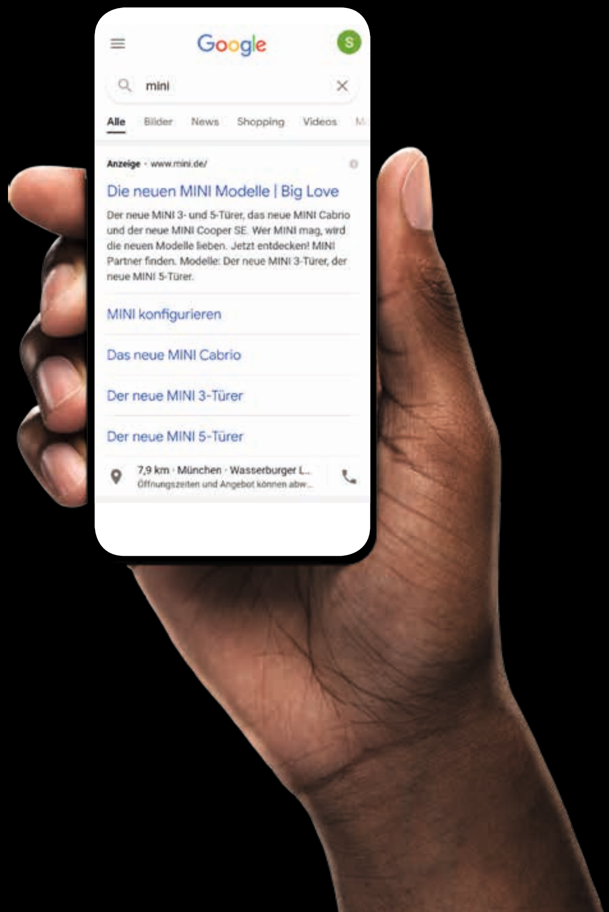
MINI

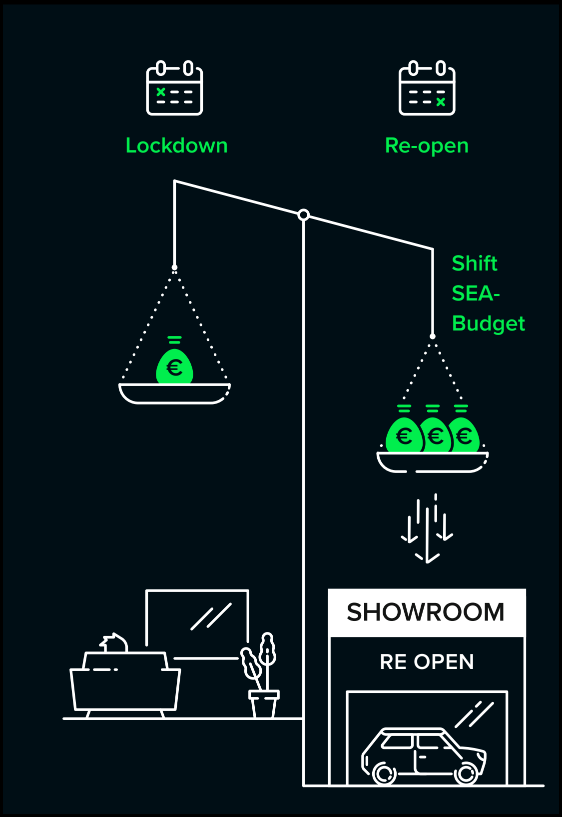
Brand

+ SEA

Our service

According to a 2020 study from Google Gearshift, 90 per cent of car buyers seek information online before visiting a dealership. Because the primary source they used were SEA ads, that means SEA campaigns are particularly pertinent. During the Corona lockdown, however, dealers' showrooms were closed in Germany. Through a targeted shift in our SEA budget, we were nevertheless able to give MINI dealers a boost at precisely the right time.





Our strategy in the Corona crisis

»Through a targeted shift in our SEA budget, we were nevertheless able **to give MINI dealers a boost at precisely the right time.**«

As a consequence of the coronavirus pandemic, we had to modify our original annual strategy with regard to budget optimisation and campaign management at short notice. We couldn't simply focus on market demand, but also had to consider the variable of availability for the first time in the automotive sector with the closed showrooms. Thus, we changed our perspective: Our new strategy now aimed specifically at the times when car dealerships would be allowed to reopen, and also at the period when VAT in Germany would be reduced. To do this, we leveraged the flexibility of digital channels.

We evaluated how our activities were performing using dashboards updated on a daily basis and then decided how we should allocate budgets in order to maximise presence. This is how we drove up website leads for SEA and were able to significantly increase them in 2020 compared to 2019, despite the Corona year. Furthermore we exploited added potential by using Microsoft Bing as an additional search engine.

During the coronavirus pandemic in 2020, it was precisely this kind of flexibility and the close cooperation with MINI Germany that proved key to the success of our SEA campaigns. Together with MINI Germany, we will continue the strategy to support the dealers in 2021: With an in-depth SEA workshop, which will be made available digitally, is designed to provide dealerships with what they need to create SEA measures of their own that they can put to profitable use going forward, for example in the form of regional activities.

Kyocera: **global roll-out during the Corona crisis**

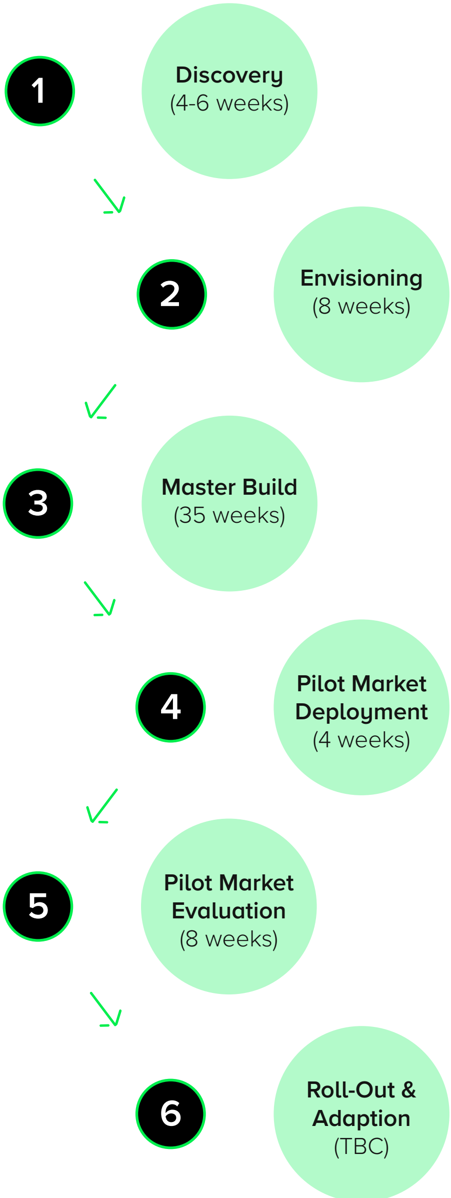
KYOCERA

Brand

The pandemic changed the way millions of people work: no travel, no client meetings, no project team meetings. Despite this backdrop, SYZYGY was able to roll out the new multi-market web platform for its client Kyocera from Europe into the American markets – entirely using virtual teams.

Standardised web platforms are an important tool for global companies for three reasons: they create a consistent brand experience for customers worldwide, boost the efficiency of systems, and deliver significant cost savings. We developed, implemented and are now operating an ecosystem of this type for Kyocera Document Solutions which has already replaced the former infrastructure in 23 European markets. During the roll-out in America, the pandemic forced us to change how we work.

We quickly switched our cross-border project teams to a completely virtual set-up that removed the need for travel.
The aim was to ensure roll-out of the new platform in the US could continue without any quality impact despite the disruption caused by COVID-19.



Project phases

In line with our "Build Once, Deploy Many" approach, we are currently implementing and customising the new client-centric ecosystem in the US, based on the Adobe Experience Managers CMS solution (AEM 6). This process also involves integrating our client's existing content and technologies, such as product information management (PIM), authentication protocols (LDAP) and Salesforce for sales and marketing automation. The objective is to align the user experience, content management processes, personalisation and lead generation with the new global standard.

The roll-out will be successfully completed in the US in 2021, with other markets in North and South America due to follow. Kyocera will benefit from significant advantages in terms of efficiency and effec-tiveness across continents going forward.

»We quickly switched our cross-border project teams to a completely virtual set-up that **removed the need for travel.**«

- Product, service & digital strategy
- Content & personalisation strategy
- Technology & data strategy
- Process & functional design
- UX & design
- Content development
- Technical architecture
- Software development
- Managed cloud hosting
- Corporate IT integration
- Roll-out management

Our service

Eucerin helps **search engines read**

/

Is it possible to structure a website in such a way that a search engine can easily read it?

Using know-how from SYZYGY Performance, medicinal skin care brand Eucerin gained 511 per cent greater web visibility in 5 years, and in 3 years attracted 262 per cent more traffic to its site.

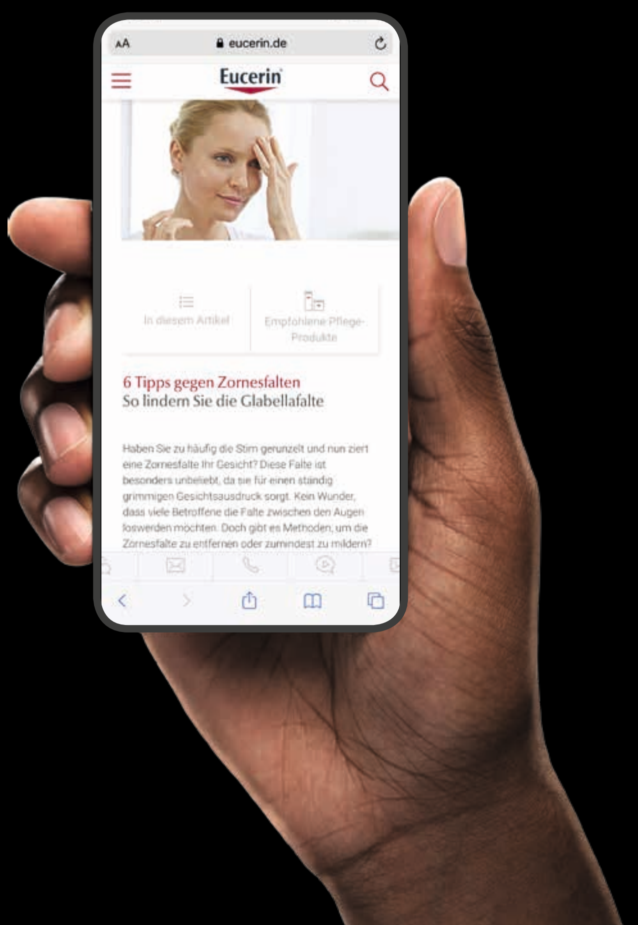
Nowadays, if you've got a problem you Google for a fix. The search engine is the door opener to knowledge. For brands like Eucerin, which uses consultations to direct its customers to products, pharmacists or e-retailers, this means that active dialogue, trust and interaction with the user are essential. That's precisely what we support through search engine advertising (SEA) and search engine optimisation (SEO).

In order to raise the visibility of our client's expertise in medicinal skin care on search engines, we began by determining which technical measures are needed to ensure the search engine can find, read and interpret the contents of the website.

We then optimised the SEO content by performing a wide-ranging keyword search of the online assistant.

Eucerin®

Brand



»To provide a strong search engine reputation, we are continuously adding new chapters to Eucerin's success story **by constantly updating SEA and SEO – for dermatologists, consumers and Google.**«

Index of visibility

+ SEO
+ SEA

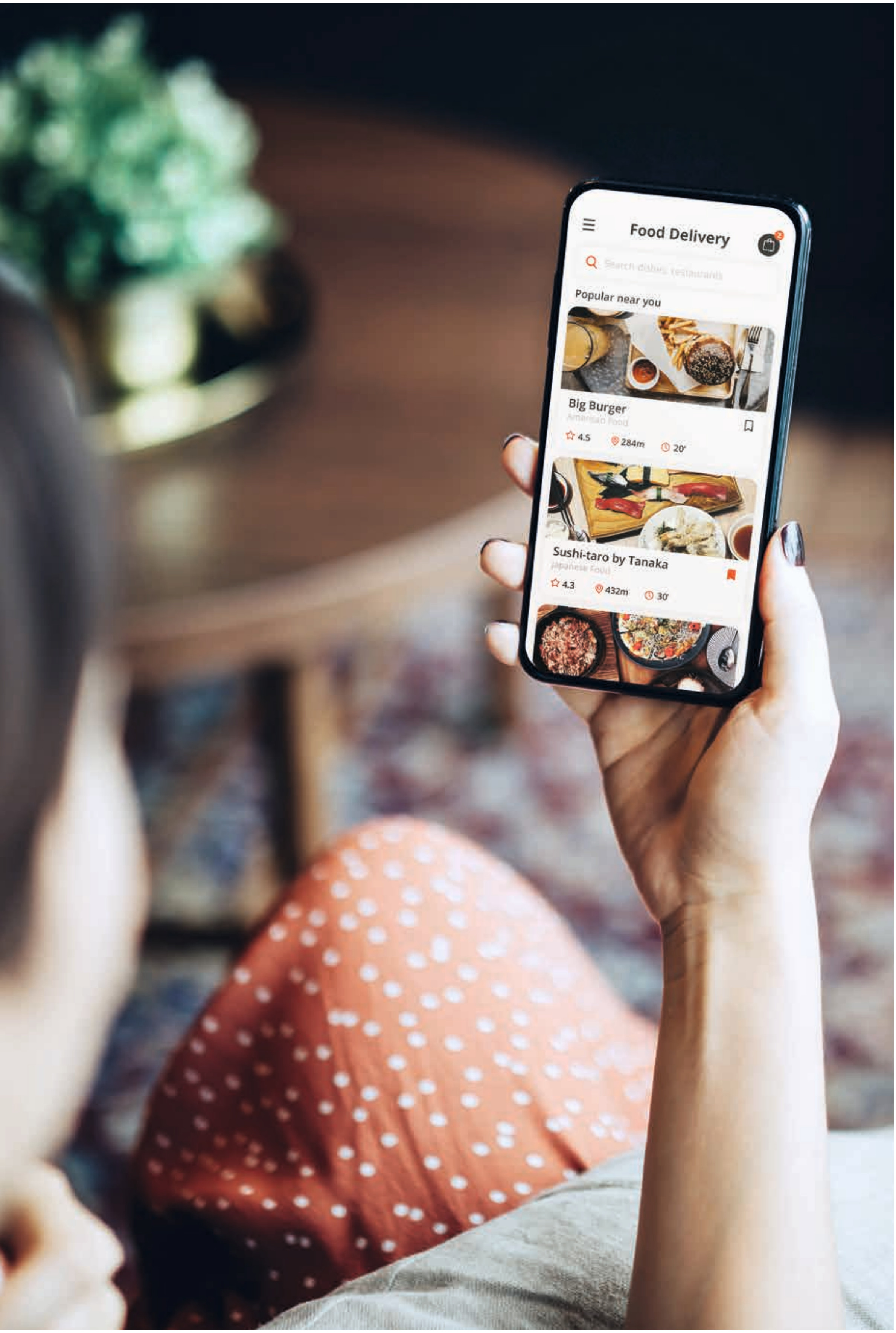
Our service

In each phase of the conversion funnel, we take into account what the user's intention is. If they are searching for a particular type of product, we engage with the user in the conversion phase. Those in need of an initial consultation or who are looking for information about skin care are reached out to via trend topics with high generic traffic potential – for example, via keywords like "frown lines", searched by roughly 5,400 users per month.

All website texts first go through a "medical check" with respect to EAT factors, i.e. expertise, authority and trust. A medical label, developed in conjunction with our client and placed so that it's clearly visible to users and search engines, serves to underscore Eucerin's expertise.

A new page structure with a table of contents is aimed at helping the user find their way around an article more easily and points Google directly to specific content.

The keyword set now comprises around 800 search terms for the 150 or so pages of content in the online assistant, along with approximately 100 products. To provide a strong search engine reputation, we are continuously adding new chapters to Eucerin's success story by constantly updating SEA and SEO – for dermatologists, consumers and Google.


Food Delivery
Popular near you
Big Burger
4.5
284m
20'
Sushi-taro by Tanaka
4.3
432m
30'

The Great **Acceleration**

/

The global coronavirus pandemic has triggered an unprecedented acceleration in the consumer uptake of digital products and services. Now consumer brands must step up to the challenge by accelerating their own digital transformation efforts.

By Dr. Paul Marsden

Since the onset of the pandemic, 1.5 million adults in Germany have taken up virtual dating and have experienced their first screen-based romantic interlude with a significant other. Other Germans have lost their virtual virginity by seeking more platonic pleasures. During the pandemic a similar number have started using their digital screens for virtual visits to museums and galleries.

Overall, in the battle over screen time during the pandemic, screens appear to be winning. A recent digital insight survey by SYZYGY found, unsurprisingly, that the **average daily screen time** has increased for the majority of adult German consumers since the outbreak. But the size of the increase is impressive; 18 million Germans have seen their daily screen time jump by **50 percent** or more. This three-country survey of 4,500 adult consumers found similar jumps in the UK and US.

But what's most striking is the finding that the pandemic has prompted **new consumers to cross the digital divide** and embrace new aspects of a more screen-centric life. Since the outbreak, 2.8 million Germans have sweated to their first ever online exercise class, 3 million have followed their first online course, 5.8 million have made their first order with an online food delivery service, and 7.5 million German consumers have made their first e-commerce purchase. The pandemic has accelerated digital adoption at an unprecedented rate.

The other striking finding from the SYZYGY survey is the similarity between countries. Similar proportions of consumers have switched to digital solutions in Germany, the UK and the US during the pandemic. Indeed, the only notable difference appears to be

a greater acceleration in the adoption of telemedicine in the UK and US compared to Germany. Whereas only one in fifty adults in Germany consulted a doctor virtually for the first time since the outbreak, one in six have did so in the US and UK. But overall, the pattern is the same. The pandemic has acted as a digital accelerant.

Overall, the pandemic has given rise what could be called the 'Great Acceleration' in the consumer adoption of digital products and services.

In other words, right now the biggest digital transformation going on is the one happening in consumer lives. For many consumers, if something can be done on a digital screen, it is being done on a digital screen. This Great Acceleration will have major implications for consumer brands and businesses
as we emerge from the pandemic.

Accelerating Digital Transformation

How consumer brands react to the Great Acceleration will depend on how they interpret what's going on. One view is to look at accelerated uptake of digital products and services as an anomalous and temporary blip.

From such a perspective, our screen-centric pandemic lives can be seen as a short-term adaptation to viral fears and public health restrictions. Once constraints and anxieties dissipate, consumer behaviour will revert, more or less, to pre-pandemic patterns. People will ditch their screens and return in droves to physical stores, cinemas, airports, galleries, bank branches and gyms. Pre-pandemic normality will be restored. In this scenario, all consumer brands need to do is weather the pandemic storm and wait for business as usual to return.

Whilst such a view might be reassuring, there are at least two reasons why it is less than plausible. Firstly, what has happened during the Great Acceleration is simply an acceleration of a trend that was already underway in pre-pandemic times. In Germany, as in the UK, US and elsewhere, consumers were already shifting - albeit at a slower pace - to digital banking, shopping and media and towards more home-tech, health-tech, ed-tech and work-tech. COVID has simply acted as a digital accelerant, increasing the rate of change, rather than changing things per se. From this perspective, there is little reason to expect pre-pandemic trend towards ever more digitalisation to disappear or shift into reverse once we finally emerge from the pandemic.

1. Screen time:
at **18 Mio.** adults
about **50%** more time

2. Shopping online:
7,5 Mio. have started shopping online

3. Excercise classes online:
2,8 Mio. consumers have taking online exercice classes

4. Online banking:
5,6 Mio. new consumers

5. Online gaming:
2,6 Mio. new gamers

6. Online food delivery:
5,6 Mio. have started ordering online food delivery

7. Virtual dating:
1,5 Mio. new consumers

8. Virtually museums/ galleries:
1.5 Mio. new visitors

9. Online learning courses:
3 Mio. new visitors

10. Live events online:
2,5 Mio. have started attending concerts and theatrical performances

11. Streaming TV:
4,9 Mio. new users

12. Group videochats:
12,4 Mio. new users

13. Telehealth services:
1,4 Mio. new users

Representative survey
(1,501 participants; above 18 years)
Survey period: February 10-14, 2021

Enormous market growth in digital services and products

»Millions of Germans **crossed the digital divide** in their private lives.«

»But in the future, there will be more options than ever before – **with new standards for speed, simplicity and value.**«

Another reason to be wary of a 'back to pre-pandemic normality' assumption is that the Great Acceleration has established new digital habits, expectations and norms that may be difficult to shake off. Specifically, the well-tested diffusion of innovations framework shows that new habits, expectations and norms that determine behaviour tend to 'stick' and spread if they are perceived as offering a relative advantage over non-digital alternatives.

Even if post-pandemic consumer behaviour does shift back towards pre-pandemic norms, the pandemic will have shifted norms and expectations. Specifically, consumers will judge options against digital standards for speed, ease and value. This means that many consumer brands will urgently need to upgrade their competitive value propositions in order to retain or regain their reach, relevance and relatability.

The alternative is to pray for a virulent wave of neo-Luddite nostalgia or technophobia to sweep through the post-pandemic world. If this happens, then digitalised consumer lives may 'de-digitalise' as people ditch digital norms and revert to yesteryear traditions.

Betting on Digital Culture

As we emerge from the Great Acceleration, consumer brands and businesses have a clear choice to make. Look forward and embrace a more digitalised future or look back and hope for a return to a more analogue past.

For forward-looking businesses and brands, the future is exciting and full of opportunity. The pandemic has shown us a glimpse of a future where digital technology has shown it can create genuine value by helping people adapt to challenging times and situations.

The big opportunity now is to seize this vision of digital as a value-creator, and work to cultivate a vibrant digital culture that tackles the big challenges facing businesses in a post-pandemic world.

How can digital technology increase value for customers, consumers and communities by meeting or beating their expectations? How can digital innovation be put to the service of supporting and protecting the environment? How can digital solutions better support employees in developing new skills for a rapidly changing world? How can digital ingenuity help businesses deal more fairly and ethically with suppliers and partners? And how can digital initiatives create long-term value for shareholders, who provide the capital for investment, growth and innovation. The answers to these questions are the building blocks of a next-generation digital culture that will help us build back better.

In summary, there is nothing positive about a pandemic that continues to destroy and upend human lives and livelihoods. Yet one of the consequences of the pandemic - the accelerated adoption of digital technologies – has the potential to be positively transformational. By nurturing a positive digital culture that understands the potential of digital technology to transform lives and unlock potential for good, we can build back better.

The future is bright, **the future is digital.**

The **stock**

»2020 was a challenging year for the financial markets. It was dominated by one of the **sharpest slumps in recent years**.«

The stock market

At the beginning of the year, the general mood was one of optimism. An initial agreement had been reached in the trade dispute between the US and China. The World Economic Forum in Davos had recognised the signs of the times and taken up climate change as a core issue. Many stock indices posted all-time highs in February, but investors lost their nerve after the arrival of coronavirus in Italy and numerous other cases being detected outside China.

Markets saw crash-like sell-offs in March, causing the DAX to plummet by up to 40 per cent. Massive support packages from central banks and governments for the lockdown-hit economy then brought about an exceptionally rapid recovery.

The second quarter of 2020 was thus a mirror image of the first quarter on the stock market. The positive trend in capital markets was chiefly due to initially declining coronavirus infection rates, encouraging economic data, high levels of liquidity and the support provided by central banks. As the quarter progressed, hopes for a V-shaped recovery of the global economy and rapid development of a vaccine generated further support.

The German economy proved astonishingly resilient in the summer, resulting in an unexpectedly rapid recovery, especially in the manufacturing sector. By mid-July, the DAX had already returned to the 13,000 mark and even exceeded it on occasion. In August, stock markets registered one of their best months since the 1980s.

Development of SYZYGY's share price and relevant indices

	2020	2019	Change
XETRA closing price (in EUR)	5.70	7.28	-22%
Overall performance including dividend	-22%	-4%	n.a.
Highest XETRA closing price (in EUR)	7.70	10.45	-26%
Lowest XETRA closing price (in EUR)	4.38	7.24	-40%
DAX	13,719	13,249	4%
TecDAX	3,213	3,015	7%
DAXsubsector IT-Services	2,124	4,877	-56%
SDAX	14,765	12,512	18%

Key figures per share

	2020	2019	Change
Ordinary Dividend (in EUR)	–	0.40	n.a.
Earnings per share (in EUR)	0.15	0.26	-42%
Value per share (in EUR)	3.96	3.92	1%
Price-to-book ratio (P/B)	1.44	1.85	n.a.
Price-earnings ratio (P/E)	37	28	n.a.
Dividend yield	0%	5.5%	n.a.
Return on Equity	4%	7%	-3 pp

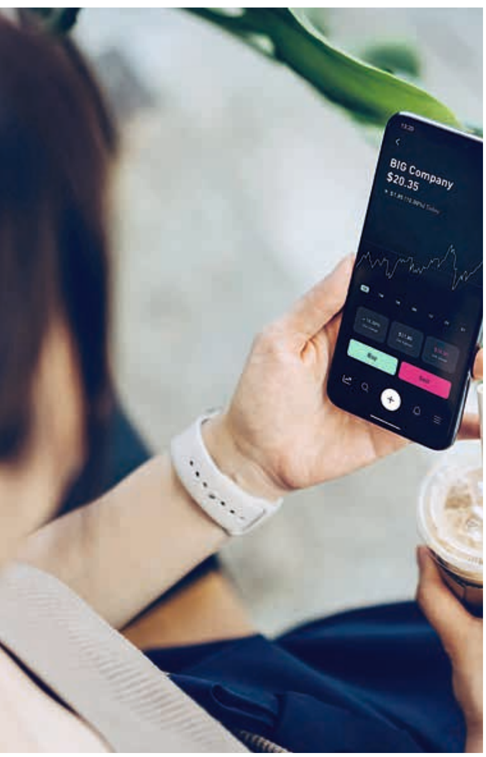
Total number of shares (non-par value bearer shares)	13,500	13,500	0%
thereof own shares (in tsd. shares)	–	74	n.a.
Market capitalisation; basis XETRA closing price (in Mio. EUR)	77.00	98.00	-21%
Freefloat	49.67%	49.38%	n.a.
Average daily turnover:			
in shares (XETRA)	4,451	3,227	38%
in EUR (XETRA)	24,872	28,277	-12%

Share data

ISIN	DE0005104806
WKN	510480
Symbol	SYZ
Reuters	SYZG.DE
Bloomberg	SYZ:GR
Founded	1995
Listed since	October 6, 2000
Listing segment	Regulated Market, Prime Standard

Stock exchanges	XETRA, Berlin, Dusseldorf, Frankfurt, Hamburg, Hannover, Munich, Stuttgart
Sector	IT-Services
Designated Sponsor	Pareto Securities AS
Analysts	GBC AG (Cosmin Filker), Pareto Securities AS (Mark Josefson), WARBURG RESEARCH (Felix Ellmann)

»As the COVID-19 pandemic spread further in many European countries, **stock markets around the world saw prices drop sharply in mid-March**.«



The expected correction came in October, with the biggest losses since the slump in March. A number of factors reduced investors' appetite for risk: rapidly rising numbers of new coronavirus infections, pressures around the Brexit negotiations and the uncertainty of the US election campaign. The growth curve of the economy also flattened noticeably again, as reflected in declining sentiment indicators.

Having been badly battered by the pandemic, the stock market then rose strongly in the final quarter due to Joe Biden's election victory and positive newsflow on the approval of vaccines.

The DAX posted a gain of 3.6 per cent for the year, despite the coronavirus crash. The Brexit deal and US stimulus package helped to propel the DAX into record territory after Christmas. The DAX nevertheless lagged behind the other indices in the German market. The SDAX small-cap index performed best, gaining 18 per cent over the year, followed by the MDAX and TecDAX, which were up 8.8 per cent and 6.6 per cent, respectively.

The major US indices posted substantially stronger gains. The Nasdaq technology exchange led the pack with a rise of more than 43 per cent. The Dow Jones Industrial Index gained 7.3 per cent, while the gold price increased by 25 per cent overall.

Performance of SYZYGY shares

SYZYGY shares started the new year on the stock market with their highest closing price of EUR 7.70 on January 3, 2020. This price level was maintained until the end of February 2020, with sideways movement in a range between EUR 7.70 and EUR 7.30. The share price fell slightly at the beginning of March, hitting levels of between EUR 6.50 and EUR 6.00.

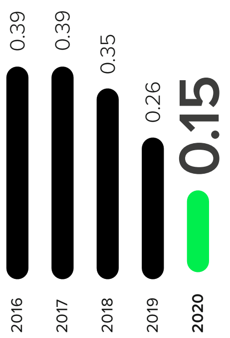
As the COVID-19 pandemic spread further in many European countries, stock markets around the world saw prices drop sharply in mid-March. SYZYGY shares were also affected and slipped below the EUR 5 mark. The share price reached its low for the year of EUR 4.38 between March 18 and 20.

This was followed by a strong recovery to EUR 5.90 by the beginning of June. SYZYGY shares subsequently declined again to EUR 4.64 at the beginning of August. Over the rest of the stock market year, the share price failed to make any real progress and remained around the EUR 5 mark.

SYZYGY shares rose marginally again in December, ending the 2020 stock exchange year with a closing price of EUR 5.70, equivalent to a decline of around 22 per cent compared to the 2019 closing price.

Unlike many share indices and individual stocks, SYZYGY's shares were unable to mount a sustained recovery after the crash and mostly remained at the low level seen in March 2020, apart from a few fluctuations.

SYZYGY shares returned minus 22 per cent overall, taking into account non-payment of a dividend. The liquidity of SYZYGY shares increased year-on-year, with an average of 4,450 shares being traded across all German stock exchanges each day (prior year: 3,200 shares/day).



Earnings per share
undiluted (in EUR)

Dividend and dividend policy

Against the backdrop of the COVID-19 pandemic, SYZYGY decided not to pay a dividend, taking into account the trading situation and uncertain market environment. This suspension of direct profit-sharing for shareholders was aimed at boosting the company's financial stability and preserving liquidity.

SYZYGY remains committed to sharing business performance appropriately with its shareholders. The Management Board and Supervisory Board have accordingly decided to propose a dividend of EUR 0.15 per share at the Annual General Meeting on May 28, 2021.

0.15

Proposed dividend for 2020 financial year (in EUR)

Annual General Meeting

Due to the COVID-19 pandemic, the Annual General Meeting on October 27, 2020 was unable to take place as planned in Frankfurt, in order to protect the health of shareholders, employees and the service providers involved. Accordingly, it was held as a purely virtual event, without the physical presence of shareholders.

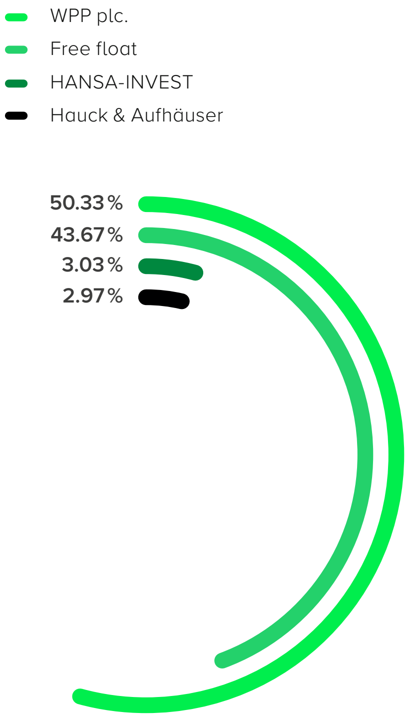
Around 58.5 per cent of the voting capital attended the meeting. All the resolutions proposed by management, including the proposal not to distribute a dividend, were approved almost unanimously.

Shareholders' structure

As at the reporting date, the total number of shares is 13,500,026. The shareholder structure changed slightly in the period covered by the report due to the sale of treasury shares:

WPP is still the biggest shareholder, holding a total of 50.33 per cent of SYZYGY shares. The shares held by HANSA-INVEST Hanseatische Investment GmbH total 3.03 per cent. The shareholding of Hauck & Aufhäuser Fund Service S.A. Luxemburg totals 2.97 per cent. The freefloat as defined by Deutsche Börse was 43.67 per cent as at December 31, 2020.

Shareholders' structure



Investor relations

SYZYGY AG pursues a transparent, prompt information policy and attaches great importance to an ongoing, comprehensive dialogue with interested parties such as shareholders, investors, analysts, financial journalists and members of the public.
The concise presentations on business performance and forecasts in the annual report, quarterly reports, company news and the publication of a sustainability report were particularly important in the 2020 financial year.

A wide range of information on capital market-related topics can be accessed around the clock on our investor relations website https://ir.syzygy.net. The information on the website is available at all times, in both German and English.

SYZYGY AG will again prepare a non-financial declaration for the 2020 reporting year in the form of the German Sustainability Code (DNK) issued by the German Council for Sustainable Development (RNE). This will be formally reviewed and given the DNK user signet by the DNK.

In addition to the provision of written information, representatives of the Management Board gave presentations to investors at capital market conferences in order to showcase the business model and report regularly on the strategy and development

of the Group. During the period under review, the Management Board attended the German Equity Forum and the Munich Capital Market Conference (MKK). A number of one-on-one discussions or round-table meetings were also held with institutional investors. Against the backdrop of the COVID-19 pandemic, these events and discussions were held in a virtual format. As usual, the management team was additionally available to analysts, investors and representatives of the business and financial press for individual discussions.

»SYZYGY GROUP's dividend policy continues to aim at **sharing business performance appropriately with our shareholders.**«

Analyst recommendations

Three analysts regularly evaluated SYZYGY shares in the 2020 financial year, providing up-to-date assessments and forecasts on the Group's performance and future development. These are: GBC AG, GSC Research GmbH and Pareto Securities AS. Pareto Securities AS also holds the Designated Sponsoring mandate along with Warburg Research.

Three analysts recommended buying the share. The median of the price targets, which typically only reflect an outlook for the next 12 months and are currently affected by the COVID-19 pandemic, was EUR 9.40.

20 Years

SYZYGY's initial public offer

Report of the **Supervisory Board**

Dear Shareholders,

The Supervisory Board 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 on 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 Management Board fully complied with its duty to provide information. Reports provided by the Management Board complied with the legal requirements with regard to both content and scope, and also fully satisfied the Supervisory Board's information needs. The Supervisory Board also requested additional information where necessary. The Supervisory Board critically examined the information and reports provided, assessing them with regard to plausibility.

Wilfried Beeck
Chairman of the
Supervisory Board

Andrew Payne
Member of the
Supervisory Board

Dominic Grainger
Member of the
Supervisory Board

Meetings and attendance of the Supervisory Board

A total of six ordinary meetings of the Supervisory Board were held together with the Management Board in the 2020 financial year, on January 30, March 27, April 28, July 23, October 22 and December 14, 2020. The Supervisory Board also held two extraordinary meetings on February 5, 2020 and August 28, 2020.

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

Particularly significant topics discussed at the individual meetings are listed below:

The first Supervisory Board meeting of the 2020 financial year was held on January 30, 2020. The provisional figures for 2019 were presented and the company's financial position was discussed. The figures were approved following in-depth discussion. The Management Board also provided information on the status of M&A activities at the SYZYGY GROUP, in particular the proposed merger of diffferent and USEEDS°. Closer consolidation and integration of the companies SYZYGY Media and SYZYGY Performance was additionally discussed. Approval of the 2020 budget was postponed to the next meeting.

On February 5, 2020, the Supervisory Board and Management Board held an extraordinary meeting at which the 2020 budget was approved.

The accounts review meeting was held on March 27, 2020 in the presence of the auditor. After carefully reviewing all the documents, the Supervisory Board received detailed information on the financial statements for the 2019 financial year from the members of the Management Board. The auditor presented the key aspects and results of his checks. All questions were answered by the Management Board and auditor to the Supervisory Board's full satisfaction. The Supervisory Board was thus able to verify that the audit had been conducted correctly and the audit reports properly prepared. Following the presentations, the annual financial statements and the consolidated financial statements were approved and adopted.

»**The SYZYGY GROUP met the challenge in 2020 successfully** and demonstrated that it is very well positioned even under difficult conditions.«

The Supervisory Board also informed the Management Board about the status of the search and selection process for a candidate to fill the position of CEO. In addition, the meeting postponed the Annual General Meeting to October 27, 2020 due to the COVID-19 situation. In this context, adoption of the agenda was postponed to the Supervisory Board meeting scheduled for July 2020. The Management Board also discussed the impact of COVID-19 on business activities and employees and, with the approval of the Supervisory Board, revised the SYZYGY GROUP's forecast for 2020.

At the Supervisory Board meeting held on April 28, 2020, the Supervisory Board obtained a detailed overview of the impact of the COVID-19 pandemic and an insight into current trading. The Management Board also explained the measures taken in response to the COVID-19 pandemic and to guide the SYZYGY GROUP through the crisis. Furthermore, in the course of this meeting the figures for the first quarter of 2020 were discussed and subsequently approved. The Supervisory Board additionally presented possible candidates for the position of CEO to the Management Board.

The purpose of the ordinary meeting held on July 23, 2020 was to discuss and approve the business figures for the first half of 2020. The Management Board presented a detailed outlook for the rest of the financial year. It also described the business situation of the individual companies within the Group.

In the course of an extraordinary Supervisory Board meeting on August 28, 2020, the figures for the first seven months of 2020 were discussed. It was furthermore decided at the meeting to hold the Annual General Meeting as a virtual event on October 27 and not to propose a dividend distribution for the 2019 financial year at the Annual General Meeting. The agenda for the Annual General Meeting was agreed during the same meeting.

The meeting on October 22, 2020 started off with a discussion of the nine-month figures, which were duly approved. The Management Board additionally provided an updated outlook for the rest of the year. The members of the Supervisory Board also dealt with implementation of the German Corporate Governance Code.

The Management Board and Supervisory Board issued an updated declaration of conformity in accordance with Article 161 of the German Stock Corporation Act (AktG). This declaration is available on the company's website. The arrangements for the virtual Annual General Meeting on October 27, 2020 were also discussed.

The last meeting of the year was held on December 14, 2020. It dealt with current trading, the outlook and the assignment of roles within the Management Board for 2021, and especially the duties of the CEO. The Management Board presented the budget for the SYZYGY companies and discussed it with the Supervisory Board.

Approval of the 2021 budget was postponed to the next meeting, in January 2021.

The first Supervisory Board meeting of the 2021 financial year was held on January 27, 2021. The provisional figures for 2020 were presented and the company's financial position was discussed. Following in-depth discussion and subsequent approval, it was decided to propose a dividend of EUR 0.15 at the Annual General Meeting. The 2021 budget was also approved, enabling the Management Board to publish the forecast for the 2021 financial year.

There was also continual dialogue between the Management Board and Supervisory Board between these dates. In particular, the Management Board provided regular written reports about the company's performance and other important events.

Composition of the Supervisory Board and committees

Since June 7, 2019, the Supervisory Board of SYZYGY AG has comprised Mr Wilfried Beeck, Mr Dominic Grainger and Mr Andrew Payne, and consists of an appropriate number of independent members.

The term of office of all Supervisory Board members covers the period until conclusion of the Annual General Meeting that discharges the members in relation to the 2023 financial year.

Due to its small size, the Supervisory Board did not form any committees during the year under review. Andrew Payne, a financial expert with extensive knowledge of accounting and internal control procedures, took a particular interest in the financial statements, auditing and the appointment of the auditor.

The Annual General Meeting held on October 27, 2020 discharged the members of the Supervisory Board and Management Board in relation to the 2019 financial year.

Composition of the Management Board

Until March 31, 2020, the Management Board of SYZYGY AG consisted of Mr Lars Lehne as CEO, Mr Erwin Greiner as CFO and Mr Frank Ladner as CTO. With effect from April 2020, Erwin Greiner and Frank Ladner additionally performed the duties of CEO until a successor could be appointed.
On August 31, 2020 it was announced that Franziska von Lewinski would be appointed to the post, taking up her duties as new CEO on January 1, 2021. In addition, the Management

Board contracts of Mr Frank Ladner and Mr Erwin Greiner were each extended by three years until December 31, 2023. Accordingly, all members of the Management Board will serve until December 31, 2023.

Corporate Governance

On October 22, 2020, the Supervisory Board and Management Board jointly published the declaration of conformity with the German Corporate Governance Code (DCGK) in accordance with Article 161 of the German Stock Corporation Act (AktG), as part of the more extensive Declaration on Corporate Governance. The Corporate Governance Declaration is based on the current version of the Code, dated December 16, 2019.

SYZYGY AG broadly complies with the principles of the Code. The exceptions are presented and explained in the relevant declaration.

The remuneration report, which discloses the level of remuneration for the Management Board and Supervisory Board and how the remuneration is structured, must be published in the Notes to the consolidated financial statements as specified in the Code. The remuneration for the Management Board and Supervisory Board is detailed in the Notes to the consolidated financial statements in the 2020 Annual Report.

Annual and consolidated financial statements, appropriation of net profit

Following a proposal by the Supervisory Board, the Annual General Meeting appointed Frankfurt-based BDO AG Wirtschaftsprüfungsgesellschaft as auditor for the 2020 financial year on October 27, 2020. The Supervisory Board has not identified any circumstances that could give rise to a lack of impartiality on the part of the auditor. The auditor himself has issued a statement of independence. Apart from auditing the financial statements, no audit-related services have been provided by BDO AG.

BDO AG audited the annual financial statements and Management Report, the consolidated financial statements and the Group Management Report for the 2020 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 for the 2020 financial year from the members of the Management Board at its meeting of March 26, 2021. The auditor also attended, presenting the key aspects and results of his checks. All questions were answered by the Management Board and auditor to the Supervisory Board's full satisfaction.

The Supervisory Board was thus able to verify that the audit had been conducted correctly and the audit reports properly prepared. On the basis of its own checks and taking the audit reports into consideration, the Supervisory Board raised no objections. Consequently the Supervisory Board approved and adopted the annual financial statements and Management Report of SYZYGY AG and the consolidated financial statements and the Group Management Report. The Supervisory Board also approved the Management Board's proposal regarding the appropriation of net profit.

Sustainability reporting

To document the SYZYGY GROUP's focus on sustainability, SYZYGY has made a commitment to the German Sustainability Code (DNK). A non-financial declaration has already been issued for the reporting years from 2016 to 2019, in the form of DNK declarations of conformity. These were formally reviewed and given the DNK user signet by the DNK. The declarations of conformity can be downloaded from the Investor Relations website at ir.syzygy.de. SYZYGY will again issue a declaration of conformity for the 2020 reporting year in order to render the SYZYGY GROUP's commitment to sustainability transparent and comparable for clients, employees and other interested parties.

Thanks

2020 will go down in history as the "coronavirus year". The pandemic triggered an unprecedented crisis that had a major impact on SYZYGY, especially from March 2020 onwards. The SYZYGY GROUP met the challenge successfully and demonstrated that it is very well positioned even under difficult conditions. The Supervisory Board would like to sincerely thank the members of the Management Board and all employees of the SYZYGY GROUP for their high level of commitment.

The Supervisory Board also particularly welcomes Ms Franziska von Lewinski and is pleased to have attracted such a top manager to head SYZYGY AG as CEO. Her strategic expertise, technological capabilities and client focus will enable the entire SYZYGY GROUP to continue to help grow its clients' business and develop further opportunities with clients and agencies across the WPP network.

We look forward to continuing to work together and wish you every success for the current financial year.

Bad Homburg, March 26, 2021
The Supervisory Board

Wilfried Beeck

Wilfried Beeck
Chairman of the Supervisory Board

»**Franziska von Lewinski will give new impetus to the entire SYZYGY GROUP** and use the diverse opportunities with clients and agencies across WPP.«


Butterfly

Corporate **Governance**

In this Declaration, the Management Board and Supervisory Board report on corporate governance as required under section 289a of the German Commercial Code (HGB) and on the corporate governance of SYZYGY AG in accordance with provision F.4 of the German Corporate Governance Code ("DCGK" below).

The DCGK describes internationally recognised principles of responsible and transparent company management and supervision. Since it was first adopted in 2002, it has been updated and expanded on several occasions, most recently on December 16, 2019.

The Management Board and Supervisory Board are committed to a style of corporate management based on sustainability. They identify with the purpose of the DCGK, i.e. to promote trust-based management for the benefit of shareholders, employees and customers. The DCGK contains recommendations, which companies are not obliged to follow. However, they must then make a corresponding disclosure in the annual Declaration of Conformity required under section 161 of the German Stock Corporation Act (AktG) and explain the deviations.

The Declaration on Corporate Governance as defined in section 289a of the German Commercial Code covers the following:

1. The Declaration of Conformity with the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act;
2. Relevant information on corporate governance practices applied at the company that go beyond statutory requirements;
3. A description of the working methods of the Management Board and Supervisory Board, and the composition and working methods of their committees;
4. Information about the targets established for the female proportion of management positions and the extent to which these targets are reached.

1. Declaration of Conformity by the Management Board and Supervisory Board of SYZYGY AG in relation to the German Corporate Governance Code, pursuant to section 161 of the German Stock Corporation Act

The Management Board and Supervisory Board of SYZYGY AG declare pursuant to section 161 of the German Stock Corporation Act that the company has complied with the recommendations of the Government Commission's German Corporate Governance Code as updated on February 7, 2017 since making the last Declaration of Conformity on October 23, 2019, with the following exceptions:

1.1 .Diversity when filling managerial positions, in particular aiming for an appropriate consideration of women (4.1.5):
The Management Board has already engaged with the DCGK's requirements for greater diversity, in particular for an appropriate consideration of women in managerial positions. In the interests of the company, when filling managerial positions the management of SYZYGY AG selects the individual who matches the requirements profile most closely on the basis of his or her professional qualifications and personal aptitude. Gender is not a primary factor when making a decision. If several candidates, both male and female, all with equal qualifications, apply for the same vacant position, the Management Board will choose the person who adds to the diversity of the management team.

1.2. Diversity when filling Management Board positions, in particular aiming for an appropriate consideration of women (5.1.2):
When filling Management Board positions, the decision for a particular candidate is also taken solely on the basis of professional qualifications and personal aptitude. If several candidates, both male and female, all with equal qualifications, apply for the same vacant position, the Supervisory Board will appoint the person who adds to the diversity of the Management Board.

1.3. Formation of committees with specialist expertise by the Supervisory Board as set out in provision 5.3.1, of an Audit Committee as set out in provision 5.3.2 and of a Nomination Committee as set out in provision 5.3.3:
Due to its current size of three members, the Supervisory Board of SYZYGY AG did not form any committees. This size has proved to be very effective, since both general strategic topics and detailed issues can be discussed intensively in the plenary Supervisory Board sessions and decisions taken.

1.4. Specification of concrete objectives regarding the composition of the Supervisory Board, an age limit and diversity on the Supervisory Board (5.4.1)
Since SYZYGY AG was established, the company has been committed to serving the interests of shareholders, employees and customers by having a Supervisory Board with the greatest possible professional expertise, both company-specific and industry-specific, regardless of attributes such as age or gender. A particular focus in this respect is in-depth knowledge of the communications and digital sector, an international outlook and an extensive skillset in accounting and internal control procedures. In its current composition, the Supervisory Board satisfies these requirements in full.

Due to the small size of the Supervisory Board, the company does not produce a written specification of detailed requirements. The Supervisory Board also does not specify an age limit and a normal limit for the appointment period, since it does not consider stipulations of this kind to be useful in this professional context. Likewise, proposals for the election of Supervisory Board members are, in the company's interest, based primarily on the required knowledge, skills and professional experience. When making proposals in future, the Supervisory Board will take into account diversity aspects, in particular with regard to an appropriate representation of women, while giving due regard to the company-specific situation.

1.5. Compensation of Supervisory Board members (5.4.6):
All Supervisory Board members receive the same compensation by mutual agreement, since all members have comparable workloads.

The Management Board and Supervisory Board of SYZYGY AG declare pursuant to section 161 of the German Stock Corporation Act that the company has complied with the recommendations of the Government Commission's German Corporate Governance Code as updated on December 16, 2019 since its publication on March 20, 2020, with the following exceptions, and will continue to comply accordingly:

1.1. A.1: Provision A.1 states that the Management Board shall consider diversity when making appointments to managerial positions:
The Management Board has already engaged with the DCGK's requirements for greater diversity, in particular for an appropriate consideration of women in managerial positions. In the interests of the company, when filling managerial positions the management of SYZYGY AG selects the individual who matches the requirements profile most closely on the basis of his or her professional qualifications and personal aptitude.

Gender is not a primary factor when making a decision. If several candidates, both male and female, all with equal qualifications, apply for the same vacant position, the Management Board will choose the person who adds to the diversity of the management team.

1.2. B.1: Provision B.1 states that the Supervisory Board shall take diversity into account when appointing Management Board members:
When filling Management Board positions, the decision for a particular candidate is taken solely on the basis of professional qualifications and personal aptitude. If several candidates, both male and female, all with equal qualifications, apply for the same vacant position, the Supervisory Board will appoint the person who adds to the diversity of the Management Board.

1.3. B.2: Provision B.2 states that the Supervisory Board together with the Management Board shall ensure that a long-term succession plan is in place. The approach shall be described in the Declaration on Corporate Governance:
The Supervisory Board does not set out a long-term succession plan, since it does not consider this kind of planning to be useful in this professional context.

Accordingly, the approach is not described in the Declaration on Corporate Governance.

1.4. B.5: Provision B.5 states that an age limit shall be specified for members of the Management Board and disclosed in the Declaration on Corporate Governance: When filling Management Board positions, the decision for a particular candidate is taken solely on the basis of professional qualifications and personal aptitude. As a result, it is not possible to draw conclusions about a Management Board member's capabilities on the basis of having reached an age limit. Accordingly, no age limit for Management Board members is specified in the Declaration on Corporate Governance.

1.5. C.1: Provision C.1 states that the Supervisory Board shall determine specific objectives regarding its composition, and shall prepare a profile of skills and expertise for the entire Board while taking the principle of diversity into account. Proposals made by the Supervisory Board to the General Meeting shall take these objectives into account, while also seeking to fill the required profile of skills and expertise for the Supervisory Board as a whole. The implementation status shall be published in the Declaration on Corporate Governance. The Declaration shall also provide information about what the shareholder representatives on the Supervisory Board regard as the appropriate number of independent shareholder representatives, and the names of these members: Since SYZYGY AG was established, the company has been committed to serving the interests of shareholders, employees and customers by having a Supervisory Board with the greatest possible professional expertise, both company-specific and industry-specific, regardless of attributes such as age or gender. A particular focus in this respect is in-depth knowledge of the communications and digital sector, an international outlook and an extensive skillset in accounting and internal control procedures. In its current composition, the Supervisory Board satisfies these requirements in full. Due to the small size of the Supervisory

Board, the company does not produce a written specification of detailed requirements. Likewise, proposals for the election of Supervisory Board members are, in the company's interest, based primarily on the required knowledge, skills and professional experience. When making proposals in future, the Supervisory Board will take into account diversity aspects, in particular with regard to an appropriate representation of women, while giving due regard to the company-specific situation. Accordingly, no disclosures of this type are included in the Declaration on Corporate Governance.

1.6. C.2: Provision C.2 states that an age limit shall be specified for members of the Supervisory Board and disclosed in the Declaration on Corporate Governance:
SYZYGY AG does not specify an age limit, since it does not consider this kind of specification to be useful in this professional context. Accordingly, no age limit for Supervisory Board members is specified in the Declaration on Corporate Governance.

1.7. D.2, D.3, D.4 and D.5: Provisions D.2, D.3, D.4 and D.5 state that the Supervisory Board shall form committees which, in the case of relatively large companies, generally facilitate the effectiveness of the Supervisory Board's work. (Formation of committees with relevant specialist expertise by the Supervisory Board as set out in provision D.2, of an Audit Committee as set out in provisions D.3 and D.4 and of a Nomination Committee as set out in provision D.5):
Due to its current size of three members, the Supervisory Board of SYZYGY AG did not form any committees. This size has proved to be very effective, since both general strategic topics and detailed issues can be discussed intensively in the plenary Supervisory Board sessions and decisions taken.

1.8. D.7: Provision D.7 states that the Supervisory Board shall also meet on a regular basis without the Management Board:
In view of the current size of the Supervisory Board (three members), informal dialogue among the members of the Supervisory Board is continually taking place. As a result, regular ordinary meetings to deal with matters do not appear necessary or appropriate. If it appears necessary for the Supervisory Board to meet without the Management Board in specific instances, for example to discuss Management Board matters, the Supervisory Board has in the past discussed such matters and reached decisions internally and will continue to do so.

1.9. D.13: Provision D.13 states that the Supervisory Board shall assess, at regular intervals, how effectively the Supervisory Board as a whole and its committees fulfil their duties. The Supervisory Board shall report in the Declaration on Corporate Governance if (and how) the self-assessment was conducted:
No regular self-assessment of the Supervisory Board takes place. In view of the current size of the Supervisory Board (three members), such an assessment does not appear to be appropriate. Since no committees are formed, self-assessment of the work of committees does not apply. Accordingly, the Declaration on Corporate Governance does not report on carrying out self-assessment.

1.10 G.3: Provision G.3 states that in order to assess whether the specific total remuneration of Management Board members is in line with usual levels compared to other enterprises, the Supervisory Board shall determine an appropriate peer group of other third-party entities, and shall disclose the composition of that group:
The Supervisory Board does not make a peer group comparison. Due to the company's business activity as a listed consultancy and implementation partner for transformation of marketing and sales, it is not possible to properly determine a relevant peer group, meaning that comparisons would be unlikely to be representative.

1.11. G.10: Provision G.10 states that taking the respective tax burden into consideration, Management Board members' variable remuneration shall be predominantly invested in company shares by the respective Management Board member or shall be granted predominantly as share-based remuneration. Granted long-term variable remuneration components shall be accessible to Management Board members only after a period of four years:
The existing Management Board contracts are each concluded for a period of three years. The variable components of remuneration are divided into short-term variable remuneration, which is based on annual targets and granted after preparation and auditing of the annual financial statements, and long-term variable components of remuneration based on the performance of the share price. These share price-based bonus agreements provide that up to 40 per cent of allocated phantom stocks shall be exercisable after two years, and a further 60 per cent after three years. The short-term and long-term components of remuneration are paid in cash as part of payroll accounting and are at the disposal of the eligible employee immediately after payment. Investment of the variable compensation in company shares is not mandatory and is at the discretion of the beneficiary.

1.12. G.17: Provision G.17 states that remuneration for Supervisory Board membership shall take appropriate account of the larger time commitment of the Chair and the Deputy Chair of the Supervisory Board:
All Supervisory Board members receive the same compensation by mutual agreement, since all members have comparable workloads.

2. Corporate Governance practices

The Management Board of SYZYGY AG runs the business with the due care of a prudent and conscientious businessman, in compliance with the statutory requirements, the provisions of its Articles of Association and the DCGK in accordance with section 161 of the German Stock Corporation Act, with the exceptions stated in the corresponding declaration. There are no relevant corporate governance practices at SYZYGY AG that go beyond these requirements.

3. Working methods of the Management Board and Supervisory Board

Dual management system
As required by law, SYZYGY AG operates a dual management system in which the Management Board manages the company independently, while the Supervisory Board is responsible for monitoring the actions of the Management Board. The two boards are strictly separate, both in terms of the persons appointed to them and their competencies.

Composition and working methods of the Management Board
The Management Board of SYZYGY AG comprises three persons: a Chief Executive Officer (CEO), a Chief Technology Officer (CTO) and a Chief Financial Officer (CFO).

The Management Board conducts the business of the company in accordance with the law and the Articles of Association. It defines long-term objectives for the good of the company and its sustained growth, both for the Group and its subsidiaries, develops strategies on that basis and ensures that they are implemented. In doing so, it works closely with the company's Supervisory Board in the context of a trusting relationship.

Each member of the Management Board is responsible for specific business areas, for which he takes personal responsibility. When performing their duties the members cooperate and inform each other of important measures and activities in their respective area of responsibility. Responsibility for overall management is borne collectively by all Management Board members.

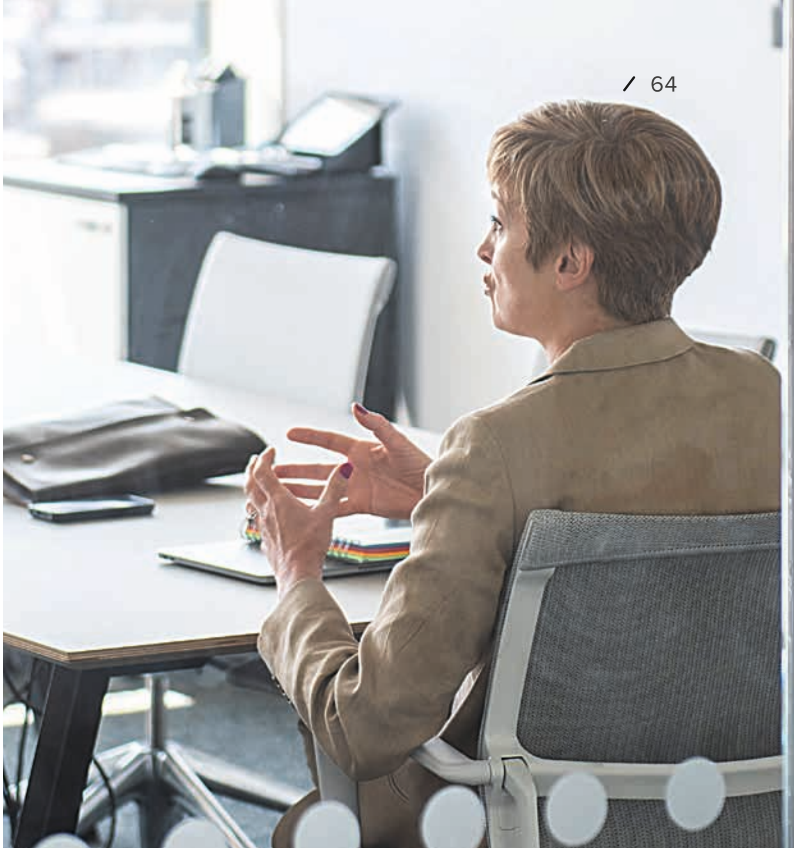
Management Board meetings may be convened by any member of the Management Board. They are held at regular intervals and additionally as required. The Management Board adopts resolutions by simple majority, unless unanimity is required by law. Management Board resolutions are documented and archived.

The Chairman of the Management Board acts as spokesperson. He coordinates the individual business areas and represents the company externally.

SYZYGY AG has taken out D&O insurance for all members of the Management Board and Supervisory Board. In accordance with the current DCGK, this provides for an excess in the amount prescribed by law.

Composition and working methods of the Supervisory Board
The Supervisory Board of SYZYGY AG has three members. In line with statutory requirements, one of these members is a financial expert with extensive knowledge of accounting and internal control procedures. Since the Supervisory Board has only three members, no committees have been or will be formed.

When performing its duties, the Supervisory Board works together with the company's other bodies for the good of the enterprise. It monitors and advises on the Management Board's actions in terms of legality, regularity, appropriateness and commercial viability.



The Management Board reports 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 is directly involved in all important decisions affecting the SYZYGY GROUP.

Supervisory Board meetings are held regularly once a quarter and additionally as required. The ordinary meetings are set and scheduled before the beginning of the year when the financial calendar for the following year is being drawn up. Additional (extraordinary) meetings are convened in writing by the Chairman of the Supervisory Board with fourteen days' notice. A written agenda and a presentation are distributed to the members of the Supervisory Board prior to each meeting. Resolutions require a majority of the votes cast or are adopted unanimously, as the case may be.

The company's performance is discussed at every meeting of the Supervisory Board. The Supervisory Board also requests additional information from the Management Board. In particular, the Supervisory Board studies the quarterly reports on a regular basis and approves them following discussion with the Management Board.

The Supervisory Board Chairman coordinates the work of the Board and chairs the meetings. Each year he outlines the work of the Supervisory Board in his report to the shareholders and Annual General Meeting. More detailed information on the work of the Supervisory Board throughout 2020 can be found in the Report of the Supervisory Board in SYZYGY GROUP's 2020 Annual Report, which will be available from March 30, 2021 on the Group's website at https://ir.syzygy.net/germany/de/investor-relations.

4. Target figures for equal participation of women and men in management positions

The Management Board and Supervisory Board have already engaged with the DCGK's requirements for greater diversity, in particular for an appropriate consideration of women in managerial positions, on the Management Board and on the Supervisory Board. When filling managerial positions and when appointing Management Board members and in determining the composition of the Supervisory Board, SYZYGY AG is primarily under an obligation to serve the interests of the company; the candidate's qualifications and personal aptitude for the relevant duties must thus be the main consideration when filling vacant positions. Diversity is not defined solely by gender or nationality, but also and especially by professional diversity and a balanced mix of expertise from different specialist areas.

The German "Law on Equal Participation of Women and Men in Management Positions in the Private and Public Sector", which came into force on May 1, 2015, requires the

definition of target figures for the female quota on the Supervisory Board, on the Management Board and in the two top management levels below the Management Board. The target figures for the Supervisory Board and Management Board are set by the Supervisory Board, while the figures for the two top management levels are defined by the Management Board. The targets were established for the first time for the period up to September 30, 2015.

At present, the Supervisory Board consists of three members, each with extensive experience in the communications and software sector, as well as international relationships with clients and agencies. The Supervisory Board is elected to serve until the General Meeting that discharges the members in relation to the 2023 financial year. Consequently, the next Supervisory Board elections are expected to be held in 2024. If all the Supervisory Board members remain in office for the full term, the Supervisory Board will consist solely of male members until the General Meeting in 2024.

SYZYGY AG is committed to promoting women. At the next Supervisory Board elections, it will endeavour to propose a female candidate to the General Meeting, such that a target quota of at least 30 per cent will be in place for the next Supervisory Board elections.

The Management Board of SYZYGY AG consisted of three male members until March 31, 2020. In the period from April 1, 2020 to the end of 2020, the Management Board consists of two male members, the Chief Financial Officer and the Chief Technology Officer. The two Management Board members have extensive experience in the communications and software sector, as well as many years of financial expertise.

The existing Management Board contracts have each been concluded for a period of three years and end in the case of the Chief Financial Officer on December 31, 2020 and in the case of the Chief Technology Officer on December 31, 2020; the Chief Executive Officer's term of office ended on March 31, 2020.

SYZYGY AG is committed to promoting women. In future appointments to the Management Board or if the Management Board is expanded, the company will consider the person who adds greater diversity to the Management Board, in addition to professional qualifications and personal aptitude. The current female quota remained unchanged last year and will increase to the target quota from January 1, 2021, following the nomination of a female CEO.

The company aims to achieve a target quota for female Management Board members of at least 30 per cent. A defined female quota of 30 per cent is exceeded in the first and second management levels below the Management Board at SYZYGY AG. SYZYGY AG is committed to promoting women. With regard to future staff development and the nomination of senior managers, it will take gender diversity into consideration as one of the criteria.

5. Diversity statement

Description and objectives of the diversity statement

The diversity statement for the Supervisory Board and Management Board aims in each case to achieve diversity in the composition of these two bodies in relation to background, age, origin and gender. The goal of the diversity statement is to ensure that there is a range of different backgrounds and fields of experience in the Supervisory Board and Management Board, and to boost competitiveness.

Implementation of the diversity statements

The diversity statements for the Supervisory Board and Management Board will be implemented, based on the defined aspects, in the recruitment objectives that the Supervisory Board applies in its decision on election proposals to the Annual General Meeting and on appointments to the Management Board.

Diversity-related recruitment objectives for the Management Board

The Supervisory Board works with the Management Board on succession planning for the Management Board. When appointments are made to the Management Board, as wide a range of knowledge, skills and professional experience as possible (diversity) should be represented in order to meet the following objectives of the diversity statement:
In relation to educational and professional background, particular emphasis is placed on extensive experience in the communications and IT/software sector and on many years of financial expertise.

In future appointments to the Management Board, or if it is expanded, women will be considered as this leads to greater diversity on the Board. Going forward, the company will seek a target quota of at least 30 per cent female Management Board members by the end of 2021. There is no age limit for members of the Management Board.

Diversity-related recruitment objectives for the Supervisory Board

SYZYGY AG aims for maximum company-specific and industry-specific expertise on the Supervisory Board, irrespective of attributes such as age or gender.

The Supervisory Board nevertheless supports an appropriate representation of women on the Supervisory Board. The statutory minimum proportion of 30 per cent is regarded as generally appropriate. The company will aim at a higher proportion of women if elections are upcoming or members are added to the board.

A particular focus in relation to educational and professional background is in-depth knowledge of the communications and digital sector, and an extensive skillset in accounting and internal control procedures.

Due to the international outlook of the SYZYGY GROUP, members with an international background will also be considered when making appointments to the Supervisory Board.

Position at the end of the financial year

Representation of women on the Management Board and Supervisory Board was the only area where the objectives of the diversity statement for the Management Board and Supervisory Board were not met in the 2020 financial year.

The Supervisory Board is committed to implementing the diversity statement in full when deciding on election proposals to the Annual General Meeting or making appointments to the Management Board.

Bad Homburg v. d. H., October 22, 2020

The Management Board
and the Supervisory Board
SYZYGY AG

Financial informations

Content

SYZYGY AG, Bad Homburg v.d.H.

Group management report
for the 2020 financial year

1. General

The following Group Management Report provides information on the performance of the SYZYGY GROUP (hereinafter referred to as “SYZYGY”, the “Group”, the “SYZYGY GROUP” or the “Company”). It shows the SYZYGY GROUP’s results of operations, financial position and net assets in the 2020 financial year, as well as examining the expected future performance of the business and the principal risks and opportunities.

The consolidated financial statements on which the Group Management Report is based were prepared in accordance with Article 315 of the Handelsgesetzbuch (HGB – German Commercial Code) in conjunction with Article 315e [1] of the HGB. The financial year corresponds to the calendar year.

SYZYGY AG has been a fully consolidated company of WPP plc., St. Helier, Jersey, since November 2015 by virtue of control.

2. Group profile

2.1 Business activities and structure

SYZYGY is a leading consultancy and implementation partner for transformation and strategy in marketing and sales. It is one of the top agencies in the Internet agency ranking published annually by the German Association for the Digital Economy (BVDW) (2020: 11th place). SYZYGY designs, creates and orchestrates digital experiences and products for brands, companies and people. The SYZYGY GROUP’s core service areas are human experiences, consulting, design, technology and performance.

Founded in 1995, the SYZYGY GROUP employs some 510 people (previous year: 540) plus around 40 freelancers (previous year: 65) across four countries. It has offices in Bad Homburg v. d. Höhe, Berlin, Frankfurt, Hamburg, Munich, London, New York and Warsaw.

The SYZYGY GROUP consists of SYZYGY AG as the holding company and nine subsidiaries:

- Ars Thanea S.A.
- diffferent GmbH
- SYZYGY Performance Marketing GmbH
- SYZYGY Deutschland GmbH
- SYZYGY Digital Marketing Inc.
- SYZYGY Media GmbH
- SYZYGY Performance GmbH
- SYZYGY UK Ltd.
- Unique Digital Marketing Ltd.

In the 2020 financial year, following the acquisition of a further 10 per cent of the shares in USEEDS GmbH, that company was merged into diffferent GmbH. In addition, the former SYZYGY Berlin GmbH was renamed SYZYGY Performance Marketing GmbH.

Clients include prestigious brands such as BMW, Consorsbank, Daimler, Deutsche Bahn, Deutsche Bank, Deutsche Telekom, GlaxoSmithKline, Huawei, Kyocera, Lenovo, Lufthansa, Mazda, Miles & More, mobile.de, O_2, PayPal, Porsche, health insurer Techniker Krankenkasse and Volkswagen.

2.2 Group management

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

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

Financial performance indicators

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

Non-financial performance indicators

SYZYGY does not use any non-financial performance indicators for managing the Group or for management decision-making.

In line with its style of corporate management, which is based on sustainable growth, SYZYGY has nonetheless identified non-financial performance indicators that are considered to be important for the long-term success of the SYZYGY GROUP. Some of these are listed below, even though they are not used explicitly as key indicators for managing the business.

Employees

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

Awards

Winning prestigious awards for creative work and efficiency is an important indicator of the Group's performance. It also enhances the SYZYGY GROUP's attractiveness to (potential) clients and employees. SYZYGY had the honour of receiving four accolades at the Effie Awards Germany in 2020. The Effie Awards Germany recognise Germany's best campaigns. They set standards for effective marketing communication and identify outstanding communication solutions. SYZYGY received a Bronze Effie award in the Content Marketing category for the Mazda Garage campaign for its client Mazda, and two Golden Effies and a Grand Effie award for the highly effective Ponytails communication campaign for its client Commerzbank.

Capacity for innovation

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

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

The SYZYGY GROUP has introduced cross-company specialist responsibilities for performance marketing, innovation, customer experience, strategy and creative services at the first management level below the Management Board. The objective is to establish particular specialist areas through representatives of the operating units in the SYZYGY GROUP and at the sister companies. Innovation topics are discussed and presented to employees during workshops, internal specialist events, presentations and training sessions.

3. Economic report

3.1 General economic development

The global economy was dominated in 2020 by the COVID-19 pandemic. This led to a worldwide recession of historic proportions in the first half of 2020. Many countries responded with a variety of measures to contain the virus, such as restrictions on social contact, travel restrictions, business closures and bans on major events. Governments and central banks also adopted extensive monetary and fiscal policy measures to cushion the economic slump.

Lockdowns helped to get the infection under control after several months, but they also revealed the economy's vulnerability to disruption of global supply chains. The forced closure of factories in China soon led to supply problems and production restrictions in other regions, e.g. among car manufacturers in Europe. The pharmaceutical industry's high dependence on Asia-based suppliers also became evident.

Economies with a high proportion of services, such as Spain and Italy, have been hit particularly hard by the crisis. Due to restrictions worldwide, cross-border travel came to an almost complete standstill in the period from April to June. In many places, services necessitating close personal contact, for example in the catering and hotel industry, could only be provided to a very limited extent, or not at all.

Due to the way COVID-19 spread in each of the countries, in different phases and with differing degrees of severity, the recovery process was likewise mixed. Almost all economies suffered significant losses in the second quarter, for example, resulting in a decline in global trade of around 12 per cent. In China, however, there was a strong economic recovery in the second quarter (+11.7 per cent).

In January 2020, forecasts had suggested a 3 per cent increase in global production. By June 2020, a global decline of 5.2 per cent was expected, with a figure of 4.4 per cent then being cited in October 2020. The International Monetary Fund (IMF) estimates a contraction of 3.5 per cent in the global economy last year, marking the worst recession since the Great Depression some 90 years ago. The OECD Economic Outlook, meanwhile, is forecasting a 4.2 per cent drop in global gross domestic product. An even greater downturn was prevented by the intervention of central banks and governments, which battled the crisis with low interest rates and massive support programmes. The IMF puts the cost of the pandemic to the global economy at USD 22 trillion for the period 2020 to 2025. This is roughly equivalent to one year's economic output in the US, or slightly more than four times Germany's gross domestic product (GDP).

According to the annual 2020/2021 reports published by the German Council of Economic Experts, GDP in the Eurozone slumped sharply in the first half of 2020, with Member States being affected to markedly different degrees. The 11.8 per cent fall in the second quarter was substantially greater than the 3.7 per cent quarter-on-quarter decline in the first quarter. Economic output dropped much faster than during the 2008 financial crisis, affecting industry as well as the service sector. In the third quarter of 2020, much of the GDP losses from the two previous quarters were made up again. GDP was around 4 per cent below the previous year's level, compared to approximately 15 per cent in the second quarter. In the final quarter, however, strict measures to contain the virus had to be re-introduced as the pandemic spread in almost all Member States. The German Council of Economic Experts expects the past year to have seen a 7 per cent decline in GDP in the Eurozone. Economic output in France, Italy and Spain is likely to have fallen particularly sharply. In its World Economic Outlook published in January 2021, the International Monetary Fund (IMF) concludes that GDP declined by 7.2 per cent in the Eurozone in 2020, while the statistical service of the European Union (Eurostat) puts the figure at 6.8 per cent. Employment fell by 1.8 per cent.

In Germany, the core market from the SYZYGY GROUP's point of view, the COVID-19 pandemic halted the economy's upward trend after more than a decade of sustained growth that began when the financial crisis ended. According to calculations by the Federal Statistical Office (Destatis), the German economy shrank by 5 per cent in 2020 due to the pandemic – the first decline in eleven years. The last time the country saw a comparable decline was in 2009, when the drop was 5.7 per cent as a result of the global financial crisis.

The impact of the COVID-19 pandemic on the German economy was limited in the first quarter of 2020, with a 2.0 per cent fall in GDP compared to the previous quarter. That changed markedly in the second quarter, when German GDP slumped by 9.7 per cent from April to June compared to the previous quarter. For the third quarter, the Federal Statistical Office then reported growth of 8.5 per cent compared to the previous quarter. In addition to the easing during the summer months, the billions of euros in support packages approved by the German government also played a part. Massive declines were registered in the service sector, retail, travel and hospitality. On the other hand, online shopping saw significant gains, while bricks-and-mortar retailing suffered heavy losses.

The ifo Business Climate Index reflects the state of the economy and, with a few exceptions, showed a clear downward trend. Starting at 95.8 points in February 2020, it had fallen to its lowest level of 75.4 by April. It gradually recovered over the course of the year, closing at 92.1 points in December.

The economic barometer published by DIW Berlin started the first quarter at 86.8 points and fell to 52.2 points in the second quarter, following the slump in economic activity caused by the COVID-19 crisis. The economy then recovered in the third quarter, with the barometer climbing to 129.9 points before falling back to 112.7 points at the end of the year.

Figures from the Federal Statistical Office indicate that economic output in 2020 was generated by an average workforce of 44.8 million (previous year: -477 thousand). Those in marginal employment and the self-employed were most affected. The extended regulations on short-time working in particular will have prevented many redundancies. The unemployment rate in Germany averaged around 5.9 per cent in 2020, according to the Federal Employment Agency, with a seasonally adjusted unemployment rate of 4.6 per cent in December 2020 as calculated by Eurostat, marking the fifth lowest level in the European Union. Only the Czech Republic (3.1 per cent), Poland (3.3 per cent), the Netherlands (3.9 per cent) and Malta (4.5 per cent) had lower rates in December 2020, according to Eurostat. As the COVID-19 crisis took hold, the rise in consumer prices in Germany slackened significantly. Sharply falling energy prices and the temporary cut in VAT brought the inflation rate down to an average of 0.5 per cent for the year. This was the lowest level since 2016, when a figure of 0.5 per cent was likewise recorded.

The US economy posted significant GDP declines in the first half of the year, but was not quite as hard hit as the Eurozone in 2020. The economy recovered in the third quarter of 2020, growing by 33.1 per cent. Although this is a record, it was not enough to offset previous losses. On an annual basis, the result is a 3.5 per cent decline in GDP in the US, including the 5 per cent annualised drop in real GDP in the first quarter that signalled the start of the 2020 recession. Accordingly, the pandemic is having a huge impact on the labour market. The unemployment rate peaked at 14.7 per cent in April 2020. The Federal Open Market Committee (FOMC) expects an unemployment rate of 6.7 per cent for 2020.

Consumer spending is expected to weaken as a result, although this should be counteracted to some extent by the economic stimulus package that has been passed. The country's highest new debt ratio was registered last year at 14.9 per cent, due to the coronavirus economic relief packages. In addition, the still smouldering trade disputes with China and the EU are holding back US foreign trade and investment activity. The US economy slumped by 3.5 per cent last year on account of the COVID-19 crisis, marking the sharpest drop in economic output since 1946 after the end of the Second World War.

In the second quarter, the United Kingdom posted the biggest decline in GDP in Europe, at 19.8 per cent compared to the previous quarter. Part of the reason for the deep slump is that containment measures were introduced at a comparatively late stage, so they had to remain in place longer to bring the pandemic under control. Unemployment increased only slightly to 4.5 per cent by August, and stood at 5 per cent at year-end. The furlough scheme (COVID-19 Job Retention Scheme and Job Support Scheme), which was introduced in March, prevented a sharp rise. Fiscal measures taken in the UK to combat the economic crisis amounted to around 9 per cent of GDP in September, according to the IMF. Extensive business support packages were also provided in the form of loans and guarantees. The Office for National Statistics calculated a decline in gross domestic product (GDP) of 9.9 per cent in 2020. This was the biggest fall in annual GDP since the Great Frost of 1709, when the economy shrank by 13 per cent.

Poland has consistently recorded substantial economic growth in recent years. This growth has so far been supported by high consumer spending, exports, flexible labour law, fiscal incentives and, last but not least, extensive foreign direct investment. The COVID-19 pandemic disrupted this positive trend in 2020. The OECD Economic Outlook assumes a 3.5 per cent drop in GDP in Poland.

The phasing out of job protection measures is adversely affecting employment and dampening household income growth. The European Commission estimates that the Polish economy contracted by 2.8 per cent in 2020, as measured by GDP.

3.2 Advertising market performance

Advertising market statistics only have limited information value as reference figures for the performance of the SYZYGY GROUP. This is partly due to the different survey methods used, many of which are not transparent, which means the results are not readily comparable and can even be contradictory in some cases. Also, gross advertising figures do not provide any insight into actual cash flows because they are calculated using list prices and do not take account of discounts and special terms.

In addition, the SYZYGY GROUP only generates part of its sales through the digital advertising covered by the statistics, such as placing banners and video ads, search engine marketing and optimisation, or affiliate programmes. Budgets that are available for the creative and technological development of brand platforms, business applications or mobile apps, for example, are not covered by the surveys. Although changes in media budgets do provide indications as to general shifts in advertisers' media strategy, it cannot be simply assumed that all areas of the multi-faceted digital sector will be directly affected in the same way.

With advertising spend already losing momentum in 2019 and forecast to grow by around 4 per cent in the 2020 calendar year, the pandemic and the economic recession that began in mid-March 2020 saw the global advertising market nose-dive. It recovered faster than expected in the second half of 2020, however. The advertising market forecast published by Zenith Media assumes a decline of 7.5 per cent globally, to USD 587 billion. In July, the forecast had been for a downturn of 9.1 per cent. In contrast, GroupM forecasts a 4.1 per cent decline in global advertising spend in 2020 to a total of USD 590.6 billion.

These sharp investment cuts were mainly a feature of the automotive, retail, and travel and tourism sectors. Digital media proved much more robust. Advertising spend related to digital media rose by 9.4 per cent to USD 348 billion in 2020. GroupM and Magna estimate that digital media will make up around 59 per cent of all global advertising spend.

In Germany, the advertising market shrank by just 3.1 per cent, instead of 12.1 per cent as expected by Zenith Media in July. This is possibly because advertisers rapidly resumed communication activity after the lockdown in March, with another possible reason being the current moderate lockdown combined with government support for businesses and consumers. Nonetheless, almost all media categories suffered a loss of advertising revenue, ranging from 3 per cent (newspapers) to 70 per cent (cinema). Analysis and market research organisation Nielsen reported that companies invested EUR 34.2 billion gross in advertising last year. This represents a fall in advertising spend of 4.4 per cent compared to the previous year. Only digital media posted 5 per cent more advertising sales year-on-year.

The advertising market in the US did better than others last year; it only shrank by 5.4 per cent, according to Zenith. This is due to the very high advertising spend in the run-up to the US presidential election, which had an appreciable impact on growth in some channels, especially digital. Including political advertising, digital media sales grew by 9 per cent, according to figures from GroupM.

As reported by IPA Bellwether, UK advertising budgets fell sharply in the last quarter of 2020, as companies cut their advertising spend by around 40 per cent due to the COVID-19 pandemic and Brexit. The fall is expected to be 17.8 per cent on an annual basis. By contrast, GroupM forecasts 4.9 per cent growth in digital advertising spend.

Advertising spend in Poland fell last year across almost all media categories except digital, according to Publicis Groupe Poland. Digital posted growth of around 4.3 per cent. Publicis expects an overall drop in advertising budgets of 8.6 per cent.

All in all, the SYZYGY GROUP was operating in a fundamentally positive market environment, despite changes or uncertainty around some factors. The pandemic and the resulting changes have boosted the need for advice on digital transformation in marketing even more.

The performance of the European economy in 2020 was dictated by the spread of the COVID-19 pandemic. Although industry was already in a downturn at the time, this crisis was not so much cyclical as due to external factors, i.e. a number of political decisions around the response to the pandemic. The European economy took a huge hit in 2020, but is now back on the road to recovery.

Digital media have been one of the winners in the advertising market in recent years and are holding their own as a powerful medium, even in times of crisis. The trend towards increasing budgets for digital advertising continued. Digital media provide confirmation that digital transformation, boosted by the pandemic, is helping to overcome economic and social challenges.

3.3 Employees

The headcount at the SYZYGY GROUP declined in the period covered by the report. As at December 31, 2020, the Group had a total of 514 permanent employees, 28 or 5 per cent fewer than at the reporting date in the previous year. At Ars Thanea, the workforce had to be reduced by 16 people as a result of the COVID-19 crisis and a decline in business. The number of employees at SYZYGY Performance also fell by 7. In contrast, SYZYGY Deutschland increased its headcount by 13 employees. The number of freelancers fell from 65 (in the previous year) to 39.

405 employees (previous year: 414 employees) or 79 per cent of total staff worked in the seven German companies as at the reporting date; 48 people or 9 per cent (previous year: 49 people) were employed in the British agencies.

As at year-end, 58 people or 11 per cent (previous year: 74 people) worked for Ars Thanea, while the number of employees at SYZYGY Digital Marketing in New York fell to 3 (previous year: 5 employees).

In terms of employees by function, there were only minor changes during the period under review. Compared to the previous year, technology, project management and administration remained unchanged as a proportion of the total workforce, at 18, 15 and 14 per cent, respectively. Strategy consulting and performance marketing registered a slight increase in their relative shares, up by 2 and 1 per cent of the total workforce, respectively. Creative services saw a decline, with 21 employees (or 3 per cent) fewer working in this area than in the previous year. The SYZYGY GROUP employed 529 people (previous year: 558) on average during the year. Including the average 33 freelancers (previous year: 46) also used, annualised sales per head were around kEUR 99 (previous year: kEUR 106).

3.4 Investments, research and development

Other intangible assets and fixed assets were down somewhat, at EUR 30.7 million (previous year: 31.9 EUR million). Intangible assets chiefly comprise software and licences used to provide services. Fixed assets include rights of use recognised in accordance with IFRS 16 in the amount of EUR 23.6 million (previous year: EUR 24.9 million), leasehold improvements and operating and office equipment totalling EUR 4.4 million (previous year: EUR 3.9 million). Since January 1, 2019, SYZYGY as a lessee has dealt with all leases on the balance sheet as follows: it has recognised the rights of use to the leased assets as assets and the payment obligations entered into over the term of the lease as liabilities at present value.

In the 2020 financial year, depreciation and amortisation amounted to EUR 5.7 million (previous year: EUR 5.4 million).

No spending on research and development was made in the period covered by the report.

3.5 Net assets, financial position and results of operations of the SYZYGY GROUP

3.5.1 Results of operations

In the 2019 Group Management Report, the SYZYGY GROUP forecast that sales would fall by between 10 and 20 per cent in the current 2020 financial year due to the COVID-19 pandemic. With regard to profitability, an EBIT margin (i.e. the quotient of EBIT and sales revenue) in the mid single-digit range was expected.

The forecast proved accurate, with sales coming in at EUR 55.5 million (14 per cent down on the previous year). The international companies in the UK and the US in particular posted significant drops in sales, while the German companies only recorded a slight decline in sales of 8 per cent in the segmental view. EBIT declined by 27 per cent to EUR 4.0 million. Earnings per share of EUR 0.15 were down on the previous year, due to lower operating and financial income, combined with a higher tax rate.

Financial income was reduced primarily as a result of interest payments under IFRS 16.

The Management Board of SYZYGY AG is very satisfied with business performance in 2020, given the challenging conditions.

The following table shows the multi-year trend in key financial metrics, including the key internal indicators for managing the business, sales and EBIT:

In kEUR	2016	2017	2018	2019	**2020**
Sales	64,273	60,669	65,816	64,243	55,521
EBIT	5,596	4,096	6,067	5,497	3,999
EBIT margin	9%	7%	9%	9%	7%
Financial income	1,336	1,440	470	-303	-697
EBT	6,932	5,536	6,537	5,194	3,302
Earnings per share (in EUR)	0.39	0.39	0.35	0.26	0.15

3.5.2 Sales

The sales figures for the SYZYGY GROUP are calculated by deducting media costs from billings. Media costs are incurred in the performance marketing companies as transitory items on the revenue and expenses side.

Sales declined by 14 per cent to EUR 55.5 million. All segments saw a decline in sales due to the COVID-19 pandemic.

The Germany segment is the strongest in the Group and increased its share of total sales from 75 to 80 per cent. The UK segment accounted for a 12 per cent (previous year: 15 per cent) share of sales in the reporting year. The United States and Poland are reported together under the “Other” segment, as in the previous year. The agencies in Poland and the US account for 8 per cent (previous year: 10 per cent) of sales. Business in Germany thus gained in relative importance within the SYZYGY GROUP, while the international companies lost a disproportionate share of sales. These figures reflect results before consolidation.

SYZYGY generated 30 per cent of its sales from clients in the automotive industry, a decline of 3 percentage points. Consumer goods accounted for around 12 per cent of sales (previous year: 14 per cent). The share of companies from the financial industry rose to 19 per cent (previous year: 17 per cent). There was likewise a significant increase in the proportion of sales attributable to clients from the IT and telecommunication sectors, up from 7 to 10 per cent. A total of 19 per cent (previous year: 26 per cent) of sales was generated with clients from the services sector.

Only a rounded 10 per cent of sales (previous year: 3 per cent) came from companies that cannot be assigned to any of these five key areas. The automotive segment also recorded a fall of EUR 3.4 million in absolute figures, as did the services segment with a decline of EUR 4.4 million.

46 per cent of SYZYGY’s sales were generated from its ten largest clients, a figure that is 3 percentage points below the previous year’s level.

3.5.3 Operating expenses and depreciation

The cost of sales totalled EUR 39.0 million. This represents a decrease of 15 per cent compared to the previous year, in line with the drop in sales. The gross margin rose slightly by 1 percentage point to 30 per cent as a result.

Sales and marketing costs fell by 28 per cent to EUR 4.3 million (previous year: EUR 6.0 million). It was possible to cut costs because the Hans & Marie event was not held, while other marketing campaigns and attendance at events were likewise reduced. Personnel costs and expenses for merging brands within the SYZYGY GROUP, together with its new website, are a major component of this item in the financial year.

General administrative expenses increased by 5 per cent to EUR 10.4 million. Cost-cutting measures in administration only had a limited impact compared to the decline in sales since a significant portion of administrative costs are more or less fixed or can only be reduced with a significant time lag. In addition, higher personnel costs were allocated to administrative areas, especially from sales and marketing.

Depreciation of fixed assets and amortisation of other intangible assets increased by EUR 0.3 million to EUR 5.7 million, of which EUR 3.7 million is attributable to amortisation of rights of use under IFRS 16. In the 2020 financial year, unscheduled write-downs in the amount of kEUR 33 were applied to the USEEDS brand after the merger with diffferent GmbH in September 2020.

3.5.4 Operating income (EBIT) and EBIT margin

Operating income (EBIT) fell disproportionately steeply relative to sales by 27 per cent, declining from EUR 5.5 million in the prior year to EUR 4.0 million in the reporting year. As a consequence, the Group's profitability also suffered, with the EBIT margin falling from 8.6 per cent in the previous year to 7.2 per cent in the 2020 financial year. The decline in profitability is due to the drop in sales in the individual companies, with it not being possible to fully adjust the cost structure to the lower level of sales or to generate a direct effect. The situation was very different in each operating unit, thus requiring a flexible response. In all companies, freelancer costs were significantly reduced and ancillary staff expenses were lower, due in particular to the COVID-19 pandemic, e.g. travel expenses, costs for events such as Christmas parties and for management meetings, which were all down. At one company that suffered a particularly high loss of sales as a result of the COVID-19 pandemic, short-time working was introduced over a six-month period from April to October.

A loss was incurred in the financial year in the UK segment, as a provision was established at the end of the year for unused office space offered for subletting. The space could not be sublet in 2020 due to the COVID-19 pandemic and SYZYGY assumes that subletting is unlikely until October 1, 2021, or later. Operating profits were generated in the third and fourth quarters of 2020 and restructuring has been completed, with a very good outlook for 2021. The Management Board also took the decision to downsize the New York location as an independent company. As a result, the office space was handed back and all the overhead costs were reduced. The company will be managed by the team in London. Some clients who are served in both London and the US market will be supported locally by a small team. Due to these measures, SYZYGY Digital Marketing in New York incurred losses of EUR 0.7 million.

The Polish company also registered a substantial drop in earnings as it was not possible to reduce costs in line with lower client orders.

All in all, the SYZYGY GROUP closed the financial year with operating income of EUR 4.0 million, equivalent to an EBIT margin of 7 per cent. This is above the forecasts made in March 2020, when the Company predicted an EBIT margin in the mid single-digit range.

3.5.5 Financial income

At SYZYGY, financial income arises in two main areas: firstly, interest expenses in connection with IFRS 16, and secondly, income and expenses associated with investment in securities and with the financing of the SYZYGY GROUP. Overall, financial income declined by EUR 0.4 million: financial income was EUR -0.7 million in the financial year, compared to EUR -0.3 million in the previous year.

As in the previous year, interest expenses due to the IFRS 16 accounting standard amounted to EUR 0.7 million. In the case of long-term leases and other leases with a term of more than one year, interest expenses are calculated on the basis of the liabilities disclosed. In practice, rental payments are divided into amortisation of rights of use and interest payments over the entire term of the leases.

As in previous years, financial income also includes interest income and expenses from the management of cash and cash equivalents and from corporate financing. A neutral result was generated in the period covered by the report. The interest expenses for loans and money market loans totalling EUR 0.4 million were offset by income from the securities portfolio in the same amount. The net interest income from the securities portfolio corresponds to a return of 2.5 per cent (previous year: 3.5 per cent) on average available liquidity reserves, and of 5.2 per cent (previous year: 5.2 per cent) on the average market value of the securities portfolio.

3.5.6 Income taxes, net income, earnings per share

While pre-tax income fell by 36 per cent to EUR 3.3 million (previous year: EUR 5.2 million) in the reporting period, net income after taxes decreased by 41 per cent to EUR 2.1 million (previous year: EUR 3.5 million). The tax rate increased to 37 per cent (previous year: 32 per cent) in the 2020 financial year. This rise is largely attributable to the fact that profits were generated in Germany, which has higher tax rates, while losses were incurred abroad, which led to relatively lower tax relief through the recognition of deferred taxes.

Undiluted earnings per share were EUR 0.15, based on the average available 13,500 thousand shares qualifying for participation in the profits and after deducting non-controlling shares of EUR 0.02 million, and were thus EUR 0.11 below the previous year's level.

Since the Company adopted a resolution to pay the difference between exercise price and share price in cash if outstanding phantom stocks are exercised, diluted earnings per share were EUR 0.15 (previous year: EUR 0.26).

3.5.7 Segment reporting

In accordance with IFRS 8, which is based on the management approach, SYZYGY uses geographical criteria to report segments and thus distinguishes between Germany, the UK and the Other segment. The latter category includes Ars Thanea and SYZYGY Digital Marketing Inc. Under IFRS 8.13, these companies are not big enough to be reported as geographically independent segments.

All segments reported a decline in sales and earnings in the reporting year, although to varying extents across the segments. The core market, Germany, reported a disproportionately low decline in sales of 8 per cent in the reporting period, while the UK and Other segments each reported significantly higher falls in sales, of 30 per cent and 27 per cent, respectively.

The German companies generated sales of EUR 45.5 million (previous year: EUR 49.7 million), at a slightly lower EBIT margin of 14 per cent (previous year: 15 per cent). As a result, EBIT fell by 15 per cent to EUR 6.6 million (previous year: EUR 7.7 million).

The UK companies generated sales revenues of EUR 6.9 million, with operating income of -0.4 million (previous year: EUR -1.0 million). The loss is attributable in full to the formation of provisions for unused office space that could not be let in 2020 due to the COVID-19 pandemic. Excluding this effect, the segment closed the financial year with a neutral result. Accordingly, the EBIT margin was -5 per cent (previous year: -10 per cent).

The Other segment also reported falls in sales in the reporting period, mainly due to the decline in business at the US company, while the Polish company posted a downturn in sales of only 8 per cent. In 2020, the two companies generated sales of EUR 4.6 million (previous year: EUR 6.3 million), down 27 per cent. EBIT declined due to the restructuring costs in New York, coming in at EUR -0.4 million (previous year: EUR 0.4 million), corresponding to an EBIT margin of -8 per cent (previous year: 7 per cent).

Overall, around 80 per cent of sales (based on the share of the Group's sales before consolidation) came from the Germany segment (previous year: 75 per cent), around 12 per cent from the UK (previous year: 15 per cent) and 8 per cent from the Other segment (previous year: 10 per cent).

3.5.8 Financial position

The SYZYGY GROUP had overall liquidity (total cash, cash equivalents and securities) amounting to EUR 5.8 million as at December 31, 2020. This represents an increase of 26 per cent on the previous year's figure of EUR 4.6 million. This performance is due to positive operating cash flow, relating especially to substantial investment in acquiring further shares in the subsidiaries during the financial year, which was financed largely from cash flow.

At EUR 5.6 million (previous year: EUR 0.9 million), cash and cash equivalents represented around 97 per cent of cash reserves. These funds were earmarked for liabilities becoming due in the short term. The increase in cash reserves was positive due to the particular reporting date, as some clients settled their liabilities shortly before year-end. Accordingly, accounts receivable declined to EUR 15.2 million (previous year: 19.7 million), a disproportionate fall of 23 per cent. The proportion of securities decreased to 3 per cent of total liquidity because the portfolio was reduced to EUR 0.2 million in the reporting period. The average weighted residual maturity of the bonds was 3.9 years (previous year: 5.3 years). Please refer to the notes to the financial statements, section 6, for further details of the investment strategy.

Total cash flow of the SYZYGY GROUP amounted to EUR 4.5 million as at year-end (previous year: EUR -11.0 million), after taking exchange rate changes into account. This amount comprises positive operating cash flow of EUR 10.0 million, negative cash flow from investment operations of EUR -3.6 million and negative cash flow from financing activities of EUR -1.9 million.

In operating cash flow, the EUR 1.5 million lower net income was more than offset by the positive impact from accounts payable of EUR 10.2 million, accounts receivable of EUR 3.5 million and effects from advance payments received of EUR 1.8 million.

Cash flow from investment operations was negative at EUR -3.6 million (previous year: positive at EUR +3.8 million), as the acquisition of shares in consolidated companies was largely paid for in cash (EUR 3.3 million) and substantial investment was made in fixed assets and the new rental space in Berlin (EUR 2.7 million). The investments were partly funded by releasing financial reserves from the securities portfolio (EUR 3.2 million).

The cash flow from financing activities was affected by the fall in lease obligations of EUR -3.4 million and the repayment of loans from banks amounting to EUR 1.0 million (previous year: EUR 1.1 million), while part of the total financing was provided by raising money market loans of EUR 3.0 million.

The Company also has a credit line of EUR 7.0 million (previous year: EUR 6.0 million) with Commerzbank AG, of which around EUR 4.1 million had been used as at the balance sheet date.

Taking account of cash reserves and the available credit line, the liquidity of the SYZYGY GROUP was assured at all times during the financial year and all payment obligations were met.

3.5.9 Asset situation

Total assets were down 6 per cent in the reporting period at EUR 112.6 million.

Non-current assets fell by 3 per cent in the reporting period to EUR 90.3 million. Cash and cash equivalents increased in 2020 from EUR 0.9 million to EUR 5.6 million, while securities were down 96 per cent to EUR 0.2 million. Accounts receivable also fell to EUR 15.2 million (previous year: EUR 19.7 million).

Other current assets also decreased slightly in the 2020 financial year to EUR 1.3 million (previous year: EUR 1.8 million). As a result, current assets declined by a total of EUR 3.8 million to EUR 22.3 million.

On the liabilities side of the balance sheet, equity increased slightly compared with the previous year by 1 per cent to EUR 53.6 million, equivalent to 48 per cent (previous year: 44 per cent) of total assets. The rise is due to higher retained earnings of EUR 15.7 million (previous year: EUR 14.7 million). The treasury shares were sold in the 2020 financial year. As a result, this position amounting to EUR -0.4 million was unwound. Additional paid-in capital decreased slightly by kEUR 11 due to the difference between the acquisition cost of the treasury shares and the proceeds from their sale. Subscribed capital remained unchanged, as in the previous year.

Non-current liabilities posted a fall of EUR 6.1 million to EUR 32.2 million. This was due to a decrease in liabilities from outstanding options of EUR 9.7 million to EUR 7.2 million, and the repayment of bank loans, which were down EUR 1.0 million to EUR 1.9 million.

Current liabilities decreased by EUR 1.4 million overall to EUR 26.8 million. This was mainly due to a reduction in contract liabilities, down EUR 2.0 million to EUR 3.5 million. Accounts payable also fell from EUR 9.0 million in the previous year to EUR 8.0 million.

4. Outlook

4.1 Forecasts

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

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

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

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

4.2 General economic development in the main markets of the SYZYGY GROUP

Although the recent vaccine approvals raised hopes of a turnaround in the pandemic at the end of last year, renewed waves of infection and new variants of the virus are a cause for concern. In the midst of this exceptional uncertainty, the International Monetary Fund (IMF) forecast in its World Economic Outlook, published in January 2021, that the global economy will grow by 5.5 per cent in 2021 and 4.2 per cent in 2022, after shrinking 3.5 per cent in 2020.

These expectations are supported on the one hand by the availability of vaccines, which will enable economic activity to pick up later in the year, and on the other hand by additional support measures in some major economies. The extent of the recovery is expected to vary considerably from country to country. Additional policy measures announced at the end of 2020, especially in the US and Japan, should provide further support for the global economy in 2021/22. In the case of the US, the International Monetary Fund (IMF) forecasts a rise in economic output of 5.1 per cent in 2021. The Eurozone is expected to grow by 4.2 per cent, while growth of 8.1 per cent was estimated for China.

The German Council of Economic Experts is forecasting growth of 5.1 per cent in 2021. Since the pandemic restrictions have been tightened and extended, however, momentum is likely to be more restrained in the first quarter of 2021. The experts also forecast that strong growth in 2021 will be driven by consumer spending and slightly positive net exports.

According to the European Commission's Winter Forecast 2021, the Eurozone economy is set to grow by 3.8 per cent in both 2021 and 2022. Recovery is expected to accelerate in the second quarter (Q1: +0.7 per cent; Q2: +3.0 per cent), following a 7.2 per cent slump in the previous year. This positive outlook is due to the development of vaccines in the autumn, with vaccination campaigns starting in December 2020 or at the beginning of 2021 in all Member States.

The forecast also takes into account the fact that the EU and the UK have entered into a trade and cooperation agreement that has been provisionally in force since January 1, 2021. A major boost to the EU economy could also come from rapid implementation of the NextGenerationEU programme. This EUR 750 billion recovery package aims to respond to the COVID-19 crisis and the challenges posed by environmental and digital transformation. The European Central Bank (ECB) will maintain its expansionary monetary policy in 2021 to support financial market stabilisation and inflation momentum in the Eurozone.

In Germany, too, economic performance will be largely determined by the course of the pandemic and the measures to contain it, according to the federal government's annual economic report. In the wake of a 5 per cent slump in economic output last year, the federal government expects gross domestic product to grow by 3 per cent this year. The German economy will probably shrink further in the first quarter of 2021. The ongoing infection situation in particular is holding back exports and economic activity. Increasing VAT again to its previous level of 19 per cent will have a negative impact on consumer spending. Starting from the second quarter, economic output will pick up again due to more vaccinations. We should thus start to see the first positive effects on the healthcare system and the economy. In its forecast, the IDW (German Economic Institute) expects the German economy to grow by 4 per cent in 2021. Similarly, the International Monetary Fund (IMF) is forecasting growth of 3.5 per cent for Germany in the current year. The labour market is set to experience only a moderate recovery. Companies are likely to hire fewer new employees and instead expand the working hours of their workforce, especially by reducing short-time working. Overall, unemployment will remain at an elevated level of slightly above 6 per cent in 2021, totalling just over 2.7 million.

The global spread of COVID-19 also continues to adversely affect economic activity in the UK. OECD data suggests that GDP will grow by 4.2 per cent in 2021 (previous year: -11.2 per cent) and 4.1 per cent in 2022. In contrast, the Bank of England forecasts UK growth of 5 per cent in 2021 and 7.25 per cent in 2022, with GDP returning to pre-COVID-19 levels towards the end of the year. As in other countries, growth will be driven by a recovery in consumer spending, while business investment will remain weak due to spare capacity and continuing uncertainty. Increased border control costs will adversely affect imports and exports from 2021 onwards, due to the country no longer being in the EU single market. Reaching a free trade agreement with the EU is essential to limit disruption to exporting and importing industries. The European Commission believes that if the UK leaves on the agreed terms it would cause a GDP drop of about 2.25 per cent by the end of 2022 compared with continued membership. The unemployment rate is projected to average 7.4 per cent in 2021.

As vaccination is gradually rolled out and restrictions eased, real GDP in Poland is expected to recover in the second half of the year, according to the European Commission's 2021 Winter Forecast. Consumer spending is likely to lead the recovery, driven by an anticipated reduction in accumulated savings, increased confidence and a stable labour market. The outlook for investment should also raise hopes again towards the end of the second quarter, as the business climate is improving and borrowing costs are low. Foreign trade should additionally make a strong recovery, with imports growing faster than exports after a sharp downturn in 2020. Overall, real GDP growth is expected to be 3.1 per cent in 2021 and 5.1 per cent in 2022.

4.3 Advertising market

The following comments on forecasts for the trend in advertising spending are subject to the same reservations as discussed in section 3.2 above. Although they provide indications as to general trends and shifts in media budgets, they are only suitable to a very limited extent as a benchmark for the expected performance of the SYZYGY GROUP.

The global and national advertising market can be very volatile. Unforeseen events, such as in 2020, can have a major impact on the economy and consequently on the advertising market. New advertising options, especially in digital media, may also affect the allocation of advertising spend. Forecasts are continuously being adjusted, based on estimates of advertising investment.

Driven by the increasing importance of smartphones and tablets plus catch-up effects in emerging markets, digital advertising budgets will continue to grow at a disproportionate rate.

The pandemic is triggering a huge acceleration in both the supply of digital media and demand for it. Small enterprises are using digital media to keep their business alive during lockdown, while major brands are pivoting to low-funnel marketing channels. Media agency Magna believes the return of consumer mobility, major events and the economic upturn will make most sectors raise their linear advertising budgets in 2021. Long term, there will be an even stronger shift towards digital-centric marketing over the coming years.

The global advertising market is expected to recover in 2021 due to the COVID-19 vaccine, the postponed Olympic Games and the UEFA European Championship. Magna forecasts a 7.6 per cent rise in global advertising spend to USD 612 billion. Linear media will grow by 3.5 per cent and digital by 10.4 per cent. Zenith, on the other hand, expects growth of 5.6 per cent to an estimated USD 620 billion. Global ad spend in 2021 will nevertheless be lower than in 2019 (USD 634 billion).

The key drivers of digital media growth in 2021 will be social media (18.3 per cent), search (11 per cent) and video formats (10.8 per cent), according to the Dentsu Aegis Global Ad Spend Forecast.

In its Global Ad Spend Forecast, Dentsu's outlook for the German advertising market sees a 4.3 per cent increase in net advertising investment in 2021. The current economic situation, which is strongly influenced by the ongoing steps taken by the German government to combat the COVID-19 pandemic, means that growth will make only slow progress after a further decline in the first quarter (-0.7 per cent). The bulk of rising advertising investment relates mostly to digital media, which account for 41.9 per cent of investment. Digital media are thus expanding their position as the number one advertising channel in Germany. Following the decline in 2020, this channel is expected to post an increase of 5 per cent in 2021.

In the UK, the overall market will exceed pre-pandemic levels in 2021 with a growth rate of 10.4 per cent, equivalent to GBP 23.1 billion. The projected growth in digital spend is around 10 per cent, making up some 70 per cent of total advertising spend. A less positive first quarter is expected due to ongoing lockdown restrictions, but this should be followed by significant increases compared with the same quarters in the previous year. GroupM is even forecasting growth of 12.4 per cent in 2021.

The Zenith agency and Publicis Groupe Poland forecast growth of 4.5 per cent for the Polish advertising market in 2021. Digital advertising spend will be around USD 1.7 billion in 2021. According to the Statista Digital Market Outlook 2020, digital marketing spend will rise 14.7 per cent.

4.4 Expected performance of the SYZYGY GROUP

The ongoing shift of marketing budgets to the digital channel and continuing investment in digitisation of sales and marketing processes are both factors that create a favourable backdrop for the SYZYGY GROUP. Having said that, purely online advertising, to which the above statistics refer, represents just one aspect of the complex digital marketing sector and only makes up part of the SYZYGY GROUP's portfolio of services.

At the time of publishing this management report, it is difficult to make precise estimates of future development, as it is still subject to considerable uncertainty and depends on the course of the pandemic. The situation around the coronavirus pandemic and its economic consequences is very fluid. The rapid availability and roll-out of vaccines against coronavirus offer a chance to improve the situation.

On the basis of the information currently available, the SYZYGY GROUP expects sales growth of around 10 per cent in the 2021 financial year, combined with an EBIT margin in the high single-digit range, representing a significant increase in profitability. Any acquisitions, which are part of the SYZYGY GROUP's growth strategy, may affect these forecasts positively or negatively. The results of the SYZYGY GROUP will be determined by the performance of the operating units, while the future interest income of SYZYGY AG will be of subordinate significance.

5. Risks and opportunities of future business development

The gross risks and opportunities of SYZYGY AG's future performance are closely linked to the economic activities of the Group's operating companies. As a result, the opportunity and risk report relates primarily to the SYZYGY GROUP.

With regard to the business areas and development of the SYZYGY GROUP, consideration is given to the general risks around economic trends in the advertising sector in the markets relevant to SYZYGY, and in particular the rate of technological change in the markets for Internet services.

The COVID-19 pandemic is both a risk and an opportunity for SYZYGY. In the short term, the pandemic has a direct impact on the economy and therefore on our clients' business performance; they may be severely affected by the pandemic. On the other hand, the COVID-19 pandemic is leading to a drive towards digital transformation from which SYZYGY can benefit as a service provider. It can support its clients during digital transformation and assist with the changes to business processes and models resulting from increasing digitisation.

The Management Board of SYZYGY AG monitors risks on an ongoing basis in order to counter negative effects on the Company's net assets, financial position and results of operations at an early stage. Risk assessment relates to the extent of a potential impact on earnings and finances, and also to the likelihood that a risk factor may have an impact.

It is equally important to identify opportunities and make use of them. A functioning system for managing risk and opportunities is therefore an important element of a sustainable management approach.

On the basis of the information currently available there are no probable risks that would jeopardise the continued existence of SYZYGY AG and its subsidiaries as a going concern. Risk was assessed on a gross basis, i.e. without considering the effects of any countermeasures.

5.1 Material risks
Risks arising from the COVID-19 pandemic

The spread of coronavirus SARS-CoV-2 is having a global impact. This includes economic effects on businesses due to restrictions on production and trade resulting from lockdowns, or due to travel restrictions. The extent and duration of individual effects remain difficult to predict. The chief uncertainty of the COVID-19 crisis for the 2021 financial year relates to the duration and number of further waves of infection or mutations of the virus, together with the resulting detrimental consequences for SYZYGY GROUP clients. Clients could end up reducing or cancelling their budgets for SYZYGY GROUP services. Payment defaults could also occur if clients are overwhelmed by the negative impact of the crisis. It can be assumed that the economic consequences of the pandemic will lead to a recession in the SYZYGY GROUP's main markets. At the time of preparing this report, it was not possible to establish definitively the extent to which this will affect contracts already signed or new projects. The risk of order cancellations is assessed as high.

The SYZYGY GROUP believes that it is organisationally well placed to handle the COVID-19 pandemic. The ability of all employees in the SYZYGY GROUP to continue working was already ensured at the beginning of the first lockdown in April 2020. In addition, clients have adapted to changes in working practices during 2020, with the result that project work can be completed without further difficulties.

Furthermore, appropriate business continuity plans are in place at SYZYGY to maintain operations even in the event that employees become infected. The technical infrastructure for providing services has been systematically migrated to cloud systems in recent years, enabling most staff to work from home. Accordingly, the risk of no longer being able to meet our commitments to clients due to the pandemic is assessed as low.

Operational risk

Approximately 46 per cent of the SYZYGY GROUP's sales are generated from its ten largest clients. The concentration on the ten largest clients decreased slightly by 3 per cent compared to the previous year. The largest single client accounted for 7 per cent of sales. While the top three clients accounted for 22 per cent of the Group's sales in the previous year, this figure saw a further slight decline to 20 per cent in 2020.

SYZYGY's sales are not protected by long-term contracts. Sales are usually generated on the basis of individual contracts that cover a limited period. All planning in relation to sales performance is thus necessarily subject to a large degree of uncertainty.

Sales are in large part based on fixed price agreements. Most of the client contracts for SYZYGY units involve fixed price projects, while a smaller proportion of sales is based on contracts for maintenance projects that are invoiced on a time and material basis. This means that unforeseeable losses may be incurred if the calculated project budget is unexpectedly exceeded. SYZYGY also assumes the usual guarantee and liability commitments associated with the project, which can lead to projects being hit by follow-on costs.

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.

This risk is regarded as low due to very stable long-term client relationships, especially with the top 10 clients. The SYZYGY GROUP has been working with four of its top 10 clients for more than 15 years, and with four others for more than 5 years.

Investment risk

Available cash reserves are actively managed at SYZYGY AG by the Finance Director. Investment strategy relating to liquid funds is geared towards longterm income. Liquid funds are therefore invested in corporate bonds and other fixedinterest securities in a manner designed to ensure risk diversification. Fixed-income securities are generally subject to currency 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 securities with good credit ratings. The risk of a significant adverse impact on financial income is assessed as low overall, especially since the volume of securities is now small relative to total assets.

Economic risk

The state of the economy can affect companies' basic willingness to invest in advertising and marketing campaigns. A downturn can lead to reduced order volumes and thus to a corresponding drop in sales for SYZYGY. Any capacity adjustments which may be necessary become effective with a time lag and may result in restructuring costs. The risk is assessed as high due to the COVID-19 pandemic.

Currency risk

SYZYGY generates around a fifth of its sales in other currencies, so fluctuations in the exchange rate between the UK pound, the US dollar and the Polish zloty and the euro can affect sales and annual net income positively or negatively in the event of deviation from the rate used for planning purposes. Nevertheless, SYZYGY does not enter into any hedging transactions because sales in the individual markets are countered by expenses in the corresponding currency. SYZYGY is thus only exposed to foreign exchange risk in terms of the amount of the annual net income of the company in the respective country (referred to as translation risk).

SYZYGY AG holds a portion of its assets in foreign currencies, in particular assets of foreign subsidiaries. Here again, SYZYGY does not enter into any direct hedging transactions because the risks for SYZYGY AG's results of operations arising from these foreign currency positions are rated as low due to their size.

Risk arising from currency fluctuations is assessed as low overall.

Personnel risk

The Group's performance in the services segment 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 these employees, or continuously attract and retain new, highly qualified employees, SYZYGY's success could be at risk. The risk is assessed as low.

Risks from acquisitions

Company acquisitions have been and remain part of SYZYGY's growth policy. The success of acquisitions depends on how well the new acquisition can be integrated into the existing structure and the extent to which the Company is able to generate the desired synergies. If an acquisition cannot be successfully integrated, the possible decrease in value will entail impairment losses. In these circumstances, an unscheduled write-down or impairment of the book value of the acquisition could prove necessary for assets acquired as part of the acquisition or for acquired goodwill. The risk is assessed as low.

5.2 Opportunities

It is likely that the COVID-19 pandemic will further accelerate consolidation in the market for digital consulting and advertising services. The SYZYGY GROUP believes that it is well placed and expects increased demand for consulting and implementation services involving the digitisation and design of processes. It also expects to acquire new clients due to market consolidation. The pandemic has further intensified the urgency as well as the need for consulting services. The boundaries between digital and conventional marketing are now fluid, while aggregated use of digital media has overtaken traditional media. This is apparent in everyday user behaviour, which is dominated by the use of digital media.

SYZYGY supports and advises clients on transformation of sales and marketing processes. The SYZYGY GROUP has been addressing these issues for over 25 years in this market and has a deep understanding of the needs and requirements. The SYZYGY GROUP is one of the leading digital service providers in Germany and the UK, with a decades-long track record of working successfully for major international brands. Building on the outstanding strategy consultancy which is essential for successful projects, we help marketing decision-makers to ask the right questions, define tasks and develop solutions. Thanks to its strong technological expertise and outstanding creative talent, SYZYGY is thus able to develop digital products that allow companies to achieve success and inspire consumers. SYZYGY is a leader in activating campaigns and digital products. As a result, SYZYGY can provide its clients with extensive and comprehensive support, as well as assisting marketing decision-makers as an experienced partner, working with them from strategy through product to activation.

6. Internal control system

The risk early warning systems used are based on monthly reporting. In addition to financial reporting (budget and actual figures), this reporting includes the new business activities of the subsidiaries and HR metrics. A business review, forecast or budget meeting is also held once every quarter. At these meetings the Management Board discusses the Company's situation, new business, personnel issues and the outlook together with the management team. A risk management system is integrated into financial reporting which ensures that risk identification, risk communication and monitoring of operational risk takes place at quarterly intervals.

Risks are then aggregated and managed at the level of SYZYGY AG, or action is initiated by SYZYGY AG. The internal control system is supplemented by approval procedures for financial transactions (dual-control principle) and is supported by separation of functions and access rules in the IT system.

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

Accounting-related internal control system

The accounting-related internal control system comprises policies, procedures and measures to ensure that the accounting has been conducted correctly. For these purposes the consolidated financial statements and the Group Management Report of the SYZYGY GROUP are prepared in accordance with IFRS (International Financial Reporting Standards), as they are to be applied in the European Union, and in line with the supplementary provisions of Article 315e [1] of the Handelsgesetzbuch (HGB – German Commercial Code).

The Central Finance Department of SYZYGY AG controls the processes for preparing the single-entity financial statements and consolidated financial statements and for preparing the SYZYGY AG Management Report and the Group Management Report for the SYZYGY GROUP. Accounting standards and other bulletins are analysed on an ongoing basis for their impact on SYZYGY GROUP accounting. Consistent financial reporting throughout the Group and a financial calendar applicable to all entities within the Group ensures that the accounting process is standardised and that accounts are prepared in a timely manner.

In keeping with Article 315 [4] of the German Commercial Code, one of the ways the accounting requirements of SYZYGY AG are implemented in the subsidiaries is that a largely standard bookkeeping system with a standard chart of accounts is used across the SYZYGY GROUP. All subsidiaries are subject to a review 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.

In addition, in order to comply with the latest statutory requirements, accounting employees attend regular internal and external training courses.

7. Remuneration report

7.1 Remuneration system for the Management Board

The remuneration system for the Management Board members of SYZYGY AG is geared towards sustainable company development and the achievement of strategic corporate objectives. The Management Board remuneration system is established directly by the Supervisory Board in the absence of a personnel committee. It may consult independent external advisors if necessary.

Total remuneration comprises the following components:

- Fixed remuneration
- Fringe benefits
- Variable remuneration

The fixed remuneration is paid as a basic salary in equal instalments each month.

Fringe benefits include the following components:

- The use of a company car or, alternatively, payment of a car allowance, in monthly instalments in each case
- Allowances for health, long-term care, accident and pension insurance
- D&O insurance policy

Variable remuneration includes two components:

a) Short-term profit participation based on the targets (both financial and qualitative) for the business year, payable after the annual and consolidated financial statements are audited. This amounts to up to 33 per cent of the annual basic salary for the CEO and up to 30 per cent of the annual basic salary for the other members of the Management Board, reduced on a monthly basis (pro rata temporis) if the member leaves during the year.

b) Long-term profit participation based on the performance of the share price. These share price-based bonus agreements provide that 40 per cent (1st tranche) of allocated phantom stocks shall be exercisable two years after allocation, and 60 per cent (2nd tranche) three years after allocation. In each case, the difference between the base price on allocation of the phantom stocks and the share price on exercise of the phantom stocks shall be paid out. The share price on exercise is determined as the average value over the 10 trading days prior to the exercise date, using XETRA closing prices in each case, in order to eliminate short-term price fluctuations. Similarly, when phantom stocks are issued, the average of the 10 trading days prior to allocation is used to determine the base price.

The first and second tranches may each be exercised within a timeframe of 12 months from the first exercise date, at the discretion of the Management Board. It follows that the first tranche may be exercised between 24 to 36 months after allocation, and the second tranche within 36 to 48 months after allocation.

The maximum payout amount from long-term profit participation is capped at 60 per cent of the price increase from the base price for the first tranche, and at 90 per cent of the price increase from the base price for the second tranche.

7.2 Commitments in the event of termination

If an employment contract is terminated prematurely, a severance payment will be made in line with legal obligations, being the amount of the outstanding fixed salary components and fringe benefits for the remainder of the contract period. The duration of the payments to be made is limited to two years.

Management Board contracts include a post-contractual non-compete ban for a period of twelve months. In this case, the Management Board member will additionally receive compensation of 50 per cent of their most recently received average payments over the previous 24 months, including the variable components of remuneration.

No retirement benefits have been promised to the Management Board of SYZYGY AG.

7.3 Duration of Management Board contracts

The service contracts of Management Board members generally have a term of three years. The service contracts concluded during the financial year provide for the following terms:

- Service contract for Franziska von Lewinski from January 1, 2021 to December 31, 2023 (in post as CEO since January 1, 2021)
- Service contract for Erwin Greiner from January 1, 2021 to December 31, 2023 (in post since January 1, 2015)
- Service contract for Frank Ladner from January 1, 2021 to December 31, 2023 (in post since January 1, 2018)

The service contracts terminate at the end of the respective term without the need for notice of termination; each one is concluded as a new contract when the Management Board is appointed. Ordinary termination of the Management Board contracts is excluded. Section 626 of the German Civil Code (BGB) shall apply to any premature termination of service contracts for good cause.

7.4 Management Board remuneration

The remuneration for the Management Board is presented in accordance with principle 23 of the German Corporate Governance Code as updated on December 16, 2019, in the form of the remuneration paid, as shown in the table below. In the case of the multi-year variable components of remuneration, the remuneration paid may include payments that are accumulated over several years.

Frank Ladner received payments in 2020 from the stock option programme introduced for senior managers in the SYZYGY GROUP. Frank Ladner had an assurance derived from this programme dating back to the period before he was appointed to the Management Board. Apart from this, Management Board members participate solely in the phantom stock programme as part of long-term remuneration.

Payment in kEUR	Lars Lehne, CEO (until 03/31/2020)		Erwin Greiner, CFO		Frank Ladner, CTO	
	2020	2019	**2020**	2019	**2020**	2019
Fixed remuneration	75	300	210	210	220	220
Fringe benefits	4	14	12	12	12	12
Non-compete ban	92	0	0	0	0	0
Total	**171**	**314**	**222**	**222**	**232**	**232**
One-year variable remuneration	0	99	42	49	44	60
Multi-year variable remuneration						
Phantom stock programme	0	73	0	0	0	0
Stock option programme	0	0	0	0	55	4
Total	**0**	**172**	**42**	**49**	**99**	**64**
Pension and welfare benefits	0	21	16	16	16	16
Total remuneration	**171**	**507**	**280**	**287**	**347**	**312**

Moreover, the remuneration granted to members of the Management Board in accordance with principle 23 of the German Corporate Governance Code as updated on December 16, 2019, is presented in the following tables.

	Lars Lehne, CEO (until 03/31/2020)			
Benefits granted (in kEUR)	**2020**	2019	2020 Minimum	2020 Maximum
Fixed remuneration	75	300	75	75
Fringe benefits	4	14	4	4
Total	**79**	**314**	**79**	**79**
One-year variable remuneration	25	99	0	25
Multi-year variable remuneration				
Phantom stock programme	0	0	0	0
Total	**25**	**99**	**0**	**25**
Pension and welfare benefits	0	21	0	0
Total remuneration	**104**	**434**	**79**	**104**

	Erwin Greiner, CFO			
Benefits granted (in kEUR)	**2020**	2019	2020 Minimum	2020 Maximum
Fixed remuneration	210	210	210	210
Fringe benefits	12	12	12	12
Total	**222**	**222**	**222**	**222**
One-year variable remuneration	63	63	0	63
Multi-year variable remuneration				
Phantom stock programme	0	0	0	0
Total	**63**	**63**	**0**	**63**
Pension and welfare benefits	16	16	16	16
Total remuneration	**301**	**301**	**238**	**301**

	Frank Ladner, CTO			
Benefits granted (in kEUR)	**2020**	2019	2020 Minimum	2020 Maximum
Fixed remuneration	220	220	220	220
Fringe benefits	12	12	12	12
Total	**232**	**232**	**232**	**232**
One-year variable remuneration	66	66	0	66
Multi-year variable remuneration				
Phantom stock programme	0	0	0	0
Total	**66**	**66**	**0**	**66**
Pension and welfare benefits	16	16	16	16
Total remuneration	**314**	**314**	**248**	**314**

Long-term remuneration components for the Management Board

The Management Board members of SYZYGY AG hold a total of 225,000 phantom stocks. The key parameters are presented in the following table:

Phantom stocks (number of shares)	Lars Lehne	Erwin Greiner	Frank Ladner	Total
As at: 01/01/2019	**240,000**	**80,000**	**55,000**	**375,000**
Additions	0	0	0	0
Disposals	-96,000	0	0	-96,000
As at: 12/31/2019	**144,000**	**80,000**	**55,000**	**279,000**
Additions	0	0	0	0
Disposals	0	-32,000	-22,000	-54,000
As at: 12/31/2020	**144,000**	**48,000**	**33,000**	**225,000**
Base price when granted, in EUR	9.13	11.25	11.27	
Maturity date	03/31/2021	12/30/2021	12/31/2021	

No expenses were incurred in 2020 for the phantom stocks that had not yet been exercised, as the base price was above the stock price of EUR 5.70 on the reporting date; as a result, no provisions were formed. 32,000 and 22,000 phantom stocks lapsed in 2020 for Management Board members Erwin Greiner and Frank Ladner, respectively.

7.5 Remuneration system for the Supervisory Board

Remuneration of the Supervisory Board is set out in Article 6 (8) of SYZYGY AG's Articles of Association and dates from a resolution passed by the Annual General Meeting on June 6, 2014. 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 20,000 per year. This remuneration increases by a variable remuneration component of 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.

Payment of Supervisory Board remuneration is made once a year after the Annual General Meeting, applicable to the financial year for which discharge was granted. The Supervisory Board was consequently entitled to payment of its remuneration for the 2019 financial year in November 2020.

In October 2020, Supervisory Board members Dominic Grainger and Andrew Payne waived their remuneration for the 2019 financial year. As a result, only a payment of kEUR 20 was made to Wilfried Beeck in 2020.

Provisions totalling kEUR 60 were formed for the 2020 financial year, in accordance with the Company's obligations under its Articles of Association.

8. Disclosure relating to acquisition in accordance with Article 315a [1] of the Handelsgesetzbuch (HGB – German Commercial Code)

- The common stock of SYZYGY AG amounts to EUR 13,500,026 and is divided into 13,500,026 ordinary nopar 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.
- SYZYGY AG sold all of its 73,528 treasury shares in the 2020 financial year. The disclosures required under Article 160 (1) no. 2 of the German Stock Corporation Act (AktG) are presented in the Notes to the annual financial statements of SYZYGY AG.
- The WPP Group holds the majority of shares. As at the reporting date, it had a 50.33 per cent stake in SYZYGY AG.
- 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.
- In line with the Annual General Meeting's resolution of October 27, 2020, the Management Board is authorised, within 5 years, to buy back shares 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.
- Contingent capital was cancelled by resolution of the Annual General Meeting on October 27, 2020. No use was made of this capital.
- The Annual General Meeting's resolution of July 8, 2016 authorises the Management Board to increase the common stock of the company, with the agreement of the Supervisory Board, on one occasion or on several occasions by up to an overall maximum of EUR 6,000,000.00 in the period to July 8, 2021 by issuing new bearer shares against cash contributions and/or contributions in kind (authorised capital 2016). The outstanding authorised capital as at December 31, 2020 was EUR 5,328,424.
- 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. Holders of phantom stocks can, however, exercise their phantom stocks within a period of 6 weeks after completion of the takeover offer at the intrinsic value then prevailing or a minimum price of EUR 1.00 per phantom stock.

9. Declaration by the Management Board in relation to Article 312 of the AktG (German Stock Corporation Act)

WPP plc. has held a majority of the shares in SYZYGY AG since November 2015. It is consequently the controlling company within the meaning of Article 17 (2) of the AktG (German Stock Corporation Act). SYZYGY is thus required to prepare a dependency report in accordance with Article 312 of the AktG. SYZYGY AG received appropriate consideration for each legal transaction in the case of the legal transactions listed in the report with regard to relationships with affiliated companies, according to the circumstances known to us at the time when the legal transactions were conducted. No measures were taken or not taken on behalf of or in the interests of the controlling company or an associated company of the controlling company.

10. Group Declaration on Corporate Governance in accordance with Article 315d of the Handelsgesetzbuch (HGB – German Commercial Code) in conjunction with Article 289f of the HGB

On October 22, 2020 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 our company website under Corporate Governance at https://ir.syzygy.net/germany/de/investor-relations/corporate-governance/2020.

11. Non-financial group declaration in accordance with Article 315c HGB

SYZYGY AG is exempt from preparing a non-financial declaration in accordance with Article 315b (2) sentence 2, HGB. The parent company, WPP plc., St. Helier, Jersey, publishes the non-financial declaration on its website at https://ir.syzygy.net/global/en/investor-relations/sustainability.

Bad Homburg v.d.H., March 26, 2021
SYZYGY AG

The Management Board

Franziska v. Lewinski

Franziska von Lewinski (CEO)

Frank Ladner (CTO)

Erwin Greiner

Erwin Greiner (CFO)

Financial informations

/

Content

SYZYGY AG, Bad Homburg v.d.H.

Consolidated balance sheet
as per December 31, 2020

Assets		**12/31/2020**	12/31/2019
	Notes	kEUR	kEUR
Non-current assets			
Goodwill	(3.1)	57,349	58,435
Intangibles	(3.2)	493	799
Tangible Assets	(3.2)	30,206	31,114
Non-current financial assets	(3.3)	200	200
Other non-current assets	(3.4)	364	274
Deferred tax assets	(3.5)	1,662	2,511
Total non-current assets		**90,274**	**93,333**
Current assets			
Cash and cash equivalents	(3.6)	5,631	944
Marketable securities	(3.6)	153	3,642
Accounts receivable, net and contract assets	(3.7)	15,229	19,709
Prepaid expenses and other current assets	(3.8)	1,325	1,835
Total current assets		**22,338**	**26,130**
Total assets		**112,612**	**119,463**

Equity and liabilities		**12/31/2020**	12/31/2019
		kEUR	kEUR
Equity			
Common stock	(3.9.1)	13,500	13,500
Additional paid-in capital	(3.9.3)	27,058	27,069
Own shares	(3.9.4)	0	-407
Accumulated other comprehensive income	(3.9.5)	-2,836	-1,529
Retained earnings	(3.9.6)	15,675	14,657
Equity attributable to shareholders of SYZYGY AG		**53,397**	**53,290**
Minorities		190	-347
Total Equity		**53,587**	**52,943**
Non-current liabilities			
Long-term liabilities	(3.13)	31,405	35,943
Other long-term provisions	(3.13)	202	75
Deferred tax liabilities	(5.7)	588	2,276
Total non-current liabilities		**32,195**	**38,294**
Current liabilities			
Income tax accruals	(3.12)	1,788	192
Accrued expenses	(3.11)	4,306	4,927
Contract liabilities	(3.7)	3,493	5,536
Accounts payable	(3.11)	8,000	9,007
Other current liabilities	(3.13)	9,243	8,564
Total current liabilities		**26,830**	**28,226**
Total liabilities and equity		**112,612**	**119,463**

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

SYZYGY AG, Bad Homburg v.d.H.

Consolidated statement of comprehensive income
as per December 31, 2020

		January - December		
		2020	2019	Change
	Notes	kEUR	kEUR	
Sales	(5.1)	**55,521**	**64,243**	**-14 %**
Cost of revenues		-39,028	-45,809	-15 %
Sales and marketing expenses		-4,312	-5,951	-28 %
General and administrative expenses		-10,418	-9,914	5 %
Impairment losses, net of trade receivables and contract assets		106	-82	n.a.
Other operating income/expense, net	(5.2)	2,130	3,010	-29 %
Operating profit (EBIT)		**3,999**	**5,497**	**-27 %**
Financial income	(5.6)	433	721	-40 %
Financial expenses	(5.6)	-1,130	-1,024	10 %
Income before income taxes (EBT)		**3,302**	**5,194**	**-36 %**
Income taxes	(5.7)	-1,219	-1,654	-26 %
Total net income of the period		**2,083**	**3,540**	**-41 %**
thereof net income share to other shareholders		24	73	-67 %
thereof net income share to shareholders of SYZYGY AG		2,059	3,467	-41 %
Items that will not be reclassified to profit and loss:		**0**	**0**	**n.a.**
Items that will or may be reclassified to profit and loss:				
Currency translation adjustment from foreign business operations	(5.8)	-1,120	581	-293 %
Net unrealized gains/ losses on mark. sec., net of tax	(3.6)	-204	544	n.a.
Other comprehensive income		**-1,324**	**1,126**	**n.a.**
Comprehensive income		**759**	**4,665**	**-84 %**
thereof income share to other shareholders		7	77	-91 %
thereof income share to shareholders of SYZYGY AG		752	4,589	-84 %
Earnings per share from total operations (basic in EUR)	(6.1)	0.15	0.26	-42 %

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

SYZYGY AG, Bad Homburg v.d.H.

Statement of changes in equity
as per December 31, 2020

	Common stock	Additional paid-in capital	Own shares	Retained earnings	Accum. other comprehensive income		Equity attributable to shareholders of SYZYGY AG	Minority interest	Total equity
					Foreign exchange currency	Unrealised gains and losses			
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
01/01/2019	**13,500**	**27,069**	**-407**	**16,774**	**-2,297**	**-354**	**54,285**	**-284**	**54,001**
Adjustments from first-time adoption IFRS 16				268			268	0	268
01/01/2019, adjusted	**13,500**	**27,069**	**-407**	**17,042**	**-2,297**	**-354**	**54,553**	**-284**	**54,269**
Net income of the period				3,467			3,467	73	3,540
Other comprehensive income					578	544	1,122	4	1,126
Comprehensive income				**3,467**	**578**	**544**	**4,589**	**77**	**4,666**
Dividend				-5,370			-5,370	0	-5,370
Payment to minorities				-482			-482	-140	-622
12/31/2019	**13,500**	**27,069**	**-407**	**14,657**	**-1,719**	**190**	**53,290**	**-347**	**52,943**
01/01/2020	**13,500**	**27,069**	**-407**	**14,657**	**-1,719**	**190**	**53,290**	**-347**	**52,943**
Net income of the period				2,059			2,059	24	2,083
Other comprehensive income					-1,103	-204	-1,307	-17	-1,324
Comprehensive income				**2,059**	**-1,103**	**-204**	**752**	**7**	**759**
Payment to minorities				-446			-446	-66	-512
Sale of own shares		-11	407				396		396
Effects from changes in ownership interests				-595			-595	596	1
12/31/2020	**13,500**	**27,058**	**0**	**15,675**	**-2,822**	**-14**	**53,397**	**190**	**53,587**

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

SYZYGY AG, Bad Homburg v.d.H.

Consolidated statement of cash flows
as per December 31, 2020

	January - December	
	2020	2019
	kEUR	kEUR
Period net income	2,083	3,540
Adjustments to reconcile income from operations to net cash provided by operating activities		
– Depreciation on fixed assets	5,655	5,381
– Profit (-) and loss (+) on sale of securities	-11	-114
– Profit (-) and loss (+) on sale of fixed assets	446	3,175
– changes in Earn-Out liablities	-443	-1,345
– Profit (-)/Loss(+) on sale of fixed asset investments	0	0
– Other non-cash income and expenses	42	31
Changes in operating assets and liabilities:		
– Accounts receivable and other assets	3,953	415
– Customer advances	-2,046	-3,937
– Accounts payable and other liabilities	-914	-11,066
– Tax accruals and payables, deferred taxes	1,245	-538
Cash flows provided by operating activities	**10,010**	**-4,458**
Changes in other non-current assets	-95	23
Investments in fixed assets	-2,673	-2,114
Purchases of marketable securities	-5,105	-6,870
Proceeds from sale of marketable securities	8,333	14,806
Changes from fixed asset investments	-40	-40
Acquisition of consolidated entities less liquid funds	-3,308	-1,352
Interest expense on leasing liabilities	-676	-682
Cash flows used in investing activities	**-3,564**	**3,771**
Change in bank loans	1,951	-1,054
Repayment of lease obligations	-3,381	-3,227
dividend paid to minority shareholders	-512	-622
dividend paid to shareholders of SYZYGY AG	0	-5,370
Cash flows from financing activities	**-1,942**	**-10,273**
Total	**4,504**	**-10,960**
Cash and cash equivalents at the beginning of the period	**944**	**11,519**
Exchange rate differences	183	385
Cash and cash equivalents at the end of the period	**5,631**	**944**

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

SYZYGY AG, Bad Homburg v.d.H.

Notes to the consolidated financial statements
for the 2020 financial year

1. Accounting principles and methods

1.1 General

The consolidated financial statements of SYZYGY AG (“SYZYGY”, “SYZYGY GROUP”, “Group” or “Company” in the following) for the 2020 financial year were prepared in accordance with the principles of 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 as at December 31, 2020, as they are to be applied in the European Union and in line with the supplementary provisions of Article 315e [1] of the Handelsgesetzbuch (HGB – German Commercial Code). The consolidated financial statements were prepared on the basis of historical cost of acquisition or production. This excludes certain financial instruments that are carried at fair value as at the reporting date. An explanation is provided when presenting the relevant accounting and valuation methods. 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 located in Bad Homburg v.d.H., Germany. Its address is: SYZYGY AG, Horexstraße 28, 61352 Bad Homburg v. d. H., Germany. SYZYGY AG has been included in the consolidated financial statements of WPP plc., St. Helier, Jersey, as a German stock corporation (“Aktiengesellschaft”) since November 10, 2015; WPP prepares the consolidated financial statements for the largest grouping of subsidiaries. The direct parent company is WPP Jubilee Ltd., London, UK. The annual report is available on the WPP Group’s website (www.wpp.com). The consolidated financial statements for the smallest grouping of subsidiaries are prepared by the Company itself and published on the SYZYGY AG website (https://ir.syzygy.net/germany/de/investor-relations).

1.2 Business activity of the Group

The SYZYGY GROUP is a leading consultancy and implementation partner for transformation of marketing and sales.

SYZYGY AG acts as a management holding company that provides its subsidiaries with central services relating to strategy, design, planning, accounting, IT infrastructure and finance. SYZYGY AG also supports the subsidiaries in their new business activities.

As operating entities, the subsidiaries are responsible for providing consultancy and other services. With branches in Bad Homburg v.d.H., Berlin, Frankfurt/Main, Hamburg, London, Munich, New York and Warsaw, they offer major companies a comprehensive range of services, from strategic consulting to project planning, concepts and design to technical realisation of brand platforms, business applications, websites, hosting, online campaigns and mobile apps. Performance marketing services such as consulting and data analysis as well as search engine marketing/optimisation are also a major business area. In addition, SYZYGY helps clients meet customer experience and usability requirements and assists them at every stage of the user-centred design process. Digital illustrations, virtual reality (VR), augmented reality (AR) and animations round off the service portfolio.

The business focus is on the automotive, telecommunications/IT, services, consumer goods and financial/insurance sectors.

1.3 Scope of consolidation

The consolidated financial statements are based on the financial statements of the companies consolidated in the Group, prepared in accordance with the accounting and valuation principles set out in International Financial Reporting Standards (IFRS) as they are to be applied in the European Union and in line with the supplementary provisions of Article 315e [1] of the Handelsgesetzbuch (HGB – German Commercial Code). The reporting dates for these companies correspond to the reporting date for the Group.

As at December 31, 2020, the following subsidiaries were included in the consolidated financial statements of SYZYGY AG as the top-level parent company and fully consolidated. In the case of these companies, SYZYGY AG can exercise the power of disposal, is exposed to fluctuating returns from the subsidiaries and can influence the level of returns due to its power of disposal:

- Ars Thanea S.A., Warsaw, Poland (Ars Thanea for short)
- diffferent GmbH, Berlin, Germany (diffferent for short)
- SYZYGY Performance Marketing GmbH, Bad Homburg v.d.H., Germany (SYZYGY PER for short, formerly: SYZYGY Berlin GmbH)
- SYZYGY Deutschland GmbH, Bad Homburg v.d.H., Germany (SYZYGY Deutschland for short)
- SYZYGY Digital Marketing Inc., New York City, United States (SYZYGY NY for short)
- SYZYGY Media GmbH, Hamburg, Germany (SYZYGY Media for short)
- SYZYGY Performance GmbH, Munich, Germany (SYZYGY Performance for short)
- SYZYGY UK Ltd., London, United Kingdom (SYZYGY UK for short)
- Unique Digital Marketing Ltd., London, United Kingdom (Unique Digital UK for short)

A subsidiary is incorporated into the consolidated financial statements from the date on which SYZYGY AG gains control over the subsidiary until the date on which control by the Company ends. The income generated by subsidiaries acquired or sold in the course of the year is recognised accordingly in the consolidated statement of comprehensive income from the actual date of acquisition or up to the actual date of disposal and is recorded under other comprehensive income.

The profit or loss and every component of other comprehensive income are allocable to the shareholders of SYZYGY AG and the non-controlling shares. This remains the case even if it results in non-controlling shares posting a negative balance.

On March 12, 2020, SYZYGY AG acquired a further 10 per cent of the shares in USEEDS with economic effect from January 1, 2020, bringing its stake up to 100 per cent. The purchase price of kEUR 320 was paid in cash. After acquiring 10 per cent of the shares in USEEDS, SYZYGY AG incorporated the USEEDS shares into diffferent and merged the two companies. The shareholding in diffferent has grown from 70 per cent to 77.5 per cent as a result of the non-cash capital increase. The merger agreement was signed on June 18, 2020 and entered in the Commercial Register on June 29, 2020. The merger took economic effect from January 1, 2020 (merger date).

In addition, SYZYGY AG acquired the outstanding 40.5 per cent of the shares in SYZYGY Performance, comprising 15.7 per cent on March 24, 2020 and a further 24.8 per cent on July 8, 2020, in each case with economic effect from January 1, 2020. The purchase price of kEUR 3,348 was paid partly in cash (kEUR 2,952) and partly through treasury shares (kEUR 396). The shareholding in SYZYGY Performance now amounts to 100 per cent.

In addition, the remaining 1.2 per cent of shares in SYZYGY PER were acquired, with 0.6 per cent added on June 15, 2020 and again on September 30, 2020. Both these acquisitions took economic effect from January 1, 2020, with the result that 100 per cent of the shares in this company are now also held. The purchase price of kEUR 6/kEUR 10 was paid in cash.

Lastly, SYZYGY AG increased its shareholding in Ars Thanea by 10 per cent; its stake in the company now amounts to 80 per cent. The shares were acquired on September 17, 2020, with economic effect from January 1, 2020. The purchase price of kEUR 258 was paid in cash.

New information on the actual performance of diffferent led to adjustments in the forecast earnings both last year and in the current financial year. These form the basis for the price of the put/call options for the further acquisition of shares in the company. As a result, the expected payment obligations for diffferent decreased by kEUR 498 (previous year: kEUR 551). The change in the fair value of the financial liability was recognised in the year under review in the consolidated statement of comprehensive income under “Other operating income/expenses, net”.

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.

Capital consolidation is performed in accordance with IFRS 3 using the purchase method. The carrying values of the subsidiaries are offset against the subsidiary’s remeasured equity at the time of acquisition. For this purpose, assets, liabilities and contingent liabilities are recognised at their current fair value. The residual difference on the assets side is reported as goodwill. Any negative difference is recognised in the income statement, following reassessment. Transaction costs are recorded directly in the income statement. 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 provisions of IAS 36, using a single-stage test procedure.

To eliminate inter-company accounts, receivables and payables between consolidated subsidiaries are not considered. The differences arising from elimination of inter-company accounts are recognised in the consolidated statement of comprehensive income and reported in “Other operating income/expenses (net)”.

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

Factors that would lead to inter-company profits in the consolidated financial statements have been eliminated.

Non-controlling shares are measured at the time of acquisition on the basis of their proportion of the identifiable net assets of the acquired company. Changes in the Group’s shareholding in a subsidiary that do not lead to a loss of control are recognised as equity capital transactions.

Any contingent consideration obligation is measured at fair value at the time of acquisition. If the contingent consideration is classified as equity, it is not remeasured and any settlement is recognised in equity capital. In all other cases, any subsequent changes to the fair value of the contingent consideration is recognised in profit or loss.

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

1.5 Estimates and 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.

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

In order to determine whether there is any impairment of the acquired goodwill, it is necessary to establish the value in use of the cash generating unit to which the goodwill was allocated. Calculation of the value in use requires an estimate of future cash flows from the cash generating unit and an appropriate discount rate for calculating the cash value. If the actual expected future cash flows turn out to be lower than estimated, a material impairment may result. Section 3.1, Goodwill, contains further details.

Management establishes provisions for doubtful receivables to take account of expected losses resulting from the insolvency of customers. The criteria that management uses to assess provisions for doubtful receivables are customers' credit ratings and changes in payment behaviour. If the financial position of customers deteriorates, the actual derecognition may exceed the scope of the expected derecognition. Since 2018, SYZYGY has been applying a general impairment of accounts receivable in accordance with IFRS 9 in addition to individual value adjustment. This general impairment corresponds to the present value of the expected credit losses that result from possible default events after the reporting date.

In accordance with IFRS 15, the SYZYGY GROUP always recognises revenue from long-term contracts for services on a period-related basis. The cost-to-cost method applied by SYZYGY relies primarily on a careful estimate of the degree of completion. The key parameters in this respect are the calculated total contract costs, the costs still to be incurred up to completion, the total contract proceeds and the risks associated with the contract.

The accounting treatment of leases is chiefly dictated by the assessment of how options will be exercised. Since 2019, SYZYGY has also been making estimates for leases in accordance with IFRS 16 regarding contractual options as well as the amount of future lease payments that are linked to the performance of an index or market price. Adjustments due to index and/or market price changes in variable payments may have an impact on the valuation of lease liabilities, thus also indirectly affecting the valuation of rights of use.

When determining deferred tax assets and liabilities, the expected actual income tax must also be calculated for each tax object, with an assessment being made of temporary differences resulting from the different treatment of certain items between the financial statements for IFRS purposes and for tax reporting purposes and with regard to the future usability of tax loss carry-forwards. Any temporary differences will result in the recognition of deferred tax assets and liabilities in the consolidated financial statements.

Deferred tax assets are recognised to the extent that it is likely that future taxable profit will be available against which the temporary differences and unused loss carry-forwards can be offset. If there is a change in the impairment test for deferred tax assets, the recognised deferred tax assets (as originally established) must be reduced and recognised in net income or such that net income is not affected, or adjusted deferred tax assets must be capitalised and recognised in net income or such that net income is not affected.

The recognition and measurement of provisions depend to a large extent on estimates made by management. The judgement that a financial liability has arisen or quantification of the possible amount of the payment obligation is based on an assessment of the particular situation by management. Provisions for expected losses are established if it is highly likely that performance and consideration relating to the transaction will not balance each other out and this loss can be reliably estimated.

Some of the Group's assets and liabilities are recognised at fair value for the purposes of these consolidated financial statements (particularly securities and contingent purchase price commitments). For this purpose, the Management Board establishes appropriate procedures and input parameters for measurement at fair value. The Group uses observable market data as far as possible to determine the fair value of assets and liabilities. If Level 1 input parameters of this type are not available, other appropriate measurement techniques are used and estimates are applied. Details of the measurement techniques and input parameters used in determining the fair value are provided in section 6.6.

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

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

1.6 Foreign currency translation

The notion of a functional currency is applied to translation of financial statements of consolidated companies prepared in foreign currencies. Since the foreign subsidiaries are economically independent, the local currency is the functional currency of these companies. For this reason, in accordance with the modified reporting date method for establishing exchange rates as defined in IAS 21.38 ff., assets and liabilities are translated using the exchange rate at the balance sheet date, whereas income and expenses are translated at the average annual exchange rate and equity at historical rates. Differences resulting from the translation of foreign business operations into the Group currency are recognised in the statement of comprehensive income under other comprehensive income and carried in equity under other comprehensive income. When a foreign business operation is sold, all accumulated translation differences resulting from this business operation that are attributable to the Group are reclassified into the statement of comprehensive 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 or production costs and for accumulated depreciation and amortisation.

When preparing the financial statements of each individual Group company, business transactions that are denominated in a currency other than the functional currency of the Group company are translated at the exchange rate applicable on the date of the transaction. On each reporting date, monetary items in foreign currency are valued at the end of the year in accordance with IAS 21 using the exchange rate at the closing date. Non-monetary items in foreign currency which are valued at fair value are translated at the exchange rates that were applicable at the time of determining the fair value. Non-monetary items valued at acquisition or production costs are translated using the exchange rate prevailing at the first time they are recognised in the accounts.

Any resulting foreign currency gains or losses are directly recognised in the income statement.

SYZYGY used the following exchange rates in the year under review:

2020	Average rate of exchange	Exchange rate as at reporting date, Dec. 31
GBP/EUR	1.13	1.11

2019	Average rate of exchange	Exchange rate as at reporting date, Dec. 31
GBP/EUR	1.14	1.18

2020	Average rate of exchange	Exchange rate as at reporting date, Dec. 31
EUR/USD	1.14	1.23

2019	Average rate of exchange	Exchange rate as at reporting date, Dec. 31
EUR/USD	1.12	1.12

2020	Average rate of exchange	Exchange rate as at reporting date, Dec. 31
EUR/PLN	4.44	4.56

2019	Average rate of exchange	Exchange rate as at reporting date, Dec. 31
EUR/PLN	4.30	4.26

1.7 Adoption of published standards (IFRS) and interpretations (IFRIC)

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (in this context, paragraph 28) stipulates that companies must explain the effects caused by the initial adoption of new standards and interpretations, or changes to them.

The following disclosures are required in this respect:

a. the title of the standard or interpretation causing the change;
b. if applicable, a notice that the accounting policy is being changed in line with the transitional provisions;
c. the nature of the change in accounting policy;
d. if applicable, a description of the transitional provisions;
e. if applicable, the transitional provisions that might have an effect on future periods;
f. the amount of the adjustment for the current period and, to the extent practicable, each prior period presented:
   (i) for each financial statement line item affected; and
   (ii) for basic and diluted earnings per share, only if the entity is applying IAS 33 Earnings per share;
g. the amount of the adjustment relating to periods before those presented, to the extent practicable; and
h. if retrospective application is impracticable under IAS 8.19(a) or (b) for a specific prior period, or for periods before those presented, the circumstances leading to that situation, with an explanation and description of how the change in accounting policy was applied and from what date.

The following new or amended standards (and interpretations) are mandatory for the first time in relation to financial years ending on December 31, 2020:

1. Amendments to References to the Conceptual Framework in IFRS Standards
2. Amendments to IAS 1 and IAS 8: Definition of Material
3. Amendments to IFRS 9, IFRS 39 and IFRS 7: Interest Rate Benchmark Reform
4. Amendments to IFRS 3: Definition of a Business

1. Amendments to References to the Conceptual Framework in IFRS Standards

On March 29, 2018, the IASB published the revised version of the Conceptual Framework for Financial Reporting Framework and its accompanying material (Amendments to References). While the Framework itself is not part of the endorsement process, the amendments to the references within the various IFRSs must be formally endorsed. The editorial adjustment affects references to the Framework in a range of IFRS standards (IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32). The amendments to IFRS 14 are explicitly excluded. The (interim) standard on price regulations in the regulatory environment was not adopted due to a lack of relevant applications in the EU.

These changes in the references to the Framework in IFRS standards do not have any impact on the Group's net assets, financial position or results of operations.

2. Amendments to IAS 1 and IAS 8: Definition of Material

The aim is to standardise the definition of materiality in the IFRS and Framework. The previous definition of materiality in the context of international accounting only referred to the omission or misstatement of information. According to the clarification, the obscuring of material information by immaterial information is to be regarded as similar to omission. In addition, it was specified that information is material if it could "reasonably be expected" to influence decisions. There is also a reference to users. "Primary users" are now addressed; they have to draw on the information provided in the financial statements for most of the financial information they require.

These changes to IAS 1 and IAS 8 do not have any impact on the Group's net assets, financial position or results of operations.

3. Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

Due to the proposed discontinuation of Interbank Offered Rates (IBOR) as a benchmark interest rate, there will be effects especially for the accounting presentation of hedging relationships (hedge accounting) under IFRS as a result of the interest component being affected. The amendments include exemptions or relief for hedge accounting relationships that are directly affected by the IBOR reform, i.e. for which uncertainties arise regarding the timing and amount of (reference) interest-based payments in the underlying or hedging transaction. Additional disclosures in accordance with IFRS 7 are also required.

These changes to IFRS 9, IAS 39 and IFRS 7 do not have any impact on the Group's net assets, financial position or results of operations.

4. Amendments to IFRS 3: Definition of a Business

The amendments were adopted to clarify the definition of a business when acquiring a company. Additions have been made to Appendix A. A group of acquired activities and assets are regarded as a business if at least one input factor and one substantial process for the realisation of a result (output) can be demonstrated. Mere cost reduction potential is not sufficient; possible provision of a service for a customer is required. This makes the acquisition of a substantial process necessary; it is not necessary to examine whether missing input factors and processes can be substituted by market participants. Optionally, a business can be proved or disproved by means of a concentration test.

The changes to IFRS 3 do not have any impact on the Group's net assets, financial position or results of operations.

Standards and interpretations that have been published and transposed into EU law, but are not yet mandatorily effective

The following standards and interpretations had been published by the IASB up to the balance sheet date of December 31, 2020 and transposed into EU law. They do not apply to SYZYGY AG until the subsequent period. SYZYGY AG did not opt for early adoption.

Amendment/Standard	Publication date	Date of transposition into EU law	Adoption date (EU)
Amendment to IFRS 16: COVID-19-Related Rent Concessions	May 28, 2020	October 9, 2020	June 1, 2020*
Amendments to IFRS 4 Insurance Contracts: Deferral of Effective Date of IFRS 9	June 25, 2020	December 15, 2020	January 1, 2021

* Note:

In May 2020, the IASB issued the amendment to IFRS 16 entitled "COVID-19-Related Rent Concessions", providing temporary relief for representing rent concessions for lessees. This applies to reporting periods beginning on or after June 1, 2020. Earlier application is permitted, including to financial statements that were not yet authorised for publication on May 28, 2020 (IFRS 16.C1A). If the COVID-19-related relief for rental concessions is already applied, this must be reported in the Notes.

The impact of first-time application of these standards on the SYZYGY GROUP's consolidated net assets, financial position and results of operations is currently still being examined. SYZYGY does not currently expect any major impact from first-time application.

Standards and interpretations that have been published but not yet transposed into EU law and are not yet effective

The following standards and interpretations had been published by the IASB up to the balance sheet date of December 31, 2020 but not yet transposed into EU law. They have also not yet been adopted by SYZYGY AG.

Amendment/Standard	Publication date	Date of transposition into EU law	Adoption date (EU)
IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance Contracts	May 18, 2017/ June 25, 2020		January 1, 2023
Amendment to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current plus Amendments to IAS 1 – Deferral of Effective Date	January 23, 2020/ July 15, 2020		January 1, 2023
Annual Improvements, 2018–2020 Cycle	May 14, 2020		January 1, 2022
Amendments to • IFRS 3 Business Combinations: Reference to the Conceptual Framework • IAS 16 Property, Plant and Equipment: Proceeds before Intended Use • IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts — Cost of Fulfilling a Contract	May 14, 2020	H2/2021	January 1, 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2	August 24, 2020	Q4/2020	January 1, 2021

The impact of first-time application of these standards on the SYZYGY GROUP's consolidated net assets, financial position and results of operations is currently still being examined.

1.8 Other information

Unless stated otherwise, amounts in SYZYGY's consolidated financial statements are in thousands of euros. The figures presented in these notes have been rounded. This may mean that individual amounts do not add up exactly to the stated total and it may not be possible to calculate the percentages from the figures shown. The accounts are based on the assumption that the business will be continued as a going concern.

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, accounts receivable and payable, and contract assets 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. Deferred tax assets or tax liabilities are always assigned to non-current assets or liabilities, respectively.

The statement of comprehensive income was 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 Goodwill, other intangible assets and fixed assets

Intangible assets comprise goodwill, orders, brand equity, software and rights of use.

Intangible assets not arising from acquisition of a company are accounted for in the balance sheet and initially measured in accordance with IAS 38. Consequently, individually purchased intangible assets are recognised at cost and amortised using the straight-line method over their expected useful life if they have a determinable useful life. Brand names are generally amortised on a straight-line basis over five years, provided their useful life can be determined. Orders on hand are amortised within one year. The expense resulting from amortisation and, if applicable, from impairments is reported under function costs in the statement of comprehensive income, according to allocation of assets to the functional areas of the company.

Intangible assets that are not goodwill-related and which arose from acquisition of a company are measured at their fair value at the time of the acquisition in accordance with IFRS 3. In subsequent periods, these intangible assets are measured in the same way as individually acquired intangible assets, i.e. at their acquisition cost less accumulated amortisation and any unscheduled accumulated write-downs (impairments). If the fair value of assets which have been the subject of an unscheduled write-down increases, the increase is recorded as a reversal up to the amount of the original acquisition cost. The goodwill resulting from a company acquisition is carried at acquisition cost less any impairments that are required, and reported separately in the consolidated balance sheet. For the purposes of the impairment test, the goodwill is allocated to the cash generating units that are expected to benefit from the synergies of the merger. The impact of IFRS 16 is taken into account when performing the impairment test.

In accordance with IFRS 3 in conjunction with IAS 36 and 38, intangible assets with an indeterminable useful life and goodwill from company acquisitions are not amortised but tested for impairment at least once a year. 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 amount 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 asset positions and results of operations. Past experience, knowledge of current operational results and management estimates of future developments are all reflected in this planning. Market and sector forecasts by leading industry analysts are also regularly taken into account. 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 is written down to the recoverable amount.

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

If indications of impairment of non-current intangible assets or 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. The recoverable amount is the higher of fair value less costs to sell and the value in use. When determining the value in use, the estimated future cash flows are discounted using an input tax interest rate. If reasons for impairment losses on non-current intangible assets – except for goodwill – and fixed assets cease to apply, the write-downs are reversed up to the original cost.

The expected useful lives and methods of depreciation and amortisation are reviewed on each reporting date and all the changes to estimates are taken into account in advance.

2.2 Financial instruments

A financial instrument within the meaning of IFRS 9 is a contract that gives rise to both an asset for one entity and a financial liability or instrument for another entity. Financial instruments include cash; equity instruments of another entity held as assets; a contractual right to receive cash or other financial assets from another entity; or to swap financial assets or financial liabilities with another entity on potentially advantageous terms; or a contract that will or can be settled in the entity's own equity instruments and which involves the following:

- a non-derivative financial instrument that contains or may contain a contractual obligation on the part of the entity to receive a variable number of the entity's own equity instruments;
- a derivative financial instrument that is not or cannot be settled by swapping a fixed amount of cash or other financial assets for a fixed number of the entity's own equity instruments (restrictions apply as to which instruments are classified as own equity instruments under IFRS 9 in this context).
- All financial assets are divided into two classification categories: those measured at amortised acquisition cost and those measured at fair value. If financial assets are measured at fair value, expenses and income may be recognised either in full in net income (at fair value through profit or loss, FVTPL) or in other income (at fair value through other comprehensive income, FVTOCI).

Financial assets are classified in IFRS 9 on the basis of the entity's business model for managing financial assets and the characteristics of the contractual cash flows. Under IFRS 9, derivatives embedded in contracts where the underlying is a financial asset within the scope of the standard are never accounted for separately. Instead, the hybrid financial instrument as a whole is assessed for classification purposes.

For some debt instruments, classification as FVTOCI may be mandatory, unless the fair value option is exercised. However, the allocation of equity instruments to FVTOCI is voluntary. In addition, the rules for reclassification of amounts recognised in other income for debt instruments and equity instruments also differ. SYZYGY does not make use of the fair value option.

The classification is established when the financial asset is recognised for the first time, i.e. when the entity becomes a counterparty to the contractual arrangements of the instrument. In certain cases, however, subsequent reclassification of financial assets may be necessary.

SYZYGY has classified the government bonds and corporate bonds in its securities portfolio as being "financial assets measured at fair value through other comprehensive income (FVTOCI)" in accordance with IFRS 9. The securities portfolio is held by SYZYGY for short-term liquidity management. The contractually agreed cash flows are based solely on repayment of the nominal amount and interest on the outstanding nominal amount on specified dates.

As a result, securities that are allocated to the "held for trading" business model (FVTOCI) in accordance with IFRS 9 are carried at cost when first reported, generally corresponding to fair value, and subsequently at the adjusted fair value on the valuation date. These values usually correspond to market values in the financial markets. Unrealised gains and losses are reported in the "Other comprehensive income" item in equity and in the statement of comprehensive income in "Net unrealised gains/ losses". Exceptions include non-temporary impairment losses, and gains and losses from foreign currency translation of monetary items, which are recognised in the statement of comprehensive income. If a security classified as FVTOCI is sold, the gains and losses previously accumulated in other net income are recognised in comprehensive income. Impairment of equity instruments recognised in income in the past is not reversed in net income. In contrast, reversals of impairment losses on debt capital instruments are recognised in net income.

SYZYGY has assigned the cash and cash equivalents, accounts receivable, contract assets and other receivables to the "Amortised costs" category in accordance with IFRS 9. These financial instruments have fixed or determinable payments and are not quoted on an active market. They are measured at amortised acquisition cost using the effective interest method less impairment. Depending on their maturities, they are reported on the balance sheet as current or non-current financial assets.

The liabilities resulting from non-derivative financial instruments may either be carried at their amortised acquisition cost or as financial liabilities measured at fair value through profit and loss (FVTPL). SYZYGY measures all financial liabilities at amortised acquisition cost, apart from any long-term purchase price commitment, using the effective interest method and allocates them to the "Amortised costs" category. This corresponds to the acquisition cost, taking into consideration repayments, issue costs and the amortisation of a premium (agio) or discount (disagio). Financial obligations with fixed or determinable payments which are not financial debts or derivative financial liabilities and are not quoted on a market are reported on the balance sheet as accounts payable or other liabilities in accordance with their maturities.

In relation to the disclosures required under IFRS 7, classes are formed in line with the items reported on the balance sheet or the measurement category used in accordance with IFRS 9.

As in the previous year, SYZYGY did not hold any hybrid or derivative financial instruments in the reporting year.

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

The impairment model under IFRS 9 must also be applied to debt instruments whose changes in fair value are recognised in other comprehensive income (FVTOCI).

With the exception of financial assets that are already impaired on initial recognition, expected losses must be recognised in the following amounts:

- the “expected 12-month loss” (present value of the expected credit losses that result from default events that are possible within 12 months after the reporting date); or
- the total loss expected over the remaining term of the instrument (present value of the expected credit losses that result from all default events that are possible over the remaining term of the financial instrument).

If an instrument has a “low” default risk on the reporting date, SYZYGY checks in line with IFRS 9 that default risk has not increased significantly at the valuation date. This applies to instruments whose rating is at least BBB- (investment grade). SYZYGY calculates the “expected 12-month loss” for these securities and books the change in the impairment against other comprehensive income.

If a financial instrument is regarded as credit impaired at the time of acquisition or if there is a significant increase in default risk since the time of acquisition, SYZYGY reduces the value of the financial instrument by the “lifetime expected loss”.

2.3 Trade receivables and contract assets and liabilities

Accounts receivable and contract assets are recorded at the time of revenue recognition, i.e. on delivery to the client. Recognisable risks are taken into account by making value adjustments through separate value adjustment accounts. 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 are realised on a period-related basis using an input-oriented method (cost-to-cost method) depending on their stage of completion as defined in IFRS 15, and are also reported under accounts receivable and contract assets (see also section 2.10 Revenue recognition).

Contract liabilities mainly comprise advance payments received and are reported under “Contract liabilities” on the liabilities side.

The impairment model under IFRS 9 also applies to accounts receivable and contract assets measured at amortised acquisition cost. Accounts receivable do not have a significant financing component. Consequently, the simplified value adjustment model under IFRS 9 is applied. This stipulates that value adjustments for accounts receivable and contract assets are always calculated in the amount of the expected credit loss over the term. Impairment losses under IFRS 9 are reported as a separate item on the statement of comprehensive income.

2.4 Treasury stock

Treasury stock is reported as a reduction in equity. The total purchase cost is disclosed as an item to be deducted from equity. Gains and losses from the sale of treasury stock are allocated to additional paid-in capital such that net income is not affected.

2.5 Deferred taxes

Deferred tax assets and liabilities are recognised for temporary differences between the valuations in the consolidated balance sheet in accordance with IFRS and the tax accounts and with regard to tax losses carried forward. Deferred tax liabilities are generally recognised for all taxable temporary differences; deferred tax assets are recognised insofar as it is likely that taxable profits are available for which the deductible temporary differences can be used.

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 (reversal of tax deferrals).

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 the loss carry-forward for income tax purposes can be applied.

2.6 Accounts payable and other provisions

In accordance with IFRS 9, current liabilities are shown at the time of acquisition at the settlement 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.

Other provisions are formed if a legal or de facto obligation to a third party exists from a previous event, the claim is probable and the amount payable can be reliably assessed. In determining other provisions, all applicable costs are taken into consideration.

Liabilities for contributions to defined contribution plans are recognised as an expense as soon as the related work is performed. Prepaid contributions are recognised as an asset to the extent that there is a right to reimbursement or reduction of future payments.

2.7 Contingent liabilities

Contingent liabilities are potential obligations resulting from past events, whose existence is conditional on the occurrence or non-occurrence of one or more uncertain future events that are not fully under the control of the Group. Contingent liabilities are also present obligations resulting from past events, in which the outflow of resources with economic benefit is unlikely or in which the scope of the obligation cannot be reliably estimated.

Contingent liabilities are carried at fair value if they were acquired in the course of a company acquisition. Contingent liabilities that were not acquired in the course of a company acquisition are not recognised in the accounts.

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 Leases under IFRS 16

A lease is a contract that conveys a right to use an asset (the underlying asset) for an agreed period of time in exchange for consideration.

Since January 1, 2019, as a lessee SYZYGY has dealt with all leases on the balance sheet as follows, in accordance with IFRS 16: it has recognised the rights of use to the leased assets as assets and the payment obligations entered into as liabilities at present value. The lease liabilities include the following lease payments:

- Fixed lease payments
- Index or instalment-based payments
- Quasi-fixed payments
- Exercise prices of a call option whose exercise was estimated with sufficient certainty

Penalties from a termination option, if the lease term takes into account that a termination option is exercised

- Expected claims arising from residual value guarantees.

Lease payments are discounted at the interest rate implicitly underlying the lease, if this rate can be determined. Otherwise they are discounted at the incremental borrowing rate.

Rights of use are measured at cost, which comprises the following:

- Lease liability
- Lease payments made at or before the asset was provided, less lease incentives received
- Initial direct costs
- Restoration obligations.

Subsequent measurement is carried out at amortised cost. The rights of use are amortised on a straight-line basis over the term of the lease.

In the case of low-value leased assets and short-term leases (less than twelve months), use is made of transitional relief and the payment is recognised on a straight-line basis as an expense in the statement of comprehensive income. Lease components and non-lease components are not combined at SYZYGY, but are accounted for separately.

Intra-group leases under IFRS 8 are also presented in segment reporting in the same way as operating leases in accordance with IAS 17. Some leases include extension options, as they offer SYZYGY greater operational flexibility. When determining contract terms, all facts and circumstances that provide an economic incentive to exercise or not exercise extension options are taken into account. Changes in the term of the contract resulting from the exercise or non-exercise of these options are only taken into account in the contract term if they are sufficiently certain.

SYZYGY is not a lessor in any rental or finance lease.

2.10 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 recognised when the services are rendered in accordance with the terms of the contractual agreement (time and material), the payment is reasonably assured and the invoice amount is fixed or determinable.

Consulting services provided on a fixed-price basis are realised using an input-oriented method (cost-to-cost method) on a period-related basis. The percentage of completion of a project is calculated by the ratio of realised time units and other direct costs to all the time units and other direct costs planned for completion of the project. Regular adjustments are made, based on updated planning. Provisions for expected losses on contracts are established in full in the period in which such losses become apparent. SYZYGY grants its customers payment terms of between 0 and 90 days.

With some projects, milestones are specified. In these cases, sales associated with a separate milestone are recognised when the Company has performed all work related to the milestone and the client has accepted the performance.

The Company also provides services for the planning and implementing of advertising campaigns on the Internet (media services). This involves purchasing advertising space, on the Company's own account in some cases, which is then billed when the service is provided. The cost of purchasing advertising space ("media costs") is passed on to the client when billing the media services, together with a fixed fee or a fee calculated in relation to the actual media costs. Revenue from media services is generally realised at the same time as the advertisement is published, or afterwards. The entire amount chargeable to clients is recognised as billings. The amount less transitory items and/or media costs is recognised as sales.

Income from interest and comparable items is recognised if it is likely that the economic benefit will accrue to the Group and the amount of the income can be determined reliably. Interest income is recognised on an accrual basis in relation to the particular period, based on the outstanding nominal amount and using the relevant effective interest rate.

2.11 Advertising expenses

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

2.12 Income taxes

Actual income taxes are determined on the basis of the tax rules applicable in the countries in which the respective companies operate. In accordance with IAS 12, calculation of deferred taxes includes tax deferments on different valuations of assets and liabilities in the accounts prepared according to IFRS and the accounts prepared for tax purposes. Current and deferred taxes are recognised as an expense or income unless they are associated with items whose changes in value are recognised directly in equity. In such cases, the deferred tax is also recognised directly in equity.

2.13 Earnings per share

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

In addition to the outstanding shares, all outstanding options which have not been exercised and whose intrinsic value is positive would be taken into consideration when calculating diluted earnings.

2.14 Stock-based remuneration programmes

2013 stock option programme

In the 2013 financial year, the Group set up a stock option programme whereby the Group undertook to transfer a certain number of shares to employees after 3 years. If the employee leaves the SYZYGY GROUP prior to the end of the period, all claims arising from the stock option programme will lapse without compensation. Alternatively, the employees and the company are entitled to receive or pay as remuneration, respectively, the market value as at the date of transfer in cash, instead of the shares. This share-based remuneration programme with the counterparty's freedom to choose the method of payment is structured such that both settlement alternatives have the same fair value. As a result, according to IFRS 2.37 the fair value of the equity component is zero and thus corresponds to the fair value of the compound financial instrument of the debt component. Consequently, SYZYGY recognises the expenses pro rata temporis as a provision at fair value from the date of commitment to the stock programme.

Phantom stock programme

A phantom stock programme was also launched in 2015 and modified in the 2016 financial year. Under this arrangement the eligible employee receives the difference between the share price on the date of granting and the share price on exercise of the phantom stocks as a special payment. 40 per cent of the phantom stocks granted (Tranche 1) are not exercisable until at least 2 years have elapsed and will lapse after 3 years at the latest, while 60 per cent of the phantom stocks granted (Tranche 2) are not exercisable until at least 3 years have elapsed and will lapse after 4 years at the latest. The maximum price increase (cap) is limited to 60 per cent for Tranche 1 and to 90 per cent in the case of Tranche 2. There is also a change of control clause in this programme.

It stipulates that the options may be exercised extraordinarily within a period of 6 weeks after a takeover offer is completed. This involves share-based remuneration with cash settlement as defined in IFRS 2. As a consequence, the accounting principles described above are applied.

2.15 Government benefits

An unconditional government benefit is recognised as other operating income in the statement of comprehensive income as soon as entitlement to the benefit arises. Other government benefits are initially recognised as deferred income items at fair value if there is reasonable certainty that they will be granted and the Group will satisfy the conditions associated with the benefit. These government benefits are then recognised as income on a scheduled basis over the useful life of the asset.

Benefits that compensate the Group for expenses incurred are recognised as deferred income items and entered as income on a scheduled basis in the periods in which the expenses are recorded.

3. Notes to the consolidated balance sheet

3.1 Goodwill

Reported goodwill of kEUR 57,349 (previous year: kEUR 58,435) arose from the acquisitions of SYZYGY Media, Unique Digital UK, Ars Thanea, SYZYGY Performance and diffferent. The goodwill arising from the USEEDS acquisition was also allocated to diffferent as a cash generating unit as a result of the merger in 2020.

SYZYGY generally 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.

Goodwill acquired in the course of business combinations was allocated to the following cash generating units for impairment testing:

- diffferent
- SYZYGY Media
- SYZYGY Performance
- SYZYGY PER
- Unique Digital UK
- Ars Thanea

The following table shows the carrying amounts of the goodwill allocated to the cash generating units.

2020 (in kEUR)	Goodwill
diffferent	25,770
SYZYGY Media	8,841
SYZYGY Performance	8,443
Unique Digital UK	7,882
Ars Thanea	6,413
Total	**57,349**

2019 (in kEUR)	Goodwill
diffferent	15,864
USEEDS	10,067
SYZYGY Media	8,841
SYZYGY Performance	8,698
Unique Digital UK	8,379
Ars Thanea	6,586
Total	**58,435**

An impairment test of individual goodwill was carried out as at December 31, 2020. 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, 2020. The forecasts are based on financial planning approved by the Supervisory Board and updated each year. Business planning is updated on a rolling basis over 5 years. It is developed by the management team together with the Management Board.

The most important assumptions underlying the determination of value in use include assumptions of growth rates, margin development and discount rate, as well as a growth rate of 1 per cent for the perpetuity/ terminal value. This corresponds approximately to the long-term inflation target of the European Central Bank. SYZYGY expects that the digital sector will grow more strongly in future.

In the case of the Unique Digital UK cash generating unit, a risk-free interest rate of 0.76 per cent (previous year: 1.25 per cent), a risk premium of 6.75 per cent (previous year: 6.75 per cent) and a sector beta of 1.08 (previous year: 0.80) were used as a basis, producing a WACC (Weighted Average Cost of Capital) of 8.1 per cent after tax (previous year: 6.6 per cent), or 10.0 per cent before tax (previous year: 8.2 per cent). An average tax rate of 19 per cent was applied (previous year: 19 per cent). In the case of Unique Digital UK, the business plans for 2021 are based on an expected decline in sales of 11 per cent (previous year: growth of 39 per cent) and sales growth of 10 per cent p.a. in 2022 and 2023 (previous year: 5 per cent) and in 2024 to 2025 of 5 per cent p.a. (previous year: 5 per cent), and a terminal value of 1 per cent (previous year: 1 per cent). For 2021, the growth rate corresponds exactly to the budget plans of the cash generating unit, while subsequent developments are in line with the general market performance of the respective country.

Market research institutes expect the online advertising market in the UK to grow by around 12 per cent in 2021 (previous year: 2 per cent). Based on the underlying information, management did not identify any need in the updated analysis for impairment at Unique Digital UK, to which goodwill of kEUR 7,882 is allocated.

In the case of SYZYGY Media, SYZYGY Performance, diffferent and SYZYGY PER in Germany, a risk-free interest rate of 0.00 per cent (previous year: 0.30 per cent), a risk premium of 6.75 per cent (previous year: 6.75 per cent) and a sector beta of 1.08 (previous year: 0.80) were used as a basis, producing a WACC (Weighted Average Cost of Capital) of 7.3 per cent after tax (previous year: 5.7 per cent), or 10.6 per cent before tax (previous year: 8.3 per cent). An average tax rate of 31 per cent (previous year: 31 per cent) was applied.

The business plan for SYZYGY Media envisages stable sales (previous year: 13 per cent decline in sales) for 2021 and 10 per cent p.a. sales growth (previous year: 10 per cent) for the years 2022 to 2025. The terminal value is set at 1 per cent growth (previous year: 1 per cent).

The business plan for SYZYGY Performance envisages sales growth of 24 per cent for 2021 (previous year: 2 per cent decline in sales) and sales growth of 10 per cent p.a. for the years 2022 to 2025 (previous year: 10 per cent). The terminal value is set at 1 per cent growth (previous year: 1 per cent).

The business plan for diffferent (including the USEEDS business) envisages sales growth of 30 per cent for 2021 (previous year: 13 per cent) and 15 per cent p.a. sales growth for 2022 and 10 per cent p.a. for the years 2023 to 2025 (previous year: 10 per cent). The terminal value is set at 1 per cent growth (previous year: 1 per cent).

The business plan does not provide for any future sales for SYZYGY PER. As a result, the goodwill of kEUR 16 arising in the 2020 financial year from the acquisition of further shares was fully impaired.

Market research institutes expect the online advertising market in Germany to grow by around 5 per cent in 2021 (previous year: 1 per cent). Based on the underlying information, management did not identify any need for impairment in Germany in its updated analysis. SYZYGY Media is allocated unchanged goodwill of kEUR 8,841, SYZYGY Performance is allocated goodwill of kEUR 8,443 and diffferent is allocated goodwill of kEUR 25,770.

In the case of Ars Thanea in Poland, a risk-free interest rate of 0.00 per cent (previous year: 0.30 per cent), a risk premium of 6.75 per cent (previous year: 6.75 per cent), a sector beta of 1.08 (previous year: 0.80 per cent), a country-specific risk premium of 0.82 per cent (previous year: 1.18 per cent) and an inflation differential of 100.66 per cent (previous year: 101.48 per cent were assumed, producing a WACC (Weighted Average Cost of Capital) of 8.8 per cent after tax (previous year: 8.5 per cent), or 10.9 per cent before tax (previous year: 10.4 per cent). An unchanged average tax rate of 19 per cent was applied. The business plan envisages sales growth of 20 per cent for 2021 (previous year: 14 per cent) and 10 per cent p.a. for the years 2022 to 2025 (previous year: 10 per cent).

The terminal value is set at 1 per cent growth (previous year: 1 per cent).

Market research institutes expect the online advertising market in Poland to grow by 15 per cent in 2021 (previous year: 1 per cent). Based on the underlying information, management did not identify any need in the analysis for impairment at Ars Thanea, to which goodwill of kEUR 6,413 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 rise of 100 basis points in the interest rate for 30-year government bonds would result in a rise in WACC before tax of the same extent in Germany and consequently a drop of around 22 per cent in values in use (previous year: 13 per cent) due to the higher discount factor. The effect on values in use in the UK and Poland would be similar. This would lead to impairment at the Unique UK, diffferent and SYZYGY Media cash generating units. If the growth rates of the companies decline by 50 per cent from 2021 onwards, this would likewise lead to impairment at both CGUs. The estimated recoverable amounts of these CGUs exceed their carrying amounts by EUR 12.1 million.

3.2 Goodwill, other intangible assets and fixed assets

Changes are as follows in the financial year:

2020 (in kEUR)	Goodwill	Other intangible assets	Rights of use resulting from leases	Leasehold improvements	Operating and office equipment	Total
Acquisition or production costs January 1, 2020	**58,435**	**3,082**	**27,917**	**6,301**	**7,277**	**103,012**
Additions	40	82	4,295	1,336	876	6,629
Additions from first-time consolidation	276	0	0	0	0	276
Disposals	-456	-201	-2,123	-1,276	-1,632	-5,688
Exchange rate changes	-930	-28	-455	-154	-76	-1,643
Acquisition or production costs December 31, 2020	**57,365**	**2,935**	**29,634**	**6,207**	**6,445**	**102,586**
Accumulated amortisation, depreciation and write-downs January 1, 2020	**0**	**2,282**	**3,006**	**2,438**	**4,938**	**12,664**
Additions	16	373	3,695	634	937	5,655
Disposals	0	-195	-608	-1,258	-1,510	-3,571
Exchange rate changes	0	-18	-76	-68	-48	-210
Accumulated amortisation, depreciation and write-downs December 31, 2020	**16**	**2,442**	**6,017**	**1,746**	**4,317**	**14,538**
Carrying value December 31, 2020	**57,349**	**493**	**23,617**	**4,461**	**2,128**	**88,048**

Changes were as follows in the previous year:

2019 (in kEUR)	Goodwill	Other intangible assets	Rights of use resulting from leases	Leasehold improvements	Operating and office equipment	Total
Acquisition or production costs January 1, 2019	**60,094**	**3,219**	**0**	**5,442**	**6,448**	**75,203**
Adjustments resulting from first-time application of IFRS 16	0	0	20,703	0	0	20,703
Acquisition or production costs January 1, 2019, adjusted	60,094	3,219	20,703	5,442	6,448	95,906
Additions	456	80	10,410	963	1,071	12,980
Disposals	-625	0	-3,445	-205	-281	-4,556
Disposals resulting from deconsolidation	-1,985	-232	0	0	0	-2,217
Exchange rate changes	495	15	249	101	39	899
Acquisition or production costs December 31, 2019	**58,435**	**3,082**	**27,917**	**6,301**	**7,277**	**103,012**
Accumulated amortisation, depreciation and write-downs January 1, 2019	**1,978**	**2,145**	**0**	**1,789**	**4,250**	**10,162**
Additions	0	362	3,341	744	934	5,381
Disposals	0	0	-366	-121	-269	-756
Disposals resulting from deconsolidation	-1,985	-232	0	0	0	-2,217
Exchange rate changes	7	8	30	26	23	94
Accumulated amortisation, depreciation and write-downs December 31, 2019	**0**	**2,283**	**3,005**	**2,438**	**4,938**	**12,664**
Carrying value December 31, 2019	**58,435**	**799**	**24,912**	**3,863**	**2,339**	**90,348**

Other intangible assets were tested for impairment as at December 31, 2020 using the same principles as for goodwill (3.1).

They include brand names worth kEUR 317 (previous year: kEUR 519) after foreign currency effects. This brand equity is due to first-time consolidation of Unique Digital UK, Ars Thanea, USEEDS, SYZYGY Performance and diffferent. It is allocable to the UK segment in the amount of kEUR 121 (previous year: kEUR 128) and has an indeterminable useful life, since there is no foreseeable end to the economic life of these brands. Brand equity for diffferent amounting to kEUR 196 (previous year: kEUR 391) is also included. This was likewise added in the course of acquiring the company and will be amortised on a straight-line basis over a period of 5 years. This brand equity is allocated to the Germany segment.

Since January 1, 2019, intangible assets have also included rights of use resulting from leases. In 2020, application of IFRS 16 resulted in additions of kEUR 4,216 for rights of use relating to real estate (previous year: kEUR 30,720, including first-time application) and of kEUR 78 for company cars (previous year: kEUR 393, including first-time application).

In total, rights of use for leased assets with a carrying value of kEUR 1,515 were disposed of in the financial year (previous year: kEUR 3,079). Depreciation of rights of use for leased assets was kEUR 3,695 (previous year: kEUR 3,341).

The carrying amounts of the rights of use for real estate amounted to kEUR 23,403 (previous year: kEUR 24,619) and for company cars to kEUR 214 (previous year: kEUR 293) as at the reporting date.

Operating and office equipment mainly refers to hardware and office fittings. There were no indications of a need for impairments in the financial year.

3.3 Non-current financial assets

In the 2017 financial year, SYZYGY took a stake in next media accelerator 2 Beteiligungsgesellschaft mbH & Co. KG, Hamburg, with a limited partner's capital contribution of kEUR 200, which currently represents 3 per cent of the limited liability capital. The purchase price commitment will be repaid in annual tranches of kEUR 40 until 2021. SYZYGY assumes that the acquisition cost corresponds approximately to fair value. It is recognised in the FVTPL category.

As in the previous year, no financial investments measured at equity were held.

3.4 Other non-current assets

Other non-current assets comprise financial assets in the "Amortised costs" valuation category and are recognised in the amount of kEUR 364 (previous year: kEUR 274). They mainly comprise an interest-bearing loan granted to third parties in 2020 in the amount of kEUR 200 and rent deposits in the amount of kEUR 156.

3.5 Deferred tax assets

Deferred tax assets of kEUR 1,662 (previous year: kEUR 2,511) were reported in the financial year.

The deferred tax assets at SYZYGY AG as the parent company are recorded on the different valuations of lease obligations and provisions.

Other deferred tax assets also arise at subsidiaries from different valuations of lease obligations due to differences in the useful lives of the assets between valuations in accordance with IFRS and the tax accounts.

Deferred tax assets of kEUR 7,198 (previous year: kEUR 6,945) were recognised for lease liabilities.

The companies in the UK are part of a tax group and have recognised a total of kEUR 1,631 (previous year: kEUR 1,317) as deferred tax assets for usable tax loss carry-forwards totalling kEUR 310 (previous year: kEUR 224).

SYZYGY US recognised a total of kEUR 208 (previous year: kEUR 208) as deferred tax assets for usable tax loss carry-forwards of kEUR 537 (previous year: kEUR 0).

Deferred tax assets of kEUR 4 (previous year: kEUR 36) were recognised as a result of impairments in accordance with IFRS 9, which are recognised either through profit and loss or such that earnings are not affected, depending on the basis.

As at December 31, 2020, the Group has tax loss carry-forwards that have not yet been used and are usable without restriction at SYZYGY PER in the amount of kEUR 2,703 (previous year: kEUR 2,287) for corporation tax and kEUR 3,137 (previous year: kEUR 2,702) for trade tax. No deferred tax assets have been recognised in this respect.

The composition of deferred tax assets is disclosed in section 5.7, Income taxes.

3.6 Cash and cash equivalents and securities

Cash, bank deposits and time deposits with remaining terms to maturity (counted from the date of acquisition) of under three months are shown in the table below:

kEUR	**12/31/2020**	12/31/2019
Cash and cash equivalents	5,631	944

The cash and cash equivalents disclosed in the consolidated statement of cash flows comprise 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 governments or companies.

All securities held are financial assets classified in accordance with IFRS 9 as “FVTOCI” as at the reporting date. The securities portfolio is held by SYZYGY for short-term liquidity management. The contractually agreed cash flows are based solely on repayment of the nominal amount and interest on the outstanding nominal amount on specified dates. Unrealised gains or losses are taken into account in the item “Other comprehensive income” until derecognition of the financial asset, while allowing for tax effects.

As can be seen in the following table, the market value of all securities as at December 31, 2020 was kEUR 3 above the acquisition cost (previous year: kEUR 284 above the acquisition cost). kEUR 3 (previous year: kEUR 357) was attributable to unrealised price gains and kEUR 0 (previous year: kEUR 73) to unrealised price losses. Security purchases and sales are recorded on the value date. Of the unrealised profits and losses as at December 31, 2019 that had previously been recorded in “Other comprehensive income”, kEUR 347 of valuation gains (previous year: kEUR 13) and kEUR 72 of valuation losses (previous year: kEUR 570) were realised in the past financial year.

Market value is determined using quoted market prices. The unrealised price gains and losses are reported in “Net unrealised gains/ losses on marketable securities, net of tax” in the statement of comprehensive income.

12/31/2020 (in kEUR)	Acquisition cost	Unrealised gains	Unrealised losses	Carrying value/ market value
Securities (FVTOCI)	150	3	–	**153**

12/31/2019 (in kEUR)	Acquisition cost	Unrealised gains	Unrealised losses	Carrying value/ market value
Securities (FVTOCI)	3,358	357	-73	**3,642**

The following table shows the maturities of securities as per the balance sheet date:

In kEUR	< 1 year	1–5 years	5–10 years	Indefinite	Total
Securities (FVTOCI)	–	153	–	–	**153**

The following table shows the maturities of securities as per the balance sheet date of the previous year:

In kEUR	< 1 year	1–5 years	5–10 years	Indefinite	Total
Securities (FVTOCI)	–	1,501	2,141	–	**3,642**

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 3.9 years (previous year: 5.3 years). 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 3.9 per cent (previous year: 5.3 per cent).

SYZYGY reduces default risk on securities by ensuring that a rating of at least BBB- (i.e. investment grade) 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 a nominal value of EUR 2.0 million. In the case of new investments with a BBB- rating, exposure is limited to EUR 1.0 million. All securities with a maturity date are also subject to price changes which depend on credit spread changes and the remaining term to maturity. Some of the securities are also subject to exchange rate fluctuations. Although SYZYGY invests chiefly in EUR, it also holds securities denominated in USD and PLN.

The associated risks and sensitivity analyses are presented in section 6.3, Risk and capital management.

3.7 Trade receivables and contract assets and contract liabilities

This item comprises the following:

In kEUR	**12/31/2020**	12/31/2019
Accounts receivable	13,287	16,703
Contract assets	1,942	3,006
Total assets	**15,229**	**19,709**
Contract liabilities	**3,493**	**5,536**

Contract assets and sales of kEUR 1,942 (previous year: kEUR 3,006) are disclosed using an input-oriented method (cost-to-cost method) on a period-related basis for services not yet billed. Costs of kEUR 1,801 (previous year: kEUR 2,748) were incurred for these services. This results in a margin of kEUR 141 (previous year: kEUR 258).

According to IFRS 9, accounts receivable are financial assets that fall into the “Amortised costs” valuation category. The term structure of receivables billed to customers is shown in table form in section 6.3.3.

Appropriate individual value adjustments are made for recognisable default risks, while uncollectable receivables are written off. There were individual value adjustments of kEUR 335 (previous year: kEUR 6) in the current financial year.

In accordance with IFRS 9.5.5.15 f., SYZYGY has applied a simplified version of the general impairment model since the 2018 financial year. This involves taking into account the cumulative probabilities of default over the remaining term. The 2020 financial year saw a reversal on receivables of kEUR 106 (previous year: impairment of kEUR 82). As a result, impairments of kEUR 14 (previous year kEUR 120) are reported as at the balance sheet date.

The contract liabilities of kEUR 3,493 (previous year: kEUR 5,536) mainly relate to advance payments received of kEUR 3,465 (previous year: kEUR 5,504). The contract liabilities reported in the previous year were mainly recognised as revenue in the 2020 financial year.

In the case of performance marketing companies, the contract liabilities reported in the 2019 financial year were recognised as sales in the reporting period, less transitory items and/or media costs.

3.8 Other current assets

Other current assets as at December 31, 2020 and 2019 consist of the following:

In kEUR	**12/31/2020**	12/31/2019
Prepaid expenses	1,059	906
Tax receivables	65	706
Deposits	58	0
Interest receivables	0	49
Other	143	174
Total	**1,325**	**1,835**

All other current assets are due within 12 months. As financial assets, interest receivables fall into the "Amortised costs" measurement category in accordance with IFRS 9 and represent realisable financial instruments. They are shown in the following breakdown by maturity:

Interest receivables (in kEUR)	0–90 days	91–180 days	181–360 days	Total
As at December 31, 2020	**–**	**–**	**–**	**–**
As at December 31, 2019	16	32	1	49

3.9 Equity

3.9.1 Subscribed capital

As at December 31, 2020, the fully paid-up subscribed capital of SYZYGY AG amounted to EUR 13,500,026 (previous year: EUR 13,500,026). It comprised 13,500,026 no-par value bearer shares, as in the prior year. These shares have a stated value of EUR 1.00.

As in the previous year, SYZYGY did not carry out any capital increase or reduction in the 2020 financial year.

At the reporting date, the shares in SYZYGY AG were held as follows:

In thousands	Shares	Per cent
WPP plc., St. Helier, Jersey	6,795	50.33
HANSAINVEST Hanseatische Investment GmbH	408	3.03
Hauck & Aufhäuser Fund Service S.A.	401	2.97
Free float	5,896	43.67
Total	**13,500**	**100.00**

3.9.2 Authorised and contingent capital

On July 8, 2016, the Annual General Meeting approved the creation of authorised capital of kEUR 6,000. Accordingly, the Management Board is authorised, subject to the approval of the Supervisory Board, to issue additional no-par value bearer shares, which may be issued until July 8, 2021. In accordance with this authorisation, the Management Board and Supervisory Board carried out two capital increases against contributions in kind in the 2017 financial year. As a result, the remaining authorised capital now amounts to EUR 5,328,424 and is unchanged over the previous year.

Contingent capital I and II have no longer existed since the previous year. They were also cancelled by resolution of the Annual General Meeting on October 27, 2020.

3.9.3 Additional paid-in capital

Additional paid-in capital includes the premium on the nominal amount resulting from the issue of shares by SYZYGY AG. Due to the sale of treasury shares below cost, additional paid-in capital decreased to kEUR 27,058 (previous year: kEUR 27,069).

3.9.4 Treasury stock

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

On October 27, 2020, the Annual General Meeting authorised the Management Board to acquire a maximum of 10 per cent of SYZYGY's outstanding shares until October 26, 2025. SYZYGY 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.

In the financial year, SYZYGY used all of its treasury shares as consideration for the acquisition of further shares in SYZYGY Performance. The proportion of treasury shares in common stock was 0.54 per cent at the time of sale.

As at December 31, 2020, SYZYGY held no treasury shares (previous year: 73,528 at an average acquisition cost of EUR 5.54).

3.9.5 Other comprehensive income

The summarised changes in equity after tax attributable to the shareholders of SYZYGY AG in other comprehensive income such that earnings are not affected for the 2020 financial year amount to kEUR -1,324 (previous year: kEUR 1,126) and are due to unrealised losses from securities in the FVTOCI category after tax of kEUR 204 (previous year: gains of kEUR 544) and losses from currency translation in non-EUR business operations (kEUR 1,103; previous year: gains of kEUR 578). All changes can be reclassified (recycling) and are consequently only recorded temporarily in other comprehensive income. They may be reclassified as profit or loss at a later stage.

3.9.6 Retained earnings

The consolidated financial statements showed retained earnings of kEUR 15,675 (previous year: kEUR 14,657) as of December 31, 2020. The change in retained earnings during the financial year corresponds to net income attributable to the shareholders of SYZYGY AG in the amount of kEUR 2,059 (previous year: kEUR 3,467) less the distributed dividend of kEUR 0 (previous year: kEUR 5,370) and distributions to minority shareholders of subsidiaries which, due to present ownership of 100 per cent, i.e. without showing non-controlling shares, are consolidated, in the amount of kEUR 446 (previous year: kEUR 482).

Dividend distributions are based on the distributable part of net earnings disclosed in the annual financial statements of SYZYGY AG according to HGB (German Commercial Code). On October 27, 2020, the Annual General Meeting of SYZYGY AG approved the proposal not to distribute a dividend (previous year: EUR 0.40 per eligible share). The adjustment relating to the sale of treasury shares increases the previous year's net earnings by kEUR 396 from kEUR 3,456 to kEUR 3,852.

As at December 31, 2020, the financial statements of SYZYGY AG showed net earnings of kEUR 4,823 (previous year: kEUR 3,456).

3.10 Stock-based compensation

2013 stock option programme

In the 2013 financial year, the Group set up a stock option programme whereby the SYZYGY GROUP undertook to transfer a certain number of shares to employees after 3 years. If the employee leaves the SYZYGY GROUP prior to the end of the period, all claims arising from the stock option programme will lapse without compensation. Alternatively, both the company and the employees are entitled to pay or receive as remuneration, respectively, the market value as at the date of transfer in cash, instead of the shares. As at the reporting date, commitments for a total of 65,000 shares are outstanding, of which 25,000 from 2018, a further 20,000 from 2019 and 20,000 from 2020. The expenses are recognised pro rata temporis from the date of commitment to the stock programme, with the result that a provision for claims arising from the stock option programme in the amount of kEUR 150 (previous year: kEUR 193) was recognised as at the key date. The allocation recognised in profit in the financial year was kEUR 74 (previous year: kEUR 135).

In kEUR	Number of options	Fair value
As at December 31, 2019	**65,000**	**475**
New allocation	20,000	116
Exercised	-10,000	-55
Expired	-10,000	-62
Change in value	0	-97
As at December 31, 2020	**65,000**	**377**

Phantom stock programme 2015

The phantom stock plan was set up in 2015. Under this arrangement the eligible employee receives the difference between the share price on the date of granting and the share price on exercise of the phantom stocks as a special payment. 40 per cent of the phantom stocks granted (Tranche 1) are not exercisable until at least 2 years have elapsed and will lapse after 3 years at the latest, while 60 per cent of the phantom stocks granted (Tranche 2) are not exercisable until at least 3 years have elapsed and will lapse after 4 years at the latest. The maximum price increase (cap) is limited to 60 per cent for Tranche 1 and to 90 per cent in the case of Tranche 2.

On April 1, 2016, Chairman of the Management Board Lars Lehne received a total of 240,000 phantom stocks with an exercise price of EUR 9.13, of which 96,000 were exercised prior to the reporting period. The term had been extended until March 30, 2021 in the case of the remaining 144,000. Similarly, on January 16, 2018, Frank Ladner was allocated 55,000 phantom stocks with a term beginning on December 29, 2017 at an exercise price of EUR 11.27; on February 6, 2018, Erwin Greiner was allocated 80,000 phantom stocks with a term beginning on December 29, 2017 at an exercise price of EUR 11.25, some of which expired during the financial year.

In EUR	Number of options	Exercise price	Fair value
As at: December 31, 2019	**279,000**	**0.00**	**0.37**
Exercised	0	0.00	0.00
Expired	-54,000	0.00	0.00
New allocation	0	0.00	0.00
As at: December 31, 2020	**225,000**	**0.00**	**0.00**

The fair value of the phantom stocks on December 31, 2020 is calculated as the volume-weighted average of the difference between the exercise prices and the stock price as at December 31, 2020, and a fair value calculated by reference to the remaining term and volatility of the underlying instrument.

3.11 Accounts payable and other provisions

As at December 31, 2020 and 2019, accounts payable and other provisions consisted of:

In kEUR	**12/31/2020**	12/31/2019
Accounts payable	**8,000**	**9,007**
Other provisions:		
– Obligations towards other parties	2,735	2,846
– Personnel-related provisions	1,337	1,663
– Other	436	418
Total other provisions	**4,508**	**4,927**

All accounts payable are due within one year and must be allocated to the “Amortised costs” measurement category under IFRS 9 as financial liabilities (previously, under IAS 39, Financial liabilities at amortised costs). Personnel-related provisions mainly comprise the employee stock-based compensation plans described in section 3.10, employee bonuses and holidays.

Obligations towards other parties primarily relate to outstanding invoices.

Statement of changes in provisions as at **December 31, 2020** (in kEUR)	Carrying value 01/01/2020	Usage	Reversal	Addition	Carrying value **12/31/2020**
Obligations towards other parties	2,846	-1,493	-45	1,427	2,735
Personnel-related provisions	1,663	-1,036	-16	726	1,337
Other	418	-418	0	436	436
Total other provisions	**4,927**	**-2,947**	**-61**	**2,589**	**4,508**

Statement of changes in provisions as at December 31, 2019 (in kEUR)	Carrying value 01/01/2019	Usage	Reversal	Addition	Carrying value 12/31/2019
Obligations towards other parties	5,008	-4,843	-49	2,730	2,846
Personnel-related provisions	2,876	-2,704	-52	1,543	1,663
Other	399	-381	0	400	418
Total other provisions	**8,283**	**-7,929**	**-100**	**4,673**	**4,927**

3.12 Income tax liabilities

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

In kEUR	**12/31/2020**	12/31/2019
German income taxes	1,731	192
Polish income taxes	57	–
British income taxes	–	–
Total	**1,788**	**192**

3.13 Other liabilities

The following table lists the components of other liabilities that are shown on the balance sheet under the items Other long-term liabilities and Other current liabilities, depending on their maturity:

In kEUR	**12/31/2020**	12/31/2019
Lease liabilities	25,921	27,250
Financial liabilities due to contingent purchase price payments	7,174	11,285
Liabilities to banks	5,010	3,058
VAT liability	1,181	1,384
Liabilities arising from future profit distributions to minority shareholders	39	455
Social security, salary and church taxes	468	701
Other	855	449
Total	**40,648**	**44,582**

The following table shows the maturities of other liabilities at December 31, 2020:

In kEUR	< 1 year	1–5 years	5–10 years	> 10 years	Total
Other liabilities	9,244	16,509	12,981	1,914	**40,648**
Of which lease liabilities	3,185	14,158	6,664	1,914	**25,921**

The following table shows the maturities of other liabilities as at December 31, 2019:

In kEUR	< 1 year	1–5 years	5–10 years	> 10 years	Total
Other liabilities	8,564	23,852	12,166	–	**44,582**
Of which lease liabilities	3,299	12,098	11,853	–	**27,250**

Liabilities due to contingent purchase price payments constitute financial liabilities and are classified under IFRS 9 as belonging to the FVTPL measurement category. The remaining other liabilities excluding tax liabilities are allocated to the “Amortised costs” measurement category in accordance with IFRS 9.

4. Segment reporting

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

As the holding company, SYZYGY AG mainly delivers services to the operating units and therefore needs to be considered separately as a provider of central functions. The UK segment comprises SYZYGY UK and Unique Digital UK. The Germany segment comprises diffferent, SYZYGY Deutschland, SYZYGY Media, SYZYGY PER and SYZYGY Performance. Ars Thanea and SYZYGY NY do not fulfil the size criteria to qualify as an independent geographical segment and are thus presented under “Other segments”.

The individual segments apply the same accounting principles as the consolidated entity. The criteria primarily used by SYZYGY AG to assess the performance of the segments are sales and EBIT. Sales to third parties are allocated on the basis of the registered office of the company unit that makes the sale. Information on the geographical regions in relation to segment sales and non-current assets can be derived from the segment disclosures summarised below. Sales included in segment reporting consist of sales to external clients and inter-segment sales. Transactions within 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.

As in the previous year, SYZYGY did not generate more than 10 per cent of consolidated sales with any single client across all operating segments.

Please see the comments under 5.1 “Sales” for disclosure of sales to external clients for each group of comparable services.

12/31/2020 (in kEUR)	Germany	United Kingdom	Other segments	Central functions	Consolidation	Total
Billings	82,548	14,313	9,201	207	-1,755	**104,514**
Media costs	-37,020	-7,422	-4,629	0	78	**-48,993**
Sales	45,528	6,891	4,572	207	-1,677	**55,521**
Of which internal sales	377	44	1,307	27	-1,755	**0**
Operating income (EBIT)	6,574	-361	-387	-1,851	24	**3,999**
Financial income	-6,798	41	-22	7,407	-1,325	**-697**
Earnings before taxes (EBT)	-224	-320	-409	5,556	-1,301	**3,302**
Assets	75,149	20,685	10,512	102,756	-96,490	**112,612**
Of which non-current assets	62,319	14,401	6,889	5,206	-767	**88,048**
Of which goodwill	43,054	7,882	6,413	0	0	**57,349**
Investments	2,579	40	388	4,945	0	**7,952**
Depreciation and amortisation	3,224	1,149	437	867	-22	**5,655**
Impairment loss for goodwill	-16	0	0	0	0	**-16**
Segment liabilities	40,707	10,387	3,316	29,723	-25,108	**59,025**
Employees at the balance sheet date	373	48	61	32	0	**514**

12/31/2019 (in kEUR)	Germany	United Kingdom	Other segments	Central functions	Consolidation	Total
Billings	102,304	17,953	23,227	382	-2,201	**141,665**
Media costs	-52,638	-8,070	-16,954	0	240	**-77,422**
Sales	49,666	9,883	6,273	382	-1,961	**64,243**
Of which internal sales	402	130	1,379	245	-2,156	**0**
Operating income (EBIT)	7,697	-967	412	-1,647	2	**5,497**
Financial income	-5,978	-266	1	7,617	-1,677	**-303**
Earnings before taxes (EBT)	1,719	-1,233	413	5,970	-1,675	**5,194**
Assets	77,958	22,957	9,932	94,320	-85,704	**119,463**
Of which non-current assets	62,415	16,467	7,262	3,706	498	**90,348**
Of which goodwill	43,469	8,379	6,586	0	1	**58,435**
Investments	9,465	283	230	2,288	0	**12,266**
Depreciation and amortisation	2,853	1,184	549	637	157	**5,380**
Impairment loss for goodwill	0	0	0	0	0	**0**
Segment liabilities	39,139	11,861	1,954	27,574	-14,008	**66,520**
Employees at the balance sheet date	383	49	79	31	0	**542**

5. Notes on the statement of comprehensive income

5.1 Sales

The sales figures include sales revenue from the product areas performance marketing and design & build. The sales figures are arrived at by deducting media costs from billings. Media costs are incurred in the performance marketing companies as transitory items. Billings include all invoices to third parties, i.e. both our own (in the design & build product area) and those in our own name and for the account of a third party (performance marketing). In 2020, the SYZYGY GROUP generated sales of kEUR 43,933 from design & build (previous year: kEUR 49,167) and billings of kEUR 61,740 (previous year: kEUR 93,886) from performance marketing. Performance marketing includes media costs of kEUR 48,993 (previous year: kEUR 77,420), resulting in sales of kEUR 12,747 (previous year: kEUR 16,466). Internal sales of kEUR 792 (previous year: kEUR 1,127) were conducted between the product areas as well as sales to or from the parent company amounting to kEUR 368 (previous year: kEUR 263), which were completely eliminated in the consolidated financial statements.

Breakdown of external sales by product area and geographical criteria, with SYZYGY AG presented as part of the design & build product area and the Germany segment:

In kEUR	Germany	United Kingdom	Other segments	Total
Design & build	37,723	2,280	2,770	**42,773**
Performance marketing	7,607	4,645	496	**12,748**
Total	**45,330**	**6,925**	**3,266**	**55,521**

5.2 Other operating income and expenses

Other operating income and expenses consist of the following:

In kEUR	**2020**	2019
Subletting	1,072	910
Time value measurement of earn-out and options liabilities	443	1,345
Income from employee benefits	176	177
Exchange rate effects	136	306
Refund from health insurance funds	133	125
Reversal of provisions	61	100
Refund of ancillary costs	15	11
Income from IFRS 16 derecognition	7	42
Amortisation of corporate assets	-190	-157
Other	277	151
Total	**2,130**	**3,010**

5.3 Cost of purchased services

The cost of purchased services, which is included in the “Cost of revenues” item in the statement of comprehensive income, mainly comprises expenses for freelancers and outsourced services:

In kEUR	**2020**	2019
Cost of purchased services	4,811	7,798

5.4 Personnel expenses

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

In kEUR	**2020**	2019
Salaries and wages	28,872	31,583
Social security	4,869	5,129
Total	**33,741**	**36,712**

SYZYGY spent kEUR 209 (previous year: kEUR 247) on retirement benefits in the 2020 financial year, kEUR 28 of which (previous year: kEUR 19) is attributable to defined contribution pension plans.

In 2020, the average number of full-time employees in the SYZYGY GROUP was 592 (previous year: 558 employees).

At the end of the 2020 financial year, the total number of SYZYGY employees had declined to 514 (previous year: 542 employees). The employees are distributed across the following functional areas within the Company:

Number of persons	**12/31/2020**	12/31/2019	Average in 2020	Average in 2019
Strategy consulting	121	115	124	114
Performance marketing	92	90	87	114
Technology	90	99	96	97
Project management	77	80	78	75
Administration	73	76	75	79
Creative services	61	82	69	79
Total	**514**	**542**	**529**	**558**

5.5 Depreciation and write-downs

Depreciation and amortisation, which is included in various items within the consolidated statement of comprehensive income, comprises the following:

In kEUR	**2020**	2019
Amortisation of rights of use	3,695	3,341
Depreciation of fixed assets	1,571	1,678
Amortisation of other intangible assets	373	362
Impairment of goodwill	16	0
Total	**5,655**	**5,381**

The amortisation of rights of use includes amortisation of real estate rights of use totalling kEUR 3,542 (prior year: kEUR 3,240) and of kEUR 153 (prior year: kEUR 101) for company cars.

The USEEDS brand was fully impaired in the amount of kEUR 33 through the merger with diffferent in the financial year.

5.6 Financial income

In kEUR	**2020**	2019
Income from the sale of securities	290	346
Interest and similar income	143	375
Total financial income	**433**	**721**
Interest expense and similar expenses	-855	-831
Expenses from the sale of securities	-288	-232
Impairment losses under IFRS 9, net	13	39
Total financial expenses	**-1,130**	**-1,024**
Total financial income	**-697**	**-303**

Interest and similar income, interest expense and similar expenses and income from the sale of securities are mainly derived under IFRS 9 from the FVTOCI valuation category. The interest expense resulting from accounting for leases under IFRS amounts to kEUR 676 (previous year: kEUR 682). Interest expense includes interest expense as defined in section 233a of the German Fiscal Code (Abgabenordnung, AO).

Financial income includes a reversal on securities in accordance with IFRS 9 amounting to kEUR 13 (prior year: reversal of kEUR 39). All the securities impaired in the previous year were sold in the 2020 reporting year. No securities were found to be impaired when added, or to have an increased default risk. As a result, impairment was calculated on the basis of the expected probabilities of default for the next 12 months.

5.7 Income taxes

In kEUR	2020	2019
Current domestic income taxes	1,850	1,671
Current foreign income taxes	127	152
Subtotal of current income taxes	**1,977**	**1,823**
Deferred taxes	-758	-169
Total	**1,219**	**1,654**

In Germany, a uniform corporation tax rate of 15 per cent applies. The tax rate amounts to 15.8 per cent when the solidarity surcharge of 5.5 per cent is taken into account. The tax rate for trade tax payable by the SYZYGY AG group changed marginally compared with the previous year. The allocation of trade tax between the Bad Homburg v.d.H., Frankfurt, Hamburg and Munich locations is weighted on the basis of the total salaries at the respective locations, with trade tax rates unchanged. The applicable tax rate for the group parent was thus 31 per cent, as in the previous year.

In the United Kingdom, a general tax rate of 19 per cent applies since April 1, 2017.

In the US, as in the previous year there is a federal tax of 36.4 per cent plus local taxes applicable to SYZYGY NY of around 2.3 per cent.

In Poland, there has been a uniform tax rate of 19 per cent on corporate profits since January 1, 2015.

SYZYGY paid income tax of kEUR 240 net in arrears in the 2020 financial year (previous year: refunds of kEUR 109). Due to the use of loss carry-forwards, tax expense was reduced by kEUR 0 (previous year: kEUR 8). Deferred tax assets and liabilities can be summarised as follows:

In kEUR	2020	2019
Deferred taxes (assets)		
Lease liabilities	7,198	6,945
Loss carry-forwards	518	224
Provisions	62	62
Other fixed assets	75	49
Impairments under IFRS 9	4	36
Other	14	28
Offset against deferred tax liabilities	-6,209	-4,833
Total	**1,662**	**2,511**

In kEUR	2020	2019
Deferred taxes (liabilities)		
Rights of use	6,688	6,813
diffferent brand	61	95
Accounts receivable	24	54
Unique Digital brand	23	22
Current assets (securities)	1	99
USEEDS brand	0	26
Offset against deferred tax assets	-6,209	-4,833
Total	**588**	**2,276**

The deferred tax assets at SYZYGY AG as the parent company are recorded on the different valuations of lease obligations and provisions.

Other deferred tax assets also arise at subsidiaries from different valuations of lease obligations due to differences in the useful lives of the assets between valuations in accordance with IFRS and the tax accounts.

Deferred tax assets of kEUR 7,198 (previous year: kEUR 6,945) were recognised for lease liabilities.

The companies in the UK are part of a tax group and have recognised a total of kEUR 310 (previous year: kEUR 224) as deferred tax assets for usable tax loss carry-forwards totalling kEUR 1,631 (previous year: kEUR 1,317).

SYZYGY US recognised a total of kEUR 208 (previous year: kEUR 208) deferred tax assets for usable tax loss carry-forwards of kEUR 537 (previous year: kEUR 0).

Deferred tax assets of kEUR 4 (previous year: kEUR 36) were recognised as a result of impairments in accordance with IFRS 9, which are recognised either through profit and loss or such that earnings are not affected, depending on the basis.

Deferred tax assets and liabilities were netted in the amount of kEUR 6,209 (previous year: 4,833). The netting provisions of IAS 12.71 ff. were applied.

As at December 31, 2020, the Group has tax loss carry-forwards that have not yet been used and are usable without restriction at SYZYGY PER in the amount of kEUR 2,703 (previous year: kEUR 2,287) for corporation tax and kEUR 3,137 (previous year: kEUR 2,702) for trade tax. No deferred tax assets have been recognised in this respect.

Deferred tax liabilities of kEUR 6,688 (previous year: kEUR 6,813) were reported as a result of rights of use to leased assets being capitalised in accordance with IFRS 16.

Other deferred tax liabilities result from first-time consolidation of subsidiaries in the amount of kEUR 84 (previous year: kEUR 143).

Different valuations of securities led to deferred tax liabilities of kEUR 1 (previous year: kEUR 99).

Due to different valuations of accounts receivable at Ars Thanea, deferred tax liabilities of kEUR 24 (previous year: kEUR 54) were recognised.

Income taxes for the financial year can be reconciled to the profit for the period as follows:

In kEUR	**2020**	2019
Income before taxes	3,302	5,194
Income tax expense at a tax rate of 31 % (previous year: 31 %)	1,024	1,610
Income not subject to tax/ non-deductible expenditure	-65	-341
IFRS 16 tax effects, not affecting income	0	268
Differences in tax rates	-23	118
Tax effect on loss carry-forwards for which no deferred tax assets were recognised	131	26
Tax arrears from previous years	240	3
Tax refunds from previous years	0	-112
Tax effects resulting from additions and deductions of local taxes	**37**	**51**
Other	-125	31
Actual income tax	**1,219**	**1,654**

The tax rate differences result from an average tax rate of 31 per cent in Germany compared with around 39 per cent in the US, 19 per cent in the UK and 19 per cent in Poland.

Deferred taxes were accounted for taking tax rates applicable in the future into consideration. Tax rate changes do not apply in the current financial year to the companies included in the SYZYGY GROUP. In the 2020 financial year, deferred tax assets of kEUR 0 (previous year: kEUR 4) and deferred tax liabilities of kEUR 7 (previous year: kEUR 85) were attributable to items that were offset directly against equity. The change in the valuation differences of kEUR 83 (previous year: kEUR 280) is recorded in other comprehensive income. These amounts resulted essentially from taking into account price gains and losses on securities held as current assets such that net income was not affected.

As at the balance sheet date, there were taxable temporary differences in connection with shares held in subsidiaries amounting to kEUR 4 (previous year: kEUR 35), for which no deferred tax liabilities have been recognised.

5.8 Notes on currency translation

In accordance with IAS 21.52, currency translation differences of kEUR -1,120 (previous year: kEUR 582) were recorded in other comprehensive income for the period such that earnings are not affected and aggregated in other comprehensive income.

6. Other notes

6.1 Earnings per share

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

	2020	2019
Weighted average number of shares (in thsd.), diluted and basic	13,463	13,421
Net income of SYZYGY AG shareholders (kEUR)	2,059	3,467
Earnings per share, diluted and basic (EUR)	0.15	0.26

A dividend of EUR 0.15 per eligible share will be proposed to the Annual General Meeting. The total amount distributed will thus be kEUR 2,025. The dividends were not recognised in the accounts; there are no tax consequences.

6.2 Consolidated statement of cash flows

When preparing the consolidated statement of cash flows in accordance with IAS 7, the indirect method is used to prepare the cash flow from operating activities and the direct method is used for cash flow from investment and financing activities.

In 2020, operating cash flow amounted to kEUR 10,010, as compared with kEUR -4,458 in the previous year. Operating cashflow includes interest paid in the amount of kEUR 832 (prior year: kEUR 796), interest received in the amount of kEUR 189 (prior year: kEUR 492) as well as taxes received in the amount of kEUR 704 (prior year: kEUR 293) and taxes paid in the amount of kEUR 747 (prior year: kEUR 2,174).

The cash and cash equivalents comprise exclusively cash and cash equivalents with a contractual remaining term to maturity of less than three months.

In the course of the 2020 financial year, the Group conducted the following non-cash investment and financing transactions, which are reflected accordingly in a correction item in the consolidated statement of cash flows:

The Group obtained net income of kEUR 443 from changes in the option and forward contract liabilities for acquiring the outstanding shares in USEEDS, SYZYGY Performance and diffferent (previous year: kEUR 1,345).

The movement of liabilities to cash flow from financing activities can be reconciled as follows:

		Liabilities to banks	Financial liabilities	Lease liabilities (IFRS 16)	Total
		kEUR	kEUR	kEUR	kEUR
12/31/2019		**3,059**	**11,820**	**27,263**	**42,142**
Cash change	Cash inflow	3,000	0	0	**3,000**
	(Net) new addition of financial liabilities	0	0	0	**0**
	Cash outflow	-1,049	-4,164	-3,381	**-8,594**
	Payments of interest on leasing liabilities	0	0	-676	**-676**
	(Net) repayment of financial liabilities	1,951	-4,164	-4,057	**-6,270**
Non-cash change	(Net) effects from first-time consolidation	0	0	0	**0**
	Remeasurement of earn-outs	0	0	0	**0**
	Remeasurement of call options	0	-443	0	**-443**
	Net additions of lease liabilities	0	0	2,965	**2,965**
	Other measurement	0	0	-250	**-250**
	Income to be transferred to fully consolidated companies	0	31	0	**31**
12/31/2020		**5,010**	**7,244**	**25,921**	**38,175**
	Overall change	1,951	-4,576	-1,342	**-3,967**

		Liabilities to banks	Financial liabilities	Lease liabilities (IFRS 16)	Total
		kEUR	kEUR	kEUR	kEUR
12/31/2018		**4,113**	**14,727**	**0**	**18,840**
Adoption of IFRS 16		**0**	**0**	**22,203**	**22,203**
01/01/2019		**4,113**	**14,727**	**22,203**	**41,043**
Cash change	Cash inflow	0	0	0	**0**
	(Net) new addition of financial liabilities	0	0	0	**0**
	Cash outflow	-1,054	-1,874	-3,227	**-6,155**
	Payments of interest on leasing liabilities	0	0	-682	**-682**
	(Net) repayment of financial liabilities	-1,054	-1,874	-3,909	**-6,837**
Non-cash change	(Net) effects from first-time consolidation	0	0	0	**0**
	Remeasurement of earn-outs	0	0	0	**0**
	Remeasurement of call options	0	-1,345	0	**-1,345**
	Net additions of lease liabilities	0	0	7,155	**7,155**
	Other measurement	0	0	1,814	**1,814**
	Income to be transferred to fully consolidated companies	**0**	**312**	**0**	**312**
12/31/2019		**3,059**	**11,820**	**27,263**	**42,142**
	Overall change	-1,054	-2,907	5,060	**1,099**

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 a quarter of its sales outside Germany, so exchange rate fluctuation between sterling/the US dollar/the Polish zloty and the euro can have a positive or negative impact on securities and liabilities denominated in these currencies, and on sales and annual net income, in the event of deviation from the rate used for planning purposes. The assets and liabilities of the foreign operating companies are translated into the reporting currency at the balance sheet date and are therefore subject to translation risk. No hedging of currency risk currently takes place in the SYZYGY GROUP. In terms of operations, the Group companies conduct their activities predominantly in their respective functional currency. 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 the Group’s 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:

Most securities, cash and cash equivalents, receivables and accounts payable are directly denominated in euros, the functional currency of SYZYGY AG.

Unlike at the balance sheet date, SYZYGY's portfolio in the previous year also included bonds issued in US dollars. If the US dollar had lost 10 per cent of its value against the euro, SYZYGY would not have had to bear any currency losses when selling these bonds or re-assessing their market value (previous year: kEUR 98).

Lastly, SYZYGY regularly receives profit distributions in non-EUR currency from its foreign subsidiaries. These distributions are exchanged into euro when received.

6.3.2 Interest risk

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

Sensitivity analyses regarding interest rate changes must be presented in accordance with IFRS 7. Since SYZYGY classifies securities as FVTOCI as per IFRS 9, interest rate changes have no immediate impact on the Group's earnings. Unrealised gains and losses are recognised in other comprehensive income and carried in equity under "Other comprehensive income".

As at the balance sheet date, EUR 0.2 million (previous year: EUR 3.6 million) was invested in a securities portfolio with a duration of around 3.9 years (previous year: 5.3 years). An interest rate change of 100 basis points with regard to these investments would result in a change in the fair value of the portfolio of around 3.9 per cent (previous year: 5.3 per cent). This would lead to a change in the fair value of around kEUR 6 (previous year: kEUR 193). 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

Securities

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– (i.e. investment grade) 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 at the reporting date, SYZYGY only held bonds with a minimum rating of B+. As a matter of policy, exposure to a single issuer is limited to a maximum nominal value of EUR 2.0 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. Given that the duration of the securities portfolio is 3.9 years (previous year: 5.3 years), if average credit spreads widen by 100 basis points the portfolio's value would fall by 3.9 per cent (previous year: 5.3 per cent). This would lead to a change in fair value of around kEUR 6 (previous year: kEUR 193) at SYZYGY.

The probabilities of default for a 12-month period are based on historical information provided by rating agency Standard & Poor's for each credit rating.

The maximum default risk for securities is limited by their acquisition costs.

The default risk for FVTOCI bonds as at the reporting date, by currency, is as follows:

In kEUR	2020	2019
EUR	153	2,664
USD	–	978
Total	**153**	**3,642**

The change in value adjustments for FVTOCI bonds during the year was as follows:

In kEUR	2020	2019
As at January 1 as per IFRS 9	**14**	**53**
Net remeasurement of value adjustments	-13	-39
As at December 31	**1**	**14**

Accounts receivable

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 generally does 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.

The default risk of accounts receivable is shown in the following table:

The Group uses a value adjustment matrix to measure expected credit losses on accounts receivable from the majority of clients because they comprise a very large number of small balances. The loss rates are calculated using the rolling rate method. This is based on the probability that a receivable will progress through successive stages as payment is delayed. Rolling rates are calculated separately for defaults in different segments, based on the following general credit attributes.

In kEUR	Germany	United Kingdom	Other segments	Central functions	Total
12/31/2020	9,175	2,626	1,472	14	**13,287**
12/31/2019	12,242	2,962	1,491	8	**16,703**

The following table provides information on the estimated default risk for accounts receivable as at December 31, 2020, and as at the same date in the previous year:

Accounts receivable as at **December 31, 2020**	Loss rate	Gross carrying value	Value adjustment	Impaired creditworthiness
Not due	0%	9,424	0	No
0–30 days	0%	2,961	0	No
31–60 days	0%	253	0	No
61–90 days	0%	295	0	No
91–120 days	2%	148	3	No
121–180 days	5%	220	11	No
181 days – 1 year	10%	–	0	No
More than a year	50%	–	0	No
Total		**13,301**	**14**	

Accounts receivable as at December 31, 2019	Loss rate	Gross carrying value	Value adjustment	Impaired creditworthiness
Not due	0%	10,804	0	No
0–30 days	0%	4,038	0	No
31–60 days	0%	1,045	0	No
61–90 days	0%	74	0	No
91–120 days	2%	427	8	No
121–180 days	5%	114	6	No
181 days – 1 year	10%	137	14	No
More than a year	50%	184	92	No
Total		**16,823**	**120**	

The changes in the value adjustments relating to accounts receivable and contract assets were as follows:

In kEUR	**2020**		2019	
	Individual value adjustments		Individual value adjustments	
As at: January 1	**120**	**135**	**38**	**129**
Net remeasurement of value adjustments	-106	243	82	6
As at: December 31	**14**	**378**	**120**	**135**

6.3.4 Derivative financial instruments

As in the previous year, SYZYGY did not use derivative financial instruments for risk diversification and portfolio structuring in the 2020 financial year.

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 a high equity ratio, since this strengthens the competitiveness of a service provider such as SYZYGY. Due to first-time application of IFRS 16 starting from the 2019 reporting year and a resulting increase in total assets of more than EUR 20 million, SYZYGY will no longer be able to meet the former target of 60-80 per cent in future. Accordingly, it has set a new target of 40-60 per cent.

A further capital management objective over the medium term is to raise the return on equity to over 10 per cent. In order to achieve these objectives, SYZYGY is seeking organic and inorganic growth together with an increase in profitability.

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

In kEUR	**2020**	2019
Equity according to the balance sheet	53,587	52,943
Debt capital	59,025	66,520
Total capital	112,612	119,463
Equity ratio	48 %	44 %
Net income for the period	2,083	3,540
Return on equity	4 %	7 %

At the end of the financial year, SYZYGY only has liabilities to banks in the amount of kEUR 5,010 (previous year: kEUR 3,058); debt capital primarily comprises lease liabilities, accounts payable, future obligations arising from the acquisition of companies and tax liabilities.

6.3.6 Liquidity risk

SYZYGY has implemented a liquidity management system. In order to provide financial flexibility and ensure solvency at all times, SYZYGY holds a liquidity reserve in the form of cash and securities that can be converted into cash at any time.

6.4 Contingent liabilities

As at the balance sheet date, the Group's contingent liabilities requiring disclosure amounted to kEUR 1,012 (previous year: kEUR 1,096) arising from the provision of rent guarantees for rental space in Bad Homburg v.d.H., Frankfurt, Hamburg and Munich. The risk of a claim being made in relation to the guarantees depends on the ability of the companies occupying the rental space to service the obligations resulting from the tenancy and their business operations. At present there are no indications that the subsidiaries will be unable to comply with their agreements. SYZYGY has agreed an indefinite guarantee loan of kEUR 1,012 (previous year: kEUR 1,096) with a financial institution, for which annual commission of 0.5 per cent is charged.

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:

In kEUR	**12/31/2020**	12/31/2019
Within 1 year	42	33
1–5 years	72	4
More than 5 years	0	0
Total	**114**	**37**

Total expenses for rent in 2020 amounted to kEUR 4,590 (prior year: kEUR 4,416). Income of kEUR 1,072 was obtained from subletting in 2020 (previous year: kEUR 910).

A total of kEUR 42 (previous year: kEUR 423) was recognised directly as an expense in 2020 for lease obligations that were treated off-balance sheet. kEUR 0 (previous year: kEUR 357) was attributable to expenses for short-term lease liabilities (exception < 1 month) and kEUR 42 (prior year: kEUR 66) to expenses for low-value leased assets.

6.6 Recognised financial assets and liabilities by measurement level

The following table shows financial assets and liabilities recognised at fair value, broken down by measurement level. The measurement levels are defined as follows:

Level 1:
Financial instruments traded on active markets, whose quoted prices were adopted without change for measurement purposes.

Level 2:
Measurement is carried out on the basis of the relevant procedures, using factors that are derived directly or indirectly from observable market data.

Level 3:
Measurement is carried out on the basis of the relevant procedures, using factors that are not based exclusively on observable market data.

Securities are measured on the basis of observable quotation of the individual bonds. The valuation of contingent purchase price commitments is based on earnings forecasts for subsidiary diffferent over the relevant period. These commitments are valued in accordance with the purchase agreements, using the respective EBIT multiples for the periods prior to exercise of the option or forward contract. If the future cash flows of the subsidiary for which SYZYGY recognises a contingent purchase price obligation increase by 10 per cent, the liability resulting from the purchase price obligation also increases by 10 per cent or kEUR 717 (previous year: kEUR 1,129).

The following table shows the Group’s other financial assets and liabilities. It does not include any information on the fair value of the financial assets and liabilities that were not measured at fair value, since in all cases the carrying value is a reasonable approximation to fair value.

Fair value of financial assets and liabilities that are regularly measured at fair value:

12/31/2020 (in kEUR)	Level 1	Level 2	Level 3	Total
Securities	153	–	–	153
Total financial assets	**153**	**–**	**–**	**153**
Conditional purchase price commitment	–	–	7,174	7,174
Total financial liabilities	**–**	**–**	**7,174**	**7,174**

12/31/2019 (in kEUR)	Level 1	Level 2	Level 3	Total
Securities	3,642	–	–	3,642
Total financial assets	**3,642**	**–**	**–**	**3,642**
Conditional purchase price commitment	–	–	11,285	11,285
Total financial liabilities	**–**	**–**	**11,285**	**11,285**

Fair value of financial assets and liabilities that are not measured at fair value, but for which the fair value must be stated:

In kEUR	**2020**		2019	
Financial assets and liabilities that are not measured at fair value	Accounts receivable at amortised costs	Liabilities at amortised costs	Accounts receivable at amortised costs	Liabilities at amortised costs
Other non-current assets	364		274	
Cash and cash equivalents	5,631		944	
Accounts receivable and contract assets	15,229		19,709	
Interest receivables in other current assets	0		49	
Liabilities resulting from leases		25,921		27,250
Accounts payable		8,000		9,007
Loans to banks		5,010		3,058
Total	**21,224**	**38,931**	**20,976**	**39,315**

6.7 Statement of controlled investments of SYZYGY AG

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

	Share	Equity	Net income
	%	kEUR	kEUR
Ars Thanea S.A., Warsaw, Poland	80	948	120
diffferent GmbH, Berlin, Germany	78	2,419	181
SYZYGY Performance Marketing GmbH, Bad Homburg v.d.H., Germany	100	-1,659	-438
SYZYGY Deutschland GmbH, Bad Homburg v.d.H., Germany [2]	100	96	-107
SYZYGY Digital Marketing Inc., New York City, USA	100	-371	-671
SYZYGY Media GmbH, Hamburg, Germany [3]	100	3	-15
SYZYGY Performance GmbH, Munich, Germany	100	545	172
SYZYGY UK Ltd., London, UK [1]	100	80	-41
Unique Digital Marketing Ltd., London, UK [1]	100	1,606	-258

1 – Unique Digital Marketing Ltd. holds 100 per cent of the shares in SYZYGY UK Ltd., which operates in the UK. SYZYGY UK Ltd. is thus an indirect holding.
2 – There is a controlling and profit and loss transfer agreement in place between SYZYGY Deutschland GmbH and SYZYGY AG in favour of SYZYGY AG.
3 – There is a profit and loss transfer agreement in place between SYZYGY Media GmbH and SYZYGY AG in favour of SYZYGY AG.

6.8 Auditor’s fee

The auditor, BDO AG Wirtschaftsprüfungsgesellschaft, charged a total fee, including outlay, of kEUR 145 (previous year: kEUR 143) for auditing services relating to the consolidated financial statements and the financial statements of the parent company. As in the previous year, no other assurance services or non-audit services were provided by BDO AG Wirtschaftsprüfungsgesellschaft.

6.9 Information on associated companies and persons

The associated persons include the boards of SYZYGY AG and companies on which SYZYGY can exert a material influence. SYZYGY AG has been a controlled and fully consolidated company of WPP plc, St. Helier, Jersey, since November 2015, after the WPP Group increased its shareholding in SYZYGY AG from just under 30 per cent to over 50 per cent in the course of a voluntary takeover offer. As a result, all companies in the WPP Group are likewise qualified as associated persons and companies.

Balances and business transactions between SYZYGY AG and its subsidiaries that are associated companies and persons were eliminated in the course of consolidation and will not be discussed any further. Details of transactions between the Group and other associated companies and persons are disclosed below. As a matter of policy, all transactions with associated companies and persons are concluded at normal market terms and conditions.

In 2020, SYZYGY generated sales of kEUR 2,045 (previous year: kEUR 1,283) with the WPP Group for client projects. Of this amount, receivables of kEUR 723 (previous year: kEUR 349) were still outstanding as at the reporting date. During the financial year, SYZYGY also made use of administrative and operational services provided by the WPP Group with a value of kEUR 95 (previous year: kEUR 31). Liabilities of kEUR 0 were outstanding as at the reporting date (previous year: kEUR 0).

With the exception of remuneration for members of the Management Board and their transactions with SYZYGY shares (see section 6.12.1 and 6.13) and compensation for the Supervisory Board and their transactions with SYZYGY shares (see section 6.12.2 and 6.13), no transactions that were not included in the consolidated financial statements were carried out with associated parties in 2020 and 2019. In the 2020 financial year, SYZYGY recorded rental expenses of kEUR 0, which were invoiced by the Chairman of the Supervisory Board in the previous year in the amount of kEUR 6 and settled in full by SYZYGY.

6.10 Exemption according to Article 264 Section 3 of the Handelsgesetzbuch (HGB – German Commercial Code)

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

6.11 Events after the balance sheet date

No material events occurred that could have a material impact on the Group's net assets, financial position and results of operations.

6.12 Parent company boards

6.12.1 Management Board

Franziska von Lewinski, Hamburg
CEO (Chair of the Management Board)
since January 1, 2021

Lars Lehne, Hamburg
CEO (Chair of the Management Board)
until March 31, 2020
Managing Director, SYZYGY Performance Marketing GmbH, Bad Homburg v.d.H.
until May 11, 2020

Frank Ladner, Heusenstamm
CTO (Member of the Management Board)
Managing Director, SYZYGY Deutschland GmbH, Bad Homburg v.d.H.
Member of the Supervisory Board, Ars Thanea S.A., Warsaw, Poland

Erwin Greiner, Bad Nauheim
CFO (Member of the Management Board)
Managing Director, diffferent GmbH, Berlin
Managing Director, SYZYGY Media GmbH, Hamburg
Managing Director, SYZYGY Performance GmbH, Munich
Managing Director, SYZYGY Performance Marketing GmbH, Bad Homburg v.d.H.
Director, Unique Digital Marketing Ltd., London, United Kingdom
Director, SYZYGY UK Ltd., London, United Kingdom
Director, SYZYGY Digital Marketing Inc., New York, USA
Member of the Supervisory Board, Ars Thanea S.A., Warsaw, Poland

In the 2020 financial year, total remuneration of the Management Board amounted to kEUR 798 (previous year: kEUR 1,106). Lars Lehne received a basic salary of kEUR 75 (previous year: kEUR 300), fringe benefits of kEUR 4 (previous year: kEUR 14), pension and welfare benefits of kEUR 0 (previous year: kEUR 21) and a variable salary of kEUR 0 (previous year: kEUR 99). In addition, Lars Lehne received kEUR 92 as compensation for non-competition.

Frank Ladner received a basic salary of kEUR 220 (previous year: kEUR 220), fringe benefits of kEUR 12 (previous year: kEUR 12), pension and welfare benefits of kEUR 16 (previous year: kEUR 16) and a variable salary of kEUR 44 (previous year: kEUR 60). Erwin Greiner received a basic salary of kEUR 210 (previous year: kEUR 210), fringe benefits of kEUR 12 (previous year: kEUR 12), pension and welfare benefits of kEUR 16 (previous year: kEUR 16) and a variable salary of kEUR 42 (previous year: kEUR 49).

The pension and welfare expenses relate to payments for health, accident and pension insurance.

Frank Ladner received a cash payment from the 2013 stock option programme in the amount of kEUR 55 (previous year: kEUR 4 as a dividend) in the past financial year. As at the balance sheet date, there were no commitments to the stock programme for members of the Management Board.

A phantom stock programme was also launched in 2015. Under this arrangement the eligible employee receives the difference between the share price on the date of granting and the share price on exercise of the phantom stocks as a special payment. 40 per cent of the phantom stocks granted (Tranche 1) are not exercisable until at least 2 years have elapsed and will lapse after 3 years at the latest, while 60 per cent of the phantom stocks granted (Tranche 2) are not exercisable until at least 3 years have elapsed and will lapse after 4 years at the latest. The maximum price increase is limited to 60 per cent for Tranche 1 and to 90 per cent in the case of Tranche 2.

On April 1, 2016, former Chairman of the Management Board Lars Lehne received a total of 240,000 phantom stocks with an exercise price of EUR 9.13, of which 144,000 are still outstanding. Similarly, on January 16, 2018, Frank Ladner was allocated 55,000 phantom stocks with a term beginning on December 29, 2017 at an exercise price of EUR 11.27; on February 6, 2018, Erwin Greiner was allocated 80,000 phantom stocks with a term beginning on December 29, 2017 at an exercise price of EUR 11.25. Of that total of 135,000 phantom stocks, 54,000 expired in the financial year. In the previous year, Lars Lehne exercised 96,000 phantom stocks.

The benefits granted in the financial year are shown in the table below:

	Lars Lehne, CEO			
	2020	2019	2020 Minimum	2020 Maximum
Benefits granted	kEUR	kEUR	kEUR	kEUR
Fixed remuneration	75	300	75	75
Fringe benefits	4	14	4	4
Total	**79**	**314**	**79**	**79**
One-year variable remuneration	25	99	0	25
Multi-year variable remuneration				
Phantom stock programme	0	0	0	0
Total	**25**	**99**	**0**	**25**
Pension benefits	0	21	0	0
Total remuneration	**104**	**434**	**79**	**104**

	Erwin Greiner, CFO			
	2020	2019	2020 Minimum	2020 Maximum
Benefits granted	kEUR	kEUR	kEUR	kEUR
Fixed remuneration	210	210	210	210
Fringe benefits	12	12	12	12
Total	**222**	**222**	**222**	**222**
One-year variable remuneration	63	63	0	63
Multi-year variable remuneration				
Phantom stock programme	0	0	0	0
Total	**63**	**63**	**0**	**63**
Pension benefits	16	16	16	16
Total remuneration	**301**	**301**	**238**	**301**

	Frank Ladner, CTO			
	2020	2019	2020 Minimum	2020 Maximum
Benefits granted	kEUR	kEUR	kEUR	kEUR
Fixed remuneration	220	220	220	220
Fringe benefits	12	12	12	12
Total	**232**	**232**	**232**	**232**
One-year variable remuneration	66	66	0	66
Multi-year variable remuneration				
Phantom stock programme	0	0	0	0
Total	**66**	**66**	**0**	**66**
Pension benefits	16	16	16	16
Total remuneration	**314**	**314**	**248**	**314**

6.12.2 Supervisory Board

Wilfried Beeck
Supervisory Board Chairman
CEO, ePages Software GmbH, Hamburg

Andrew Payne
Member of the Supervisory Board
Group Associates Controller, WPP 2005 Ltd., London, United Kingdom

Dominic Grainger
Member of the Supervisory Board
CEO, WPP Specialist Communication, London
CEO, WPP Sports Practice, London

The Supervisory Board members are entitled to total remuneration of kEUR 60 for their work in the 2020 financial year. This comprises fixed remuneration of kEUR 20 each (previous year: kEUR 20). As in the previous year, the Supervisory Board members did not receive any variable remuneration. In October 2020, Supervisory Board members Dominic Grainger and Andrew Payne waived their remuneration for the 2019 financial year. As a result, only a payment of kEUR 20 was made to Wilfried Beeck in 2020.

6.13 Directors' dealings

Management Board: Shares (Number of shares)	Lars Lehne	Frank Ladner	Erwin Greiner	Total
As at: December 31, 2019	10,000	0	0	10,000
Purchases	0	0	0	0
Sales	0	0	0	0
As at: 31 December 2020	**10,000**	**0**	**0**	**10,000**

Management Board: Phantom stocks (Number of shares)	Lars Lehne	Frank Ladner	Erwin Greiner	Total
As at: December 31, 2019	144,000	55,000	80,000	279,000
Additions	0	0	0	0
Disposals	0	-22,000	-32,000	-54,000
As at: 31 December 2020	**144,000**	**33,000**	**48,000**	**225,000**

Management Board: Shares (Number of shares)	Lars Lehne	Frank Ladner	Erwin Greiner	Total
As at: December 31, 2018	10,000	0	0	10,000
Purchases	0	0	0	0
Sales	0	0	0	0
As at: December 31, 2019	**10,000**	**0**	**0**	**10,000**

Management Board: Phantom stocks (Number of shares)	Lars Lehne	Frank Ladner	Erwin Greiner	Total
As at: December 31, 2018	240,000	55,000	80,000	375,000
Additions	0	0	0	0
Disposals	-96,000	0	0	-96,000
As at: December 31, 2019	**144,000**	**55,000**	**80,000**	**279,000**

Supervirsory Board: Shares (Number of shares)	Wilfried Beeck	Dominic Grainger	Andrew Payne	Total
As at: December 31, 2019	10,000	0	0	10,000
Purchases	5,000	0	0	5,000
Sales	0	0	0	0
As at: 31 December 2020	**15,000**	**0**	**0**	**15,000**

Supervisory Board: Shares (Number of shares)	Wilfried Beeck	Dominic Grainger	Andrew Payne	Rupert Day	Total
As at: December 31, 2018	10,000	0	0	0	10,000
Purchases	0	0	0	0	0
Sales	0	0	0	0	0
As at: December 31, 2019	**10,000**	**0**	**0**	**0**	**10,000**

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

6.14 Disclosures in accordance with Article 160 Section 1 No. 8 of the Aktiengesetz (AktG – German Public Companies Act)

In 2020 there were no notifications in accordance with Article 160 Section 1 No. 8 of the Aktiengesetz (AktG – German Public Companies Act).

6.15 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 October 22, 2020 and is available to all shareholders on the Group's website (https://ir.syzygy.net/global/de/investor-relations/corporate-governance/2020).

6.16 Date of authorisation for publication

The Management Board adopted and approved the consolidated financial statements for publication on March 26, 2021.

Responsibility statement by the legal representatives

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

Bad Homburg v.d.H., March 26, 2021
SYZYGY AG

The Management Board

Franziska von Lewinski (CEO)

Frank Ladner (CTO)

Erwin Greiner (CFO)

Independent auditors' report*

Report on the audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the consolidated financial statements of SYZYGY AG, Bad Homburg v. d. Höhe and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the comprehensive income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1, 2020 to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the group management report of SYZYGY AG for the financial year from January 1, 2020 to December 31, 2020. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the chapter "other information".

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2020, and of its financial performance for the financial year from January 1, 2020 to December 31, 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those parts of the group management report listed in the chapter "other information".

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

* This is a convenience translation of the German original. Solely the original text in German language is authoritative.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, 2020 to December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

We identified the following matter as key audit matter:

- Impairment of Goodwill

Impairment of goodwill

Facts and circumstances

In the consolidated financial statement of SYZYGY AG, under the balance sheet item „Non-Current Assets", goodwill at an amount of EUR 57,3 million is reported, representing 50,9 per cent of consolidated total assets. The goodwill was assigned to cash-generating units.

Cash-generating units with goodwill are subject to impairment tests by the company at least once a year as well as to an additional impairment test if there are any indications of an impairment. The valuation is thereby undertaken by means of a valuation model, using the discounted cash flow method. If the carrying amount of a cash-generating unit is higher than its recoverable amount, the carrying amount is written down to the recoverable amount.

Assessing the recoverability of goodwill is complex and requires that the executive directors make numerous estimates and use significant judgment, especially with regard to the amount of future cash flows, a sustainable growth rate for cash flows expected for a forecast beyond the detailed budget period, and the discount rate to be used. This is a key audit matter due to the significance of the goodwill balance in the consolidated financial statements of SYZYGY AG and because of considerable uncertainties associated with such a measurement.

The disclosures made by SYZYGY AG on goodwill are contained in sections 2.1 and 3.1, as well as in 3.2 on pages 108-109, 116-118 and 119-120 of the notes to the consolidated financial statements.

Audit response

In the context of our audit we evaluated the appropriateness of the material assumptions and judgement-related parameters, as well as the method of calculation of the impairment test, also involving our valuation specialists. We gained an understanding of the planning system and planning processes of the executive directors as well as of the significant assumptions used by them. We reconciled the prognosis on future cash flows in the detailed planning period with the business planning prepared by the executive directors and approved by the supervisory board and determined reasonableness of the company's historical forecasting accuracy by means of an analysis of budget-to-actual variances in the past and for the financial year 2020. We examined the underlying budget assumptions and growth rates assumed for the expected cash flows beyond the detailed budget period by comparing past developments considering industry-specific market expectations and the company specific situation. Furthermore, we critically analysed the discount rates used on the basis of the average costs of capital of a peer group. Our audit also encompassed sensitivity analyses made by SYZYGY AG. Regarding the effects of possible changes in costs of capital and the growth rates assumed, we additionally performed our own sensitivity analyses.

Other Information

The executive directors are responsible for the other information. The other information comprises:

- the non-financial statement included in section 11. of the group management report,
- the statement on corporate governance included in section 10. of the group management report and
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and group management report and our auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express

opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Assurance in Accordance with § 317 ABS. 3b HGB on the electronic reproduction of the Consolidated Financial Statements and the Management Report prepared for publication purposes

Reasonable Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file [SYZYGY_KA20_ESEF.zip: 9b6b6b77ebd6406ba87e48b775ab5f4ecd 8f052736c94a39b3de865f1d0c7b7d] and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1, 2020 to December 31, 2020 contained in the „AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND ON THE GROUP MANAGEMENT REPORT" above.

Basis for the Reasonable Assurance Opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Group Management Reports Prepared for Publication Purposes (ED IDW AS 410). Accordingly, our responsibilities are further described below in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 sentence 4 no. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the Federal Gazette.

The supervisory board is responsible for overseeing the preparation of ESEF documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Work on the ESEF documents

Our objective is to obtain reasonable assurance that the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of § 328 Abs. 1 HGB. We exercise professional judgment and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of § 328 Abs. 1 HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinions.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documentation meets

the require-ments of the Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file applicable at the reporting date.
- Evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML formatted information.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the consolidated general meeting on October 27, 2020. We were engaged by the supervisory board on January 19, 2021. We have been the group auditor of the SYZYGY AG without interruption since the financial year 2004.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Andreas Dirks.

Frankfurt am Main, March 26, 2021
BDO AG
Wirtschaftsprüfungsgesellschaft

Gebhardt	Dirks
German Public Auditor	German Public Auditor

Financial calendar
2021
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3-Month-Report
as per March, 31
(english version: 05/07)

04/30

Half-Year-Report
as per June, 30
(english version: 08/04)

07/28

9-Month-Report
as per September, 30
(english version: 11/03)

10/27

General Annual
Meeting 2021
(virtually)

05/28

German Equity Forum
(virtually)

11/22-24

MKK – Munich Capital Market
Conference, Munich

12/08-09

All dates are subjects to change.
For current information, see **ir.syzygy.net**

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Impress
/

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