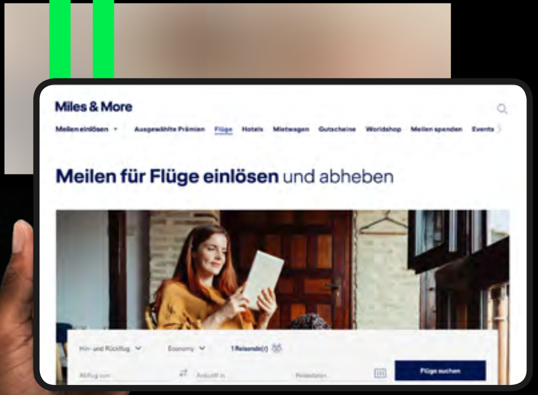
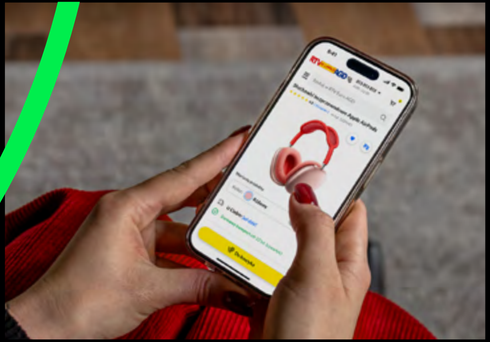
SYZYGY GROUP

Annual Report

2023





Content

3 Key figures

6 Letter from the Management Board

12 The SYZYGY GROUP

17 Our Values

- 18 Responsibility
- 23 Togetherness
- 26 Innovation

32 Cases

- 33 Miles & More
- 36 RTV EURO AGD
- 38 d&b audiotechnik
- 40 Mumm

42 The Stock

46 Report of the Supervisory Board

54 Financial Information 2023

55 Group Management Report

102 Financial figures

106 Notes

167 Independent Auditors' Report

174 Responsibility Statement by the legal Representatives

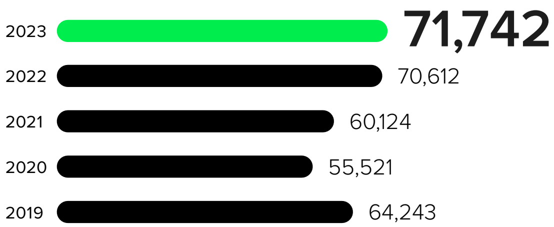
175 Corporate Governance Report

182 Remuneration Report

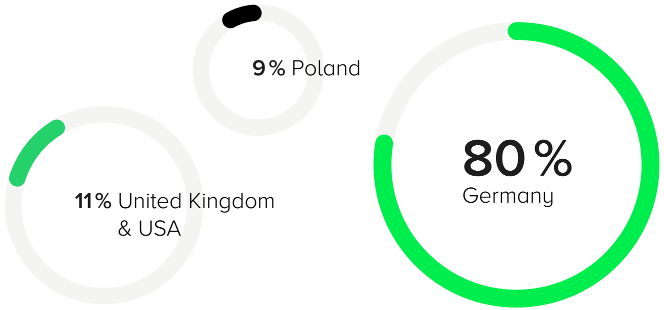
193 Financial calendar 2024 / Contact

SYZYGY / Frankfurt

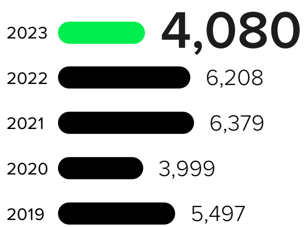
Key financial **figures**



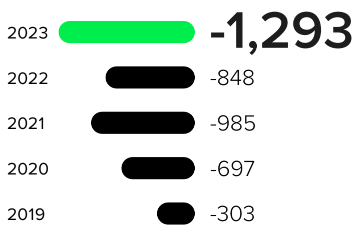
Development of sales (in kEUR)



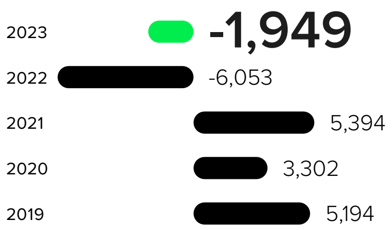
Sales by segments



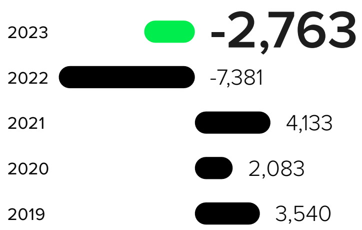
Operating income before goodwill write-downs (in kEUR)



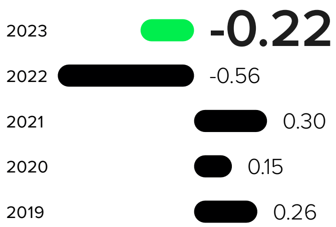
Financial income (in kEUR)



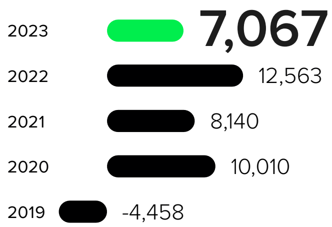
Income before taxes (in kEUR)



Net income (in kEUR)

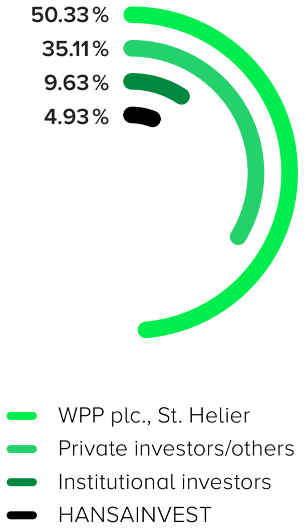


Earnings per share
undiluted (in EUR)

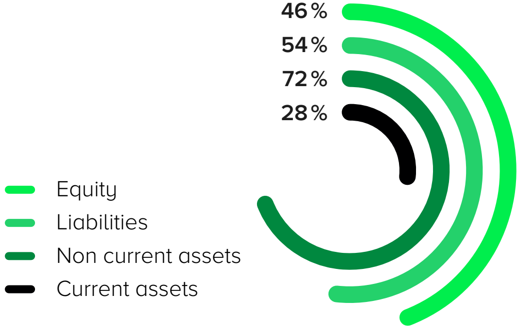


Operating cash flow (in kEUR)

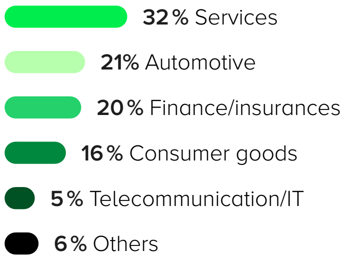
“Despite all the challenges, **we achieved a new sales record of EUR 71.7 million** with a sales increase of 2 per cent.”



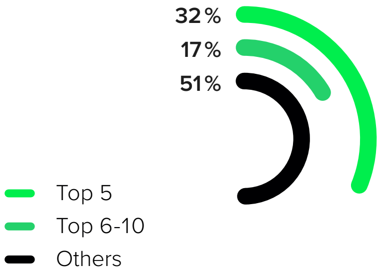
Shareholder structure



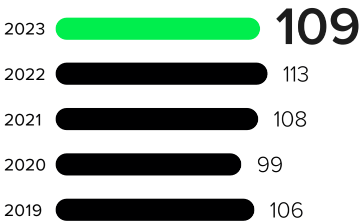
Balance sheet structure



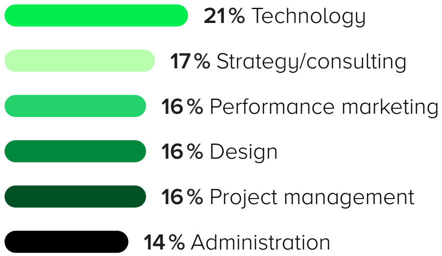
Sales allocation by vertical markets



Sales by clients volume



Sales by employee (in kEUR)



Employees by function

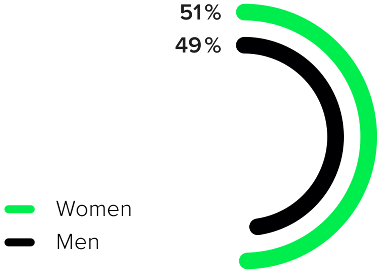
Key sustainability **figures**

“Sustainable business is not just about cutting costs, but also about **creating value and ensuring long-term success.**”

-29% **Reduction of the CO_2 emissions** in Scope 3

Scope 1+2 by employees (in t CO_2e)

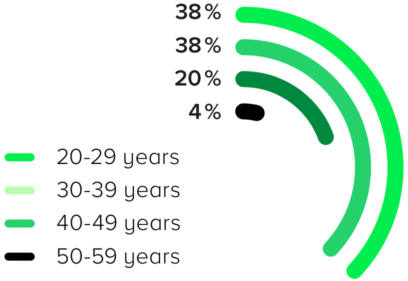
Electricity from **renewable energies** in all offices **100%**



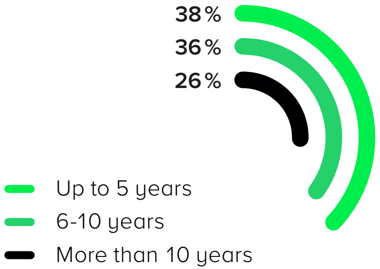
Employees by gender

Female employees in management positions **35%**

100% Access of all Employees to the **Employee Assistance Programme (EAP)**



Employees by age



Client relationships

Letter from the **Management Board**

“The quality of the customer relationship and therefore brand and corporate success are **hugely influenced by a positive digital experience.**”

Dear shareholders, dear colleagues,
dear friends of the SYZYGY GROUP,

A positive digital experience has a crucial impact on the quality of the customer relationship, making it vital for brands and corporate success. Positive digital experiences exceed expectations: they focus on user needs while delivering a seamless and compelling experience.

They create added value, convenience and satisfaction – and strengthen a company’s market position. As one of the leading consultancy and implementation partners for digital experiences, we have been supporting and assisting our clients in meeting these challenges for more than 28 years.

Management Board of the SYZYGY GROUP

Business performance

2023 was marked by a generally weak economic environment, culminating in a recession. This led to many of our clients becoming reluctant to invest and applying budget cuts, resulting in a significant decline in sales, particularly at strategy consultancy diffferent and our UK company. We did, however, continue to see momentum and significant growth in the development and operation of digital platforms and in our technology services.


SYZYGY / Frankfurt

Sales
in 2023 (in Euro)

Mio.
71,7

This meant that despite all the challenges, we posted a new all-time sales high of EUR 71.7 million in 2023, representing a year-on-year rise of 2 per cent. The company generated operating income of EUR 5.3 million before goodwill write-downs and restructuring costs, corresponding to an operating EBIT margin of around 7 per cent.

Although we are again able to report record sales, in mid-year we had to adjust our forecast for the full year to reflect the latest business performance.

A major reason for this was that our strategy consultancy did not perform as planned, due to the recessionary market environment and a change in client demand. As a result, we introduced restructuring measures following a thorough review and planning process, which led to additional costs totalling EUR 1.2 million. Positioning was tightened and the service portfolio realigned.

The cost structure was also adapted in line with the latest performance figures, while efficiency was boosted through organisational changes. A goodwill write-down of EUR 4.7 million was required as part of this programme. The SYZYGY GROUP's operational viability and cash flow are unaffected by this write-down. The restructuring measures were completed in 2023 and we believe that diffferent is now well positioned for the future.

Our core SYZYGY brand and technology specialist SYZYGY Techsolutions again performed very strongly, achieving high growth rates. Our performance marketing specialist SYZYGY Performance also held its own in a challenging market environment.

We were able to partly compensate for the situation at diffferent, with the result that the Germany region generated overall sales growth of 4 per cent to reach EUR 57.4 million, with operating profitability coming in at 10 per cent. The core German market thus proved to be stable overall and now accounts for 80 per cent of total sales.

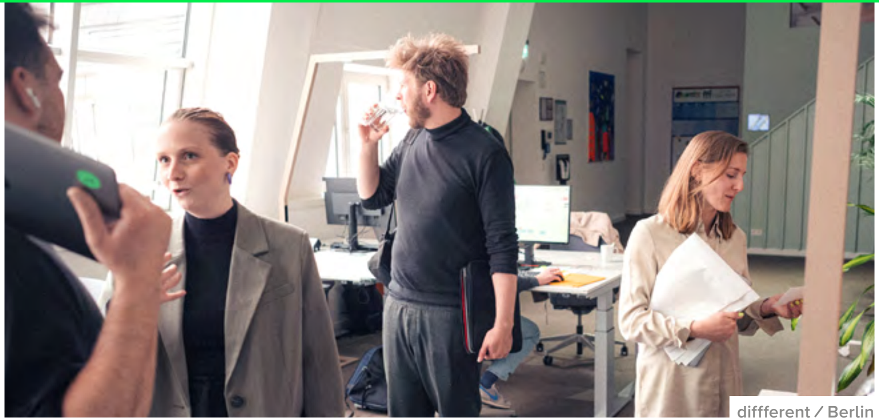
10%

operated EBIT margin in core market Germany

9%

Operating EBIT margin in the United Kingdom & USA

In the UK and US, we posted a 16 per cent drop in sales to EUR 8.4 million, due to a reluctance on the part of some existing clients to invest. We took early action to cut costs in response, focusing on rental space and overheads. This enabled an EBIT margin of 10 per cent to be achieved.



diffferent / Berlin

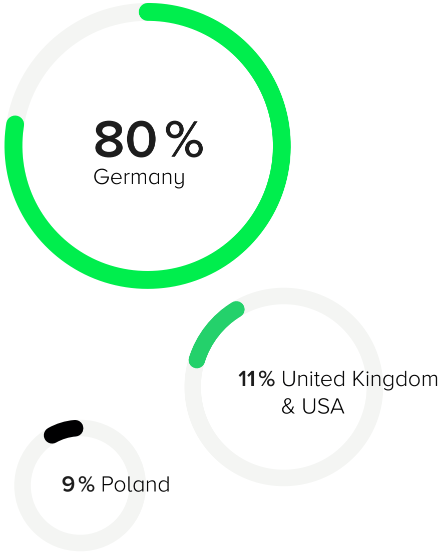
Looking ahead to 2024, we have introduced additional cost-cutting measures due to a further budget cut by a major client. The size of the team has been aligned with future requirements and the staff moved into much cheaper office premises. These measures were also completed in 2023, so in this respect we believe we are likewise well positioned for the future.

The performance of our Polish specialist for creative production, Ars Thanea, and SYZYGY Poland remained stable overall. Sales were up 3 per cent to EUR 6.1 million year-on-year, with an EBIT margin of 16 per cent.

16%

Operating EBIT margin in Poland

We are committed to sharing business performance appropriately with you, dear shareholders, and at the same time maintaining the continuity of dividends. As a result, it was not easy for us to make the decision to suspend the dividend for one year. The Management Board and Supervisory Board have decided to recommend suspending the dividend payment for the 2023 financial year as a one-off measure at the Annual General Meeting, due to negative total net income and in order to strengthen the capital base and liquidity reserves. This move underlines our commitment to creating a solid financial basis for sustainable growth.



Sales by segments

Strategic decisions

We have taken a number of key strategic decisions with the aim of becoming more efficient and more focused. By doing so, we are creating a solid foundation for sustainable growth and the long-term success of the SYZYGY GROUP.

Developments in generative artificial intelligence in particular are having a major impact on our business. Generative AI, as a subset of AI, can produce new content. Instead of just analysing or classifying information, generative AI actually creates new content. Generative AI will change the SYZYGY GROUP's services and the way we provide those services.

SYZYGY Techsolutions / Bad Homburg

The most obvious impact will be productivity improvements. With the help of generative AI, it will be possible to automate work processes, e.g. in areas such as text creation, image processing and software development, where this has previously not been possible. In the medium and long term, generative AI will also change the digital experience itself, creating a wide range of opportunities for consulting, conceptualisation, implementation and operation of new and different digital experiences.

Our goal is to make the SYZYGY GROUP an industry pioneer in adopting these new technologies. To do this, we have already introduced appropriate tools throughout the Group and developed our own solutions. We have also drawn up corresponding guidelines and policies to ensure that this is done within a safe framework.

In addition, we have tightened and simplified the SYZYGY GROUP's positioning. We have brought together our extensive range of services for the design, development and operation of digital experiences in the central Digital Experience Services business area. This area offers a comprehensive portfolio for developing and implementing customer-centric end-to-end strategies, and represents the main focus of our proposition.

The Transformational Consulting Services offered by our strategy consultancy, diffferent, serve as a strategic extension. The aim here is to identify and unlock additional growth levers for clients around brand, sustainability, organisational design and innovation.

Lastly, we have discontinued the SYZYGY Extended Realities brand. Our virtual, mixed and augmented reality services will now be handled by our creative production specialist, Ars Thanea.

This new structure simplifies our offering, provides greater clarity and enhances the profile of each of the SYZYGY GROUP brands. It will facilitate the marketing of our services and access to our clients.

> **Sustainable corporate development** is the basis for long-term success.


SYZYGY GROUP / Bad Homburg

We are also acknowledging the fact that the two business areas target different audiences, thus requiring different routes to market. This reality can now be addressed more clearly and effectively, particularly through diffferent, our strategy consultancy.

Going forward, we will continue to extend our partnerships within the WPP network. British advertising holding company WPP is the main shareholder of the SYZYGY GROUP with a 50.3 per cent stake at present. As part of a modified strategy, WPP is currently creating structures to improve collaboration between the WPP companies in Germany. One of the steps taken is to appoint a Country Manager for the first time. The SYZYGY GROUP's integration into these structures could lead to potential sales opportunities.

For us, sustainable corporate development is the foundation for long-term success. That makes it essential to integrate corporate social responsibility into the company's overall strategy. Sustainable and partnership-based client relationships in particular and the retention of talented people within the company are key success factors that are embedded in our sustainability strategy. The SYZYGY GROUP attaches great importance to an attractive working environment in which our employees can learn new technologies and other skills, and apply them every day.

Another factor in our employees' job satisfaction is the high degree of flexibility in organising their work.

Former CEO Franziska von Lewinski opted not to renew her contract, which expired at the end of 2023. We, Frank Ladner and Erwin Greiner, are continuing our management board work and have accepted the offer to extend our contracts until the end of 2026. The Supervisory Board has already started the process of selecting a new CEO. There have been no other changes to the senior management team, thus ensuring continuity and stability in the running of the company. This gives us the ability to act effectively and drive forward the operational and strategic development of the SYZYGY GROUP.

Outlook

Having taken these strategic decisions and following completion of the restructuring programme, the SYZYGY GROUP is very well positioned for the current financial year.

Outlook 2024: sales at the previous year's level an EBIT margin of round

10%

Due to ongoing strong demand for our services in the digital experiences space, we expect to maintain our previous level of sales, despite the recession in Germany, while also achieving significantly improved profitability.

Based on the information available to date, we expect sales to be maintained at the prior-year level in the 2024 financial year, with an EBIT margin of around 10 per cent before goodwill write-downs.


Mangement Board / Frank Ladner (CTO) and Erwin Greiner (CFO)

Acknowledgements

We would like to thank all SYZYGY GROUP clients for the trust they have placed in us and you, dear shareholders, for your loyalty. Special thanks go to our around 600 employees, who show huge commitment every day and are actively involved in shaping the future of the SYZYGY GROUP, and to their families.

We would also like to thank the Supervisory Board for its effective, supportive and farsighted work. We want to express our special gratitude here to Andrew Payne for his many years of constructive involvement. Mr Payne began his well-deserved retirement in July 2023, for which we wish him all the best. At the same time, we welcome Shahid Sadiq as a new member of the Supervisory Board and look forward to working with him.

We wish you and all of us at the SYZYGY GROUP a successful 2024 and look forward to continuing our collaboration, partnership and shared journey.

Bad Homburg, March 2024

The Management Board

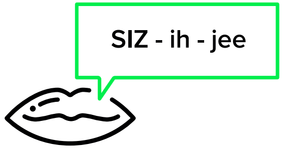
Frank Ladner (CTO)   Erwin Greiner (CFO)

We are the **SYZYGY GROUP**

/

One of the leading consultancy and implementation partners **for digital experiences.**

We believe that the quality of the digital experience now has a major impact on customer relationships, making it vital for brand and corporate success.



Pronunciation

SYZYGY / Poland

SYZYGY / Frankfurt

We create **positive digital experiences to boost business success**

How do we do that?
By putting people, their needs and expectations at the centre of our products.

A positive experience is one which exceeds expectations, creating memories and emotions that build and strengthen a long-lasting relationship between customer and brand. And strong relationships between customers and brands are the basis for business success.

Accordingly, our aim is very simple: to create positive digital experiences for our clients that not only meet expectations, but exceed them. Seamlessly interwoven experiences that focus on user needs and are fun.

What does digital experience mean to us?

Digital experience covers the sum of all digital touchpoints between users and companies. It heavily influences users' interaction with products, channels and services, and thus the digital perception of companies.

Digital Experience Services

With our core Digital Experience Services portfolio, **we offer a range of multi-disciplinary skills and capabilities** aimed at designing and executing customer-centric end-to-end digital strategies.

With our core Digital Experience Services portfolio, we offer a range of multi-disciplinary skills and capabilities aimed at designing and executing customer-centric end-to-end digital strategies.

These services are dedicated to the creation and management of a seamless and engaging digital experience across the entire customer value chain.

Core Services

Strategy & consulting

- Business performance & innovation
- Brand, Communication & Sales
- Insights & data
- Organisational governance

Platforms & applications

- Product design
- Development & integration
- Agile project control
- Inspect & consult

Content & campaigns

- Planning
- Creative & performance campaigns
- Content development
- Execution & steering

Content operations

- Content management
- Distribution management
- Consulting & optimisation
- Quality management

SYZYGY

Specialist Services

Performance marketing & media

- Digital media strategy
- Digital media (SEO, SEA, paid, display)
- Content & design
- Analytics
- Data insights

SYZYGY / PERFORMANCE

Enterprise technology

- Technology consulting
- Software engineering
- Managed services
- Corporate IT integration

SYZYGY / TECHSOLUTIONS

Creative production

- Design / animation
- Visuals
- Live action
- Branding
- Realtime

Ars Thanea

Core business area "Digital Experience Services"

Alongside the core business area, **Transformational Consulting Services** are a strategic extension of our product range.

Digital experience services

Trans-formational consulting services

Central business area and strategic extension

This business area enhances our portfolio and supports our clients in developing new potential for growth, while taking a leading role in a sustainable, resilient and future-oriented economy.

These services are designed to **identify and leverage additional growth through the interplay of brand evolution, organisational design, sustainability and innovation.**

Brand & transformation strategy

- Purpose, ambition & strategy
- Regenerative organisational designs, culture & leadership
- Future-proof business portfolios & brand architectures
- Inspiring positioning & exciting brand experiences

Sustainability transition

- Sustainability assessments for future-proof strategies
- Sustainability in corporate strategy
- Business models in the context of the circular economy
- Brand experiences for sustainability

Company innovation

- Corporate positioning for new market realities
- Differentiating business models & portfolio innovations
- Adaptable innovation management

diffferent

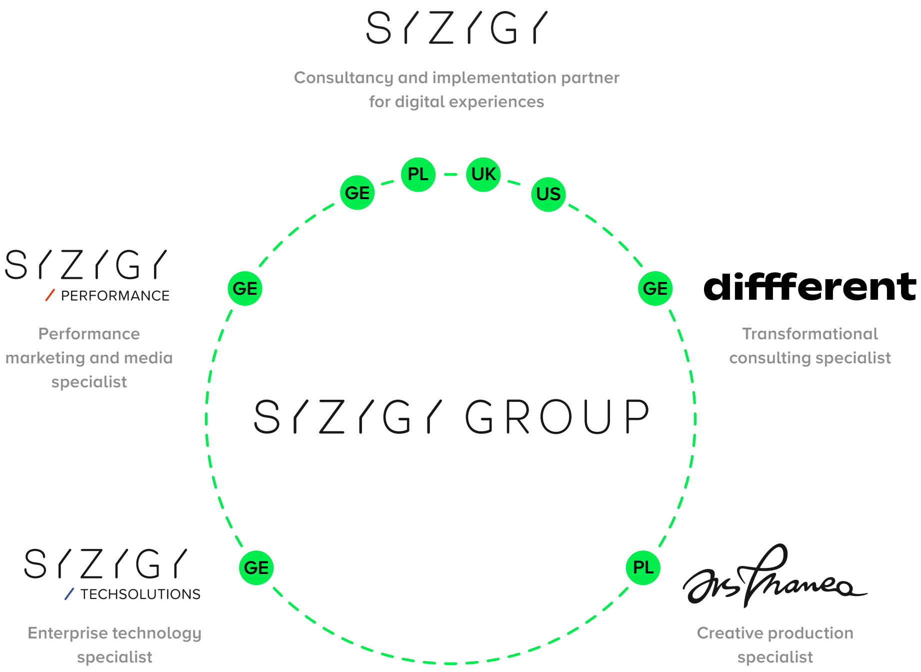
Transformational Consulting Services business area

Success is a team sport

Complex tasks require perfect collaboration between experts. That's why we work in **teams that are highly adaptable and tailored to the specific client need.**

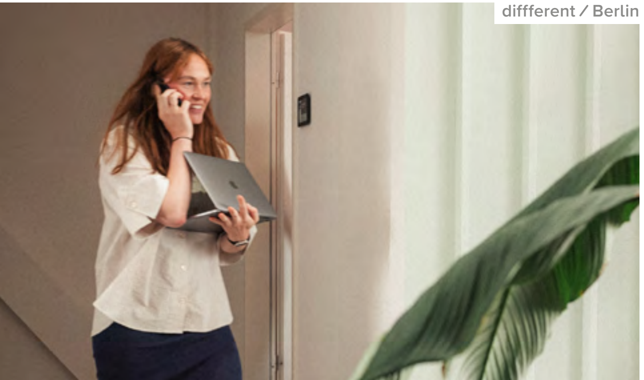
We integrate seamlessly into existing organisations, either taking the lead or performing individual tasks within an overall project.

Whatever the situation, we deliver highly integrated, end-to-end services from a single source.



SYZYGY GROUP – brands and specialists

syzygy-group.net/en/about



diffferent / Berlin

Together, we support prestigious brands such as:

- Allergan
- Audi
- BMW Motorrad
- Bosch
- Commerzbank
- Condor
- Consorsbank
- Continental
- Die Bundesregierung
- Eucerin
- Hilti
- HYMER
- Kyocera
- Lufthansa
- Mazda
- Miele
- Miles & More
- mobile.de
- O_2 Telefónica
- PayPal
- Porsche
- Sennheiser
- Volkswagen
- Wempe

Values for a **sustainable future** /

Three values that unite us

For us, values are a compass. They unite us across continents, departments and hierarchies.

Our values underpin our respectful behaviour towards each other and towards our clients, society, the climate and the environment.

We take responsibility and are committed to our three values of **responsibility, togetherness and innovation,** both within and beyond the company. We want to improve things, have the courage to explore new paths, create positive experiences and jointly drive forward innovative ideas for the future

> “Innovations come from **listening, mutual inspiration and the expertise of a team.**”

Frank Ladner (CTO, SYZYGY GROUP)

SYZYGY Performance / Hamburg & Munich

Responsibility

Our action areas, goals and activities are consistently focused on sustainable global development. We are guided by the UN's four Sustainable Development Goals (SDGs) of **Climate Action, Gender Equalitiy, Quality Education, and Decent Work and Economic Growth.**

SYZYGY Performance / Hamburg

We take responsibility for the climate

Digitalisation and green IT are key levers in our commitment to protecting the environment. We therefore develop sustainable solutions for our clients and constantly work on our own climate-positive corporate carbon footprint (CCF) by reducing and offsetting CO_2 emissions.

We are committed to equal opportunities

Diversity, equity and inclusion (DE&I) are an integral part of our corporate culture. We are committed to equal opportunities, reject any form of discrimination and foster a working environment that promotes participation, fairness and diversity. We support flexible and participatory working models.

Education is a pillar of our success

Every day, we see how rapidly the digital world is evolving. We believe education is the basis for shaping these changes in a creative, agile and targeted manner. Accordingly, we help our employees to grow professionally and personally so they can achieve their full potential.

We consider economic, environmental and social factors

As a listed company we take responsibility for economically sustainable growth. This applies to our economic, environmental and social principles – including developing staff, promoting diversity and inclusion and creating a decent working environment.

Protection **of the climate and the environment**

Responsible use of natural resources is a fundamental principle of our corporate culture.

What exactly does this mean for us? We use electricity from renewables for our offices, have extended the replacement intervals of electronic devices, support regenerative agriculture and much more.

From New York and London to Bad Homburg and Warsaw, each operating unit implements its own environmental protection measures. These all contribute to the SYZYGY GROUP's sustainability strategy.

Our sustainability strategy and goals

We have calculated our corporate carbon footprint (CCF) for several years now, so we can determine the appropriate mitigation and reduction potential, use this to develop action plans and initiatives, and advise our clients on cutting CO_2 in the digital. ecosystem.

Ars Thanea & SYZYGY / Poland

Reduce the number of flights where possible and appropriate

Use public transport as much as possible

Reduce CO_2 emission by each agency taking action

Long usage periods for electronic devices

Switch to electric fleet vehicles by 2025

We advice our clients on how to reduce **CO_2 emissions of digital ecosystem**

Green electricity in all offices

Strongly support the use of bicycles or e-bikes

Our activities for a for a smaller carbon footprint

850

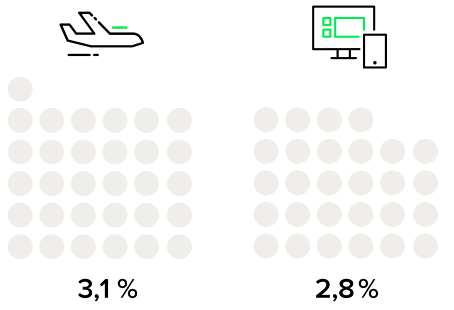
tonnes of CO_2 emissions produced by the SYZYGY GROUP in 2024

Our contribution towards protecting the climate

We also generate emissions that cannot be avoided. Through regenerative agriculture, CO_2 from the atmosphere is stored in the soil and biodiversity is promoted at the same time. We believe this type of agriculture is the future.

We are firmly committed to our sustainability agenda and in 2024 we will offset 850 tonnes of CO_2 emissions produced by the SYZYGY GROUP. We are thus making another specific contribution towards protecting the climate and the environment.

KLIM / Our partner for regenerative agriculture



Proportion of global greenhouse gas emissions by global aviation and Internet

Sustainability for the ecosystem

We all believe that the carbon footprint in our industry needs to be reduced – not just measured – right from the start, for every activity, every campaign and every hosting.

The Internet produces 2.8 per cent of GHG emissions, almost as much as global air travel (3.1%). Our products are part of this digital ecosystem. But we at the SYZYGY GROUP also know that there is a more sustainable solution.

What can we do to improve the product carbon footprint?
As a digital agency providing end-to-end services, we have taken a closer look at our carbon footprint. In our Point of View (#POV), our team of experts provides insights into various areas – from strategy and business design, image and video production, design, IT and hosting to marketing and media planning.

> “**Our industry has a shared responsibility** to achieve greater sustainability in the digital ecosystem.”

Erwin Greiner (CFO, SYZYGY GROUP)

Point of View

We support and uphold **equal opportunities**

Our industry, from digitalisation to the digital customer journey, is powered by innovation and dynamism – and ultimately **by people who want to drive those factors forward.**

We strongly believe that we can achieve positive change and shape a better future by bringing together a wide range of uniquely talented people. That's why diversity, equity and inclusion (DE&I) are key elements of our corporate culture.

Women in Digital

We launched our Women in Digital campaign to mark International Women's Day on 8 March.
How can we encourage women to enter or switch to the digital industry? We let our colleagues speak on LinkedIn and in our blog. In addition, we highlighted a wide variety of routes into the digital industry and discussed them in depth at internal lunchtime inspiration meetings.

It's time for change and we, as an international company, want to play a role in shaping that change.
Technology needs soft skills as well – creative abilities and experiences.

IT is not all about

"Along with the right technical and economic approach, **people with different backgrounds and ideas are key to innovation and success.**"

Stephen Oelgray
(Head of Delivery, SYZYGY Techsolutions)

We have signed up

We are actively committed to the German Diversity Charter. For us, this means promoting women in the digital industry and having a work environment without prejudice in which all employees feel appreciated – regardless of age, ethnic origin, nationality, gender and gender identity, physical and mental abilities, religion and ideology, sexual orientation and social origin.

charta der **vielfalt** UNTERZEICHNET

Diversity Charter Initiative

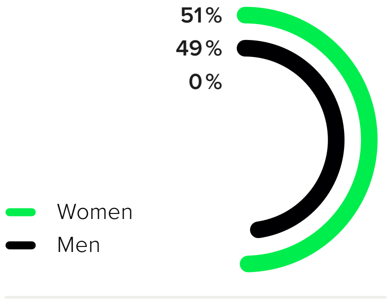
SYZYGY / Frankfurt

Breaking down stereotypes

In Germany, only 27 per cent of female students are studying MINT subjects (maths, IT, natural sciences and technology). In Poland, the figure is 47 per cent. We want to encourage more women to enter the technology and digital industry because technology is an integral part of life, regardless of gender.

Stereotyp versus

> **Be passionate,** because everything is accessible with the right tools – and in tech, there are plenty.



Employees by gender

Diversity is key

Every day, we see that male and female energy are needed to create a more balanced and inclusive culture. Experience and expertise, not gender or sexual orientation, are the factors that move us forward and unite us.

Fight for diversity


SYZYGY Performance / Hamburg

Equal opportunities for all

Working in the digital industry also means flexibility. Many tasks can be done remotely, which is ideal for working parents, enabling them to balance their work and family responsibilities. Flexible working arrangements allow people to fulfil a wide range of life ambitions.

More opportunities

In tune with the new zeitgeist

Routes into the digital industry can be varied and often unorthodox. We believe that if we want to drive forward innovation and progress, we need people who have the courage and desire to do it, and an environment which is conducive to that.

Many paths

Togetherness

/

The personal growth of all employees is important to us. It defines our teams and is essential for developing unique ideas.

Personal development is designed to inspire our talented employees. In joint events, they reflect on their experiences, share ideas on a professional level, discover new things about themselves and grow. That is the only thing which can bring us all together and is a fundamental component of our business success.

“Supporting and inspiring our employees is part of a **healthy corporate culture** for us.”

Corinna Carstens (Director People & Culture)

SYZYGY GROUP **Self-Growth-Retreat**

Learn more about yourself, acquire new skills – just two of the aims of the SYZYGY GROUP Self-Growth-Retreat, which we organise twice a year.

The retreat is based on the concept of total fitness: in joint workshops, participants reflect on their own previous (professional) experiences and on lifelong learning. How can we set goals successfully and achieve our personal goals and individual purpose? Ultimately, the aim is to help all participants steer this ongoing process more consciously in future and bring about positive changes.

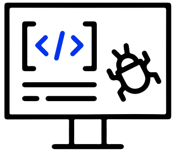
In addition to team building activities, there is plenty of freedom to talk with new contacts outside the usual working environment and network with colleagues from different areas.

SYZYGY GROUP / self-growth retreat

SYZYGY Techsolutions / Tech camp 2023

80%

Above all teams, the **AI share of the solutions** was more than 80 per cent.



// SYZYGY Techsolutions Camp 2023

Tech camp 2023 – our generative AI hackathon

22 colleagues, 2 days and 1 challenge: to use generative AI to develop an HR tool that makes our recruiting process easier.

As this was not challenging enough for our colleagues at SYZYGY Techsolutions, they decided to impose some additional conditions. They wanted to do everything with AI support, using a technology stack they hadn't worked with before – and also swap their frontend and backend roles at all levels, where possible.

After completing some tricky outdoor challenges as a daily warm-up, the specialists from various teams and departments worked together on their solutions in three groups. Inspired by the relaxed atmosphere, the tasty shared meals and the beautiful summer weather, the groups came up with a concept, project plan, backlog, division of work, technology and repo all by the first afternoon. The solutions, all of which were worthy of a prize, were presented on the final evening.

The camp was incredibly creative and informative. We look forward to using generative AI in more and more areas of our daily work.

Tech camp 2023

Der SYZYGY warp drive

Our internal and external training and development activities function as a warp drive. Alongside our Warp Workshops and presentations with specialist deep dives, our two internal formats Warp Day and Warp 5 also have the following goal: t**o grow our people's skills and allow us to develop as an agency.**

SYZYGY Frankfurt / Warp Day

Warp Day for perfect onboarding

As a welcome to SYZYGY, we introduce all new employees to the various aspects of working in our organisation. This includes the different practices, the four product areas, our most important processes and frameworks, and corporate design. The day ends with a get-together involving food and drink, and new colleagues have the opportunity to introduce themselves personally.

SYZYGY Frankfurt / Warp 5

Warp 5 as inspiration

Our employees are diverse. As such, they deal with many different topics, which are also of interest to other colleagues. So we hold Warp 5 every five weeks: five people present exciting aspects from their area of work in five minutes – from AI to our tools. It's fun, brings people together, provides new insights and, very importantly, allows employees to practise their presentation skills.

Ars Thanea & SYZYGY / Poland

Our mentoring programme for empathy in action

Understanding how another person feels was the subject of a two-part communication workshop run by Paulina Grabowska and Paweł Piotrzkowski from Warsaw.

The first part, which was attended by **48 colleagues from SYZYGY Warsaw** and **Ars Thanea**, focused on the principles of non-violent communication, as defined by Marshall Rosenberg (#NVC). In this segment, the emphasis was on empathy and active listening, which we believe are important qualities for building trusting and authentic relationships between colleagues and with clients.

In the second workshop segment, we looked more closely at understanding and dealing with emotions in the workplace. The 18 attendees to date have taken away many interesting ideas for their everyday working lives, including around giving and accepting constructive feedback that supports productive interactions. The programme will continue in 2024.

Innovation

Generative artificial intelligence (GenAI) heralds a new era for us in the digitalisation and marketing industry. **With the help of AI, we are continuing to drive forward innovation in technological advancement.**

We use generative AI to increase productivity and quality and to improve digital experiences. We automate routines for our clients and make complex tasks accessible for machine processing. Generative artificial intelligence is used for audience analysis, targeting, data monitoring, marketing automation and software development.

GenAI needs clear rules

As a company, we must also take responsibility for the way in which creative technology is used. We have therefore established a stance and guidelines for the use and development of products with Generative AI Generative AI should fundamentally enable new services and optimise existing ones. However, it must be used by humans in a controlled, transparent and targeted way, and the generated results must always be assessed objectively. We are also continually learning.

“ChatGPT is just one example that shows **how quickly AI is developing** and finding its way into more and more value chains.”

Marc Zollingkoffer (Director Software Engineering, SYZYGY Techsolutions)

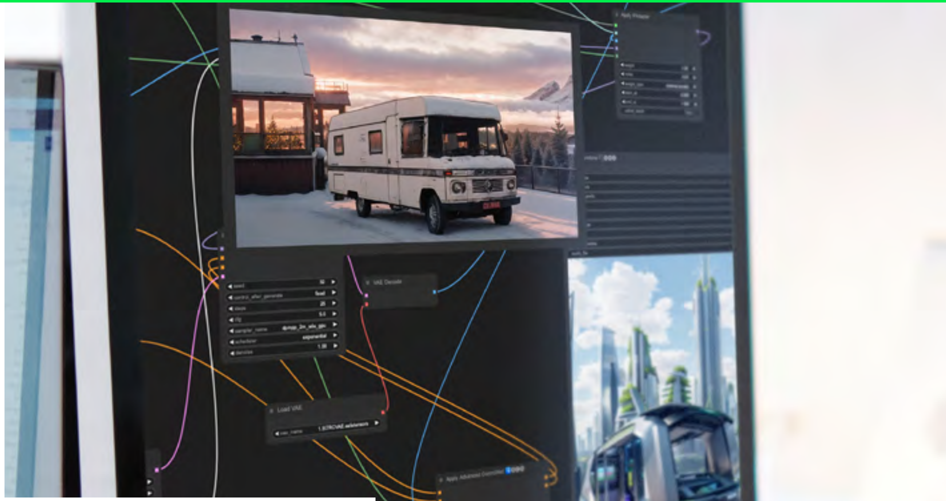
What is generative AI?

Generative AI is a branch of AI that focuses on the creation of new content.
It is called “generative“ because it produces output such as text, images, music or even videos that are completely new and can mimic the style and look of human-created content.

1. Generative AI **makes our work better.**
2. Generative AI **needs human supervision.**
3. We use Generative AI **in a professionla way.**
4. We use Generative AI **transparently.**
5. We assess Generative AI **objective.**
6. We are **continually learning.**

SYZYGY GROUP principles on Generative AI

> “**We see Generative AI as a fundamental technology** that is important in all areas of our work – now and in the future.”
>
> **Frank Ladner** (CTO, SYZYGY GROUP)



Staging of HYMER vehicles with Generative AI

New opportunities for our clients

Generative AI is on its way to becoming a powerful tool with seemingly unlimited applications. We are at the beginning of a highly dynamic development in which we see more opportunities than risks.

Improvements in quality and productivity will increase our efficiency and alleviate labour shortages. The new possibilities for creating digital experiences are leading to new and expanded offerings from the SYZYGY GROUP.

For example, we are using generative AI to make the impossible possible for our client Hymer. Instead of a real photo shoot, we use this technology to bring to life classic car models that no longer exist.

The graphical surface of our AI image generator

Travelling through time with **generative artificial intelligence**

Can we use artificial intelligence to do a photo shoot? With this particular shoot, generative AI was the only option.

Why? Because it wouldn't have been doable any other way. For HYMER, we travelled back through the decades, showcased vehicles that are no longer made and used generative AI to create a photo shoot that really pushed the envelope of what is possible. The results made us hungry for more.

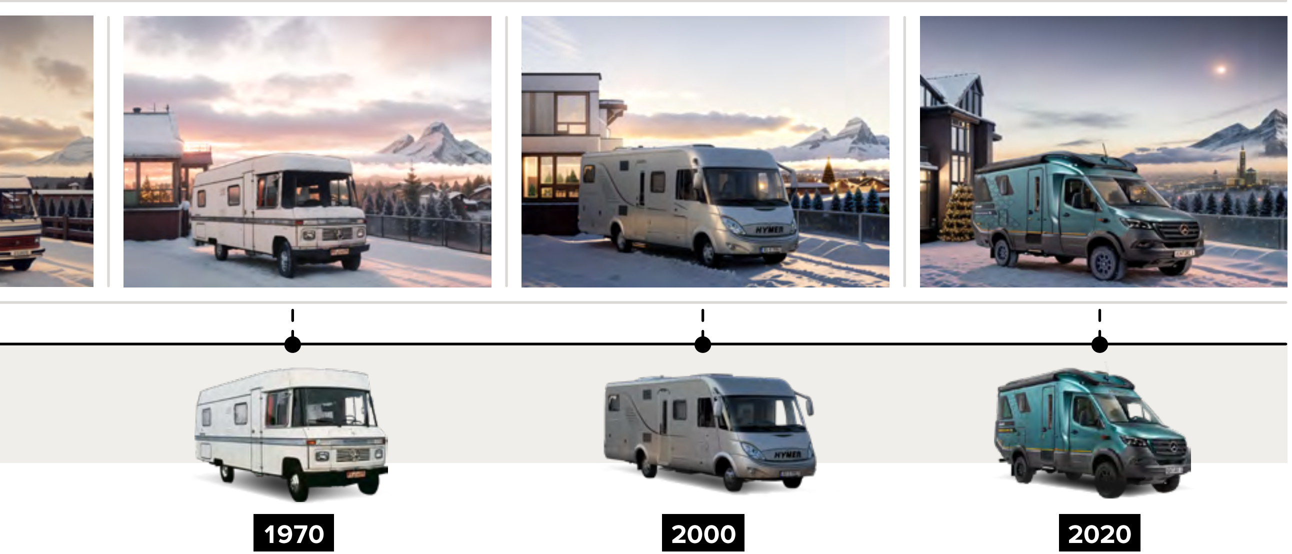
An impossible photo shoot?

For Christmas, HYMER wanted to reproduce its entire product history as a digital experience. The particular challenge here was to depict older vehicles in the same high-end quality as the new products. Not only that, there weren't any vintage models to take pictures of; all we had were photos from the HYMER Museum – impossible, surely?

AI-generated images made huge strides in 2023, delivering impressive results. But when a brief calls for high-end images, the usability of such generated content has significant limitations.

We created a toolset in which we use artificial intelligence to generate content, but responsibility for monitoring the result always resides with human beings. It's rather like having a pilot and a co-pilot.

The tough requirements mean that flawed images (containing what are referred to as artefacts and hallucinations) are totally unacceptable. Products and their features must match the original down to the last detail, and newly generated assets shouldn't include anything that would cast doubt on the originality of the products.



The vision always comes first

Artificial intelligence generates images for us – not visions or ideas. That makes it all the more important for us to go into the production phase with a clear idea of what the final images should look like. We're not just talking about the formal aspects (composition and subject matter) but more particularly about conformity with the brand and faithfulness to the original products. This entails a broadening of creative focus in the process. The more we use generative AI for production purposes, the more crucial it becomes to describe the creative idea and plans in detail up front. After all, if we have a clear idea of the result we can set the necessary parameters for generative AI and give it the right input to ensure that the result complies with the requirements.

> “I never thought **I'd be able to experience our old HYMER models again like this.**”

Frank Heinrichsen (Head of Marketing bei HYMER)

AI process

We start by producing a **schematic template** and position a product cut-out in the scene.

We then use **Image2Image** and Prompt Engineering to generate images until the content of the creative idea is fully implemented. As this phase requires greater **denoising strength,** unwanted artefacts are often created.

The generated output is reviewed by the art director and assessed in terms of its **creative quality** and faithfulness to the product. Any flaws in the images are then **manually retouched.**

The **corrected image** is reworked again using Image2Image, this time with lower denoising strength, and generated in **higher quality** but without distorting the content.

We then round the production process off with **quality assurance** in relation to both **content** and **form.**

Hitting new productivity heights with **generative AI as the co-pilot**

The entire production process is based on what the creative team is trying to achieve. This brief takes the form of prompt, image arrangement and masking for image generation. In this way, we define how the result is to be structured: which element is to be positioned where and how detail, perspective, camera lens, colour profile, time of day, light conditions and weather will interact.

All the key aspects that we are familiar with from production plans for photo shoots or elaborate 3D renderings can and must feed into the creative image generation process.

Intermediate with image errors

AI generated caravaning concept car

Learning to monitor the results

While looking for a solution, we came up with a workflow within our toolset that allows us to control the results in the required detail. An iterative, dialogic process involving both humans and AI makes it possible to perfect the initial image until we get exactly what we want – step by step.

Time to think big

The impossible photo shoot for HYMER was a huge success. Genuine vintage models in high-end visual quality have now taken their place alongside the company's latest premium vehicles. Importantly, our new AI production pipeline gives us the ability to offer many other clients significant added value. Faster production means that personalised experiences and dynamic content are closer to being achieved than ever before. The wide range of options available to us are already enriching our ideation process. It could just be a matter of time before we find ourselves handling another project that was previously deemed impossible.

Advantages of our approach

+ Controlled, interactive process
+ Clear guidelines for quick results
+ Optimal interaction between human and AI
+ Entirely new possibilities in image creation

“HYMER was just the start. **This journey may one day lead to personalisation and dynamic content in real time.**”

Thomas Kropf (Executive Technical Director, SYZYGY)

Cases

> Our services guarantee **positive digital experiences** for maximum business success.

syzygy-group.net/en/cases

Reimagining customer retention for the modern world

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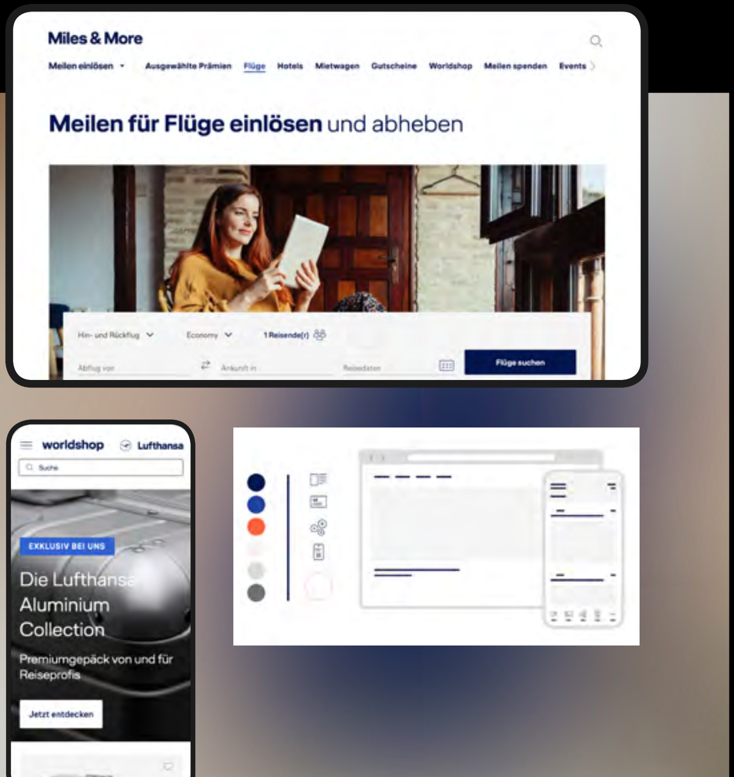


Our role: digital lead

What turns satisfaction into loyalty? As international digital lead agency, we have been working with Miles & More to review and reimagine customer retention since 2022.

Based on comprehensive strategies, we are designing positive user experiences and bringing them to all Miles & More digital touchpoints. Our goal is to establish the Lufthansa Group's loyalty programme as a daily companion for mobile people: simple, active and approachable. That means meeting the needs of all user groups digitally.

Our brand strategy provides the roadmap in the digital universe

One loyalty programme, many partnerships: covering everything from aviation, banking and payment through to products and services in a travel context and beyond, Miles & More operates in a complex ecosystem.

This is where we come in:
We are helping Miles & More to play an active part throughout the entire ecosystem and creating seamless customer journeys across all digital channels. Every touchpoint has a dedicated task, which we initially defined as part of a comprehensive channel strategy – from the website and app through to the Worldshop e-commerce platform. Everything is centred on the individual participants and their specific customer lifecycles.

Miles & More

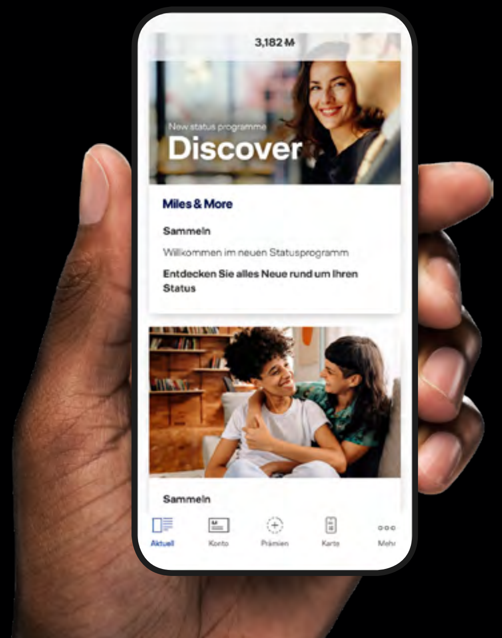
Brand

- Strategy and concept development
- Brand development and documentation in online style guides
- Creation of a design system to cover all touchpoints
- UX and interaction design
- Wireframes and screen design
- Prototyping and usability tests
- Content design and production
- Consulting and quality monitoring
- Stakeholder management & rollout management

Our service

95%

We got one increase **daily app use by up 95 per cent** reached.



At the heart of the journey: the mobile person

The sheer variety of ways the Miles & More loyalty programme is used reflects the individuality of the participants and the diversity of the partnerships. Some participants earn miles and points on flights, others shop online on partner websites and apps to reach their dream awards in the Miles & More app and for other benefits.

Accordingly, all digital touchpoints must interact smoothly in order to provide programme participants with a positive customer experience and meet their individual needs. To ensure that, both technically and in terms of content, we conduct comprehensive target group analysis and specific usability tests, from first contact through to redeeming the flight award and beyond.

Segmented presentation of content – from the newsletter and website content through to app notifications – guarantees consistently personalised customer contact that takes account of specific interests and covers all stages of the customer lifecycle.
Users thus receive recommendations on maximising their advantages from earning and redeeming miles along with targeted presentations of programme benefits and varying challenges that match their travel profiles. These individual challenges generate a visible boost in programme activity: a huge 200 million miles were credited to the participants due to challenges. In addition, we have achieved an increase in daily app use of up to 95 per cent.

Consistent across the board: brand presentation

Another challenge was to give the Miles & More brand a consistent look and a distinctive visual appeal in digital formats while also integrating it harmoniously into the Lufthansa Group's umbrella brand structure. We are completely revamping its appearance, giving the brand a modern, new mood.

> “People's relationship with brands changes as the world changes. **Even strong brands need a good plan to achieve customer loyalty and ensure their future survival.**”

Thorsten Becker, Creative Director

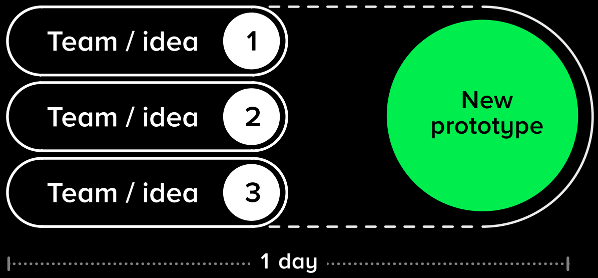
As part of this development work, we are expanding the Miles & More brand style guide and defining a design system that will work across all digital touchpoints. This covers standards that go way beyond the visual elements: from UX principles through to the way the brand behaves in digital formats. The result is a harmonious look from the very smallest visual element to the brand as a whole. That consistency applies not just to the world at large but also internally. We are creating efficient workflows and synergies, because we can now be confident that every touchpoint faithfully reflects the brand.

Up-to-the-minute content that inspires and explains

As a loyalty programme, Miles & More offers a host of options and is continuously evolving. Miles & More regularly publishes video content to introduce its users to opportunities, new partners and offers. “How to” videos on the website and YouTube provide an easy introduction to the world of earning miles; video updates – hosted by Miles & More staff – give the programme a human face, curate the offerings and inspire people to travel and earn miles.

> **Working in interdisciplinary teams, we develop visible results and prototypes** within a tight timeframe.

Evolution day



Establishment of a design thinking format

Evolution Days – from briefing to prototype in 3, 2, 1

Our goals for Miles & More are ambitious. In order to continuously develop the digital touchpoints, we have established a design thinking format for them. We work in interdisciplinary teams to very tight dead-lines to create prototypes and visible results.

syzygy.de/projekte

Digital transformation **improves e-commerce efficiency**

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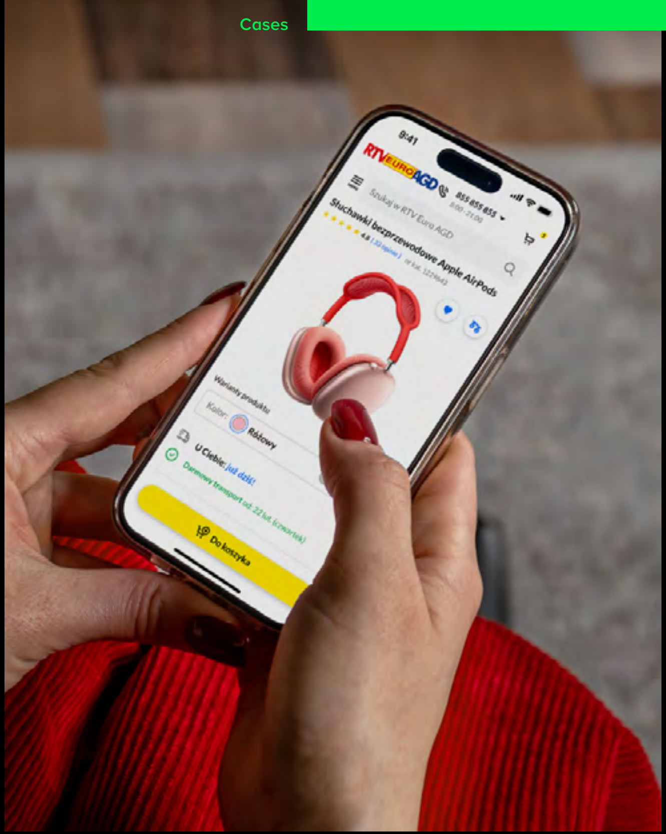
How can an e-commerce platform achieve even greater user-centricity?

That was the goal for us when it worked with its client RTV EURO AGD to completely redesign the latter's existing digital infrastructure – all without any downtime.



- Digital strategy
- User experience design
- Software development
- System integration
- Performance optimisation
- Continuous innovation

Our service

RTV EURO AGD

Brand

RTV EURO AGD is one of Poland's leading suppliers of consumer electronics and household appliances. The company sells its products via more than 320 stores across 218 towns and cities and its online shop.

The digital strategy for the new e-commerce platform focused on two aspects: user-centricity, with the introduction of a headless approach supported by ongoing A/B tests in which we analysed user behaviour in the original and new versions, and performance optimisation.

Separating backend and frontend functionalities and using programming interfaces (APIs) to connect them instead proved enormously beneficial, allowing us to create leaner design and development processes. We significantly boosted the performance of the entire application.

At the same time, we ensured data consistency across all digital touchpoints. Our “software craftmanship” approach – software development as a skilled craft that delivers added value and meets the highest quality standards – and close collaboration with our client paved the way for seamless integration of filter and product list functions. The result was an improvement of the entire user experience.

The launch of the new e-commerce platform went flawlessly, with no interruptions to service. The new system is stable and efficient, even at times of high demand, and we are already working on further user-focused innovations in the backend.

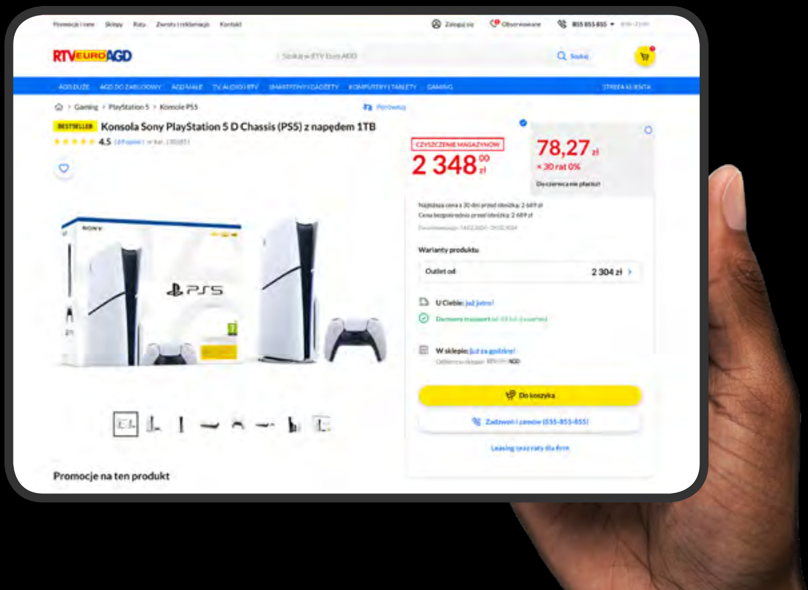
Strategy

Separating backend and frontend functionalities and using programming interfaces (APIs)

Benefits / results

- + Leaner design and development processes
- + System is stable and efficient
- + Data consistency across all digital touchpoints
- + Improved user experience
- + User traffic growth
- + Faster visibility of page content

Our digital strategy and its benefits



“ We were looking for a partner with technological expertise and an understanding of our business context. **SYZYGY fully grasped our needs while also focusing on the users of our platform.** ”

Rafał Będziński
(IT director responsible for development and maintenance of sales systems at RTV EURO AGD)

syzygy.pl/en/projects

Maintaining data quality despite restrictions

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Working with d&b audiotechnik, we designed and implemented a technology solution to recapture much of the data that is being “lost” due to stricter regulations. Our future-proof solution also provides a new basis for data-driven decisions.

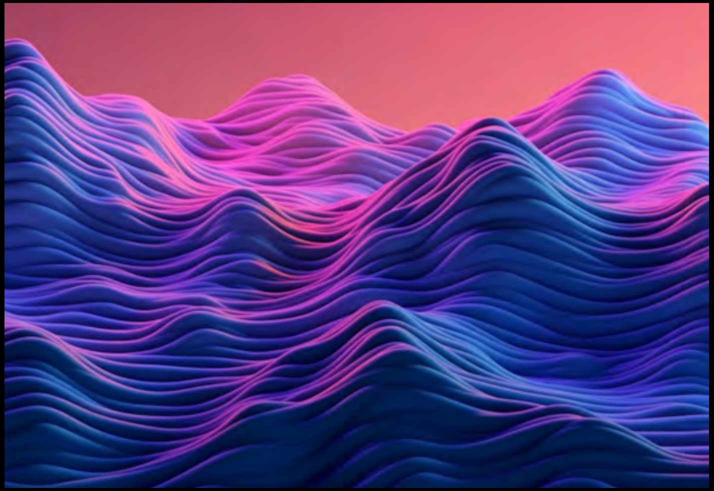
+ Data analysis
+ Technology consulting
+ Software engineering
+ Design and implementation

Our service

d&b audiotechnik

Brand

The digital marketing industry is faced with a paradox. On the one hand, artificial intelligence (AI) is boosting the value of data exponentially. On the other, legislators and policies introduced by Google and Apple, for example, are increasingly restricting the availability of data. This means a significant amount of data is being lost. In an algorithm-driven environment, data is both the fuel and the foundation for informed decisions. New strategies were therefore needed to improve the quantity of data despite the constraints.



“The right data loss solutions – we recover what is yours.”

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Restrictions on the digital marketing industry

imposed by legislators:

X Google and Apple (browser restrictions like Adblocker, ITP, ET)
X third-party cookie sunset

from legislators:

X DSGVO
X Digital markets act

Data recovery by the use of the right measures.

Our result

In our quest for a future-proof solution that met data protection requirements and offered our clients a solid foundation for data-driven decisions, we opted for the EU-based technology JENTIS Data Capture Platform. JENTIS server-side tracking is compliant with the General Data Protection Regulation (GDPR) and the German Data Protection Act (DSG) and offers clear benefits: it is more robust than client-side options and less affected by browser restrictions.

The additional features of the product enable JENTIS to carry out comprehensive reach measurement. No personal data is collected, but data on user behaviour can still be captured, even without user consent. This allows accurate assessment of how website components are used.

As part of the transition, we also moved the consent management platform to Usercentrics, a company founded in Germany.

50%

Increase in consent rate at the Consent Layer

Our expertise and best practice approach allowed us to tailor the design and functionality of the consent layer, resulting in an impressive 50 per cent increase in consent rates.

Our expertise and best-practice approach enabled us to configure the design and functioning of the consent layer such that the consent rate increased by an impressive 50 per cent. We also significantly improved the quality and quantity of the data to allow better investment decisions, despite restrictions.

syzygy-performance.de/projekte

A new star **sparkles on screen**

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A 15-second spot combines the birth of a star with enjoyment of a premium sparkling wine.

Ars Thanea turns the art of making Godefroy von Mumm into a visual treat.

+ Creative direction
+ CGI animation
+ Live action filming
+ Lighting and rendering

Our service

Mumm &Co.

Brand

The new line from the German sparkling wine company whose heritage dates back to 1922 pays tribute to its founder, Godefroy H. von Mumm. The elegant vintage quality sparkling wine was launched in 2023 and won five awards, including the Mundus Vini Gold Medal and the Red Dot Design Award.

For the year-end campaign to promote the premium sparkling wine, we worked with agency Ogilvy Germany to develop an unforgettable story about the creation of this iconic product.

We employed a blend of visually stunning computer-generated imagery (CGI) and contemporary lifestyle live-action footage.

On the computer, we created complex simulations depicting a golden nebula bursting forth from a big bang. It merges into sparkling wine drops which then artfully combine to form a Godefroy von Mumm wine bottle.

We seamlessly interwove hyperrealistic CGI with real-life images and video footage.

To make the 15-second spot a truly vibrant visual experience, we placed great emphasis on meticulous colour grading and expert lighting in post-production.

Ultimately, the spot brings together tradition and the modern lifestyle associated with this premium sparkling wine, with exceptional images taking viewers on a captivating and thrilling journey into the world of Godefroy von Mumm.

“We seamlessly interwove **hyperrealistic CGI** with real-life images and video footage.”

CGI + Live action shot

arsthanea.com

The **Stock**

" The financial markets were **upbeat about 2023.** "

Despite the positive overall trend, issues such as inflation and the economic slowdown persisted. Geopolitical conflicts such as the war in Israel and the Gaza Strip and the Ukraine conflict became the focus of attention at times, but ultimately played a minor role. The crisis in US regional banks and the collapse of major Swiss bank Credit Suisse generated short periods of uncertainty.

Performance of international and national indices

The international stock markets closed 2023 with significant gains. The Dow Jones was up 14 per cent, the Nasdaq Composite technology index rose 43 per cent, the Nikkei was up 28 per cent, the Euro Stoxx 50 gained 19 per cent, the DAX increased by 20 per cent and the TecDAX posted a gain of 17 per cent. The small-cap DAX (SDAX) posted a rise of 17 per cent, while the DAXsubsector IT Services, to which the SYZYGY GROUP belongs, was up 10 per cent.

Performance of SYZYGY shares

In this positive environment, SYZYGY shares underperformed and ended the 2023 stock exchange year on a closing price of EUR 3.28. This is equivalent to a decline of around 38 per cent compared to the 2022 closing price.

SYZYGY shares started the new year with a closing price of EUR 5.22 on January 2, 2023 and reached their high for the year at EUR 6.00 on March 6, 2023. The shares posted their low for the year on November 28, at EUR 2.76.

SYZYGY shares returned minus 33 per cent overall, taking the dividend payment into account. The liquidity of SYZYGY shares increased year-on-year by 36 per cent, with an average of 3,436 shares being traded across the XETRA stock exchanges each day (prior year: 2,530 shares/day).

Ars Thanea & SYZYGY / Poland

Development of SYZYGY's share price and relevant indices

	2023	2022	Change
XETRA-Schlusskurs (in EUR)	3.28	5.26	-38%
Overall performance including dividend	-33%	-14%	n.a.
Highest XETRA closing price (in EUR)	6.00	6.60	-9%
Lowest XETRA closing price (in EUR)	2.76	4.45	-38%
DAX	16,752	13,924	20%
TecDAX	3,337	2,921	17%
DAXsubsector IT services	1,638	1,487	10%
SDAX	13,960	11,926	17%

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
Research	Pareto Securities AS (Mark Josefson), GBC AG (Cosmin Filker)

Key figures per share

	2023	2022	Change
Ordinary Dividend (in EUR)	0.22	0.20	10%
Earnings per share (in EUR)	-0.22	-0.56	61%
Book value per share (in EUR)	2.98	3.34	-11%
Price-to-book ratio (P/B)	1.10	1.56	-30%
Price-earnings ratio (P/E)	n.a.	n.a.	n.a.
Dividend yield	6.7%	3.8%	2.9 pp
Return on Equity	n.a.	n.a.	n.a.

Total number of shares (non-par value bearer shares)	13,500	13,500	0%
thereof own shares (in tsd. shares)	0	0	0%
Market capitalisation; basis XETRA closing price (in Mio. EUR)	44.28	71.01	-38%
Freefloat	44.74%	43.48%	1.3 pp
Average daily turnover:			
in shares (XETRA)	3,436	2,530	36%
in EUR (XETRA)	13,593	14,174	-4%

SYZYGY / Frankfurt

SYZYGY / Frankfurt

Dividend and dividend policy

The SYZYGY GROUP is committed to sharing business performance appropriately with its shareholders and at the same time maintaining the continuity of dividends. Due to negative total net income and in order to strengthen the SYZYGY GROUP's capital base and liquidity reserves, the Management Board and Supervisory Board have decided to recommend suspending the dividend payment for the 2023 financial year as a one-off measure at the Annual General Meeting on July 9, 2024. This decision underlines the Group's commitment to creating a solid financial basis for sustainable growth.

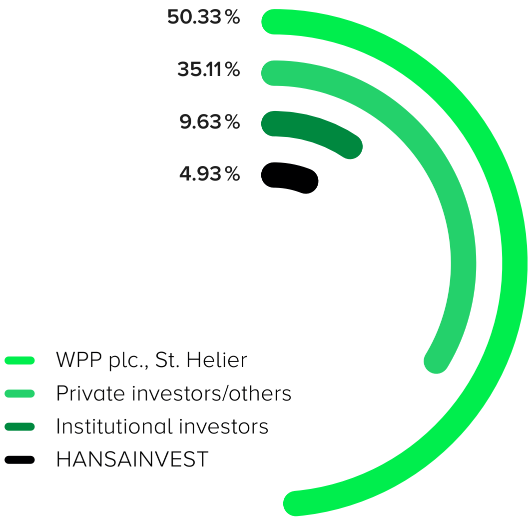
Virtual Annual General Meeting

The virtual Annual General Meeting, held on July 11, 2023, was again well received by shareholders and investors. This was reflected both in the high level of attendance by holders of the common stock and in the voting results. Around 60 per cent of the voting capital approved the appropriation of net profit, with distribution of a dividend of EUR 0.22. In total, around EUR 2.97 million was distributed to our shareholders. All the resolutions proposed by management were adopted, with an average of 91 per cent of the votes.

Shareholder structure

As at the balance sheet date, the total number of shares was 13,500,026. There was a slight change in the shareholder structure as at December 31, 2023.

Shareholder structure



The above information is based in particular on the notifications of voting rights pursuant to the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) received and published by Syzygy AG.

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, the financial press and members of the public. Concise disclosures on business performance and forecasts in the annual report, quarterly reports and company news were particularly important in the 2023 financial year.

Extensive information on capital market-related topics can be accessed around the clock on our investor relations website https://www.syzygy-group.net/en/investors/. The information on the website is available at all times, in both German and English.

In addition to the provision of written information, 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 SYZYGY GROUP.

During the period under review, the Management Board attended the Munich Capital Market Conference (MKK), the German Equity Forum and the International Investment Forum (IIF). A number of one-on-one discussions or round-table meetings were also held with institutional investors. The management team was additionally available to analysts, investors and representatives of the business and financial press for individual discussions, as usual.

Analyst recommendations

Two analysts regularly evaluated SYZYGY shares. These were GBC AG and Pareto Securities AS, which also holds the Designated Sponsoring mandate. Their latest assessments and forecasts regarding the performance and development of the SYZYGY GROUP are available at https://www.syzygy-group.net/en/share/ under the heading Analysts.

SYZYGY GROUP / Bad Homburg

Our **information on capital market relevant topics** is always available online:

syzygy-group.net/investors

+

syzygy-group.net/share

Report of the **Supervisory Board**


SYZYGY / Frankfurt


Antje Neubauer
Chairwoman of the Supervisory Board


Shahid Sadiq
Member of the Supervisory Board


Dominic Grainger
Member of the Supervisory Board

Dear Shareholders,

Looking back at the past year, **two major macroeconomic trends stand out.**

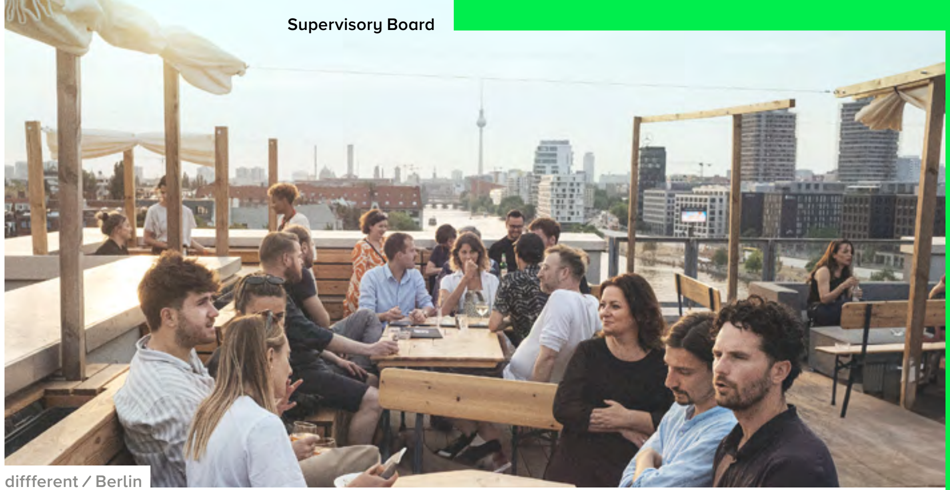
Firstly, the energy crisis, the ongoing war in Ukraine, rising interest rates and the resulting increase in the cost of financing investments have all led to a noticeable slowdown in economic activity in Germany. Gross domestic product shrank accordingly by 0.3 per cent.

Secondly, digital transformation continued to gather pace across almost all sectors and particularly in marketing and sales. Digitalisation is permeating all aspects of business and of life in general. The more positive these digital experiences are for people, the greater the added value. Artificial intelligence (AI) is giving rise to the next technological leap forward, bringing with it many new opportunities and challenges.

Against the backdrop of these two key trends, the SYZYGY GROUP performed very solidly last year. The agency group was once again able to demonstrate what is required to succeed in a dynamic, fast-changing environment. At the heart of our work is a compelling digital experience, in other words the positive feeling a user gets when engaging with a digital application.

Working with our clients, this focus enables us to build long-lasting digital relationships between people and brands, thus generating growth for businesses. The 2023 financial year was also marked by the following strategic decisions:

- The agency group now works with AI tools in all areas and at all levels – naturally in compliance with data protection rules, personal rights and copyright. AI is not an end in itself for the SYZYGY GROUP; it is used precisely where it makes work more efficient and delivers creative freedom, giving clients access to services and products that are even more tightly tailored to their needs.
- The consulting business of diffferent GmbH was rigorously restructured. This decision was mainly triggered by budget cuts and reluctance on the part of several existing clients to invest in product and service innovation.
- Discussions between the Supervisory Board and CEO Franziska von Lewinski on the future strategic direction of the SYZYGY GROUP resulted in Franziska von Lewinski not renewing her CEO contract, which was due to expire at year-end. Longstanding board members Frank Ladner (Chief Technology Officer) and Erwin Greiner (Chief Financial Officer) are continuing their successful work, having had their contracts extended by three years until the end of 2026. Accordingly, the Group has a strong senior management team in place.
- The SYZYGY GROUP will continue to expand its partnership with the world's leading marketing network, WPP, and deepen it for mutual benefit.
- Sustainability is a strategic business opportunity for the SYZYGY GROUP. This is why the four main Sustainable Development Goals (SDGs) of the United Nations - climate protection, more equal opportunities, economic growth and more education – are the Group's guiding principles.


diffferent / Berlin


diffferent / Berlin

Cooperation between Supervisory Board and Management Board

The Supervisory Board continuously monitored the work of the Management Board and provided support and advice throughout the past financial year. The Management Board and Supervisory Board apply the principles of responsible corporate governance, working together in a trusting relationship in accordance with the principles laid down in the Corporate Governance Report.

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

SYZYGY Techsolutions / Bad Homburg

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.

Meetings and attendance of the Supervisory Board

A total of six ordinary meetings of the Supervisory Board and four extraordinary meetings were held together with the Management Board in the 2023 financial year.
Ordinary meetings were held on January 31, March 30, April 26, July 27, October 31 and on December 14, 2023.
Extraordinary meetings were held on May 31, June 26, July 3 and October 29, 2023.

In the 2023 financial year, all members of the Supervisory Board attended a total of ten ordinary and extraordinary meetings. Meetings were not held solely as virtual meetings via video conferencing in the year under review, but in some cases also as in-person meetings.

Attendance at meetings by members of the Supervisory Board in the 2023 financial year

	Meetings of the Supervisory Board
Total meetings	**10**
of which virtual	**8**

Topics covered by the Supervisory Board

The first meeting of the Supervisory Board in the 2023 financial year was held on January 31, 2023. The provisional figures for 2022 were presented and the company's financial situation was discussed at this meeting. Following in-depth discussion, it was decided to propose a dividend of EUR 0.22 for approval by the Annual General Meeting. The budget for 2023 was also approved. In addition, the Supervisory Board decided on the auditor and intends to appoint auditing firm Mazars GmbH & Co. KG as auditor for the annual and consolidated financial statements, starting from the 2023 financial year.

A proposal to this effect was submitted to the Annual General Meeting on July 11, 2023 for voting. The Management Board then published the provisional figures, the dividend proposal and the forecast for the 2023 financial year.

The accounts review meeting was held on March 30, 2023. The auditors, BDO AG, attended this meeting. The Supervisory Board carefully reviewed all the documents and received detailed information on the financial statements for the 2022 financial year from the Management Board. The auditors presented the key aspects and results of their checks, and the Management Board and auditors answered all questions satisfactorily.

Ars Thanea & SYZYGY / Polen

“**The SYZYGY GROUP solid development** and has proved once again what is important in a dynamically changing changing environment.”

The Supervisory Board was satisfied that the audits had been properly carried out and the audit reports had been correctly drawn up. Following these presentations, the annual financial statements and the consolidated financial statements were approved and adopted. The short-term targets for the 2022 financial year were also reviewed and assessed at the same meeting, and the corresponding target figures for the 2023 financial year were discussed. The Management Board additionally provided information on the future investment strategy.

At the Supervisory Board meeting held on April 26, 2023, the Supervisory Board obtained a comprehensive insight into the latest business developments and reviewed the figures for the first quarter of 2023. These were approved, along with the unchanged forecast for the 2023 financial year. The agenda for the 2023 Annual General Meeting was also set at the meeting and the parameters for the Management Board’s short-term targets were defined. The M&A strategy was also discussed in depth.

At an extraordinary meeting held on May 31, 2023, the Supervisory Board approved the control and profit transfer agreement between Syzygy AG and diffferent GmbH.

The financial situation of diffferent GmbH was discussed in detail at an extraordinary meeting on June 26. Both the Supervisory Board and the Management Board concluded that radical restructuring was necessary, which was discussed in detail at the subsequent meeting on July 3. The strategy and its implementation, the client situation and the corresponding sales planning, the impact on employees and other cost planning aspects were discussed in detail at this follow-up meeting and a restructuring plan was approved. The new planning and corresponding cost planning along with the restructuring programme also impacted the SYZYGY GROUP, with the result that the forecast for the SYZYGY GROUP was adjusted accordingly.
The Supervisory Board approved the adjustment of the business forecast for the 2023 financial year after critically assessing it.

The purpose of the ordinary meeting held on July 27, 2023 was to discuss and approve the business figures for the first half of 2023. The Management Board presented a detailed outlook for the rest of the financial year. It also set out the business situation of the individual companies within the Group and

SYZYGY Performance / Hamburg

SYZYGY Performance / Hamburg

confirmed the forecast for the current financial year as adjusted in July.

At the extraordinary meeting held on October 29, 2023, the Supervisory Board once again discussed the composition of the Management Board.

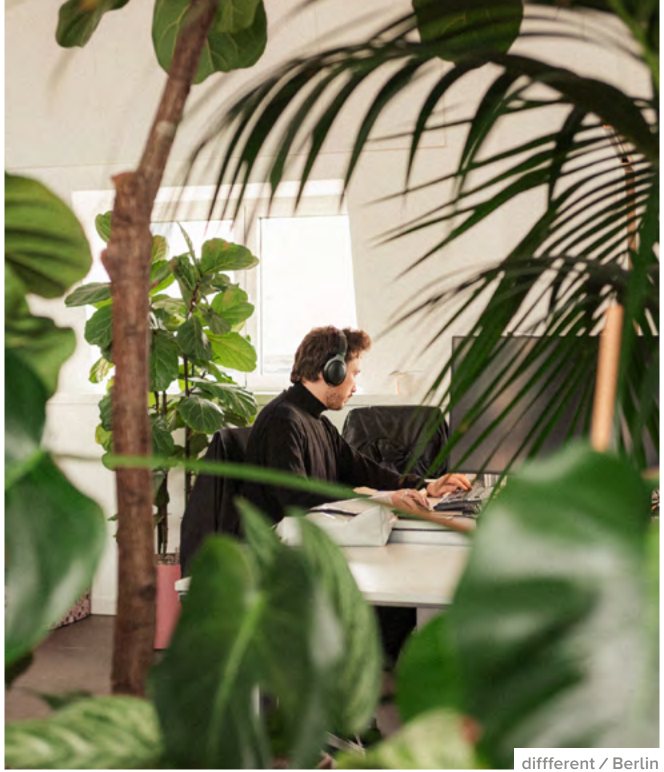
The ordinary meeting on October 31, 2023 started off with a presentation of the nine-month figures, which were duly approved. The Management Board additionally provided an updated outlook for the rest of the year. On that basis, the Management Board confirmed the forecast for the current financial year as adjusted in July. The members of the Supervisory Board also addressed application 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), which is available on the company's website at www.syzygy-group.net/corporate-governance.

The last meeting of the year was held on December 14, 2023 in Bad Homburg as an in-person meeting. It dealt with current trading and the outlook up to the end of the year. The strategic direction of the SYZYGY GROUP was also discussed. The Management Board presented the budget for the SYZYGY companies and discussed it with the Supervisory Board.

Approval of the 2024 budget was postponed to the next meeting, in January 2024. The division of duties and the responsibilities of the Management Board were also discussed.

The first Supervisory Board meeting of the 2024 financial year was held on February 7, 2024. The provisional figures for 2023 were presented and the company's financial position was discussed. Following in-depth discussion and subsequent approval, it was decided to recommend suspending the dividend payment for the 2023 financial year as a one-off measure at the Annual General Meeting scheduled for July 9, 2024, due to negative total net income and in order to strengthen the capital base and liquidity reserves. This decision underlines the Group's commitment to creating a solid financial basis for sustainable growth. The 2024 budget was discussed, enabling the Management Board to publish the forecast for the 2024 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.


diffferent / Berlin

The Supervisory Board would like to thank **Mr. Andrew Payne** for his collaboration, on which it relied for many years, and for his efforts during that time.

Composition of the Supervisory Board

The Supervisory Board of Syzygy AG comprised Antje Neubauer, Dominic Grainger and Andrew Robertson Payne up to the Annual General Meeting on July 11, 2023. Mr Andrew Robertson Payne resigned his seat on the Supervisory Board with effect from the end of the Annual General Meeting held on July 11, 2023. Shahid Sadiq was elected as his successor and will serve the remainder of Andrew Payne's term of office as a member of the Supervisory Board.

The term of office of Supervisory Board members Antje Neubauer, Dominic Grainger and Shahid Sadiq 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. In line with statutory requirements, it has extensive knowledge of accounting, internal control and risk management systems, auditing and finance, and sustainability management.

The expertise of the Supervisory Board members can be broken down as follows:

	Supervisory Board		
Skills profile	**Antje Neubauer** Chairwoman of the Supervisory Board	**Dominic Grainger** Member of the Supervisory Board	**Shahid Sadiq** Member of the Supervisory Board
Accounting, internal control and risk management			✓
Auditing and finance		✓	✓
Sustainability	✓		
Innovations		✓	✓
Marketing/communication	✓	✓	
Strategy	✓	✓	✓

The Annual General Meeting held on July 11, 2023 discharged the members of the Supervisory Board and Management Board in relation to the 2022 financial year.

Management Board of the SYZYGY GROUP

Composition of the Management Board

Since January 1, 2021, the Management Board of Syzygy AG has consisted of Franziska von Lewinski as CEO, Frank Ladner as Technology Director and Erwin Greiner as Finance Director. All members of the Management Board were appointed to serve until December 31, 2023. Franziska von Lewinski did not extend her contract as CEO and consequently left SYZYGY on December 31, 2023. Management Board members Frank Ladner, Chief Technology Officer (CTO), and Erwin Greiner, Chief Financial Officer (CFO), will continue their work as members of the Management Board and have extended their service contracts until December 31, 2026.

Corporate governance

On October 31, 2023, 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 Management Board and Supervisory Board report on the corporate governance of Syzygy AG in the Declaration on Corporate Governance in this annual report, in accordance with principle 23 of the German Corporate Governance Code.

Syzygy AG broadly complies with the principles of the Code. The exceptions are presented and explained in the relevant declaration. If any changes are made to the Declaration on the Corporate Governance Code in the course of the financial year, it will be updated jointly by the Supervisory Board and Management Board without delay and made available to all shareholders on the SYZYGY GROUP website.

Annual and consolidated financial statements, appropriation of net profit

Following a proposal by the Supervisory Board, the Annual General Meeting appointed auditing firm Mazars GmbH & Co. KG as auditor for the 2023 financial year on July 11, 2023. The Supervisory Board has not identified any circumstances that could give rise to a lack of impartiality on the part of the auditor. The auditors themselves have issued a statement of independence. Apart from auditing the financial statements, no audit-related services have been provided by Mazars GmbH & Co. KG.

Mazars GmbH & Co. KG audited the annual financial statements and management report, the consolidated financial statements, the Group management report and the dependency report for the 2023 financial year at the request 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). A formal audit of the remuneration report and the non-financial statement was also conducted by Mazars GmbH & Co. KG. 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 auditors also reported to the Supervisory Board on the audit of the accounting-related internal control and risk management system, which complies in all material respects with the requirements of section 91 (2) of the Stock Corporation Act (AktG).

After carefully reviewing all documents, the Supervisory Board received detailed information on the financial statements for the 2023 financial year from the members of the Management Board at its meeting on March 28, 2024. The auditors also attended, presenting the key aspects and results of their checks. All questions were answered by the Management Board and auditors to the Supervisory Board's full satisfaction. The Supervisory Board was thus able to verify that the audit had been conducted correctly and the audit reports properly prepared.

The Supervisory Board examined the annual and consolidated financial statements and the management report, including the non-financial statement that is fully integrated into the management report, as well as the remuneration report in accordance with section 162 of the German Stock Corporation Act (AktG). On the basis of its own checks and taking the audit reports into consideration, the Supervisory Board raised no objections. The Supervisory Board also approved the Management Board's proposal regarding the appropriation of net profit.

Thank you

On behalf of the Supervisory Board, I would like to sincerely thank the members of the Management Board and all employees for their exceptional personal commitment and dedication. Due to their tireless and passionate work, the SYZYGY GROUP performed very well in its core business. This has also laid the foundation for returning to the strong operating business performance of previous years in 2024.

I would like to close by thanking you, dear shareholders, on behalf of the Supervisory Board. The trust our shareholders place in the company is something that we particularly value.

We look forward to continuing to work together and wish all of us every success in the current financial year.

Bad Homburg v.d.H., March 28, 2024
For the Supervisory Board

Antje Neubauer
Chairwoman of the Supervisory Board

Ars Thanea & SYZYGY / Poland

Financial
Information

Group Management Report

55 General
55 Group profile
56 Economic report
65 Outlook
68 Internal control system
69 Risk management system
70 Risks and opportunities
73 Disclosure relating to acquisition
74 Declaration by the Management Board
74 Group declaration on Corporate Governance
75 Non-financial group declaration
101 References

Key financial figures

102 Consolidated balance sheet
103 Consolidated statement of comprehensive income
104 Statement of changes in equity
105 Consolidated statement of cash flows

106 Notes

167 Independent Auditors' Report

174 Responsibility Statement by the legal Representatives

175 Corporate Governance Report

182 Remuneration Report

193 Financial calendar 2024 / Contact

2023

Group Management Report
for the 2023 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 2023 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

The SYZYGY GROUP is a leading consultancy and implementation partner for digitisation, transformation and strategy in marketing and sales. It is one of the top agencies in the Internet agency ranking produced annually by the German Association for the Digital Economy (BVDW) (2023: 15th place). The SYZYGY GROUP designs, creates and orchestrates digital experiences and products that make a difference – to brands, companies and people. SYZYGY’s business segments bring together all the services needed to deliver successful client projects. These include consulting, design and technology services for creating and producing digital media to generate experiences aimed at people and brands.

Founded in 1995, the SYZYGY GROUP employs some 600 people across four countries, as in the previous year, plus around 50 freelancers. 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 seven subsidiaries:

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

Clients include prestigious brands such as Audi, Beiersdorf, BMW, Bosch, Condor, Continental, Deutsche Bahn, Deutsche Bank, Deutsche Telekom, Hilti, Kyocera, Lufthansa Group, Mazda, Mercedes-Benz, Miles & More, O_2, PayPal, Porsche, Sennheiser, 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 and the previous year’s figures on a monthly basis, analyses performance indicators in relation to employees and clients and also highlights key opportunities and risks.

Financial performance indicators

The main financial performance indicators used for managing the SYZYGY GROUP are sales revenue and earnings before interest, taxes and amortisation (operating EBIT). A substantial write-down of goodwill took place in the 2023 and 2022 financial years. This is reported separately in order to present the Group's operating performance more transparently. The financial performance indicator EBIT was switched to operating EBIT accordingly.

3. Economic report

3.1 General economic development

Even though conditions were highly unfavourable (wars, rising inflation and the sharpest rise in interest rates for 40 years), the global economy did not experience a significant downturn in 2023, but growth did slow.

The global economy's recovery following the Covid-19 pandemic and the Russian invasion of Ukraine is slow and patchy. Despite the initial resilience of the economy at the start of the year, with a slight recovery and progress made in bringing inflation down from the peaks of last year, economic activity is still below the pre-pandemic level. A number of factors are weighing on the recovery.

Some of these result from the long-term impact of the pandemic, the war in Ukraine and increasing geo-economic fragmentation. Others are cyclical in nature, including the effects of tightening monetary policy to combat inflation, the withdrawal of fiscal support due to high levels of debt, and extreme weather events. In its World Economic Outlook (WEO), the International Monetary Fund (IMF) expects that global growth in 2023 will have slowed to 3.1 per cent. Overall inflation fell further to 6.8 per cent in 2023 (previous year: 9.2 per cent). According to the World Economic Outlook published by the International Monetary Fund (IMF), GDP rose by 0.5 per cent in the Eurozone and 0.6 per cent in the European Union.[1,2]

Figures from the Federal Statistical Office (Destatis) indicate that price-adjusted gross domestic product (GDP) in Germany in 2023 was -0.3 per cent lower than in the previous year. When adjusted for calendar effects, the drop in economic output was -0.1 per cent. The economy stagnated in 2023, in an environment that continued to be dominated by crises. The sustained high level of prices at all stages in the economic process had a dampening effect on the economy. This was exacerbated by tougher financing conditions due to higher interest rates and weaker demand from the domestic market in Germany and from abroad. According to the ifo Institute, inflation remained high at 5.9 per cent in 2023 (previous year: 6.9 per cent).[3,4]

The economic barometer published by DIW Berlin stood at 95.4 points in January 2023 and was back above the 100-point mark for the first time in April, at 101.5 points. It then slipped significantly below this level by year-end, moving within a range of 85.3 to 91 points. A figure below 100 points means below-average economic growth. The loss of purchasing power caused by high inflation in 2022 and 2023 continues to put a strain on private households and therefore on consumer spending, which is an important aspect of the German economy.[5]

Figures from the Federal Statistical Office indicate that economic output in 2023 was generated by an average workforce of 45.9 million, thus reaching a new all-time high. The unemployment rate in Germany averaged around 5.7 per cent in 2023 (previous year: 5.3 per cent), according to the Federal Employment Agency.[6,7]

The IMF estimates that the UK's GDP grew by 0.5 per cent in 2023. The slow recovery indicates that the British economy is still suffering from last year's rise in inflation and the high interest rates set by the Bank of England, with 14 rate hikes in a row. The annual rate of inflation is 7.3 per cent.[8]

References

The economy performed better than expected in the US, where both consumer spending and capital investment rose significantly. The OECD and the IMF are now forecasting growth of 2.5 per cent for the US this year.[9]

At 0.3 per cent in 2023, GDP growth in Poland was close to the average of the 27 EU countries, which the European Commission estimates at 0.6 per cent. The average inflation rate in Poland in 2023 was 11.6 per cent (according to the Economic Review PEI: Winter 2023 report published by the Polish Economic Institute).[10]

3.2 Development of the digital experience market in Germany

The trend towards digitisation and the ongoing pressure for transformation prompted more and more companies to digitise their business models in 2023. Changing requirements on the part of customers are also leading to the development of competitive advantages, which in turn increases spending on digital and IT projects and drives demand for external service providers. At the same time, companies' expenditure increased, driven by changing customer requirements and greater competition. However, this positive trend was held back by rising fees due to the ongoing shortage of skilled workers and inflation, which led to companies increasing their prices.

The Lünendonk study 2023 shows that providers of digital experience services are optimistic about the future, despite economic uncertainties such as recession and inflation. The current catch-up effects around digital transformation and the increased focus on customer centricity have generated positive provider sentiment, despite the challenges. Slower growth of 12.5 per cent is expected in 2023, reflecting the weaker economic conditions.[11]

The study shows that DX service providers saw particularly high demand for platform and application development in the 2023 financial year. At 88 per cent, data & technology consulting is also cited as highly important. CX consulting (85 per cent) and business consulting (81 per cent) are likewise a strong focus in the current year, although demand has fallen compared to the previous year.

Operating web portals and platforms, and business model execution, have dropped slightly in importance (78 per cent and a slight decline, respectively). Usability services are stable at 75 per cent, while demand for marketing consulting (66 per cent) and advertising & performance services (57 per cent) is largely unchanged. Media services and visual services remain niche areas, with the share of sales generated by visual services declining sharply compared to 2022. Communication & content services are becoming much more important due to the rise in digital marketing and sales campaigns and in digital commerce.

3.3 Advertising market performance

Advertising market statistics 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 are even contradictory in some cases. Also, gross advertising figures do not allow any conclusions to be drawn about 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 captured 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.

References

The world remained in crisis mode in 2023, dominated by wars, inflation and macroeconomic imbalances. In view of these global developments, marketing activities and advertising spend adapted accordingly in most markets. The results of GroupM's This Year Next Year Report 2023 suggest that the global advertising market will continue to post annual growth of 5.8 per cent. The Dentsu World Advertising Spending Report indicates that the global advertising market grew by 2.7 per cent to a total of USD 719.8 billion in 2023. With a 57.7 per cent share of global advertising spend (USD 415.5 billion), digital remained the leading medium in 2023, with a growth rate of 6.3 per cent. With regard to digital media, Magna reports that keyword searches continued to be popular in 2023, generating almost USD 300 billion in advertising spend worldwide. Social media, with Meta and TikTok leading the way, grew by 15.2 per cent to USD 182 billion. Short-video platforms such as YouTube and Twitch grew by 9 per cent to USD 70 billion.[12, 13, 14]

The German advertising market is expected to close 2023 some 1.5 per cent down on the prior year – thus the forecast by the experts at the JOM agency group. Dentsu, on the other hand, still sees slight growth of 0.6 per cent for the current year. Figures from the advertising and market research institute Nielsen indicate that companies in Germany invested a gross amount of EUR 33.8 billion in advertising.

This gross advertising spend increased by around EUR 100 million year on year, representing minimal growth of 0.3 per cent. For the year as a whole, Nielsen expects the online segment to be up by 3.8 per cent.[15, 16]

The WARC Expenditure Report indicates that advertising spend in the UK rose by 15.9 per cent in the third quarter of 2023. This increase was mainly due to strong growth in online advertising. Growth of 6.4 per cent in the UK advertising market is currently predicted for the full year 2023. Expenditure on search engine advertising and online display advertising (including social media) exceeded expectations in the third quarter, despite the general market conditions. Search posted the strongest growth in 18 months and was up 23.7 per cent, while online display advertising also saw its strongest growth in this period with an increase of 24.8 per cent. In comparison, online growth in France was around 5 per cent in the quarter, while in the UK it was 4.6 times higher, at 22.3 per cent. The amount that online retailers spent on online advertising in the UK market rose by 156 per cent in the third quarter, which is attributable to increased competition for household budgets.[17]

The United States is the biggest advertising market. Magna is forecasting growth of 3.6 per cent for 2023 compared to the previous year, to reach a total of USD 338 billion. In the case of non-cyclical events (elections, global sporting events), advertising revenue in the US rose by 5.4 per cent compared to 2022.

Dentsu has revised its forecast for advertising expenditure in the US market upwards, from 5.4 per cent to 5.8 per cent. Growth in advertising spend in 2023 came from digital media: social media at 14 per cent and search/commerce at 10 per cent.

The Polish advertising market grew by 6.6 per cent in 2023. Growth in online advertising spend picked up significantly. The 8.1 per cent rise was driven by social media (+9.6 per cent), search engines (+8.6 per cent) and video formats (+8.5 per cent), as reported by MAGNA (IPG Mediabrands) in its Global Ad Forecasts Report.[18]

All in all, the SYZYGY GROUP was operating in a positive market environment, despite changes and uncertainty around some factors. The pandemic and the resulting changes have further boosted the need for advice on digital transformation in marketing and sales. Digital media has been among the winners in the advertising market in recent years and is proving to be a particularly powerful medium in times of crisis. The trend towards increasing budgets for digital advertising continues. Digital media provides confirmation that digital transformation, boosted by the pandemic, is helping to overcome economic and social challenges.

References

3.4 Employees

The headcount at the SYZYGY GROUP declined in the period covered by the report. As at December 31, 2023, the Group had a total of 589 permanent employees, 15 people or 2 per cent fewer than at the reporting date in the previous year. The number of freelancers fell from 47 (in the previous year) to 43 in the reporting year.

478 employees or 81 per cent of total staff (previous year: 386 employees) worked in the four German companies as at the reporting date; 39 people or 7 per cent (previous year: 55 people) were employed in the British agencies.

As at year-end, 68 people or 12 per cent (previous year: 79 people) worked for Ars Thanea, while the number of employees at SYZYGY Digital Marketing in New York decreased to 4 (previous year: 8 employees).

In terms of employees by function, there were only minor changes during the period under review. Technology increased by 2 percentage points to 21 per cent, while the proportion in project management remained the same at 16 per cent. The proportion of employees in performance marketing declined by 2 percentage points, with strategy consulting down 1 percentage point. The proportion of employees in creative services remained unchanged compared to the previous year, while an increase of 1 percentage point was recorded in administration. The SYZYGY GROUP employed 615 people (previous year: 577) on average during the year. Including the average 43 freelancers (previous year: 50) also used, annualised sales per head were around kEUR 109 (previous year: kEUR 113).

3.5 Course of business

In the Group Management Report for the 2022 financial year, the SYZYGY GROUP forecast that sales would increase by around 6-8 per cent in the 2023 financial year. With regard to profitability, an EBIT margin (i.e. the quotient of EBIT and sales revenue) of 9-10 per cent was expected. This translates to EBIT for the SYZYGY GROUP of between EUR 6.8 million and EUR 7.6 million. The forecast EBIT figure does not include possible impairment of goodwill; no such impairment was anticipated.

With Group sales of EUR 71.7 million (2 per cent up on the previous year), the sales forecast was not met. The Germany segment, which accounts for 80 per cent of total sales, posted a 4 per cent increase in sales. The performance of the international segments differed widely. The UK/US segment experienced significant budget cuts due to a challenging economic environment and reported a 16 per cent fall in sales as at year-end, to EUR 8.4 million. In contrast, the Polish company delivered growth of 3 per cent.

In Germany, the core business in the digital experiences space performed very well, while consulting and transformation detracted from growth. The fall in earnings in the UK/US was due to reluctance to invest and budget cuts at several major clients in a difficult economic environment, along with new business development that fell short of expectations. The Polish company's performance was also weaker than expected, mainly due to a more fragile economic environment and some budget cuts by clients.

Operating EBIT before write-downs of goodwill was lower than in the previous year at EUR 4.1 million (previous year: EUR 6.2 million), with the result that the operating EBIT margin was also lower, at 6 per cent. Goodwill was also written down in the amount of EUR 4.7 million because business performance at diffferent GmbH led to the business plan being adjusted and thus to a lower valuation. EBIT therefore amounted to EUR -0.7 million (previous year: EUR -5.2 million). The profitability forecast for the SYZYGY GROUP of 9-10 per cent was therefore not reached. Earnings per share of EUR -0.22 are negative due to goodwill being written down. The write-down of goodwill accounts for around EUR 0.35 per share, resulting in notional earnings per share of EUR 0.13 (previous year: EUR 0.29) from business operations.

The Management Board of Syzygy AG is not satisfied with trading and the performance of the SYZYGY GROUP's net assets, financial position and results of operations in the 2023 financial year. Both the sales performance and profitability of the SYZYGY GROUP are below expectations.

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

In kEUR	2019	2020	2021	2022	**2023**
Sales	64,243	55,521	60,124	70,612	71,742
Operating income	5,497	3,999	6,379	6,208	4,080
Operating EBIT margin	9%	7%	11%	9%	6%
EBIT	5,497	3,999	6,379	-5,205	-656
EBIT margin	9%	7%	11%	-7%	-1%
Financial income	-303	-697	-985	-848	-1,293
EBT	5,194	3,302	5,394	-6,053	-1,949
Earnings per share (EUR)	0.26	0.15	0.30	-0.56	-0.22

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

3.6.1 Asset situation

Total assets were EUR 11.9 million lower than in the previous year, at EUR 87.3 million (previous year: EUR 99.2 million). Goodwill is the largest item in fixed assets at EUR 38.9 million (previous year: EUR 43.0 million). Write-downs of EUR 4.7 million (previous year: EUR 11.4 million) were recognised in the financial year during impairment testing.

Non-current assets fell by 13 per cent in the reporting period to EUR 63.1 million. This decline is largely due to write-downs of goodwill in the amount of EUR 4.7 million (previous year: EUR 11.4 million) and depreciation of fixed assets in the amount of EUR 5.2 million.

Other intangible assets and fixed assets were down due to depreciation at EUR 5.0 million (previous year: EUR 6.4 million). Other intangible assets comprise brand names, software and licences used to provide services. Fixed assets include leasehold improvements and operating and office equipment totalling EUR 4.8 million (previous year: EUR 6.2 million).

Operating and office equipment was written down by EUR 0.8 million (previous year: EUR 0.8 million) and leasehold improvements by EUR 1.6 million (previous year: EUR 0.7 million). Rights of use recognised in accordance with IFRS 16 amount to EUR 15.0 million (previous year: EUR 20.4 million). The decline is attributable to the write-down of rights of use in the amount of EUR 3.0 million (previous year: EUR 3.5 million) and to the reclassification of a lease as belonging to other non-current financial assets. The lease was reclassified as a result of subletting rental space in London in the amount of EUR 2.9 million, with this now being classified as a finance lease. Consequently, other non-current financial assets mainly include claims against sub-tenants and security deposits. Security deposits were the main item in the previous year.

Cash and cash equivalents decreased in 2023 from EUR 7.8 million to EUR 4.0 million, while securities held as current assets were fully liquidated (previous year: EUR 1.1 million). Accounts receivable and contract assets were also down slightly, at EUR 15.8 million (previous year: EUR 16.2 million).

Other current non-financial assets increased slightly in the 2023 financial year to EUR 3.5 million (previous year: EUR 2.5 million) due to claims for tax refunds totalling EUR 1.2 million. Other financial assets in the amount of EUR 0.8 million (previous year: EUR 0.0 million) were also reported due to the subletting of rental space to third parties. Overall, current assets decreased by a total of EUR 3.5 million to EUR 24.1 million.

On the liabilities side of the balance sheet, equity decreased by 12 per cent from EUR 45.1 million to EUR 40.2 million, equivalent to 46 per cent (previous year: 45 per cent) of total assets. Additional paid-in capital fell by EUR 6.3 million, as Syzygy AG balanced a loss for the year in the single-entity financial statements by means of a withdrawal from additional paid-in capital.

Retained earnings stand at EUR 7.8 million, having increased slightly by EUR 0.5 million compared to the previous year. In the 2023 financial year, the profit distribution of EUR -3.0 million and negative net income of EUR -2.8 million were largely offset by a withdrawal from additional paid-in capital amounting to EUR 6.3 million.

Non-current liabilities posted a fall of EUR 2.9 million to EUR 17.5 million. This is due in particular to a reduction in lease liabilities, a portion of which are now short term.

Current liabilities decreased by EUR 4.2 million. This was mainly due to a fall in liabilities to banks of EUR 3.5 million to EUR 4.5 million and in accounts payable of EUR 1.1 million.

3.6.2 Financial position

The SYZYGY GROUP had overall liquidity (cash and cash equivalents) amounting to EUR 4.0 million as at December 31, 2023. This represents a decrease of EUR 4.9 million on the previous year's figure of EUR 8.9 million (total cash, cash equivalents and securities). This change is due in particular to the repayment of money market loans in the amount of EUR 3.5 million and the payment of a dividend totalling EUR 3.0 million, while positive operating cash flow only partially offset the cash outflow.

At EUR 4.0 million (previous year: EUR 7.8 million), cash and cash equivalents represented 100 per cent of cash reserves. These funds were earmarked for liabilities becoming due in the short term. Accounts payable declined slightly, as in the prior year, to EUR 15.8 million (previous year: EUR 16.2 million). This had a positive impact on cash and cash equivalents. The securities were fully disposed of (previous year: EUR 1.1 million)

Total cash flow of the SYZYGY GROUP amounted to EUR -3.7 million as at year-end (previous year: EUR 5.6 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 -3.2 million and negative cash flow from financing activities of EUR -10.4 million.

Positive operating cash flow is due in particular to depreciation of non-current assets totalling EUR 5.2 million (previous year: EUR 5.3 million) and impairment of goodwill amounting to EUR 4.7 million (previous year: EUR 11.4 million). In addition, the reclassification of rights of use (leases) boosted operating cash flow by EUR 3.5 million, while this reclassification decreased cash flow from investment operations by EUR 2.8 million. Overall, the changes in receivables and payables as well as advance payments received and taxes resulted in a EUR 0.9 million reduction in operating cash flow.

Cash flow from investment operations was negative EUR 3.2 million (previous year: EUR -1.2 million). This result reflects the reclassification of leases along with investments in fixed assets and the ongoing interest payments for lease obligations.

Cash flow from financing activities was reduced by EUR -3.8 million (previous year: EUR -3.6 million) due to the repayment of lease obligations, the dividend paid in the amount of EUR -3.0 million (previous year: EUR -2.7 million) and the repayment of money market loans totalling EUR 3.5 million (previous year: allocation of EUR 4.6 million). As a result, cash flow from financing activities showed a negative balance of EUR -10.9 million (previous year: EUR -6.4 million).

The Company also has a credit line of EUR 9.0 million (previous year: EUR 12.0 million) with Commerzbank AG, of which EUR 4.5 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 2023 financial year and all payment obligations could be met.

3.6.3 Results of operations

3.6.3.1 Sales revenue

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 pass-through items on the revenue and expenses side. Syzygy accordingly classifies itself as an agent within the meaning of IFRS 15.

Sales increased by 2 per cent to EUR 71.7 million (previous year: EUR 70.6 million).

The Germany segment is the strongest in the Group and increased its share of sales to 80 per cent (previous year: 78 per cent). The proportion of sales in the UK and US segment fell to 11 per cent (previous year: 14 per cent), while the Poland segment accounted for 9 per cent of sales (previous year: 8 per cent). The resulting growth, albeit low, was achieved by the strong core business in Germany.

Clients from the service sector have become the biggest client group, accounting for 32 per cent of sales (previous year: 25 per cent). The automotive industry remains a key sector at 21 per cent (previous year: 24 per cent), although the share of sales has been declining for several years. Clients from the finance and insurance sector are equally important, making up 20 per cent of sales (previous year: 20 per cent). Consumer goods accounted for around 16 per cent of sales (previous year: 15 per cent), while clients in IT and telecommunications generated 5 per cent (previous year 6 per cent) of sales. A rounded 6 per cent of sales (previous year: 7 per cent) came from companies that cannot be assigned to any of these five key sectors.

SYZYGY generated 50 per cent of total sales with the ten largest clients (previous year: 45 per cent).

3.6.3.2 Operating expenses and depreciation

The cost of sales totalled EUR 57.4 million, representing a rise of 7 per cent compared to the previous year. This was mainly due to increased personnel expenses and the higher cost of purchased services. Due to the cost of sales rising faster than sales for the most part (2 per cent growth), the gross margin is 4 percentage points down on the previous year, at 20 per cent.

Sales and marketing costs increased by 8 per cent to EUR 4.8 million (previous year: EUR 4.4 million). The higher costs are due to a slight increase in staff numbers working in sales and marketing.

General and administrative expenses, on the other hand, were reduced by 9 per cent to EUR 8.8 million.

Depreciation of fixed assets and amortisation of other intangible assets were slightly down, at EUR 5.2 million (previous year: 5.3 million), of which EUR 3.0 million (previous year: 3.6 million) is attributable to amortisation of rights of use.

3.6.3.3 Operating income, EBIT and margin development

Operating income before write-downs of goodwill (operating income) fell relative to sales to EUR 4.1 million in the reporting year, compared to EUR 6.2 million in the previous year. The decline is primarily due to restructuring expenses in the consulting business of around EUR 1.2 million. In addition, cost adjustments in general overheads were delayed and dragged operating income down. As a result, the operating income margin fell from 9 per cent to 6 per cent. EBIT including goodwill write-downs totalling EUR 4.7 million (previous year: EUR 11.4 million) was negative at EUR -0.7 million in the financial year (previous year: EUR -5.2 million). This improvement is due to lower goodwill write-downs. The Group's EBIT margin accordingly stood at -0.9 per cent in the 2023 financial year (previous year: -7.4 per cent).

As in the previous year, the international segments achieved positive results in 2023. The agencies in London were able to close the year with a double-digit EBIT margin of 10 per cent despite a 16 per cent fall in sales.

The Polish company increased its sales slightly by 3 per cent, while the operating income margin rose at a faster pace, climbing from 13 per cent to 16 per cent.

All in all, the SYZYGY GROUP closed the 2023 financial year with operating income (EBIT) of EUR 4.1 million and an operating margin of 5.7 per cent. This is below the forecasts made in March 2023, when the Company predicted EBIT of around EUR 6.8 to 7.6 million and an operating margin of 9 to 10 per cent.

3.6.3.4 Financial income

At SYZYGY, financial income mainly includes interest expenses arising from short-term financing through money market loans, and interest expenses in connection with IFRS 16. Due to the higher interest rates for short-term financing, the securities portfolio was liquidated in order to minimise financing requirements. As a result, only a small amount of income was generated from securities or overnight deposits.

Overall, financial income was negative EUR 1.3 million (previous year: EUR -0.8 million).

Interest expenses due to the IFRS 16 accounting standard fell slightly to EUR 0.5 million (previous year: EUR 0.6 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. Expenses totalling EUR 0.9 million were recorded in the reporting period (previous year: EUR 0.4 million). Income of EUR 0.1 million from the securities portfolio (previous year: EUR 0.1 million) was unable to compensate for expenses of EUR 1.0 million (previous year: EUR 0.5 million) incurred through corporate financing.

3.6.3.5 Income taxes, net income, earnings per share

The reporting period saw an improvement in pre-tax income, at EUR -1.9 million (previous year: EUR -6.1 million), with a corresponding improvement in net income after taxes, at EUR -2.8 million (previous year: EUR -7.4). The tax rate on adjusted net income (taking into account the write-downs on goodwill, which represent expenses that are non-deductible for tax purposes) increased in the 2023 financial year to 29 per cent, based on earnings before income taxes of EUR 2.8 million (previous year: tax rate of 25 per cent).

Undiluted earnings per share were EUR -0.22 (previous year: EUR -0.56), based on the average available 13,500,000 shares qualifying for participation in the profits and after deducting non-controlling shares of EUR 0.15 million.

Since the Company adopted a resolution to pay the difference between exercise price and share price in cash if outstanding phantom shares are exercised, diluted earnings per share were EUR -0.22 accordingly (previous year: EUR -0.5).

3.6.4 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 & US, and the Poland segment.

The core market, Germany, posted sales growth of 4 per cent in the reporting period. The German companies generated sales of EUR 57.4 million (previous year: EUR 55.0 million), and operating income of EUR 4.4 million excluding impairment of goodwill of EU 4.7 million, equivalent to an operating income margin of 8 per cent (previous year: 10 per cent). Taking impairment of goodwill into account, EBIT was negative EUR 0.4 million (previous year: EUR -5.8 million), with an EBIT margin of -1 per cent (previous year: -11 per cent).

The performance of the international segments varied very widely in the year under review. While the UK & US segment posted a decline in sales of around 16 per cent, Poland achieved growth of 3 per cent.

The UK & US segment generated sales revenue of EUR 8.4 million, with operating income of EUR 0.7 million (previous year: EUR 1.4 million). Accordingly, the EBIT margin was 10 per cent (previous year: 14 per cent).

The Poland segment posted a slight rise in sales in the period under review, which at EUR 6.1 million (previous year: EUR 6.0 million) represented a 3 per cent increase. EBIT performed well due to the rise in sales and EBIT margin, coming in at EUR 1.0 million (previous year: EUR 0.8 million). This corresponds to an EBIT margin of 16 per cent (previous year: 13 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: 78 per cent), around 11 per cent from the UK & US (previous year: 14 per cent) and 9 per cent from the Poland segment (previous year: 8 per cent).

4. Outlook

4.1 Forecasts

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. Accordingly, 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

Despite the high inflation of the last two years and the necessary tightening of monetary policy, the global economy has proved to be surprisingly resilient – but still faces a number of challenges in 2024. Geopolitical tensions remain a major source of uncertainty and have been exacerbated by the heightened conflict in the Middle East. The threat to shipping in the Red Sea is leading to rising freight costs and longer lead times. If the situation escalates, there is a risk that these factors will trigger a further increase in the price of goods, thus jeopardising the anticipated economic upturn.

In its latest Interim Economic Outlook, the Organisation for Economic Co-operation and Development (OECD) forecasts average global growth of 2.9 per cent in 2024. OECD data suggests that overall inflation in the G20 countries is set to fall from 6.6 per cent in 2024 to 3.8 per cent in 2025.[19]

The IMF forecasts global growth of 3.1 per cent in 2024 and 3.2 per cent in 2025. The economy is coming under pressure from the increase in key interest rates by central banks to combat inflation, the reduction in fiscal support due to high levels of debt, and low underlying productivity growth. In most regions, inflation is falling faster than expected as supply bottlenecks have been overcome and tighter monetary policy has been adopted. Overall global inflation is expected to fall to 5.8 per cent by 2024 and to 4.4 per cent by 2025.[38]

The OECD forecasts gross domestic product (GDP) growth of 0.6 per cent in 2024 and 1.3 per cent in 2025 for the Eurozone. Economic activity will initially be dampened by restrictive lending conditions before recovering as incomes rise in real terms. The OECD's forecasts are largely consistent with those of the International Monetary Fund (IMF), which expects growth in the Eurozone to increase from 0.5 per cent in 2023 to 0.9 per cent in 2024, and then 1.7 per cent in 2025. This upswing is expected to be driven by an increase in consumer spending by private households as the impact of the energy price shock diminishes and inflation falls, which will support growth in real incomes.

Due to the energy crisis and the increased uncertainty resulting from the budget crisis, the OECD is now forecasting growth of just 0.3 per cent for Germany in 2024, compared to 0.6 per cent in November. The IMF is more optimistic with its expectation of 0.5 per cent growth.

References

The ifo Institute also lowered its growth forecast due to the recent austerity measures implemented by the German government. The more pessimistic assessment of economic performance translates to an expected growth rate of just 0.7 per cent, with companies' loss of confidence in the German government playing a crucial role. Experts expect inflation to come down significantly in the current year. The ifo Institute forecasts an inflation rate of 2.2 per cent, while the Bundesbank expects it to halve to 2.7 per cent. Inflation forecasts are sparking a debate about central banks' interest rate policy. According to a Bloomberg survey of economists, the European Central Bank is planning four interest rate cuts this year, as inflation is falling faster than previously expected.[39]

The International Monetary Fund (IMF) expects that growth in the UK will increase moderately from an estimated 0.5 per cent in 2023 to 0.6 per cent in 2024 and 1.6 per cent in 2025 as the negative after-effects of high energy prices wane. The IMF and OECD expect growth in the US to slow to 2.1 per cent (previous year: 2.5 per cent) in 2024 and to 1.7 per cent in 2025, due to private households saving less, high interest rates and a weakening labour market.[40, 41]

Poland's economy is slowly recovering from recession, with economic growth of 2.3 per cent expected in 2024. Inflation is also coming down steadily and will fall to 5.1 per cent (previous year: 11.6 per cent). The main driver of growth will be consumer spending. Investment will be somewhat weaker in 2024, but 2025 will see it growing strongly again. In addition to an improvement in the global economy, the country's national economic stimulus packages will support growth. As a result, GDP growth is expected to accelerate to 3.5 per cent in 2025. Those are the findings of the PEI Economic Overview: Winter 2023 report published by the Polish Economic Institute.[42]

4.3 Expected development of the digital experience market in Germany

As the Lünendonk study on digital experience services in Germany shows, many companies have improved their digital proposition but continue to invest heavily in the digital experience. The study indicates that despite the progress already made, the focus is on investment in customer centricity, digital experience projects and technology platforms. The technology trends driving this include composable enterprise, data & analytics and generative artificial intelligence. An optimistic view of 2024 suggests an average growth rate of 14.7 per cent.

In the two years 2024 and 2025, 94 per cent of companies plan to invest in the development of digital business models. In addition, 84 per cent intend to optimise their marketing strategy, particularly through data-driven marketing and efficient lead and conversion development.

Demand for platform and application development as well as data & technology consulting will remain high in 2024. CX consulting (85 per cent) and business consulting (81 per cent) will remain highly important, although demand is set to fall slightly compared to the previous year. Web portals and platforms and business model execution will post a small drop (78%). Usability services will remain stable at 75 per cent, while demand for marketing consulting (66 per cent) and advertising & performance services (57 per cent) will barely change.[43]

4.4 Anticipated development of the advertising market

The following comments on forecasts for 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.

References

Global and national advertising markets can be very volatile. Unforeseen events, such as the Covid-19 pandemic in 2020, the war in Ukraine in 2022, high inflation and macroeconomic developments, can have a significant impact on the economy and consequently also on the advertising market. New advertising options, especially in digital media, may also affect the allocation of advertising spend. Forecasts are continuously adjusted, based on estimates of advertising investment.

In their advertising forecasts and estimates for 2024, media companies such as Dentsu, GroupM and IPG's Magna see growth ranging from 4 to 7 per cent. The latest Dentsu Global Ad Spend Forecasts Report indicates that global advertising investment will increase by 4.6 per cent in 2024, compared to 3.8 per cent in the previous year, against the backdrop of a challenging macroeconomic environment. Despite these challenges, 2024 will be dominated by major media events, including the Olympics and Paralympics in Paris and the US presidential election, which will boost investment.[44]

Ad spend in the digital sector is expected to rise further and reach the USD 442.6 billion mark in 2024, equivalent to 58.8 per cent of global advertising spend. Forecasts indicate that the slowdown in growth to single digits will continue in 2024 at 6.5 per cent (previous year: 6.3 per cent) and become the norm by 2026, with an average annual growth rate of 6.3 per cent. Despite this slowdown, digital media is expected to remain the main driver of growth in global advertising spend.

GroupM's media analysts forecast a 5.3 per cent increase in global advertising expenditure and expect that pure play digital (excluding digital out-of-home and CTV, but including YouTube and TikTok) will outperform the entire advertising industry's total for 2022. Growth of 7.2 per cent was predicted in the winter update of the 2024 global advertising forecast published by IPG's Magna.

The JOM agency group forecasts 1.2 per cent growth of the German advertising market in 2024, which could lead to total spend of EUR 26 billion. The upcoming European Football Championship in Germany is seen as a potential source of growth, particularly for online moving-image advertising. Dentsu shares the optimistic outlook and likewise expects positive growth of 1.8 per cent for the advertising market in 2024. Despite the current global uncertainties and economic challenges, both JOM and Dentsu cite major political and sporting events as drivers of a significant boost in 2024.

In this context, two key forces can be identified in the market: firstly, the ongoing challenges of the macroeconomic situation, which in the case of many companies are resulting in cost reductions rather than higher marketing budgets; and secondly, increasingly integrated, data-enriched digital media content, which offers unforeseen opportunities for measurability and efficiency if used effectively. The digital advertising landscape in Germany is experiencing a robust upswing, driven by increased use of social media and the rise of online shopping. Data from Statista Market Insights indicates that video, banner, social media and search engine advertising will see particularly strong growth. The forecast for total spend in the advertising market is around EUR 16.5 billion (+7.3 per cent).[45]

The UK remains the largest advertising market in Europe. The Dentsu Global Ad Spend Forecast estimates overall growth in advertising spend of 3.5 per cent, with digital media up 4.0 per cent, accounting for some 70 per cent of investment in the UK market. Growth of 2.8 per cent is expected in 2025, with the UK advertising market probably reaching USD 45.1 billion.[46]

References

Dentsu forecasts growth of 5.8 per cent in the US advertising market. The presidential election and the Super Bowl remain the key drivers this year. The US advertising market is expected to reset in 2025, with growth of 4.4 per cent. Spending on digital advertising is likely to reach EUR 272.8 billion (+9.5 per cent) in 2024, according to Statista Market Insights. The main driver of this growth is search engine advertising, which will have a market share of 56 per cent in 2024.[47]

Significant growth of 3.6 per cent is forecast for the Polish advertising market in 2024. It is also becoming apparent that the digital advertising segment will skew strongly towards programmatic advertising by 2028, with a 73 per cent share of total sales. Digital channels will continue to have a major impact on the market and are expected to account for around 60 per cent of total spend in 2024.

4.5 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.

Based on the information available to date, the SYZYGY GROUP expects sales to be maintained at the previous year's level in the 2024 financial year, with an EBIT margin of around 10 per cent before goodwill write-downs. The EBIT margin is defined as the ratio of operating profit before interest and income taxes (EBIT) to sales revenue. This corresponds to operating EBIT of around EUR 7.2 million for the SYZYGY GROUP. The forecast EBIT figure does not include possible write-downs of goodwill; no such write-downs are anticipated. The improvement in operating EBIT will mainly be achieved by the cost-cutting measures implemented in 2023, the effect of which will chiefly be seen in the following year.

5. 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 of Syzygy AG discusses the company's situation, new business, personnel issues and the outlook with the management teams of the subsidiaries. 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 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 (two-person rule) and is supported by separation of functions and access rules in the IT system.

After preparation, the SYZYGY GROUP's quarterly reports 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 accounting in relation to the financial statements and consolidated financial statements 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).

References

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 for their impact on SYZYGY GROUP accounting. Consistent annual 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 289 [4] / 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. 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.

6. Risk management system[48]

The SYZYGY GROUP defines risk as a possible negative deviation from forecasts or other qualitative and quantitative targets due to future events or developments. Expanding this perspective to include sustainability aspects, our revised comprehensive identification of risk now also includes potential negative repercussions on non-financial aspects such as HR metrics or the environment and climate. We believe that risk management comprises all measures for dealing systematically and transparently with risk.

The current view of Syzygy AG's Management Board remains unchanged in that it sees no risks that could jeopardise the continued existence of the Company.

The risk strategy is designed to ensure the continued existence and sustainable growth of the Company over the long term. The success of the Company requires that risks are identified and assessed, and that the responsible decision-makers manage these risks in the best possible way. Risks that could jeopardise the continued existence of the Company must always be avoided. In its Risk Management Guidance, the SYZYGY GROUP has defined the principles for corporate governance and risk management.

The SYZYGY GROUP's risk management system is continuously evolving and is integrated into the internal control system and standard reporting.

Details of specific responsibilities in the risk management process are laid down in the risk control matrix. The various risk management tools are designed in such a way that the sub-processes are integrated into a continuous risk management cycle, with all risk owners involved in the process.

The risk control matrix is structured into the following sub-areas: finance / sales, market trends and strategy / personnel-related risks / IT risks, and other risks, which incorporates environmental and social-based risks. The risk control matrix is reviewed and updated in a quarterly procedure by the Group Management Board in conjunction with the management of the units and Corporate Controlling. The link with reporting in Controlling and the assessments of the managing directors makes it possible to identify risks based on the current financial and company data and, if necessary, to define measures or evaluate the action taken up to that point in time.

References

The operational opportunities and risks not taken into account in the monthly updated projection or in budget planning are part of standard reporting by the business units. The regular discussion of opportunities and risks in the established business reviews between the Management Board and the managing directors plays a significant role in integrated business management throughout the year and in corporate planning. The bandwidths for the key indicators are defined in relation to the current and following financial year.

By regularly surveying and updating the risks at local level, we also ensure that risk awareness remains high throughout the Group. Our internal control system is designed to reduce risks in business processes.

Identified risks are assessed uniformly using probability of occurrence and loss amount as the basis, relative to the key indicators. We define risk categories for the material risks as follows: “existential”, “high”, “medium” and “low”. The potential negative impact of our own actions on non-financial aspects such as the environment and climate is also assessed, taking into account the sustainability goals set by the SYZYGY GROUP.

The risks relevant to the SYZYGY GROUP have been categorised as follows:

- Financial risks
- Risks resulting from operating activities
- Personnel-related risks
- IT-specific risks
- Environmental and social risks

Based on its engagement with the internal control and risk management system, the Management Board is not aware of any circumstances that would suggest that these systems are not appropriate or effective.

7. 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 SYZYGY GROUP’s business areas and development, consideration is given to the general risks around economic trends and affecting the digital experience services market in the markets relevant to SYZYGY, and in particular to the rate of technological change in the markets for Internet services.

The war in Ukraine and the associated risks for the global economy, business activity, and energy and commodity prices had a material impact on the SYZYGY GROUP’s business performance in 2023. These external factors create uncertainty among economic agents and lead to budget cuts in some cases, but it is not possible to make a definitive assessment of the effects. The SYZYGY GROUP does only a small amount of business with service providers from the crisis-hit areas.

Looking back, the Covid-19 pandemic has not had a severe impact, so it is not assessed as a major risk or opportunity in the future. Ultimately, the pandemic accelerated the trend towards digital transformation. This development will predominantly lead to opportunities.

The Management Board of Syzygy AG monitors risks 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 risks 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.

7.1 Material risks

Risks resulting from the war in Ukraine

It is not possible to make a definitive assessment of the further impact of the hostilities in Ukraine. Overall, the global economy has been weakened, with accelerated inflation due to additional increases in energy and commodity prices. These effects will persist in 2024, thus continuing to dampen global economic growth. The SYZYGY GROUP does not serve any clients in the crisis areas. However, the SYZYGY GROUP does work to a limited extent with companies from Ukraine, with local service providers being used in some projects, primarily for software development. These services could be seriously disrupted by the war. The scope of these services is very small and could be offset by using other service providers outside the crisis zone if necessary.

The possibility of the hostilities spreading to other countries cannot be ruled out at this time. The SYZYGY GROUP operates a company in Poland, which contributes around 8 per cent of sales and around 12 per cent of earnings to net income. This could result in a lower profit distribution for Syzygy AG.

The risk of material impairment of performance, or a material impact on the business in Poland, is assessed as low.

Operational risk

Approximately 50 per cent of the SYZYGY GROUP's sales are generated from its ten largest clients. The concentration on the ten largest clients has thus increased from 45 per cent to 50 per cent. The top three clients accounted for 22 per cent of total sales, a slightly increased share compared to the previous year's 19 per cent. The largest single client generated a slightly higher share of 8 per cent of Group sales compared to the figure of 7 per cent in the prior year.

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.

A substantial share of sales is based on fixed price agreements. Approximately 40 per cent of client contracts for SYZYGY units involve fixed price projects, while around 60 per cent of sales are based on contracts for maintenance projects that are invoiced on a time and material basis. This means that 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.

The risk of financial losses on projects or arising from the operational business is regarded as low due to very stable long-term client relationships, especially with the top 10 clients. The risk of major client losses is assessed as medium.

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 medium due to the current hostilities and a weak economic environment.

Currency risk

SYZYGY generates around a fifth of its sales in other currencies than the euro, 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 medium.

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 assets acquired as part of the acquisition or of the acquired goodwill may be necessary.

The risk is assessed as medium.

Liquidity risk

An internal and external payment collection process minimises the risk of client default. This ensures that the Group has sufficient liquid funds available to service operating costs and interest payments on schedule.

Liquidity bottlenecks are countered by way of Group-wide liquidity management. Liquidity reserves are monitored as part of the budgeting process.

The current negative trend in interest rates may adversely affect the Group's financial position.

7.2 Opportunities

Digitalisation

The SYZYGY GROUP continues to expect rising demand for consulting and implementation services around digitalisation. 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.

Long experience

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.

Holistic service offering

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.

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 no-par value bearer shares. Different classes of shares were not formed.
- SYZYGY shares are not subject to restrictions on transferability. Syzygy AG is not aware of any restrictions relating to the exercise of voting rights or to the transfer of SYZYGY shares.
- The WPP Group holds the majority of the 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, in conjunction 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.
- The Annual General Meeting's resolution of May 28, 2021 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 6,750,000.00 in the period to May 27, 2026 by issuing new bearer shares against cash contributions and/or contributions in kind (authorised capital 2021). The outstanding authorised capital as at December 31, 2023 was EUR 6,750,000.00.
- 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 31, 2023 the Management Board and Supervisory Board issued and published an updated declaration relating to the German 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://www.syzygy-group.net/en/corporate-governance/.

syzygy-group.net/en/corporate-governance

11. Non-financial Group declaration in accordance with Article 315c of the Handelsgesetzbuch (HGB – German Commercial Code)[31]

11.1 Strategy and management

The SYZYGY GROUP is committed to conducting business along sustainable lines, with economic, environmental and social responsibility being a key principle of its corporate governance. This is also a cornerstone of our strategy to continuously increase enterprise value and take responsibility for the future. The SYZYGY GROUP's services should not only create benefits for clients, employees and stakeholders, but also have a positive social and ecological impact. It firmly believes that sustainability is crucial to long-term business success.

In this non-financial declaration (NFD), the SYZYGY GROUP reports on the development and progress of the SYZYGY GROUP's sustainability-related action areas in the 2023 financial year, in accordance with the statutory requirements of Article 289 c-e of the German Commercial Code (Handelsgesetzbuch, HGB), Article 315c of the HGB and Article 8 of the Taxonomy Regulation. This NFD is based on the United Nations Global Compact Principles and the UN Sustainability Development Goals, which are also the benchmark for assessing the relevance of the measures. The non-financial Group declaration was reviewed and approved by the Supervisory Board of Syzygy AG in accordance with Article 171 (1) of the German Stock Corporation Act (Aktiengesetz, AktG).

Sustainability management

The Management Board member responsible for sustainability issues at Syzygy AG is the Chief Financial Officer (CFO), Erwin Greiner. He defines the strategy together with the Management Board and the sustainability team. The Finance function monitors results and progress on environmental, employee and social matters by way of metrics collected quarterly within the SYZYGY GROUP and the WPP Group, and is available to assist the subsidiaries with all sustainability issues.

Compliance, information security and data protection is also part of Finance's sphere of responsibility.

The Management Board and Supervisory Board review the progress and results of sustainability management, which are published in non-financial reporting.

Capturing metrics

The relevant data in all action areas is collected and verified on a quarterly basis to ensure that the data is complete and accurate. In this context, the SYZYGY GROUP collects specifically defined data across the Group and supplies it to the WPP Group. The environmental metrics were gathered and analysed by ClimatePartner. The SYZYGY GROUP also meets the requirements of the capital market.

In accordance with Article 315b (1) sentence 3 of the German Commercial Code, the GROUP refers the reader to the non-financial disclosures on individual aspects included elsewhere in the Group Management Report.

Business model

The SYZYGY GROUP's business model within the meaning of Article 315c (1) in conjunction with Article 289c (1) of the HGB is described in section 2 of this Group Management Report.

The SYZYGY GROUP firmly believes that economic, social and environmental aspects must be reconciled in order to ensure sustainability. The goal is to make a positive contribution to sustainable development at all stages of the value chain.

Non-financial risks

Values and uniform ethical standards that are shared by clients, employees, suppliers, management and investors, together with responsible use of energy and natural resources, safeguard the reputation of the SYZYGY GROUP.

This reduces costs as well as financial, legal and operational risks. The SYZYGY GROUP's image is also enhanced by its support for non-profit causes. A functioning system for managing risks and opportunities is therefore an important part of a sustainable management approach.

Potential non-financial risks are identified and assessed at Group level via the existing risk management system. Possible sustainability risks are identified on a quarterly basis by Controlling and included in monitoring as necessary.

No material non-financial risks related to business activities, client relationships or services were identified in the reporting period that will have or could be expected to have a negative impact on the non-financial aspects or business activities of the SYZYGY GROUP. We report on our opportunities and risks in section 5 of this Group Management Report.

Materiality

Sustainability is a highly important aspect of our business activities. Growing awareness of sustainability issues is leading to an assessment of their importance for the Company, the environment, society, and our stakeholders. Demographic change, meanwhile, has brought increasing competition for highly skilled workers. The environment, health, safety, diversity and compliance are also important topics when assessing key sustainability aspects.

Materiality analysis

The non-financial Group declaration aims at transparently communicating the material and relevant non-financial aspects to our stakeholders.

The annual review of the extent to which sustainability aspects are material found that there were no changes in 2023. Due to the new regulatory requirement introduced by the Corporate Sustainability Reporting Directive (CSRD), the SYZYGY GROUP will repeat its materiality analysis in 2024.

In the 2023 reporting year, the key issues were limited to the materiality definition presented in the CSR Directive Implementation Act (CSR-RUG) in conjunction with Articles 289b to 289e of the German Commercial Code. These issues are relevant to the business process, the Company's earnings and to business operations that have an impact on non-financial aspects.

- Environmental matters
  - Electrification of the vehicle fleet
  - Use of renewable energy sources
  - Staff commuting and working from home
  - Useful life of electronic devices
  - Business travel
- Employee matters
  - Diversity and inclusion
  - Working conditions
  - Employee development
  - Occupational health and safety
- Social matters
  - Client relationships
  - Social commitment
- Governance / compliance
  - Human rights
  - Information security and data protection
  - Combating corruption and bribery
  - Responsible use of artificial intelligence (AI)

Sustainability goals

Responsibility, togetherness and innovation are the three corporate values that set the SYZYGY GROUP apart, create cohesion among staff, define our day-to-day work, and act as a compass for decisions and actions.

The SYZYGY GROUP takes responsibility by focusing on the impact of its activities and decisions on its sphere of influence, such as its employees, clients, suppliers, society in general and the environment. The Group thus places particular emphasis on upholding ethical standards, complying with laws and regulations, and making a commitment to addressing social and environmental issues. Long-term objectives and the impact of decisions on the future are carefully considered and communicated transparently.

The SYZYGY GROUP is also committed to meeting environmental standards and to promoting sustainable development.

The SYZYGY GROUP aligns its action areas, goals and activities with sustainable development, as informed by the materiality analysis.

Its guiding principles are four of the Sustainable Development Goals (SDGs), the current global goals of the United Nations (UN) in this respect:

- Quality education (SDG 4)
- Gender equality (SDG 5)
- Decent work and economic growth (SDG 8)
- Climate action (SDG 13)

For more education

Innovative technologies and changes in user behaviour mean that internal skillsets must be kept up to date. It is therefore crucial that employees receive support to continuously grow and develop – both professionally and personally. Access to inclusive education for all colleagues is a key element in enabling them to realise their full potential and to benefit from equal rights and equal opportunities. The SYZYGY GROUP is also motivated by the opportunity to contribute to society through knowledge and skills.

For more equal opportunities

Equality is a fundamental human right and essential for a peaceful and sustainable world. Diversity, equity and inclusion (DE&I) are key components of the corporate philosophy.

The SYZYGY GROUP is actively committed to promoting equal opportunities. The Group strives to provide an inclusive and flexible working environment that enables all employees to realise their full potential. Specific measures, such as putting an end to gender pay gaps and selecting the most suitable candidates regardless of gender, are being implemented to promote equal opportunities.

For a better climate

The SYZYGY GROUP is actively committed to promoting climate change action.

The Group sees digitisation and green IT as major drivers of a more eco-friendly approach for both businesses and society in general. With this in mind, the SYZYGY GROUP is committed to minimising and offsetting its own emissions, while developing digital systems that make a positive contribution to climate change mitigation.

For inclusive and sustainable economic growth

As a listed company, the SYZYGY GROUP is responsible for delivering economically sustainable growth while ensuring the competitive viability of its business. This includes supporting economic growth by improving working conditions, developing employees, and facilitating diversity and inclusion.

11.2 Environmental matters

Responsible use of natural resources is an important goal, although it is less relevant for a service provider than for manufacturing companies.

Climate strategy

The consequences of climate change extend across our world, affecting both the economy and the everyday life of each individual. Digitisation and green IT are key factors in making society and business more environmentally friendly.

The SYZYGY GROUP makes a contribution by calculating its emissions, identifying ways to avoid and reduce them, setting targets to reduce emissions, and developing and promoting appropriate action and initiatives. Each operating unit also implements its own environmental protection measures to support the Group-wide goals, make the Group a climate-friendly company and ensure that resources are used efficiently.

Transparency on greenhouse emissions

Syzygy AG's Corporate Carbon Footprint (CCF) has been calculated in association with ClimatePartner since 2021. This involves combining the CO_2 emissions for each of the locations and subsidiaries in Bad Homburg, Berlin, Frankfurt, Hamburg, London, Munich, New York and Warsaw.

The CCF was calculated according to the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (GHG Protocol), taking into account Scope 1, Scope 2 and Scope 3 emission sources. While the recording and reporting of Scope 3 emissions in the GHG Protocol is optional, it is also an important step towards greater transparency and accountability.

This helps the SYZYGY GROUP to raise its awareness of environmental and climate issues by comprehensively recording and analysing the environmental footprint of its activities.

Overall result of the emissions calculation for business activities

The SYZYGY GROUP has taken action to cut CO_2 emissions and reduce its environmental footprint (CCF). In 2023, total CO_2 emissions were reduced by 25 per cent to 753.43 tonnes of CO_2 (previous year: 1,003 tonnes of CO_2). On a per employee basis, emissions stood at 1.23 tonnes of CO_2 (previous year: 1.74 tonnes of CO_2), representing a 29 per cent reduction compared to the previous year.

CO_2 (in tonnes)	**2023**	2022	Change
CO_2 emissions in tonnes per employee – total*	1.23	1.74	-29%
Absolute CO_2 emissions in tonnes – total*	735.42	1,003.27	-25%

* GHG Protocol

CO_2 emissions per employee are based on the average number of employees: 616 in the year covered by the report and 577 in the previous year.

Determining the CCF made it possible to identify ways of avoiding and reducing emissions, leading to targets for such reductions. A range of different measures and initiatives were developed to achieve these targets. The following table shows the extent to which the targets were reached in the year under review:

Greatest potential for savings in terms of emissions	Emission reduction targets (measures & initiatives)	Target achievement compared to previous year
Scope 1		
Company fleet (of vehicles)	Reduction of emissions by switching to electric vehicles by 2025 (zero carbon in Scope 1)	Reduction of direct emissions from the company fleet: • Total: -15 per cent • Per employee: -13 per cent • 52 per cent of company vehicles are electric or hybrid vehicles • 24 per cent of these are all-electric vehicles
Scope 2		
Purchased energy such as electricity and heating (energy requirements of buildings)	Use of renewable energy (zero carbon in Scope 2 since 2021) Reduction of building emissions by promoting sustainability in employees' daily activities	Reduction of CO_2 emissions from purchased heat and electricity for own use: • Total: +4 per cent • Per employee: 0 per cent • 100 per cent net-zero greenhouse gas emissions for electricity CO_2 emissions at all locations
Scope 1 + 2		
		Reduction of company-wide Scope 1 and Scope 2 emissions: • Total: -4 per cent • Per employee: -11 per cent

Greatest potential for savings in terms of emissions	Emission reduction targets (measures & initiatives)	Target achievement compared to previous year
Scope 3		
Staff travel to workplace	Reduction of CO_2 emissions when travelling to work by promoting the use of public transport, bicycles or e-bikes, and working from home	Reduction of CO_2 emissions for staff commuting and working from home: • Total: -22 per cent • Per employee: -26 per cent
Purchased electronic devices	Reduction of CO_2 emissions through longer usage periods for electronic devices	Reduction of CO_2 emissions from purchased electronic devices through longer usage periods: • Total: -56 per cent • Per employee: -67 per cent
Business travel	Reduction of CO_2 emissions • caused by business travel through increased use of rail travel and video conferencing • to cut air miles by 50 per cent compared to the 2019 baseline	Reduction of CO_2 emissions from business travel overall: • Total: -27 per cent • Per employee: -33 per cent Air miles: • Total: -24 per cent • Per employee: -29 per cent
Products and services	Advising clients on reducing CO_2 emissions in the digital ecosystem during projects and campaigns	Conducting a comprehensive portfolio analysis to reduce CO_2 emissions in the digital ecosystem. Publishing a white paper with specific sustainability-related measures to offer climate-friendly products and services to clients

Reduction in Scope 1 emissions

Company vehicles

The SYZYGY GROUP is supporting a green future by switching its company vehicles to electric and hybrid models. This step will help to further reduce emissions. The goal is to use only electric and hybrid vehicles as company cars by 2025. At present, 52 per cent of vehicles are already electric or hybrid, 24 per cent of which are all-electric vehicles. This measure not only contributes to sustainability, but also demonstrates the SYZYGY GROUP's commitment to environmentally responsible mobility.

Scope 1 emissions amounted to 42.02 tonnes of CO_2 in 2023. These emissions are solely attributable to the vehicle fleet, the impact of which was reduced by a further 15 per cent compared to the previous year by switching to electric and hybrid vehicles.

Direct climate-related emissions (Scope 1)*

Scope 1 includes all emissions caused directly by company vehicles.

CO_2 (in tonnes)	**2023**	2022	Change
CO_2 emissions (Scope 1) in t CO_2e – market-based	42.02	49.35	-15%

* GHG Protocol

Reduction in Scope 2 emissions

Heat and electricity

CO_2 emissions for purchased heat totalled 113.78 tonnes in 2023. There was no change per employee compared to the previous year.

The SYZYGY GROUP's headquarters in Bad Homburg v.d.H. contribute to a reduction in climate-related emissions by complying with the Green Building standard and receiving Gold certification under the international LEED system, and meeting high ecological standards. Although the SYZYGY GROUP cannot take direct action to improve the energy efficiency of its subsidiaries' buildings as it does not own the buildings, it aims to promote and integrate sustainable practices within the Company through its initiatives and defined targets.

The SYZYGY GROUP has been obtaining electricity from 100 per cent renewable energy sources at all its locations in Germany since 2021, having concluded green power purchase agreements. This step underlines the Company's commitment to a sustainable and environmentally friendly energy supply. In addition, due to Renewable Energy Certificates (RECs) purchased through the WPP Group, the Group is also greenhouse gas neutral in electricity CO_2 emissions (in Scope 2) at all international locations.

Indirect climate-related emissions (Scope 2)*

Scope 2 covers emissions caused by purchased energy such as electricity and district heating.

CO_2 (in tonnes)	**2023**	2022	Change
CO_2 emissions (Scope 2) in t CO_2e green electricity, electricity from renewable sources – market-based	0	0	0%
CO_2 emissions (Scope 2) in t CO_2e – heat	113.78	109.40	+4%
CO_2 emissions (Scope 2) in t CO_2e – purchased electricity for own use (vehicle fleet)	0	3.35	-100%

* GHG Protocol

Energy consumption (in kWh)	2023	2022	Change
Heating	596,264	565,111	6%
Electricity	666,765	669,141	0%

Reduction of direct and indirect climate-related emissions (Scope 1 and Scope 2)*

In 2023, CO_2 emissions per head (Scope 1 and 2) amounted to 0.25 tonnes CO_2, a year-on-year reduction of 11 per cent (previous year: 0.28 t CO_2).

CO_2 (in tonnes)	2023	2022	Change
CO_2 emissions (Scope 1+2) in t CO_2e – per capita, total*	0.25	0.28	-11%
Absolute CO_2 emissions (Scope 1+2) in t CO_2e – total*	155.80	162.10	-4%

* GHG Protocol

Reduction in Scope 3 emissions

In the years ahead, indirect emissions along the value chain (Scope 3) in particular will be crucial to reducing the Company's overall emissions. This also includes CO_2 emissions caused by purchased equipment, business travel and employee commuting.

The SYZYGY GROUP's supply chain accounts for 79 per cent (previous year: 84 per cent) of total Scope 3 emissions, at 598 tonnes of CO_2 emissions (per employee: 0.97 t CO_2). This corresponds to a reduction of 29 per cent. The goal is to reduce these emissions through measures and initiatives relating to employee commuting and working from home, the usage of electronic devices and business travel.

Data collection for Scope 3 emissions is especially difficult as they are beyond the SYZYGY GROUP's direct control. Despite this, the Group is actively committed to improving data collection and quality.

Purchased electronic devices

The SYZYGY GROUP has chosen longer usage periods of around 4 years for electronic devices, to minimise energy and resource consumption and thus overall emissions. They are only included in the CO_2 footprint in the year of purchase. This means that each year that the devices continue to be used, the amount of emissions produced by the devices is not included in the footprint. In 2023, purchased electronic devices accounted for CO_2 emissions of 68 tonnes (per employee: 0.1 t CO_2e). This meant a reduction in CO_2 emissions of 56 per cent.

Business travel

The SYZYGY GROUP is committed to reducing the environmental impact of business travel (total: 106 t CO_2 or 0.17 t CO_2 per employee) such as air travel and hotel accommodation. The Company promotes the use of rail travel and video conferencing to minimise environmental impact. This is also laid down in a travel policy that is binding on all employees.

The SYZYGY GROUP is committed to minimising air travel and only using it when necessary for business reasons or when it reduces travel time significantly. Emissions from air travel were 65.7 t CO_2 in 2023, equivalent to per capita emissions of 0.1 t CO_2 (reduction compared to the previous year: 42 per cent in total, or 50 per cent per employee).

Staff commuting

The CO_2 emissions caused by employee mobility were reduced by promoting public transport. The SYZYGY GROUP supports this through financial subsidies for using public transport, and promotes a culture of sustainability by incentivising staff to switch to alternative modes of transport, such as bicycles or electric bikes. Another focus is to promote flexible work models such as working from home and other arrangements that reduce the need for commuting.

An annual employee survey is conducted to determine the CO_2 emissions arising from employees' journeys to work, which were reduced by 22 per cent in the year covered by the report. These amounted to a total of 331 tonnes of CO_2 emissions (per employee: 0.5 t CO_2). The data was based on the means of transport used, the distance travelled, the number of months in the accounting year, the average number of workdays per week, and the proportion attributable to working from home.

Indirect climate-related emissions (Scope 3)*

Scope 3 includes emissions such as staff commuting, business travel, the purchase of IT equipment, external data centres and office paper. Emissions resulting from business travel include emissions from air travel, rail travel and hotel stays.

CO_2 (in tonnes)	**2023**	2022	Change
CO_2 emissions (Scope 3) from staff commuting) in t CO_2e	330.99	422.88	-22%
CO_2 emissions (Scope 3) from purchased goods and services in t $C_{O2}e$	69.06	157.67	-56%
CO_2 emissions (Scope 3) fuel and energy-related emissions in t CO_2e	82.86	107.65	-23%
CO_2 emissions (Scope 3) from business travel in t CO_2e	106.92	145.62	-27%

* GHG Protocol

Air travel	**2023**	2022	Change
Business travel by air (in miles)	274,973	363,524	-24%
CO_2 emissions (Scope 3) from business air travel in t CO_2e	65.70	112.40	-42%

Use of renewable and non-renewable materials

As a service company, the amount of waste produced is of relatively minor importance. The SYZYGY GROUP is nonetheless committed to using existing resources carefully, reducing waste and to recycling as part of its responsible and sustainable business practices. The main types of waste include electronic scrap and office consumables such as paper, cardboard, printer and toner cartridges, and computer equipment.

In its business processes, the Group also aims to use environmental paper (recycled, FSC) and to avoid printing documents as much as possible.

Print products	**2023**	2022	Change
CO_2 emissions (Scope 3) print products in t CO_2e	1.15	0.67	72%

Reducing and recycling waste

Waste disposal is already very well managed, but the issue still has high environmental importance. The aim is to avoid waste as much as possible.

Waste (kg)	**2023**	2022	Change
Mobile phones	2	12	-83%
Printer and toner cartridges	30	39	-23%
Paper and cardboard	4,082	3,475	17%
Computer equipment	389	898	-57%
Yellow bin/Green Dot recycling and residual waste	4,690	6,356	-26%

E-waste is sent for recycling. To reduce the amount of waste from mobile phones and computer equipment, employees can purchase used equipment in an online shop. All common printer and toner cartridges are collected by the German companies in a collection box provided by the Caritas charity or the European Recycling Platform, and then reprocessed and refilled by a certified specialist firm.

This not only benefits the environment, it also raises money for projects that support people in need.

Reduction of CO_2 emissions in the digital ecosystem

The SYZYGY GROUP focuses closely on the product carbon footprint (PCF), a method for measuring the total greenhouse gas emissions generated by a product throughout its life cycle. This life cycle covers production, transport, use and disposal. PCFs can be applied across several different areas, from digitisation to the customer journey. This method helps to analyse and minimise the environmental impact of the entire digital ecosystem. The SYZYGY GROUP has closely scrutinised its portfolio to determine which measures and solutions for clients can contribute to offering climate-friendly products or services. In its Point of View (POV), the Group presents the current status of sustainability in the digital sector. It discusses how emissions can be reduced right from the start, instead of being offset at the end. Various areas are covered, from strategy and business design to image and video production, design, IT and hosting, to marketing and media planning. The POV can be downloaded from the SYZYGY GROUP website (https://www.syzygy-group.net/klima-und-umwelt/).

syzygy-group.net/en/whitepaper

Offsetting CO_2 emissions

The SYZYGY GROUP takes responsibility for the 753 tonnes of emissions it causes and works constantly to reduce them. The Group thus uses various strategies to cut CO_2 emissions, but despite these efforts, unavoidable greenhouse gas emissions remain. For this reason, the SYZYGY GROUP has offset its carbon footprint of 850 tonnes through carbon credits from KLIM.

By doing so, the SYZYGY GROUP is supporting climate action in Germany and investing in regenerative agriculture. Regenerative agriculture (also called carbon farming) is a form of agriculture that stores/sequesters CO_2 in the soil, and thus regenerates the soil. This is achieved through measures that improve soil health and thus raise the soil's CO_2 storage capacity, while also increasing water storage capacity and resilience to climate disasters.

Environment-related risks

The SYZYGY GROUP has a general policy of improving energy efficiency and reducing energy consumption. Some financial aspects, such as energy price increases, are largely outside the SYZYGY GROUP's sphere of influence and cannot be predicted with certainty. The possible impact on earnings, assets, the financial position and on business relationships is classified as low.

The risk associated with these environmental aspects is therefore rated as low in the overall assessment.

Compliance with the transparency requirements of the EU taxonomy

Delegated Regulation (EU) 2021/2178 on Article 8 of the taxonomy defines the content, method and presentation of information to be disclosed by financial and non-financial entities on the proportion of environmentally sustainable economic activities in their business, investment or lending activities. When the EU introduced Delegated Regulation (EU) 2021/2139 in 2021 and its supplement in 2023 (Delegated Regulation (EU) 2023/2485), it defined the conditions for determining whether an economic activity qualifies as contributing substantially to “climate change mitigation” or “climate change adaptation with criteria” and for determining whether that economic activity causes no significant harm to any of the other environmental objectives. In 2023, the EU also adopted Delegated Regulation (EU) 2023/2486, which defines the criteria for the taxonomy eligibility and taxonomy alignment of economic activities for a further four environmental objectives. These include the obligation to report on taxonomy eligibility for the environmental objectives “sustainable use and protection of water and marine resources”, “transition to a circular economy”, “pollution prevention and control” and “protection and restoration of biodiversity and ecosystems”.

Taxonomy alignment of environmental objectives 1 and 2

In the 2023 financial year, the SYZYGY GROUP did not record any sales revenue or significant expenditure for the economic activities mentioned in the Delegated Act on climate change mitigation and climate change adaptation.

With regard to the activities “6.5 Transport by motorbikes, passenger cars and light commercial vehicles” and “7.7 Acquisition and ownership of buildings”, no adequate documentation relating to climate risk analysis is available at this time, with the result that these activities cannot be classified as taxonomy-aligned.

The SYZYGY GROUP will use the findings of the analyses conducted to prepare and improve individual reporting processes on the taxonomy alignment of taxonomy-eligible activities for the coming reporting year.

Taxonomy eligibility of environmental objectives 3 to 6

In the 2023 financial year, the SYZYGY GROUP did not record any sales revenue or significant expenditure for the economic activities mentioned in the Delegated Act with regard to water and marine resources, the circular economy, pollution and biodiversity.

Disclosure of taxonomy metrics

The following overview shows the proportion of taxonomy-eligible and taxonomy-aligned economic activities for the environmental objectives in terms of sales revenue, and in capital expenditure and operating expenses:

Delegated Regulation (EU) 2022/1214 furthermore requires the SYZYGY GROUP to provide specific information on economic activities relating to nuclear energy and fossil fuels. The detailed disclosure requirements stipulated in Annex XII of the Delegated Regulation do not apply to the SYZYGY GROUP.

Turnover resulting from taxonomy-eligible and taxonomy-aligned economic activities

		2023		Criteria for a significant contribution						DNSH criteria ("Do no significant harm")									
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Economic activities	Number	**Total turnover**	**Proportion of turnover**	Climate change	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity	Climate change	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity	Minimum social standards	Proportion taxonomy-aligned (A.1.) or taxonomy-eligible (A.2.) Turnover 2022	"Category (enabling activities)"	"Category (transitional activities)"
		kEUR	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy-eligible activities																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
Turnover from environmentally sustainable activities (taxonomy-aligned) (A.1)		0	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	0%		
A.2 Taxonomy-eligible, but not environmentally sustainable activities (non-taxonomy-aligned activities)																			
Turnover from taxonomy-eligible, but not environmentally sustainable activities (non-taxonomy-aligned activities) (A.2)		0	0%																
Turnover from taxonomy-eligible activities (total A1 + A2)		**0**	**0%**														**0%**		
B. Non-taxonomy-eligible activities																			
Turnover from non-taxonomy-eligible activities (B)		71,742	100%																
Total A + B		**71,742**	**100%**																

Meanings of the abbreviations:
Y – Yes, taxonomy-eligible activity that is taxonomy-aligned with the relevant environmental objective
N – No, taxonomy-eligible activity that is not taxonomy-aligned with the relevant environmental objective
N/EL – "not eligible", activity that is not taxonomy-eligible for the relevant environmental objective

E – enabling activities
T – transitional activities

Metrics for capital expenditure (CapEx)

		2023		Criteria for a significant contribution						DNSH criteria ("Do no significant harm")									
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Economic activities	Number	**CapEx total**	**Proportion of CapEx**	Climate change	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity	Climate change	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity	Minimum social standards	Proportion taxonomy-aligned (A.1.) or taxonomy-eligible (A.2.) CapEx 2022	"Category (enabling activities)"	"Category (transitional activities)"
		kEUR	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy-eligible activities																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
CapEx on environmentally sustainable activities (taxonomy-aligned) (A.1)		0	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	0%		
A.2 Taxonomy-eligible, but not environmentally sustainable activities (non-taxonomy-aligned activities)																			
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	96	5%																
Acquisition and ownership of buildings	7.7	851	45%																
CapEx on taxonomy-eligible, but not environmentally sustainable activities (non-taxonomy-aligned activities) (A.2)		946	50%																
CapEx on taxonomy-eligible activities (total A1 + A2)		**946**	**50%**														**0%**		
B. Non-taxonomy-eligible activities																			
CapEx on non-taxonomy-eligible activities (B)		941	50%																
Total A + B		**1,887**	**100%**																

Meanings of the abbreviations:
Y – Yes, taxonomy-eligible activity that is taxonomy-aligned with the relevant environmental objective
N – No, taxonomy-eligible activity that is not taxonomy-aligned with the relevant environmental objective
N/EL – "not eligible", activity that is not taxonomy-eligible for the relevant environmental objective

E – enabling activities
T – transitional activities

Metrics for operating expenses (OpEx)

		2023		Criteria for a significant contribution						DNSH criteria (“Do no significant harm”)									
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Economic activities	Number	**OpEx total**	**Proportion of OpEx**	Climate change	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity	Climate change	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity	Minimum social standards	Proportion taxonomy-aligned (A.1.) or taxonomy-eligible (A.2.) OpEx 2022	“Category (enabling activities)”	“Category (tran-sitional activities)”
		kEUR	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy-eligible activities																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
OpEx on environmentally sustainable activities (taxonomy-aligned) (A.1)		0	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	0%		
A.2 Taxonomy-eligible, but not environmentally sustainable activities (non-taxonomy-aligned activities)																			
OpEx on taxonomy-eligible, but not environmentally sustainable activities (non-taxonomy-aligned activities) (A.2)		0	0%																
OpEx on taxonomy-eligible activities (total A.1 + A.2)		**0**	**0%**														**0%**		
B. Non-taxonomy-eligible activities																			
OpEx on non-taxonomy-eligible activities (B)		-428	100%																
Total A + B		**-428**	**100%**																

Meanings of the abbreviations:
Y – Yes, taxonomy-eligible activity that is taxonomy-aligned with the relevant environmental objective
N – No, taxonomy-eligible activity that is not taxonomy-aligned with the relevant environmental objective
N/EL – “not eligible”, activity that is not taxonomy-eligible for the relevant environmental objective

E – enabling activities
T – transitional activities

Proportion of turnover resulting from taxonomy-eligible and taxonomy-aligned economic activities

	Proportion of turnover / total turnover	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
Climate change mitigation (CCM)	0%	0%
Climate change adaptation (CCA)	0%	0%
Water (WTR)	0%	0%
Circular economy (CE)	0%	0%
Pollution (PPC)	0%	0%
Biodiversity (BIO)	0%	0%

CapEx share relating to taxonomy-eligible and taxonomy-aligned economic activities

	Capital expenditure (CapEx) share / total capital expenditure (CapEx)	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
Climate change mitigation (CCM)	0%	50%
Climate change adaptation (CCA)	0%	0%
Water (WTR)	0%	0%
Circular economy (CE)	0%	0%
Pollution (PPC)	0%	0%
Biodiversity (BIO)	0%	0%

OpEx share relating to taxonomy-eligible and taxonomy-aligned economic activities

	OpEx share / total OpEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
Climate change mitigation (CCM)	0%	0%
Climate change adaptation (CCA)	0%	0%
Water (WTR)	0%	0%
Circular economy (CE)	0%	0%
Pollution (PPC)	0%	0%
Biodiversity (BIO)	0%	0%

Nuclear and fossil gas related activities

Nuclear energy related activities	
The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No
The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No
Fossil gas related activities	
The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No
The undertaking carries out, funds or has exposures to construction, refurbishment and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	No
The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	No

Delegated Regulation (EU) 2022/1214 furthermore requires the SYZYGY GROUP to provide specific information on economic activities relating to nuclear energy and fossil fuels. The detailed disclosure requirements stipulated in Annex XII of the Delegated Regulation do not apply to the SYZYGY GROUP.

11.3 Employee matters

The SYZYGY GROUP firmly believes that the performance and abilities of its employees are the basis of the Company's success. As such, it is particularly important to create a working environment featuring staff participation, fairness and diversity, and which promotes flexible and participatory work models. The SYZYGY GROUP is also committed to occupational health and safety, which is an essential element in being a responsible employer.

To shape day-to-day work and to act as a compass for all decisions and actions, the Company has defined three corporate values: responsibility, togetherness and innovation. These values are brought to life through joint events and experiences, training workshops and flexible work models, all aimed at inspiring and supporting employees.

Diversity and inclusion

Diversity and equal opportunities

The SYZYGY GROUP attaches great importance to promoting the best possible culture in the Company. Diversity, equity and inclusion (DE&I) are at the core of all our activities, with a commitment to supporting equal opportunities for everyone and taking a clear stance against discrimination of any kind. Diversity refers to the recognition and appreciation of diversity and individuality. The aim is to promote diversity among employees.

Only when all employees are able to develop their talents can a wide range of new ideas be generated, leading to sustained success. This requires a working environment that is free of prejudice and treats all employees equally, regardless of gender, nationality, ethnic origin, religion, age and sexual identity. For this reason, the SYZYGY GROUP also decided to sign the German Diversity Charter. This initiative aims to promote the recognition, appreciation and integration of diversity in the world of work in Germany.

As an international company, the SYZYGY GROUP is committed to driving change and playing an active role in shaping it. It recognises that, in addition to technological expertise and experience, soft skills such as creativity are also of great importance.

The SYZYGY GROUP supported this commitment through the “Women in Digital” campaign to mark International Women's Day on March 8, 2023. The question of how women can be encouraged to enter the digital sector or to change sectors was discussed by colleagues on LinkedIn and in our blog. Various routes into the digital industry were presented on these platforms and lively discussions were held at internal lunchtime inspiration virtual meetings.

Each operating unit and the SYZYGY holding company attach importance to equal opportunities and diversity when selecting and developing employees. Flexible work models are also promoted to create a constructive and inclusive working environment.

Gender diversity

The SYZYGY GROUP attaches great importance to promoting gender parity at all levels of the Company. In 2023, 51 per cent of employees were female. The proportion of women in management positions was 35 per cent, with 33 per cent at Management Board and Supervisory Board level. This shows that the Company is actively committed to promoting gender equality in all areas and to creating an inclusive and flexible working environment.

Gender parity

Gender	**2023**	2022	Change
Women	51%	49%	+2pp
Men	49%	51%	-2pp

Proportion of women in management positions

Proportion of woman	**2023**	2022	Change
Supervisory Board	33%	33%	0pp
Management Board	33%	33%	0pp
Female employees in management positions	35%	35%	0pp

The SYZYGY GROUP is committed to adapting the working environment or making other employment arrangements, where possible, for employees who develop a disability in the course of their employment, promptly and in consultation with the employee. The percentage of people with special needs or disabilities employed by the SYZYGY GROUP is currently 0.7 per cent (previous year: 0.7 per cent). The Group will continue to provide these employees with equal career prospects going forward.

Age distribution

The age distribution of the workforce is of particular importance in a time of demographic change. The SYZYGY GROUP benefits from a healthy age structure that combines experience, creativity and energy. 76 per cent (previous year: 76 per cent) of employees are under 40 years old. The average age in the SYZYGY GROUP is 34.5 years in the current reporting period.

Age structure	**2023**	2022	Change
19 and younger	–	–	–
20-29	38%	35%	+3pp
30-39	38%	41%	-2pp
40-49 years	20%	19%	+1pp
50-59	4%	4%	0pp
Older than 60	0%	0%	0pp

Further information on the diversity strategy of the Management Board and Supervisory Board is included in the Corporate Governance Declaration referred to in section 9.

	2023		2022	
Age of board members	Management Board	Supervisory Board	Management Board	Supervisory Board
Below 30 years	0%	0%	0%	0%
30-50 years	0%	0%	33.3%	0%
Over 50 years	100%	100%	66.7%	100%

Fair remuneration

The SYZYGY GROUP ensures that its employees receive competitive remuneration based on their performance and in line with the standards of the applicable national labour market. The remuneration rewards the work performance of all employees equally and compensates them without discrimination. In line with the principle of equal treatment, men and women in similar positions are paid the same salary. The Group has introduced procedures to ensure fair and consistent pay for employees in accordance with the nature of their work, their professional experience, their position and career level, and their regional location.

The SYZYGY GROUP also offers its employees additional benefits such as contributions to the company pension scheme, to state-backed employee savings schemes, towards public transport, and company bikes. Moreover, additional one-off payments for employees were agreed to ease the impact of inflation. These were paid in two instalments (November 2022 / March 2023).

Flexible work models

Employees expect flexible work models: working from home, in the office, hybrid or part-time – everything is possible, because the SYZYGY GROUP has introduced a range of work models. Each of these models was developed and established together with the teams at all of the Company's locations.

This allows employees to choose the work model that best suits their specific needs. The SYZYGY GROUP places great emphasis on attractive working models and continues to develop them, especially with regard to flexibility and sustainability.

Colleagues at SYZYGY Techsolutions can choose between three work models: fully remote, hybrid, or in the office. In 2023, 50 per cent of employees were fully remote, 40 per cent hybrid and 10 per cent worked in the office. In a fully remote work model, specialists can work from anywhere in the world, while SYZYGY Frankfurt and Munich and SYZYGY Performance operate hybrid models, with the office as a creative meeting point and a place for jointly finding solutions. SYZYGY Warsaw has adopted a transparent and empowering management style, where roles are tailored to the abilities and strengths of each team member. This boosts the efficiency of the decision-making process and enhances the feeling of security and boldness at work.

The SYZYGY GROUP believes that working arrangements must match the individual workplace culture and business model. The aim is to create a culture of trust that gives employees a sense of belonging, regardless of where they work, and which enables flexibility while at the same time promoting efficient, trust-based working.

Changes in headcount

The Group's overall headcount fell by 3 per cent compared to the end of the previous year.

Number	**2023**	2022	Change
Germany	478	462	+4%
UK & US	43	63	-32%
Poland	68	79	-14%
Total	**589**	**604**	**-3%**

Full-time, part-time, time-out

The Group attaches great importance to offering all employees flexible working conditions geared to their specific life stage. This also includes the option of working part-time. Young parents in particular use this option to reconcile starting a career with the challenges of family life.

The SYZYGY GROUP is committed to balance and allowing people to take time out. It offers employees maximum flexibility through working models to suit individual needs, such as:

- Part-time contracts
- Flexible start and finish times each day
- Sabbatical arrangements

	2023	2022	Change
Part-time contracts	19%	15%	+4pp

The details of flexible working hours are agreed individually between employees and their line managers. Part-time employees are entitled to company benefits on a pro rata basis.

Apprenticeships and internships

Internships and apprenticeships offer young people valuable experience and give the SYZYGY GROUP access to an additional talent pool. All internships and apprenticeships are paid positions that are open to people from a wide range of backgrounds. The Group filled positions for 16 apprenticeships and 82 internships in 2023.

	2023	2022	Change
Apprenticeships	16	15	+7%
Internships	82	91	-10%

Employee engagement and feedback

Participation and feedback are major issues for employee commitment and motivation, and are gaining in importance.

To quantify the success of the various initiatives and measures for employees, an employee survey based on the eNPS (Employee Net Promoter Score) has been used to measure employee satisfaction since 2019. The aim here is to reflect, evaluate and improve performance. It is important to note that the eNPS only provides a snapshot of the satisfaction level.

This makes it crucially important to continuously monitor the situation so that the Company can recognise trends at an early stage and respond proactively to fluctuations and potential problems.

In the year covered by the report, a score of +23 (previous year: +32) was achieved. The score is down nine points on the prior year. These scores continue to place the SYZYGY GROUP among the top tier of companies such as Amazon, Accenture and Google.

The decline in satisfaction levels is due to critical assessments by employees at subsidiaries diffferent and Syzygy London, where restructuring measures negatively affected the scores. Each unit also conducts additional satisfaction surveys among its employees. On this basis, the SYZYGY GROUP and each individual unit will examine the underlying causes very closely and take specific measures to improve employee satisfaction.

Openness and transparency are encouraged at the SYZYGY GROUP. Group-wide (international) staff meetings (all-hands meetings) or cross-company and cross-departmental information video conferences are held on a regular basis. Their purpose is to keep employees regularly informed about strategic and operational matters, and to address current issues.

Employee development

At the SYZYGY GROUP, it is also standard practice that every employee is free to contribute their ideas, regardless of position or hierarchical level. Each employee has the opportunity to develop personally and professionally through training and further education. In addition, collaboration between the locations is being strengthened and talent developed.

Twice a year, the SYZYGY GROUP organises the SYZYGY GROUP Self-Growth Retreat for around 30 employees from all companies, based on the concept of “total fitness”. In joint workshops, the focus is on personal development, self-reflection on (professional) experience so far, setting and achieving goals, accepting and mastering challenges and lifelong learning. The retreat has been held in southern Germany since 2023 for sustainability reasons, enabling most participants to use climate-friendly modes of travel.

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 acquainted with the latest technologies, design principles and methods. Rather than relying solely on training by external providers, the SYZYGY GROUP attaches great importance to knowledge transfer by experts within its own ranks.

Self-study and online training courses also figure prominently. Personal development is also supported by means of soft skills training and coaching, as required. Employees are encouraged to take part in training courses. In addition, the LinkedIn Learning online training platform is available to interested employees to acquire management, creative or soft skills, and to achieve their personal and professional goals.

Examples of development programmes in the individual companies include Tech Camp 2023, a generative AI hackathon in which 22 colleagues used generative artificial intelligence (generative AI) to develop an HR tool for recruitment within the space of two days. Another development programme, Syzygy Warp Drive, consists of the Warp Day for new employees and Warp 5 for a professional deep dive, in which valuable information is presented. A mentoring programme (a soft skills training course) additionally focuses on non-violent communication and dealing with emotions at work.

Occupational safety, health and employee well-being

The SYZYGY GROUP is committed to maintaining the physical and mental health and occupational safety of all employees. Compliance with all applicable occupational health and safety standards is ensured. The statutory regulations on occupational health and safety represent minimum requirements. Raising awareness, prevention and personal responsibility are particularly important.

The People & Culture department and the occupational safety officers at each of the units use e-mails and video conferencing to provide the mandatory instructions on occupational health and safety to employees each year. The accompanying material with useful information about safety advice and requirements can be accessed on the intranet.

As part of company health management, the Group supports initiatives such as participation in body-fit courses, yoga, massage options and company runs. Rapid first aid in the event of an accident in the workplace is ensured by having a large number of first aiders among employees. As an additional benefit, employees can choose from a wide selection of fruit every day. All staff are also offered flu vaccinations and an occupational health eye examination for display screen equipment (G37).

For the well-being of employees and their families, the SYZYGY GROUP offers an advisory service for personal, professional, health or family issues (Employee Assistance Programme, EAP). The EAP offers all employees free confidential psychological, financial and legal counselling in the form of an in-person or virtual conversation.

As an international company with a presence in Germany, the UK, Poland and the US, we are subject to the employment legislation applying in each of these countries. No negative effects on employee rights were identified.

Dealing with discrimination

The SYZYGY GROUP promotes a culture of integrity and transparency. Employees, partners and stakeholders should be confident that they can express their concerns anonymously and without being worried about the consequences. SYZYGY does not tolerate any discrimination on the grounds of national or ethnic origin, gender, gender identity, sexual orientation, marital status, religion, ideology, disability, age or social origin. The WPP Code of Conduct defines these values and is binding on all employees.

Breaches of the Code of Conduct and other misconduct can be reported via the free confidential Right to Speak hotline, which is operated by an independent third-party provider.

Information on the Right to Speak hotline is available on the SYZYGY GROUP's website. It can also be accessed on the websites operated by each of the companies and on the intranet. In the 2023 year under review, one incident was registered at the SYZYGY GROUP. It was followed up and the matter was resolved.

The Management Board, the CEO and the People & Culture officers in the operational units are actively involved in implementing the relevant initiatives and monitoring the progress of employee matters.

Personnel risk

Operating in the services segment, the Group's performance depends largely on the performance of its employees. Because of their specific skills, some individuals are particularly important. If the Group is unable to retain this high calibre of employee, or continuously attract and retain new, highly qualified employees, the SYZYGY GROUP's success could be negatively impacted. Cases of discrimination could also impair business operations. The possible impact on earnings, assets, the financial position and on business relationships is classified as low. Overall, therefore, the risks arising from these personnel issues are rated as low.

11.4 Social matters

Social matters mainly relate to client relationships and social commitment. For the SYZYGY GROUP, corporate responsibility means making a positive contribution to society. We support social and non-profit organisations on our own initiative by making donations.

Relationships with clients

Long-term, trusting client relationships are a central success factor for the SYZYGY GROUP's business activities and an important goal. An open dialogue with clients is maintained in order to monitor the quality of the partnership at all times.

The length of client relationships is one reflection of client satisfaction. The length of the relationship and the proportion of sales with the 80 largest clients, who represent 96 per cent (previous year: 93 per cent) of total sales revenue, were distributed as follows in 2023 compared to the previous year:

Length of relationship and share of sales	2023	2022	Change
Up to 5 years	38%	31%	+7pp
6-10 years	36%	32%	+4pp
Longer than 10 years	26%	37%	-11pp

Information security and data protection have a high priority in business relationships with clients. A particularly high level of care is needed when processing client information and data during projects and in data centres. The SYZYGY GROUP ensures that an overarching information security structure is in place to achieve this, comprising a certified Information Security Officer (ISO), a Lead Implementer for Information Security and the associated Information Security Coordinators at the various locations.

The information security team is supported by a certified Data Protection Officer (DPO). To create a security-oriented organisation, employee awareness of the individual issues is raised through internal training courses.

The success of this training is demonstrated by successful audits (e.g. TISAX label). In addition to the Group-wide review of compliance with standards conducted by WPP Audit, the Company can respond positively at all times to enquiries from clients, suppliers or other external parties.

Social commitment

Providing support helps NGOs and charitable organisations to carry out important work and provide assistance across a wide range of areas, such as improving health, education and protecting human rights.

The SYZYGY GROUP donated around EUR 12,800 (previous year: EUR 26,400) to these causes in 2023, down 51 per cent compared to the previous year.

In EUR	2023	Share (%)	2022	Change
Education	–	0%	–	–
Art	–	0%	–	–
Community	9,168	71%	4,453	+106%
Health	–	0%	2,457	-100%
Environment	3,040	24%	3,500	-13%
Human rights	632	5%	13,445	-95%
Diversity, equity & inclusion	–	0%	2,516	-100%
Total	**12,840**	**100%**	**26,375**	**-51%**

The SYZYGY GROUP supports aid organisations worldwide (human rights), environmental groups and local institutions through donations. More than 70 per cent of the donations go to local aid organisations, which in turn support local and national aid projects to assist children and adolescents.

The SYZYGY GROUP is also committed to supporting employees who take on social responsibility and engage in various projects on their own initiative. Social commitment makes an important contribution to society, strengthens the team spirit and helps people in quite specific ways. The SYZYGY GROUP allows its employees to become socially involved in projects of their choice on up to two Social Days within a one-year period.

Risks of social matters

The services the Group performs have public impact, so any quality defects in the execution of one of its projects can cause widespread reputational damage. This kind of reputational damage has the potential to have a 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. Social commitment holds risks arising from inappropriate sponsoring.

The probability of this occurring is assessed as low. The possible impact of either factor on earnings, assets and the financial position is assessed as low. The risks associated with these social aspects are therefore rated as low in the overall assessment.

11.5 Governance / Compliance

The SYZYGY GROUP considers responsible and lawful conduct as a basic requirement for its business success. Maintaining an effective governance structure is of key importance for the Company. This includes observing all relevant legal and statutory frameworks through efficient compliance management, ensuring data protection and information security, and creating a corporate culture which ensures that sustainability goals are achieved.

The Legal and Compliance function and Data Protection and Information Security make specific contributions to sustainable development of the SYZYGY GROUP. The Company's good reputation is based on consistent commitment to responsible and legally compliant conduct.

Objectives of compliance activities:

- Early detection, analysis and assessment of compliance risks
- Integration of preventive measures into business processes to avoid compliance breaches
- Minimise liability risks for the company
- Perception as a reliable partner among clients and business partners
- Consistent prevention, recognition and response to compliance challenges
- Promotion of a strong compliance culture and ethical standards of conduct within the organisation

Respect for human rights

As a responsible international company, the SYZYGY GROUP respects all international standards for the protection of human rights, in particular the right to fair working conditions, freedom of speech and protection against forced and child labour, and is committed to ensuring that these rights are respected within its sphere of influence.

The Group is guided here by the published policy statement on human rights. The WPP Human Rights Policy Statement refers to international standards and principles such as the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, and the International Labour Organization's (ILO) core labour standards.

The Human Rights Policy Statement is part of the WPP Policy Book, the provisions of which have been adopted by all WPP companies, including the SYZYGY GROUP.

The commitment to respecting human rights is also enshrined in the SYZYGY GROUP's Code of Conduct, which applies to all employees and suppliers. This Code contains provisions on potential infringement of human rights at the SYZYGY GROUP in areas such as non-discrimination and labour practices, as well as potential infringements of human rights in our work for clients.

No SYZYGY GROUP location has yet been audited in relation to compliance with human rights, nor have any specific objectives for respecting human rights been formulated in this regard. The policies set out in the Code of Conduct are aimed at avoiding potential breaches and identifying risks at an early stage.

Risks around respecting human rights

The Company has not become aware of any suspicion of human rights violations to date, with the result that no material risks arising from business activities and business relationships have been identified. In addition, the commitment to respecting human rights is enshrined in the Code of Conduct, which applies to all companies in the SYZYGY GROUP. The possible impact on earnings, assets, the financial position and on business relationships is assessed as low.

The risks associated with these social matters are therefore rated as low in the overall assessment.

Information security and data protection

Information and data are a valuable asset and a key element of SYZYGY's business. They enable partnership-based relationships to be built, communications to be targeted at specific groups, content to be personalised, insights to be gained and risk-aware decisions to be made. The SYZYGY GROUP's information security organisation addresses the question of how information and data are collected, stored, processed and made accessible. The information and data may relate to the business activities of individual SYZYGY companies, their employees, clients and suppliers, and sometimes also to consumers.

All companies are required to comply with the Group's applicable policies on information, data and security, as well as the relevant Code of Conduct. To further raise awareness among employees, WPP offers training on the subject of Safer Data and operates an online platform with information and recommendations around conduct, privacy, security and data protection.

The Group has an agile information security organisation and an active data protection team that trains all employees on a regular basis and highlights relevant patterns of behaviour in everyday work through ongoing communication and internal audits.

The Management Board, the CEO and the People & Culture officers in the operational units are actively involved in implementing the initiatives and monitoring issues relating to combating corruption and bribery.

Combating corruption and bribery

The SYZYGY GROUP is committed to complying with applicable laws and guidelines in the course of its business activities. All legislative procedures relating to the capital market, employment law and the communications industry are relevant to the Group.

The WPP Code of Conduct sets out the values and ethical standards that apply to all WPP companies and must be implemented by them. The Code is supplemented by the Corporate Responsibility Policy, the WPP Human Rights Policy Statement and detailed policies on anti-bribery and anti-corruption measures, gifts and hospitality, and on the use of consultants. Our senior managers, business partners and suppliers are required to sign the WPP Code of Conduct annually to confirm their adherence to its principles. WPP Group companies must comply with all the standards laid down in the Code of Conduct, but also have the option to develop their own guidelines and processes, adapted to their specific business and operating environment. No additional goals have been set.

Employees are encouraged to complete online training on data security, anti-bribery and anti-corruption measures, and on the Code of Conduct. Training courses are updated annually and are mandatory for all employees.

Our staff, suppliers and business partners also have the option of expressing their opinions and observations, reporting violations and raising concerns anonymously and confidentially via the free confidential Right to Speak helpline, a whistleblower system.

The SYZYGY GROUP does not support any political parties, politicians or lobbyists, either through services or through donations. Consequently, it did not make any political donations in 2023.

Fines for non-compliance with laws and regulations

No fines or non-monetary penalties for non-compliance with laws and regulations were imposed on the SYZYGY GROUP in 2023.

Risks around combating corruption and bribery

Incidents involving corruption may significantly impair earnings, assets and the financial position and also harm business relationships. Strenuous efforts are made to embed integrity and fairness in our business operations. Enquiries, suggestions and concerns are followed up. Overall, the emergence of compliance risks resulting in a possible impact on earnings, assets and the financial position and business relationships is assessed as low. The risks associated with combating corruption and bribery are therefore rated as low in the overall assessment.

Responsible use of artificial intelligence (AI)

The positive and negative ramifications of artificial intelligence should not be underestimated. The SYZYGY GROUP recognises the need for clear rules on the use of AI. As a company, it accepts responsibility for responsible use of this creative technology.

Accordingly, the SYZYGY GROUP has adopted self-imposed policies and guidelines for the use of AI. The SYZYGY GROUP has drawn up its own rules separately from the European Union's AI Act, which is intended to create a clear legal framework for the use of artificial intelligence. The main goal is to optimise and enhance work processes for the use of generative AI.

The principles followed by the SYZYGY GROUP in this respect are as follows:

- Generative AI supports work processes and helps to make them better.
- The use of generative AI needs human control.
- Generative AI is used in a targeted and professional way.
- Generative AI is used transparently.
- Generative AI output must be assessed continuously and objectively.
- The SYZYGY GROUP is committed to continually learning about generative AI.

The guidelines for the use of generative AI are binding on the entire SYZYGY GROUP; the policies for the use of GAI are binding on the German units. The international companies will adapt the rules in line with their national legislation. The information was made available to all companies by e-mail and is available on the intranet.

Bad Homburg v.d.H., March 26, 2024
Syzygy AG

The Management Board

Frank Ladner (CTO)   Erwin Greiner (CFO)

References to the Group Management Report

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Syzygy AG, Bad Homburg v.d.H.

Consolidated balance sheet as at December 31, 2023

Equity and Liabilities	Note	**12/31/ 2023** kEUR	12/31/ 2022* kEUR	01/01/ 2022* kEUR
Non-current assets				
Goodwill	(3.2)	38,913	43,037	55,021
Other intangible assets	(3.2)	173	211	328
Fixed assets	(3.3)	4,801	6,205	7,141
Rights of use	(3.4)	14,953	20,435	22,203
Other non-current financial assets	(3.5)	3,352	269	380
Non-current non-financial assets		0	259	287
Deferred tax assets	(3.6)	928	1,221	1,575
Total non-current assets		**63,120**	**71,637**	**86,935**
Current assets				
Cash and cash equivalents	(3.7)	4,007	7,814	2,115
Securities		0	1,088	1,633
Accounts receivable	(3.8)	13,868	14,538	17,145
Contract assets	(3.8)	1,894	1,625	3,612
Other non-financial assets	(3.10)	3,453	2,509	1,892
Other financial assets	(3.9)	960	0	0
Total current assets		**24,182**	**27,574**	**26,397**
Total assets		**87,302**	**99,211**	**113,332**

Assets	Note	**12/31/ 2023** kEUR	12/31/ 2022* kEUR	01/01/ 2022* kEUR
Equity				
Common stock	(3.10.1)	13,500	13,500	13,500
Additional paid-in capital	(3.10.3)	20,728	27,058	27,058
Other reserves	(3.10.5)	-2,123	-3,080	-2,191
Retained earnings	(3.10.6)	7,783	7,338	17,605
Equity attributable to shareholders of Syzygy AG		**39,888**	**44,816**	**55,972**
Minorities		331	279	277
Total equity		**40,219**	**45,095**	**56,249**
Non-current liabilities				
Non-current lease liabilities	(3.4)	16,157	19,307	21,262
Other non-current provisions	(3.13)	624	553	646
Other non-current financial liabilities	(3.17)	429	277	2,181
Deferred tax liabilities	(5.7)	267	265	615
Total non-current liabilities		**17,477**	**20,402**	**24,704**
Current liabilities				
Current financial liabilities	(3.16)	4,500	8,000	3,418
Lease liabilities	(3.4)	3,791	3,588	3,514
Income tax accruals	(3.15)	730	363	470
Accrued expenses	(3.14)	498	766	890
Contract liabilities	(3.8)	6,624	6,078	5,218
Accounts payable	(3.13)	9,667	10,659	11,941
Other current non-financial liabilities	(3.18)	3,796	4,260	4,612
Other current financial liabilities	(3.17)	0	0	2,316
Total current liabilities		**29,606**	**33,714**	**32,379**
Total liabilities and equity		**87,302**	**99,211**	**113,332**

The accompanying notes are an integral part of the financial statements.
* Updated presentation, see Note 1.8 on the retroactive change made as a result of errors

Syzygy AG, Bad Homburg v.d.H.

Consolidated statement of comprehensive income from January 1 to December 31, 2023

		January - December		
		2023	2022	Change
	Note	kEUR	kEUR	
Sales	(5.1)	**71,742**	**70,612**	**2%**
Cost of sales	(5.3)	-57,353	-53,492	7%
Sales and marketing expenses	(5.4)	-4,762	-4,394	8%
General and administrative expenses	(5.5)	-8,842	-9,757	-9%
Other operating income	(5.2)	3,295	3,357	-2%
Other operating expenses	(5.2)	0	-118	100%
Impairment of goodwill	(5.6)	-4,736	-11,413	-59%
EBIT		**-656**	**-5,205**	**-87%**
Financial income	(5.7)	141	188	-25%
Financial expenses	(5.7)	-1,434	-1,036	38%
Income before income taxes (EBT)		**-1,949**	**-6,053**	**-68%**
Income taxes	(5.8)	-814	-1,328	39%
Net income for the period		**-2,763**	**-7,499**	**-63%**
thereof net income share to other shareholders		152	118	29%
thereof net income share to shareholders of Syzygy AG		-2,915	-7,499	-61%

		January - December		
		2023	2022	Change
	Note	kEUR	kEUR	
Items that will or may be reclassified to profit and loss				
Currency translation adjustment from foreign business operations	(5.9)	737	-613	-220%
Net unrealised gains/losses on marketable securities, net of tax		240	-280	-186%
Other comprehensive income		**977**	**-893**	**n.a.**
Comprehensive income		**-1,786**	**-8,274**	**-78%**
thereof income share to other shareholders		172	114	51%
thereof income share to shareholders of Syzygy AG		-1,958	-8,388	-77%
Earnings per share from continuing operations (basic and diluted in EUR)	(6.1)	-0,22	-0,56	61%

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

Syzygy AG, Bad Homburg v.d.H.

Statement of changes in equity for the financial year from January 1 to December 31, 2023

In kEUR	Common stock	Additional paid-in capital	Retained earnings	Accum. other compre-hensive income: Foreign exchange currency	Accum. other compre-hensive income: Unrealised gains and losses	Equity attributable to shareholders of Syzygy AG	Minority interest	Total equity
01/01/2022	**13,500**	**27,058**	**17,605**	**-2,212**	**21**	**55,972**	**277**	**56,249**
Net income of the period			-7,499			-7,499	118	-7,381
Other compre-hensive income				-609	-280	-889	-4	-893
Comprehensive income			**-7,499**	**-609**	**-280**	**-8,388**	**114**	**-8,274**
Dividend			-2,700			-2,700	0	-2,700
Payment from distribution			-68			-68		-68
Payment to minorities						0	-112	-112
12/31/2022	**13,500**	**27,058**	**7,338**	**-2,821**	**-259**	**44,816**	**279**	**45,095**

In kEUR	Common stock	Additional paid-in capital	Retained earnings	Accum. other compre-hensive income: Foreign exchange currency	Accum. other compre-hensive income: Unrealised gains and losses	Equity attributable to shareholders of Syzygy AG	Minority interest	Total equity
01/01/2023	**13,500**	**27,058**	**7,338**	**-2,821**	**-259**	**44,816**	**279**	**45,095**
Net income of the period			-2,915			-2,915	152	-2,763
Other compre-hensive income				717	240	957	20	977
Comprehensive income			**-2,915**	**717**	**240**	**-1,958**	**172**	**-1,786**
Withdrawal from the capital reserves		-6,330	6,330			0		0
Dividend			-2,970			-2,970	0	-2,970
Payment to minorities						0	-120	-120
12/31/2023	**13,500**	**20,728**	**7,783**	**-2,104**	**-19**	**39,888**	**331**	**40,219**

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

Syzygy AG, Bad Homburg v.d.H.

Consolidated statement of cash flows for the financial year from January 1 to December 31, 2023

	January - December	
	2023	2022
	kEUR	kEUR
Net income for the period	-2,763	-7,381
Adjustments for non-cash effects:		
– Depreciation on fixed assets	5,244	5,345
– Amortisation of goodwill	4,736	11,413
– Profit (-) and loss (+) on sale of securities	633	236
– Profit (-) and loss (+) on sale of fixed assets and intangible assets	-287	-78
– Changes in earn-out liabilities	0	-241
– Profit (-) and loss (+) on sale of financial assets	0	-13
– Other non-cash expenses (+)/income (-)	21	-35
Changes in:		
– Accounts receivable and other assets that are not attributable to investment and financing activities	375	4,390
– Customer advances	560	890
– Accounts payable and other liabilities that are not related to taking out and repaying loans	-1,050	-1,652
– Taxes paid	-402	-311
Cash flows from operating activities	**7,067**	**12,563**

	January - December	
	2023	2022
	kEUR	kEUR
Changes in non-current assets	-12	21
Investments in intangible assets and fixed assets	-695	-632
Purchases of marketable securities	0	-2,162
Proceeds from sale of marketable securities	835	2,131
Changes in financial assets	51	13
Cash flows from investing activities	**179**	**-629**
Inflow of funds from drawing down bank loans	24,000	29,500
Repayment of bank loans	-27,500	-24,918
Repayment of lease obligations	-3,778	-3,566
Payment of interest on leasing liabilities	-531	-570
Dividend paid to minority shareholders	-120	-180
Dividend paid to shareholders of Syzygy AG	-2,970	-2,700
Payment of a purchase price commitment for companies already acquired	0	-3,930
Cash flows from financing activities	**-10,899**	**-6,364**
Total cash flows	**-3,653**	**5,570**
Cash and cash equivalents at the beginning of the period	**7,814**	**2,115**
Exchange rate differences	-154	129
Cash and cash equivalents at the end of the period	**4,007**	**7,814**

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

Notes
to the consolidated financial Statements
for the 2023 financial year

1. Accounting principles and methods

1.1 General

Syzygy AG (hereinafter referred to as "SYZYGY" or "the Company") is entered in the Commercial Register at the District Court of Bad Homburg v.d.H. under HRB 6877. The Company's registered office is in Bad Homburg v.d.H, Germany. Its address is: Syzygy AG, Horexstraße 28, 61352 Bad Homburg v. d. H. in Germany. Syzygy AG is included in the consolidated financial statements of WPP plc., St. Helier, Jersey, as a German stock corporation ("Aktiengesellschaft"); WPP prepares the consolidated financial statements for the largest grouping of subsidiaries. These financial statements are available on the company's website (https://www.wpp.com/). 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/investors). The consolidated financial statements of Syzygy AG and its subsidiaries (hereinafter "SYZYGY", "SYZYGY GROUP", "Group" or "Company") were prepared in accordance with Article 315e [1] of the Handelsgesetzbuch (HGB – German Commercial Code) in line with International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee (IFRS-IC), as they are to be applied in the European Union to financial years beginning on or after January 1, 2023. IFRS that have not yet come into force with mandatory effect are not applied early.

The presentation currency for the consolidated financial statements is the euro (EUR), which is also the Company's functional currency. Unless stated otherwise, all figures are rounded up or down to full kEUR. This may result in insignificant rounding differences if there are any changes between reporting periods and reported percentage figures.

The financial year corresponds to the calendar year.

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.

In accordance with application of IAS 1, the balance sheet is divided into non-current and current assets and liabilities. Assets and liabilities are considered current if they are expected to be realised within twelve months of the reporting date. Irrespective of their maturity, inventories and assets and liabilities are also regarded as current if they are not sold, consumed, become due or are held primarily for the purpose of trading within one year, but are sold, consumed, become due or are held primarily for the purpose of trading within the normal course of the operating cycle. A liability continues to be classified as current if the Group does not have an unrestricted right to defer settlement of the liability for at least twelve months after the reporting date. Cash and cash equivalents are classified as current unless the exchange or use of the asset to satisfy an obligation is restricted for a period of at least twelve months after the reporting date.

All other assets and liabilities are classified as non-current. Deferred tax assets or tax liabilities are always assigned to non-current assets or liabilities, respectively.

As in the previous year, the accounts are based on the assumption that the business will be continued as a going concern.

1.2 Business activity of the Group

The SYZYGY GROUP is a leading consultancy and implementation partner for digitisation, transformation and strategy in marketing and sales. It digitises structures and organisations, and develops new products, services and business models.

Syzygy AG acts as a management holding company that provides its subsidiaries with central services relating to strategy, creative services, 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, services, financial/insurance, consumer goods and telecommunications/IT 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.

In addition to Syzygy AG as the parent company, all subsidiaries were included in the consolidated financial statements as at December 31, 2023. Subsidiaries are all entities over which the Group exercises control. Control is presumed when the Group is exposed, or has rights, to fluctuating returns from its investment in the associated entity and can influence these returns due to its power of disposal. Syzygy AG includes the following companies in the consolidated financial statements:

- Ars Thanea S.A., Warsaw, Poland (Ars Thanea for short)
- diffferent GmbH, Berlin, Germany (diffferent for short)
- 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 Performance Marketing GmbH, Bad Homburg v.d.H., 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 attributable 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.

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 under general and administrative expenses.

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. The differences arising from elimination of inter-company accounts are recognised in the consolidated statement of comprehensive income.

Factors that would lead to inter-company profits in the consolidated financial statements are 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 for consolidation adjustments recognised in profit or loss.

1.5 Significant estimates and judgements

When preparing the consolidated financial statements in conformity with IFRS, management makes judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and financial obligations as at the reporting date and income and expenses recognised in the reporting period.

The estimates and assumptions are based on historical findings and budgeting for the future, and on expectations and forecasts of future events. Due to the uncertainty associated with these assumptions and estimates, however, the actual results in future periods could lead to significant adjustments to the carrying amount of the assets or liabilities concerned. The assessments and estimates are reviewed and compared with the events that have actually occurred.

Estimates

The following estimates are based on assumptions that may change in the next financial year and may significantly affect the carrying amounts of assets and liabilities recognised as at the reporting date.

Useful life

The useful lives stated in the summary of significant accounting policies in Notes 2.1 and 2.2 are reviewed once a year on the basis of the latest available information. Management believes that the useful lives currently applied continue to be appropriate. Information on depreciation/ amortisation and impairments for the current financial year is included in Note 5.6 “Depreciation/amortisation and impairments”.

Impairment of intangible assets, fixed assets and rights of use

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 3.2, Goodwill, contains further details.

Accounts receivable and revenue recognition

Management establishes provisions for 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. SYZYGY applies impairments to accounts receivable in accordance with IFRS 9. These impairments correspond to the present value of the expected cash shortfalls 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 proceeds from these services are recognised in the amount of the price specified in the contract, less the estimated volume discounts. The estimate of the liability is based on past experience (expected value method). Sales revenue is only recognised to the extent that it is highly probable that a significant cancellation of sales revenue will not be necessary, provided that the associated uncertainty no longer exists. A refund liability is recognised for volume rebates expected to be paid to the client for sales made up to the end of the reporting period.

Leases – estimate of incremental borrowing rate

As a general rule, the Group cannot readily determine the interest rate underlying each individual lease. For this reason it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay if it were to borrow the funds it needed for a comparable term with comparable collateral, in a comparable economic environment, for an asset with a value comparable to the right of use. The incremental borrowing rate therefore reflects the interest that the Group “would have to pay”.

If observable interest rates are not available (e.g. for subsidiaries that do not conclude financing transactions) or if the interest rate must be adjusted to reflect the terms of the lease (e.g. for structured repayment vs. bullet repayment), the incremental borrowing rate must be estimated. The Group estimates the incremental borrowing rate using observable input factors (e.g. market interest rates), if these are available, and must make certain company-specific estimates.

Judgements

When applying the Group's accounting policies, management made the following judgements that have a material effect on the amounts recognised in the consolidated financial statements.

The Group determines the term of the lease based on the non-terminable initial term of the lease and taking into account the periods resulting from an option to extend the lease if it is reasonably certain that it will exercise this option, or the periods resulting from an option to terminate the lease if it is reasonably certain that it will not exercise this option. The Group has entered into several leases that contain extension and termination options. It makes judgements when assessing whether there is reasonable certainty that the option to extend or terminate the lease will or will not be exercised.

In other words, the Group considers all relevant factors that represent an economic incentive for it to exercise the extension or termination option. After the provision date, the Group determines the term of the lease again if a significant event or change in circumstances occurs that is within its control and affects whether or not it will exercise the option to extend or terminate the lease. Extension and termination options may have an impact on the valuation of lease liabilities, thus also indirectly affecting the valuation of rights of use. In the year under review and the previous year, amendments to leases had no material impact on the Group's net assets, financial position and results of operations.

Tax

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 through profit and loss or such that earnings are not affected, or adjusted deferred tax assets must be capitalised and recognised through profit and loss or such that earnings are not affected.

Provisions

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).

To do this, 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 6.5.

Actual amounts 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 (EUR) 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 exchange rate at the end of the year in accordance with IAS 21. 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 costs are translated using the exchange rate prevailing at first-time recognition 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:

2023	Average rate of exchange	Exchange rate as at reporting date, Dec. 31
GBP/EUR	1.15	1.15
EUR/USD	1.08	1.11
EUR/PLN	4.54	4.34

2022	Average rate of exchange	Exchange rate as at reporting date, Dec. 31
GBP/EUR	1.17	1.13
EUR/USD	1.05	1.07
EUR/PLN	4.69	4.68

1.7 Changes to accounting in accordance with IFRS

Standards and interpretations to be applied for the first time in the 2023 financial year:

Standard / Interpretation		Must be applied for the first time from[1]	Adoption by the European Commission	Expected effect
Amendments to IAS 1 and IAS 8	Amendments to IAS 1 Presentation of Financial Statements: Improvements to the disclosures on accounting policies and corresponding changes to the guidance in Practice Statement 2 and IAS 8 Accounting Policies: Changes in Accounting Estimates and Errors: clarification of the difference between changes in accounting policies and accounting estimates.	01/01/2023	Yes	None
Amendments to IAS 12	Amendments to IAS 12 Income Taxes concerning uncertainties that exist in the recognition of deferred taxes in connection with leases and decommissioning obligations.	01/01/2023	Yes	None
Amendments to IAS 12	Amendments to IAS 12 Income Taxes: The amendments relate to temporary exemption from the recognition of deferred taxes resulting from the introduction of global minimum taxation, as well as specific disclosures in the Notes for affected companies.	01/01/2023	Yes	None
IFRS 17	Insurance Contracts	01/01/2023	Yes	None
Amendment to IFRS 17	Amendments to IFRS 17 Insurance Contracts - First-time Adoption of IFRS 17 and IFRS 9 - Comparative Information; Minor Amendment to IFRS 17 (narrow scope amendment) introduces the option of applying a classification overlay approach if certain conditions are met. This enables the comparative information on financial instruments in the year prior to the first-time application of IFRS 17, i.e. in 2022, to be made more consistent, as retrospective application is not required for first-time application of IFRS 9 and the basis for comparing the financial assets may be missing as a result.	01/01/2023	Yes	None

1 – For financial years beginning on or after this date. The date of adoption refers to the date given by the EU.

The standards and interpretations to be applied for the first time in the 2023 financial year do not have any impact on the Group's net assets, financial position or results of operations.

Standards/interpretations to be applied for the first time in future financial years

Standard / Interpretation		Must be applied for the first time from[1]	Adoption by the European Commission	Expected effect
Amendments to IAS 1	Amendment to IAS 1 Presentation of Financial Statements: The classification of liabilities as current depends on the company's rights as at the reporting date: if settlement of the liability is to be deferred by at least twelve months after the end of the reporting period, the liability is classified as non-current if such rights exist.	Yes	Yes	None
Amendments to IFRS 16	Amendment to IFRS 16 Leases: Relates to the accounting for lease liabilities resulting from sale and leaseback transactions. Following a sale, a lessee must measure the lease liability such that it does not recognise any amount in profit or loss relating to the retained right of use.	01/01/2024	Yes	None

1 – For financial years beginning on or after this date. The date of adoption refers to the date given by the EU.

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 not yet adopted by the European Commission

Standard / Interpretation		Expected effects
Amendments to IAS 7 and IFRS 7	Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: The amendments relate to disclosure requirements in connection with supplier finance arrangements – also known as supply chain financing, accounts payable financing or reverse factoring arrangements.	None
Amendments to IAS 21	Amendment to Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Addition to the rules for determining the exchange rate if exchangeability is lacking over the long term, as IAS 21 does not contain any explicit provisions on the exchange rate used by an entity if the closing rate is not observable.	None

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 Error correction in accordance with IAS 8

In the reporting year, errors were corrected retrospectively for the previous year in accordance with IAS 8.42. This led to reclassification of liabilities to employees resulting from annual leave, overtime, bonus and severance liabilities totalling kEUR 1,829 from other provisions to other non-financial liabilities, and payment obligations resulting from outstanding invoices totalling kEUR 1,849 were reclassified from other provisions to accounts payable. As the amount of these liabilities has already been determined, it is appropriate to report them under other non-financial liabilities or accounts payable, respectively, in accordance with IAS 37.

In addition, a reinstatement obligation of kEUR 286 was previously reported under non-current liabilities. Due to the uncertain amount, these are to be reported under other non-current provisions.

In order to improve transparency for the reader, lease liabilities were removed from the "Non-current liabilities" item and are now presented separately. Financial liabilities, lease liabilities and other non-financial liabilities were removed from the "Other current liabilities" item and are reported separately from this financial year onwards. The previous year was adjusted in line with the changes indicated.

Balance Sheet extract (iln kEUR)	12/31/2022	Increase / decrease	12/31/2022 Retroactively adjusted	12/31/2021	Increase / decrease	01/01/2022 Retroactively adjusted
Other provisions (non-current)	267	286	553	345	301	646
Long-term liabilities	19,870	-19,870	0	23,744	-23,744	0
Lease liabilities	0	19,307	19,307	0	21,262	21,262
Other non-current financial liabilities	0	277	277	0	2,181	2,181
Other provisions (current)	4,435	-3,669	766	4,580	-3,690	890
Other current liabilities	14,028	-14,028	0	12,389	-12,389	0
Financial liabilities	0	8,000	8,000	0	3,418	3,418
Accounts payable	8,810	1,849	10,659	9,722	2,219	11,941
Lease liabilities (current)	0	3,588	3,588	0	3,514	3,514
Other financial liabilities (current)	0	0	0	0	2,316	2,316
Other non-financial liabilities	0	4,260	4,260	0	4,612	4,612
Total	**47,410**	**0**	**47,410**	**50,780**	**0**	**50,780**

Starting from this financial year, certain items are shown separately on the assets side in order to improve transparency for the reader. Rights of use were removed from fixed assets and are presented as a separate item in the financial year. Contract assets were also removed from the item “Accounts receivable and contract assets” and are reported separately in the balance sheet.

The previous year was adjusted in line with the changes indicated.

Balance Sheet extract (iIn kEUR)	12/31/2022	Increase / decrease	12/31/2022 Retroactively adjusted	12/31/2021	Increase / decrease	01/01/2022 Retroactively adjusted
Fixed assets	26,640	-20,435	6,205	29,344	-22,203	7,141
Accounts receivable and contract assets	16,163	-16,163	0	20,757	-20,757	0
Rights of use	0	20,435	20,435	0	22,203	22,203
Accounts receivable	0	14,538	14,538	0	17,145	17,145
Contract assets	0	1,625	1,625	0	3,612	3,612
Total	**42,803**	**0**	**42,803**	**50,101**	**0**	**50,101**

2. Significant accounting policies

2.1 Goodwill and other intangible assets

Intangible assets comprise goodwill, brand equity and software.

Business combinations and goodwill

Acquired subsidiaries are recognised using the purchase method. The acquisition cost of a corporate acquisition is measured as the sum of the consideration transferred, which is measured at fair value at the acquisition date, and of the non-controlling shares in the acquired company. The consideration transferred for the acquisition corresponds to the fair values of the assets transferred, the equity instruments issued by the Group and the liabilities taken over from the former owners of the acquired subsidiary as at the acquisition date. It also includes the fair values of any recognised assets or liabilities resulting from a contingent consideration agreement. The fair value of the contingent consideration applicable as at the acquisition date is recognised as part of the consideration transferred for the acquired company. Acquisition-related incidental costs are recognised as expenses when they are incurred and reported as administrative expenses.

Assets, liabilities and contingent liabilities identifiable as part of a business combination are recognised on initial consolidation at their fair value as at the acquisition date. In every business combination, IFRS 3 provides an option to recognise all non-controlling shares in the acquired company either at fair value, i.e. including the goodwill attributable to these shares (full goodwill method), or at the proportionate share of the identifiable net assets of the acquired company. The Group makes use of the full goodwill method option.

When the Group acquires a company, it assesses the appropriate classification and designation of the acquired financial assets and liabilities in accordance with the contractual terms, business circumstances, and conditions prevailing at the time of acquisition.

The agreed contingent consideration is measured at fair value as at the date of acquisition. A contingent consideration classified as equity is not remeasured and the subsequent settlement is recognised in equity. A contingent consideration classified as an asset or liability in the form of a financial instrument falling within the scope of IFRS 9 Financial Instruments is measured at fair value in profit or loss in accordance with IFRS 9. All other contingent considerations that do not fall within the scope of IFRS 9 are measured at fair value in profit or loss on each reporting date.

Goodwill is recognised as the excess of the consideration transferred for the acquisition, the amount of the non-controlling shares in the acquired company and the fair value of any previously held equity interest as at the acquisition date over the net assets measured at fair value. If the transferred consideration is less than the net assets of the acquired subsidiary measured at fair value, the difference is recognised immediately in profit or loss following reassessment of the purchase price allocation.

After initial recognition, goodwill is measured at cost less accumulated impairments. For the purpose of the impairment test, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash generating units that are expected to benefit from the business combination.

If goodwill has been allocated to a cash generating unit and a business area of this unit is sold, the goodwill attributable to the business area sold is recognised as part of the carrying amount of the business area when determining the profit or loss from the sale of this business area. The value of the sold portion of goodwill is determined on the basis of the relative values of the business area sold and the remaining portion of the cash generating unit.

Other intangible assets

Other 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, intangible assets acquired for consideration are capitalised at acquisition or production cost when first reported. Intangible assets acquired in a business combination are recognised at fair value as at the acquisition date. Intangible assets with definite useful lives are amortised over their useful economic life and tested for impairment if there are indications that the intangible asset might be impaired. The amortisation period and the amortisation method for intangible assets with definite useful lives are reviewed at least at the end of each reporting period. If impairment losses on assets which have been the subject of an unscheduled write-down are reversed, the carrying amount is increased up to the amount of the original acquisition cost.

Changes to the amortisation method or the amortisation period required due to changes in the expected useful life or the expected consumption of the asset's future economic benefit are treated as changes in estimates.

Brand names are generally amortised on a straight-line basis over five years, provided their useful life can be determined. Software and licences are generally amortised over three years.

2.2 Fixed assets (property, plant and equipment)

All fixed assets are recognised at historical cost of acquisition or production, less scheduled accumulated depreciation and any unscheduled impairments. The historical cost of acquisition or production includes the expenses directly attributable to the acquisition or production of the fixed asset, and appropriate portions of the production-related overheads.

Scheduled straight-line depreciation is based on the following useful lives of the assets:

	Useful life
Leasehold improvements (analogous to rights of use from rental agreements or leases)	3 to 14 years
Operating and office equipment	3 to 14 years
IT equipment	> 3 years

Leasehold improvements are depreciated on a straight-line basis over their estimated useful life or the term of the lease, whichever is shorter.

Fixed assets are derecognised either on disposal (i.e. when the recipient obtains power of disposal) or when no further economic benefit is expected from continued use or sale of the recognised asset. Gains or losses from disposals are calculated as the difference between the net disposal proceeds and the carrying amount of the asset. They are recognised in profit or loss as other operating income or expenses in the period in which the asset is derecognised.

The residual value and the appropriateness of the depreciation rates or estimated useful lives are reviewed as at the reporting date and adjusted if necessary. Any changes to the estimated useful lives or residual value are adjusted prospectively using the depreciation rates.

2.3 Financial instruments

A financial instrument within the meaning of IFRS 9 is a contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity.

A financial asset or financial liability is recognised on the balance sheet when SYZYGY becomes a party to the contractual provisions of the financial instrument. At SYZYGY, regular spot purchases and sales of financial assets are accounted for on recognition and disposal as at the trading date.

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).

Financial assets

On initial recognition, financial assets are classified for subsequent measurement either at amortised acquisition cost, at fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL).

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.

Financial assets are classified as debt instruments in accordance with IFRS 9 upon initial recognition on the basis of the characteristics of the contractual cash flows of the financial assets and the Group's business model for managing its financial assets.

Financial assets are recognised at fair value at the time of acquisition. Financial assets that are not classified as measured at fair value through profit or loss are recognised plus transaction costs at the time of acquisition.

Subsequent measurement

The Group currently classifies financial assets into three categories for subsequent measurement:

Financial assets measured at amortised acquisition cost: financial assets are classified at amortised acquisition cost if they are held within the scope of a business model with the objective of collecting the contractual cash flows, where those cash flows are assessed solely as interest and repayment of the invested capital ("Hold" business model).

Financial assets measured at fair value through profit or loss: financial assets are classified as financial assets measured at fair value through profit or loss if they are either held in another business model or if they do not meet the criteria for the "Hold" or "Hold and Sell" business models.

This category also includes financial assets that meet the criteria for the "Hold" or "Hold and Sell" business models, but either do not meet the SPPI criteria or are designated as financial assets classified at fair value.

Financial assets measured at fair value through other comprehensive income: a debt instrument that is held in a business model in which both the contractual cash flows of financial assets are collected and financial assets are sold, and in which the contractual cash flows solely comprise principal and interest payments ("Hold and Sell" business model), is measured at fair value through other comprehensive income unless the fair value option is exercised on initial recognition.

Financial assets measured at amortised acquisition cost

Financial assets measured at amortised acquisition cost are measured in subsequent periods after initial recognition using the effective interest method and deducting impairments from the carrying amount.

Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets measured at amortised acquisition cost mainly include accounts receivable.

Financial assets measured at fair value through other comprehensive income

Changes in the carrying amounts of financial assets measured at fair value through other comprehensive income are reported in other comprehensive income, with the exception of creditworthiness-related impairment income or expenses, interest income, and gains and losses from currency translation, which are recognised directly in the consolidated statement of comprehensive income under the item "Net unrealised gains/losses". When the financial asset is derecognised, the accumulated gain or loss recognised in other comprehensive income is reclassified from equity to the consolidated statement of comprehensive income. Interest income from these financial assets is reported in financial income using the effective interest method.

Gains and losses from currency translation are recognised directly in the consolidated statement of comprehensive income and reported in "Other operating income/expenses".

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.

Derecognition

SYZYGY derecognises a financial asset when its contractual entitlement to receive cash flows from the financial asset expires, or when it transfers its entitlement to receive contractual cash flows in a transaction in which essentially all the risks and rewards of ownership of the financial asset are transferred or when SYZYGY neither transfers nor retains essentially all the risks and rewards of ownership and does not retain power of disposal over the transferred asset. The transferred assets are not derecognised in these cases. If the financial asset is transferred to a third party, it is only derecognised if the entitlement to the associated cash flows is also transferred to the third party.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to a third party. Receivables, including the associated impairments, are derecognised if they are classified as unrecoverable.

SYZYGY has assigned 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.

Financial liabilities

Initial recognition and measurement

Apart from financial liabilities measured at fair value, financial liabilities are measured at amortised acquisition cost using the effective interest method in accordance with IFRS 9. Financial liabilities are initially measured at fair value, less directly attributable transaction costs in the case of loans and accounts payable.

Subsequent measurement

For subsequent measurement, the Group currently classifies financial liabilities solely as financial liabilities measured at amortised acquisition cost.

Financial liabilities measured at amortised acquisition cost

Financial liabilities that are measured at amortised acquisition cost are initially measured at fair value, which corresponds to the consideration received less transaction costs incurred.

After initial recognition, interest-bearing loans are measured at amortised acquisition cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised; this also occurs when using the effective interest method for amortisation.

Amortised acquisition cost is calculated taking into account a premium or discount upon acquisition, as well as fees or charges that form an integral component of the effective interest rate. Amortisation using the effective interest method is included in the statement of comprehensive income as part of financial expenses.

This category usually includes interest-bearing loans.

Derecognition

A liability is derecognised when the obligation associated with it is settled or cancelled, and when it becomes due. If an existing financial liability is replaced by a liability to the same creditor with substantially different contractual terms, or the contractual terms of an existing liability are substantially changed, any replacement or change of this type is treated as derecognition of the original liability and recognition of a new liability. The difference between the two carrying amounts is recognised in profit or loss.

Modifications

If the contractual terms of financial assets and financial liabilities are re-negotiated or amended, and the amendment does not lead to derecognition, a gain or loss is recognised in profit or loss in the amount of the difference between the original contractual cash flow and the modified cash flow discounted at the original effective interest rate. Significant amendments or re-negotiation result in derecognition of the original agreement that was recognised, and recognition of a new financial asset and a new financial liability in accordance with the re-negotiated contractual terms. In the case of amendments determined by credit risk, the SYZYGY GROUP establishes whether the amended contractual terms result in a significantly modified financial asset and must therefore be derecognised. This assessment includes a quantitative appraisal of the effects of the changes to cash flows due to the amended contractual terms, taking into account qualitative aspects of the effects of amended contractual terms, where applicable. If there are amendments that lead to derecognition of the original financial asset and there are indications of impairment of the new financial asset on initial recognition, the new financial asset is classified as a Level 3 impaired financial asset.

Significant changes to the contractual terms of a financial liability can lead to derecognition of the original financial liability. A quantitative criterion that leads to a substantial change in the contractual terms exists if the discounted present value of the cash flows under the new contractual terms differs by at least 10 per cent from the discounted present value of the remaining cash flows from the original debt instrument.

SYZYGY measures all financial liabilities at amortised acquisition cost using the effective interest method and allocates them to the "Amortised costs" category.

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.

2.4 Fair value measurement

IFRS 13 defines fair value as a selling price: the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is a price determined on an active market (mark-to-market) or a value determined using a valuation model (mark-to-model); the input parameters are observed directly on the market or, if not observable on the market, are determined on the basis of an expert estimate.

When measuring the fair value of a non-financial asset, consideration is given to the market participant's ability to generate economic benefits through the most economically efficient and best use of the asset, or through its sale to another market participant who finds the most economically efficient and best use of the asset.

The SYZYGY GROUP uses valuation techniques that are appropriate in the particular circumstances and for which sufficient data is available to measure fair value. The use of relevant observable input factors should be maximised and the use of unobservable input factors should be minimised.

All assets and liabilities for which fair value is determined or disclosed are categorised in the hierarchy described below in accordance with IFRS 13, based on the lowest level input factor that is material to the fair value measurement overall:

- Level 1:
  Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2:
  Valuation methods in which the input factors are directly or indirectly observable on the market.
- Level 3:
  Valuation methods in which the lowest level input factor is not observable on the market.

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments quoted in active markets is determined on the basis of the quoted prices, provided these represent prices used in regular and current transactions. If prices quoted in active markets are not available, valuation methods are used to determine the fair value of financial instruments. Input parameters are used in the valuation methods which, if possible, are based on observable data derived from prices of relevant financial instruments traded in active markets.

The use of valuation methods requires assumptions and estimates by management, which are determined in particular by information transparency and price transparency, and by the complexity of the instruments and markets. If required, external experts or consultants are brought in to help with determining fair value.

In line with IFRS 13, financial assets and liabilities classified at fair value are classified according to the input parameters of the valuation method used to determine the fair value (using quoted prices in an active market (Level 1), valuation methods based on observable parameters (Level 2) and valuation methods that use significant unobservable parameters (Level 3)).

2.5 Impairment of financial and non-financial assets

Impairment of financial assets

The impairment rules laid down in IFRS 9 apply to all financial assets measured at amortised acquisition cost and to off-balance sheet loan commitments and financial guarantees.

IFRS 9 enables a simplified impairment model to be applied, requiring risk provision for all financial assets in the amount of the expected losses over the remaining term. The remaining term of current receivables is up to one year, so the expected loss is calculated on the basis of the expected loss for one year. In 2023, as in the previous year, there are no non-current receivables with a term of more than one year among the accounts receivable; in addition, these receivables have very low risk of default.

Default rates are determined for various maturity bands on the basis of historical bad debt losses and then applied to the relevant outstanding receivables in the maturity bands. This default rate is adjusted for forward-looking information such as macroeconomic and business developments, and changes in client structure. A financial asset or a group of financial assets is impaired and a corresponding impairment loss is recognised if there are objective indications of impairment as a result of one or more events that occurred after the date on which the financial asset was initially recognised. This assessment is made on each reporting date. Clients with the same default risk are grouped together.

Impairment of non-financial assets

Assets with determinable useful lives

Assets with determinable useful lives must be tested for impairment if there are indications of possible impairment. If there are indications of impairment, the amortised carrying amount of the asset is compared with the recoverable amount, representing the higher of the fair value less costs to sell and the value in use. The value in use corresponds to the present value of the future cash flows expected to arise from continuing use of the asset. In the event of impairment, the difference between the amortised carrying amount and the lower recoverable amount is recognised as an expense.

Write-ups are recognised as soon as there are indications that the grounds for impairment no longer exist. These may not exceed the amortised acquisition cost.

Goodwill and assets with indeterminable useful lives

In addition, the Group determines on each reporting date whether there are any indications of impairment in other intangible assets with an indefinite useful life (“Unique Digital” brand) and in acquired goodwill. If indications of this nature exist (triggering events) or if an annual impairment test of an asset is required, the Group estimates the recoverable amount of the asset. The recoverable amount is determined for each individual asset, unless an asset does not generate cash inflows that are largely independent of those from other assets or other groups of assets or cash generating units (CGUs). In these cases, the impairment test is conducted at the relevant level of cash generating units to which the asset is allocated.

As a general rule, no individual asset in the Group generates cash inflows attributable to itself. Goodwill acquired in the course of a business combination is allocated at the acquisition date to the cash generating unit or group of cash generating units that is expected to benefit from the synergies of the business combination. This also represents the lowest level at which goodwill is monitored for internal corporate management purposes. The individual companies each form the smallest cash generating unit. As a result, the impairment test is conducted at this level.

The recoverable amount of an asset is an asset's or cash generating unit's fair value less costs to sell, or its value in use, whichever amount is higher. To determine the value in use, the expected future cash flows are discounted to their present value using an after-tax discount rate that reflects current market expectations with regard to interest rates and the specific risks of the asset. Recent market transactions are taken into account when determining the value in use. If suitable transactions cannot be identified, an appropriate valuation model is applied. This is based on valuation multiples, stock market prices of exchange-traded shares in companies, or other indicators of fair value that are available. Within the Group, measurement is generally based on value in use.

The Group bases its impairment assessment on the most recent budget calculations and forecasts. These are prepared separately for each of the Group's cash generating units to which individual assets are allocated. The assumptions are based on management expectations of future market developments. 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. The budget calculations and forecasts generally cover five years. After the fifth year, a growth rate is established and used to forecast future cash flows. The assumptions are based on management expectations of future market developments.

The impairment of an asset or cash generating unit is determined by calculating the recoverable amount of the asset or cash generating unit (or group of cash generating units) to which the goodwill was allocated. If the recoverable amount of the asset or cash generating unit is less than the carrying amount of this unit, an impairment loss is recognised. The impairment loss is first allocated to goodwill and then to the other assets in proportion to their carrying amounts. Any impairment loss recognised for goodwill may not be reversed in subsequent reporting periods.

Write-ups are recognised as soon as there are indications that the grounds for impairment no longer exist. If indications of this nature exist, the Group estimates the recoverable amount of the asset or cash generating unit. A previously recognised impairment loss is only reversed if there has been a change in the assumptions used to determine the recoverable amount since the last impairment loss was recognised. These write-ups may not exceed the amortised acquisition cost. A reversal of an impairment loss is recognised in profit or loss unless the revaluation method is used for accounting for the asset. In this case, the reversal is treated as an increase in value arising from the revaluation.

2.6 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. Consulting services provided on a fixed-price basis are recognised using an input-oriented method (cost-to-cost method) on a period-related basis depending on their stage of completion as defined in IFRS 15, and were recognised under accounts receivable and/or contract assets. Further information is available in section 2.12, Revenue recognition.

When consulting services are sold, some clients are granted an individually agreed rebate, which relates to the entire period of a calendar year. The rebates are calculated according to a rebate scale specified in the contract and are not paid out directly, but offset against future projects.

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 recorded in the statement of comprehensive income under “Other operating expenses”.

2.7 Accounts payable

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.

2.8 Other provisions

Other provisions are formed if a current (legal or de facto) obligation to a third party exists from a previous event, it is probable that an outflow of resources with economic benefit will be required to settle the obligation, and the amount of the obligation can be reliably assessed. In determining other provisions, all applicable costs are taken into consideration. If the effect is material, the obligation is discounted to present value using a pre-tax interest rate that reflects current market expectations with regard to the interest rate. Where the cash flows had already been adjusted for risk, a risk-free interest rate is used. If discounting is applicable, the increase in provisions resulting from the passage of time is recognised as a financial expense.

2.9 Other assets and other current liabilities

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

2.10 Cash and cash equivalents

The balance sheet item “Cash and cash equivalents” comprises cash in hand, bank balances and highly liquid short-term deposits with a maximum term of three months that can be converted into fixed cash amounts at any time.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and short-term deposits as defined above, less bank overdrafts used, as these are an integral part of the Group’s cash management system.

2.11 Leases under IFRS 16

When a contract begins, the Group assesses whether it constitutes or contains a lease. A lease is a contract that entitles the holder to control an identifiable asset (the leased asset) for an agreed period of time in exchange for consideration.

The Group has entered into leases for various buildings and vehicles. The leases for buildings generally have a non-terminable term of 3 to 15 years, while the leases for vehicles have a term of 3 to 3 1/2 years. It is possible to exercise extension options as described in vi).

Group as lessee

The Group recognises and measures all leases (apart from short-term leases and leases where the underlying asset is of low value) using a single model (see below for further details). It recognises liabilities for lease payments and rights of use to the underlying asset.

i) Rights of use

The Group recognises rights of use as at the provision date (i.e. the date on which the underlying leased asset is available for use). Rights of use are measured at acquisition cost less any accumulated amortisation and any accumulated impairment losses, and adjusted for any revaluation of lease liabilities. The cost of rights of use includes the recognised lease liabilities, the initial direct costs incurred and the lease payments made on or before provision, less any lease incentives received. Rights of use are amortised on a straight-line basis over the shorter of the lease term or the expected useful life of the leased assets.

If ownership of the leased asset is transferred to the Group at the end of the lease term or if the cost includes the exercise of a purchase option, amortisation/depreciation is calculated on the basis of the expected useful life of the leased asset. The rights of use are also tested for impairment.

ii) Lease liabilities

At the provision date, the Group recognises lease liabilities at the present value of the lease payments to be made over the term of the lease. Lease payments include fixed payments (including de facto fixed payments), less any lease incentives to be received, variable lease payments linked to an index or (interest) rate, and amounts expected to be paid under residual value guarantees. The lease payments furthermore include the exercise price of a purchase option if it is reasonably certain that the Group will actually exercise the option. They also include penalty payments for terminating the lease if the term takes into account that the Group will exercise the termination option. Variable lease payments that are not linked to an index or (interest) rate are recognised as an expense in the period in which the event or condition that triggers this payment occurs (unless they are caused by the production of inventories).

When calculating the present value of the lease payments, the Group uses its incremental borrowing rate as at the provision date, since the interest rate on which the lease is based cannot be readily determined. After the provision date, the amount of the lease liabilities is increased to reflect the higher interest expense, and decreased to reflect the lease payments made. The carrying amount of the lease liabilities is also remeasured if changes are made to the lease, the term of the lease, the lease payments (e.g. changes to future lease payments as a result of a change to the index or interest rate used to determine these payments) or if a change is made to the assessment of a purchase option for the underlying asset.

iii) Short-term leases and leases based on a low-value asset

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.

iv) Non-lease components

Contracts often provide for several different types of obligations on the supplier at the same time. This may involve a combination of different lease components or a combination of lease and non-lease components, such as the rental of an asset and the provision of maintenance services. Lease components and non-lease components are not combined at SYZYGY, but are accounted for separately.

v) Intra-group leases

Intra-group leases under IFRS 8 are also presented in segment reporting in the same way as operating leases in accordance with IFRS 16.

vi) Significant judgements in determining the term of leases with options for extension

The Group determines the term of the lease based on the non-terminable initial term of the lease and taking into account the periods resulting from an option to extend the lease if it is reasonably certain that it will exercise this option, or the periods resulting from an option to terminate the lease if it is reasonably certain that it will not exercise this option.

Some leases include extension options. The Group makes judgements when assessing whether there is reasonable certainty that the option to extend the lease will be exercised. That means 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. After the provision date, the Group determines the term of the lease again if a significant event or change in circumstances occurs that is within its control and affects whether or not it will exercise the option to extend the lease (e.g. a change in business strategy).

2.12 Revenue recognition

SYZYGY generates sales from consulting and development services and from planning and 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), collection of payment is reasonably assured and the invoice amount is fixed or determinable.

Services relating to strategy consulting and media services are recognised on the basis of hours spent or rendered.

Consulting services provided on a fixed-price basis are recognised 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. If the services provided by SYZYGY exceed the payment amount, a contract asset is recognised. If the payments are higher than the services provided, a contract liability is recognised.

Allowances or 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 (output method).

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 recognised at the same time as the advertisement is published, or afterwards. The entire amount chargeable to clients is recognised as billings. The amount less pass-through items/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 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.

2.13 Income taxes

Tax expense consists of current corporate taxes (corporation tax, trade tax, solidarity surcharge) and deferred taxes.

Income taxes

Actual income taxes are determined on the basis of the tax rules applicable in the countries in which the respective company operates. Current tax assets and tax liabilities for current and prior periods are measured at the amount expected to be refunded from or paid to the tax authority. The amount is calculated on the basis of the tax rates and tax laws that apply as at the reporting date or will apply in the near future.

Current income taxes relating to items that are recognised directly in other comprehensive income, or in equity, are not recognised in the statement of comprehensive income, but in other comprehensive income or in equity.

Management regularly assesses individual tax circumstances to determine whether there is scope for interpretation, given the applicable tax regulations. Tax provisions are formed, if required.

Deferred taxes

Deferred taxes are recognised using the balance sheet method. They are recognised for temporary differences existing between the valuation of an asset or liability on the balance sheet and its tax base as at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of:

- deferred tax liabilities arising from initial recognition of goodwill or of an asset or liability resulting from a transaction which is not a business combination and which, at the time of the transaction, does not affect either the accounting or the taxable profit, and
- deferred tax liabilities arising from taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements, but only to the extent that the parent company, investor or partner entity is able to control the timing of the reversal of the temporary differences and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax losses and unused tax credits can be utilised, with the exception of:

- deferred tax assets for deductible temporary differences that originate from initial recognition of an asset or liability resulting from a transaction which is not a business combination and which, at the time of the transaction, does not affect either the accounting or the taxable profit, and
- deferred tax assets for deductible temporary differences associated with investments in subsidiaries and interests in joint arrangements if it is probable that the temporary differences will not reverse in the foreseeable future or that sufficient taxable income will not be available against which the temporary differences can be utilised.

The carrying amount of the deferred tax assets is reviewed on each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reviewed on each reporting date and recognised to the extent that it has become probable that future taxable income will allow the deferred tax asset to be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The tax rates (and tax laws) that apply as at the reporting date or have been officially announced are used as a basis.

Deferred taxes relating to items that are recognised directly in other comprehensive income, or in equity, are not recognised in the statement of comprehensive income, but in other comprehensive income or in equity.

Deferred tax assets and deferred tax liabilities can only be offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same tax authority either on the same taxable entity or on different taxable entities that intend, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or realised, respectively, either to settle current tax liabilities and refunds on a net basis, or to settle the liabilities at the same time as realising the assets.

Deferred tax benefits acquired in a business combination that do not meet the criteria for separate recognition at the acquisition date are recognised in subsequent periods if the situation changes due to new information about facts and circumstances that existed at the acquisition date. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed the goodwill) if it arises during the measurement period, or recognised in net income for the period and in other comprehensive income if it arises outside the measurement period.

2.14 Earnings per share

Earnings per share are calculated in accordance with IAS 33. The undiluted earnings per share correspond to the net income for the period attributable to the ordinary shareholders of the parent company (consolidated net income for the year attributable to the shareholders of Syzygy AG), divided by the weighted average number of ordinary shares in circulation during the reporting period.

When calculating diluted earnings per share, the net income for the period attributable to the ordinary shareholders of the parent company and the weighted average number of ordinary shares in circulation are adjusted for any dilution effects of potential ordinary shares.

2.15 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 additionally 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 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 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.

3. Notes to the consolidated balance sheet

3.1 Movements in assets

Changes are as follows in the financial year:

2023 (in kEUR)	Goodwill	Other intangible assets	Rights of use resulting from leases	Leasehold improvements	Operating and office equipment	Total
Acquisition costs January 1, 2023	**57,309**	**2,897**	**32,155**	**7,456**	**5,977**	**105,794**
Additions	0	3	946	200	568	1,717
Disposals	0	0	-4,115	-1,626	-152	-5,893
Exchange rate changes	612	16	254	22	65	969
Acquisition costs December 31, 2023	**57,921**	**2,916**	**29,240**	**6,052**	**6,458**	**102,587**
Accumulated amortisation, depreciation and write-downs January 1, 2023	**14,272**	**2,686**	**11,720**	**3,283**	**3,945**	**35,906**
Additions	**0**	**44**	**3,009**	**1,434**	**757**	**5,244**
Disposals	0	0	-545	-1,626	-129	-2,300
Impairments	4,736	0	0	0	0	4,736
Exchange rate changes	0	13	103	3	42	161
Accumulated amortisation, depreciation and write-downs December 31, 2023	**19,008**	**2,743**	**14,287**	**3,094**	**4,615**	**43,747**
Carrying value December 31, 2023	**38,913**	**173**	**14,953**	**2,958**	**1,843**	**58,840**

Changes were as follows in the previous year:

2022 (in kEUR)	Goodwill	Other intangible assets	Rights of use resulting from leases	Leasehold improvements	Operating and office equipment	Total
Acquisition costs January 1, 2022	**57,880**	**2,871**	**31,252**	**7,578**	**5,354**	**104,935**
Additions	0	38	2,061	102	754	2,955
Disposals	-41	0	-761	-151	-99	-1,052
Exchange rate changes	-530	-12	-397	-73	-32	-1,044
Acquisition costs December 31, 2022	57,309	2,897	32,155	7,456	5,977	105,794
Accumulated amortisation, depreciation and write-downs January 1, 2022	**2,859**	**2,543**	**9,049**	**2,580**	**3,211**	**20,242**
Additions	**0**	**148**	**3,542**	**805**	**850**	**5,345**
Disposals	0	0	-707	-78	-95	-880
Impairments	11,413	0	0	0	0	11,413
Exchange rate changes	0	-5	-164	-24	-21	-214
Accumulated amortisation, depreciation and write-downs December 31, 2022	**14,272**	**2,686**	**11,720**	**3,283**	**3,945**	**35,906**
Carrying value December 31, 2022	**43,037**	**211**	**20,435**	**4,173**	**2,032**	**69,888**

3.2 Goodwill and other intangible assets

2023 (in kEUR)	Goodwill	Brand names	Licences, software and other	Total
Acquisition costs January 1, 2023	**57,309**	**2,088**	**809**	**60,206**
Additions	0	0	3	3
Exchange rate changes	612	11	5	628
Acquisition costs December 31, 2023	**57,921**	**2,099**	**817**	**60,837**
Accumulated amortisation, depreciation and write-downs January 1, 2023	**14,272**	**1,965**	**721**	**16,958**
Additions	0	0	43	43
Impairments	4,736	0	0	4,736
Exchange rate changes	0	9	5	14
Accumulated amortisation, depreciation and write-downs December 31, 2023	**19,008**	**1,974**	**769**	**21,751**
Carrying value December 31, 2023	**38,913**	**125**	**48**	**39,086**

2022 (in kEUR)	Goodwill	Brand names	Licences, software and other	Total
Acquisition costs January 1, 2022	**57,880**	**2,096**	**775**	**60,751**
Additions	0	0	38	38
Disposals	-41	0	0	-41
Exchange rate changes	-530	-8	-4	-542
Acquisition costs December 31, 2022	**57,309**	**2,088**	**809**	**60,206**
Accumulated amortisation, depreciation and write-downs January 1, 2022	**2,859**	**1,883**	**660**	**5,402**
Additions	0	84	64	148
Impairments	11,413	0	0	11,413
Exchange rate changes	0	-2	-3	-5
Accumulated amortisation, depreciation and write-downs December 31, 2022	**14,272**	**1,965**	**721**	**16,958**
Carrying value December 31, 2022	**43,037**	**123**	**88**	**43,248**

Reported goodwill of kEUR 38,913 (previous year: kEUR 43,037) arose from the acquisitions of Ars Thanea, diffferent, SYZYGY Performance and Unique Digital UK.

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 Performance
- Unique Digital UK
- Ars Thanea

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

2023 (in kEUR)	GoF
diffferent	10,664
SYZYGY Performance	13,357
Unique Digital UK	8,166
Ars Thanea	6,726
Total	**38,913**

2022 (in kEUR)	GoF
diffferent	15,400
SYZYGY Performance	13,357
Unique Digital UK	8,024
Ars Thanea	6,256
Total	**43,037**

An impairment test of individual goodwill was carried out as at December 31, 2023. 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, 2023. 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 of the subsidiary together with the Management Board of Syzygy AG.

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 to half of the long-term inflation target of the European Central Bank of 2 per cent. 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 2.75 per cent, a risk premium of 7.00 per cent and a sector beta of 1.04, a country-specific risk premium of 0.91 per cent and an inflation differential of 99.91 per cent were used as a basis, producing a WACC (Weighted Average Cost of Capital) of 10.8 per cent after tax or 13.7 per cent before tax. In the previous year, a risk-free interest rate of 2.03 per cent, a risk premium of 7.00 per cent and a sector beta of 1.10 were used for the Unique Digital UK cash generating unit, producing a WACC of 10.2 per cent after tax or 12.9 per cent before tax.

An average tax rate of 25 per cent was applied (previous year: 25 per cent). In the case of Unique Digital UK, the business plan for 2024 is based on an expected decline in sales of 23 per cent (previous year: 1 per cent) and sales growth of 10 per cent p.a. (previous year: 10 per cent) from 2025 to 2028, and a terminal value of 1 per cent (previous year: 1 per cent). For 2023, 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 4 per cent in 2024 (previous year: 4 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 8,166 is allocated. Goodwill of kEUR 8,166 at the Unique Digital UK CGU translates to headroom of kEUR 1,135 (previous year: kEUR 3,688).

In the course of a sensitivity analysis of the Unique Digital UK CGU, possible changes to the key assumptions were taken into account. The sensitivity analysis was carried out for all major factors in isolation, i.e. a change in the fair value of a cash generating unit was only caused by a reduction or increase in the relevant factor. In the case of the Unique Digital UK CGU, the sensitivity analysis showed that there is sufficient headroom between the recoverable amount of the CGU and the carrying amount.

Management has determined that a possible change of up to 100 basis points in two key assumptions could not, in isolation, result in the carrying amount exceeding the recoverable amount.

In the case of SYZYGY Performance and diffferent in Germany, a risk-free interest rate of 2.75 per cent (previous year: 2.03 per cent), a risk premium of 7.00 per cent (previous year: 7.00 per cent) and a sector beta of 1.04 (previous year: 1.10) were used as a basis, producing a WACC (Weighted Average Cost of Capital) of 10.0 per cent after tax (previous year: 9.7 per cent), or 13.3 per cent before tax (previous year: 12.9 per cent). An average tax rate of 30 per cent (previous year: 30 per cent) was applied.

The business plan for SYZYGY Performance envisages sales growth of 13 per cent for 2024 (previous year: 4 per cent) and sales growth of 10 per cent p.a. for the years 2025 to 2028 (previous year 2024 to 2027: 10 per cent). The terminal value is set at 1 per cent growth (previous year: 1 per cent).

For diffferent, the business plan envisages sales growth of 2 per cent for 2024 (previous year: 15 per cent) and sales growth of 6 per cent p.a. for the years 2025 to 2028 (previous year 2024 to 2027: 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 Germany to grow by around 2 per cent in 2024 (previous year: 7 per cent). Based on the underlying information, management identified a need for impairment in the amount of kEUR 4,736 in Germany in its updated analysis, of which kEUR 4,736 applies to diffferent (previous year: kEUR 7,486) and kEUR 0 to SYZYGY Performance (previous year: 3,927 kEUR).

Diffferent is now allocated goodwill of kEUR 10,664 and SYZYGY Performance is allocated goodwill of kEUR 13,357.

The value in use of diffferent's goodwill amounts to kEUR 10,664. The sensitivity analysis revealed an additional need for impairment in the case of the following changes:

- A one percentage point increase in the risk-free interest rate would lead to a further impairment of goodwill in the amount of kEUR 1,339.
- A 10 per cent reduction in the forecast cash flows would lead to an additional impairment of kEUR 1,360.
- A 25 per cent reduction in the growth rate would lead to a further impairment of kEUR 265.

The Syzygy Performance CGU has goodwill of kEUR 13,357, with headroom of kEUR 10,174.

In the case of Syzygy Performance, the sensitivity analysis showed that there is sufficient headroom between the recoverable amount of the CGU and the carrying amount. Management has determined that a possible change of up to 100 basis points in two key assumptions could not, in isolation, result in the carrying amount exceeding the recoverable amount.

In the case of Ars Thanea in Poland, a risk-free interest rate of 2.75 per cent (previous year: 2.03 per cent), a risk premium of 7.00 per cent (previous year: 7.00 per cent), a sector beta of 1.04 (previous year: 1.10), a country-specific risk premium of 1.28 per cent (previous year: 1.46 per cent) and an inflation differential of 101.51 per cent (previous year: 100.63 per cent) were used as a basis, producing a WACC (Weighted Average Cost of Capital) of 13.0 per cent after tax (previous year: 11.9 per cent), or 15.4 per cent before tax (previous year: 14.3 per cent). An unchanged average tax rate of 19 per cent was applied. The business plan envisages sales growth of 13 per cent for 2024 (previous year: 13 per cent) and 10 per cent p.a. for the years 2025 to 2028 (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 4 per cent in 2024 (previous year: 2 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 6,726 is allocated.

The Ars Thanea CGU has goodwill of kEUR 6,726, with headroom of kEUR 1,923 (previous year: kEUR 3,688).

In the course of a sensitivity analysis of the Ars Thanea CGU, possible changes to the key assumptions were taken into account. The sensitivity analysis was carried out for all major factors in isolation, i.e. a change in the fair value of a cash generating unit was only caused by a reduction or increase in the relevant factor. In the case of the Ars Thanea CGU, the sensitivity analysis showed that there is sufficient headroom between the recoverable amount of the CGU and the carrying amount. Management has determined that a possible change of up to 100 basis points in two key assumptions could not, in isolation, result in the carrying amount exceeding the recoverable amount.

Other intangible assets

Other intangible assets were tested for impairment as at December 31, 2023 using the same principles as for goodwill.

They include a brand name worth kEUR 125 (previous year: kEUR 123) after foreign currency effects. This brand equity is due to first-time consolidation of Unique Digital UK. It is allocable to the UK & US segment and has an indeterminable useful life, since there is no foreseeable end to the economic life of these brands.

3.3 Fixed assets (property, plant and equipment)

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

3.4 Leases

In 2023, application of IFRS 16 resulted in additions of kEUR 851 for rights of use relating to real estate (previous year: kEUR 1,778) and of kEUR 96 for company cars (previous year: kEUR 283).

In total, rights of use for leased assets with a carrying amount of kEUR 3,494 (previous year: kEUR 0) were disposed of in the financial year, as these were reclassified as finance leases as part of a sublease established in the financial year and recognised as non-current and current lease receivables under other financial assets. This resulted in income from disposals of kEUR 359. Depreciation of rights of use for leased assets was kEUR 3,009 (previous year: kEUR 3,542).

The carrying amounts of the rights of use for real estate amounted to kEUR 14,730 (previous year: kEUR 20,175) and for company cars to kEUR 223 (previous year: kEUR 260) as at the reporting date.

2023 (in kEUR)	Buildings	Other plant, operating and office equipment	Total
Acquisition costs January 1, 2023	**31,742**	**413**	**32,155**
Additions	851	96	947
Disposals	-3,968	-72	-4,040
Adjustments	-77	1	-76
Exchange rate changes	249	5	254
Acquisition costs December 31, 2023	**28,797**	**443**	**29,240**
Accumulated amortisation, depreciation and write-downs January 1, 2023	**11,567**	**153**	**11,720**
Additions	2,872	137	3,009
Disposals	-474	-72	-546
Exchange rate changes	102	2	104
Accumulated amortisation, depreciation and write-downs December 31, 2023	**14,067**	**220**	**14,287**
Carrying value December 31, 2023	**14,730**	**223**	**14,953**

2022 (in kEUR)	Buildings	Other plant, operating and office equipment	Total
Acquisition costs January 1, 2022	**30,826**	**426**	**31,252**
Additions	1,778	283	2,061
Disposals	-412	-295	-707
Adjustments	-54	0	-54
Exchange rate changes	-396	-1	-397
Acquisition costs December 31, 2022	**31,742**	**413**	**32,155**
Accumulated amortisation, depreciation and write-downs January 1, 2022	**8,748**	**301**	**9,049**
Additions	3,394	148	3,542
Disposals	-412	-295	-707
Exchange rate changes	-163	-1	-164
Accumulated amortisation, depreciation and write-downs December 31, 2022	**11,567**	**153**	**11,720**
Carrying value December 31, 2022	**20,175**	**260**	**20,435**

In the year under review and as in the previous year, there were no changes in the gross value of the rights of use based on changes to estimates concerning the exercise of options. Additions relate to newly concluded contracts or to contract extensions/adjustments that were not provided for in the original contract.

As in the previous year, the Group did not enter into any contractual leases with a term of less than one year (short-term) and which fall below the materiality threshold (EUR 5,000) of IFRS 16 (small-ticket) in the year under review.

The lease liability for leased assets by asset class is as follows:

Lease liabilities	2023	2022
	kEUR	kEUR
Buildings	19,739	22,654
Other plant, operating and office equipment	209	241
Total lease liabilities	**19,948**	**22,895**

Maturity of the lease liabilities:

Lease liabilities	2023	2022
	kEUR	kEUR
Short-term (< 1 year)	3,791	3,588
Long-term (> 1 year)	16,157	19,307
Total lease liabilities	**19,948**	**22,895**

The lease liability at the time of initial recognition was calculated using an average incremental borrowing rate of 1.8 per cent. New contracts and contract adjustments are recognised with a capital interest rate of around 7.5 per cent, depending on the term.

The following table shows the amounts recognised in profit or loss:

Expenses resulting from rights of use	2023	2022
	kEUR	kEUR
Amortisation of rights of use	3,009	-3,542
Interest expense for lease liabilities	-531	-570
Total	**2,478**	**-4,112**

In the period from January 1 to December 31, 2023, the Group had cash outflows for leases totalling kEUR 3,778 (previous year: kEUR 3,566).

During the financial year, Unique Digital UK concluded a new six-year lease to begin in February 2024. The monthly net basic rent is equivalent to around kEUR 24.

3.5 Other non-current financial assets

SYZYGY has long-term rent receivables of kEUR 2,806 (previous year: kEUR 142) from subletting agreements and deposits received of kEUR 224 (previous year: kEUR 115), which represent financial assets in the “Amortised costs” measurement category.

In addition, SYZYGY invested kEUR 300 in an investment fund to cover phased retirement agreements. The fund will not be used to fulfil the obligations. As at the balance sheet date, the fund had a fair value of kEUR 319 (previous year: kEUR 269). It is recognised in the FVTPL category.

The receivables in the amount of the minimum lease payments resulting from these leases are as follows:

Minimum lease payments	2023
	kEUR
Up to 1 year	1,079,865
1-2 years	1,036,455
2-3 years	1,086,848
3-4 years	683,395

3.6 Deferred tax assets

Deferred tax assets of kEUR 928 (previous year: kEUR 1,221) were reported in the financial year now ended.

The deferred tax assets at Syzygy AG as the parent company are mainly due to the different valuations of lease obligations and fixed assets.

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

Deferred tax assets of kEUR 5,735 (previous year: kEUR 6,638) were recognised for lease liabilities.

SYZYGY Performance no longer has any tax loss carry-forwards for corporation tax (previous year: kEUR 119) or trade tax (previous year: kEUR 519); accordingly no deferred tax assets have been recognised (previous year: kEUR 106).

SYZYGY US no longer used any usable tax loss carry-forwards (previous year: kEUR 211). kEUR 46 was recognised as deferred tax assets in the previous year.

In accounts receivable, deferred tax assets of kEUR 9 (previous year: kEUR 25) were recognised as a result of impairments in accordance with IFRS 9.

Deferred tax assets and liabilities were netted in the amount of kEUR 5,488 (previous year: kEUR 6,291). The netting provisions of IAS 12.71 ff. were applied.

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

3.7 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:

In kEUR	**12/31/2023**	12/31/2022
Cash and cash equivalents	4,007	7,814

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, and funds.

In the previous year, all securities held were financial assets classified in accordance with IFRS 9 as “FVTOCI”. 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 in the previous year was kEUR 352 below the acquisition cost. kEUR 28 was attributable to unrealised price gains in the previous year and kEUR 380 to unrealised price losses. Security purchases and sales are recorded on the value date. Of the unrealised losses as at December 31, 2022 that had previously been recorded in “Other comprehensive income”, kEUR 380 of valuation losses (previous year: kEUR 19) 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.

December 31, 2022 (in kEUR)	Acquisition cost	Unrealised gains	Unrealised losses	Carrying value/ market value
Securities (FVTOCI)	1,440	28	-380	**1,088**

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

In kEUR	1 - 5 years	> 10 years	Total
Securities (FVTOCI)	737	351	**1,088**

The performance of the securities portfolio is dependent on changes in interest rates and credit spreads. On average, the portfolio had a duration of around 9.6 years in the previous year. This means that if credit spreads had risen by 100 basis points and interest rates stayed the same, the value of the securities portfolio would have declined by around 9.6 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.

3.8 Trade receivables and contract assets and contract liabilities

This item comprises the following:

In kEUR	**12/31/2023**	12/31/2022
Accounts receivable	13,868	14,538
Contract assets	1,894	1,625
Total assets	15,762	16,163
Contract liabilities	**6,624**	**6,078**

Contract assets and sales of kEUR 1,894 (previous year: kEUR 1,625) are disclosed using an input-oriented method (cost-to-cost method) on a period-related basis for services not yet billed. Costs of kEUR 1,786 (previous year: kEUR 1,481) were incurred for these services. This results in a margin of kEUR 108 (previous year: kEUR 144).

Under 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 expected default risks, while uncollectable receivables are written off. There were individual value adjustments of kEUR 54 (previous year: kEUR 182) in the past 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 2023 financial year saw a reversal of receivables in the amount of kEUR 22 (previous year: impairment of kEUR 34). As a result, impairments of kEUR 30 (previous year: kEUR 52) were reported as at the balance sheet date.

The contract liabilities of kEUR 6,624 (previous year: kEUR 6,078) mainly relate to advance payments received of kEUR 6,357 (previous year: kEUR 5,777). The contract liabilities reported in the previous year were mainly recognised as revenue in the 2023 financial year.

In the case of performance marketing companies, the contract liabilities reported in the 2022 financial year were recognised as sales in the reporting period, less pass-through items/media costs.

3.9 Other current financial assets

Other current financial assets as at December 31, 2023 and 2022 consist of the following:

In kEUR	**12/31/2023**	12/31/2022
Rents receivable	841	0
Deposits	5	38
Interest receivables	0	22
Other financial assets	114	0
Total	**960**	**60**

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, 2023	**–**	**–**	**–**	**–**
As at: December 31, 2022	–	10	12	**22**

3.10 Other current non-financial assets

Other current non-financial assets as at December 31, 2023 and 2022 consist of the following:

In kEUR	**12/31/2023**	12/31/2022
Prepaid expenses	1,297	1,155
Tax receivables	1,859	915
Other	297	379
Total	**3,453**	**2,449**

3.11 Equity

3.11.1 Subscribed capital

As at December 31, 2023, 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 2023 financial year.

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

In thousand	Shares	Per cent
WPP plc.. St. Helier. Jersey	6,795	50.33
Free float	4,739	35.11
Institutional investors	1,300	9.63
HANSAINVEST Hanseatische Investment GmbH. Hamburg	666	4.93
Total	**13,500**	**100.00**

3.11.2 Authorised capital

On May 28, 2021, the Annual General Meeting approved the creation of authorised capital of kEUR 6,750. 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 in the period up to May 27, 2026. To date, the Management Board and Supervisory Board have not made use of the authorisation to issue new shares in relation to this authorised capital.

3.11.3 Additional paid-in capital

Additional paid-in capital includes the premium on the nominal amount resulting from the issue of shares by Syzygy AG. In the financial year, kEUR 6,330 was withdrawn from additional paid-in capital and transferred to retained earnings. Additional paid-in capital was kEUR 20,728 as at the reporting date (previous year kEUR 27,058).

3.10.4 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.

3.11.5 Other reserves

The summarised changes in equity after tax attributable to the shareholders of Syzygy AG in other comprehensive income not recognised through profit or loss for the 2023 financial year amount to kEUR 957 (previous year: kEUR -889) and are due to unrealised gains on securities in the FVTOCI category after tax of kEUR 240 (previous year: losses of kEUR 280) and gains from currency translation in non-EUR business operations of kEUR 717 (previous year: losses of kEUR 609).

All changes can be reclassified (recycling) and are consequently only recorded temporarily in other reserves. They may be reclassified as profit or loss at a later stage.

3.11.6 Retained earnings

The consolidated financial statements showed retained earnings of kEUR 7,783 (previous year: kEUR 7,338) as of December 31, 2023. 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 -2,915 (previous year: kEUR -7,499), less the distributed dividend of kEUR 2,970 (previous year: kEUR 2,700) and together with a withdrawal from additional paid-in capital in the single-entity financial statements of Syzygy AG amounting to kEUR 6,330 (previous year: kEUR 0). In the previous year, there were also distributions to minority shareholders of subsidiaries which, due to present ownership of 100 per cent, i.e. without showing non-controlling shares, were consolidated, in the amount of kEUR 68.

Dividend distributions are based on the distributable part of net earnings disclosed in the annual financial statements of Syzygy AG according to the HGB (German Commercial Code). On July 11, 2023, the Annual General Meeting of Syzygy AG approved the proposal to distribute a dividend of EUR 0.22 (previous year: EUR 0.20) per eligible share which was distributed from July 12, 2022 onwards.

As at December 31, 2023, the single-entity financial statements of Syzygy AG showed net earnings of kEUR 0 (previous year: kEUR 4,850).

3.12 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 55,000 shares are outstanding, of which 15,000 from 2020, a further 15,000 from 2021, 20,000 from 2022 and 5,000 from 2023. 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 60 (previous year: kEUR 85) was recognised as at the key date. The allocation recognised in profit or loss was kEUR 49 in the financial year (previous year: kEUR 105). The fair value as at the key date is largely dependent on the share price.

In kEUR	Number of options	Fair value
As at: 12/31/2022	**50,000**	**263**
New allocation	20,000	49
Exercised	-10,000	-29
Expired	-5,000	-15
Change in value	0	-102
As at: 12/31/2023	**55,000**	**166**

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 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 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.

The previous year's pool of stocks lapsed in full at the end of 2021 at the latest. On January 1, 2021, Franziska von Lewinski received a total of 250,000 phantom stocks with an exercise price of EUR 5.68.

Similarly, on January 1, 2021, Frank Ladner and Erwin Greiner were each allocated a total of 100,000 phantom stocks with an exercise price of EUR 5.68.

As at the balance sheet date, 270,000 phantom stocks were still held in the pool. 180,00 lapsed in the financial year.

In kEUR	Number of options	Fair value
As at: 12/31/2022	**450,000**	**0.41**
Exercised	0	0.00
Lapsed	-180,000	0.00
New allocation	0	0.00
As at: 12/31/2023	**270,000**	**0.00**

The fair value of the phantom stocks on December 31, 2023 is calculated using the Black-Scholes model taking into account the remaining term, the expected dividend, the risk-free interest rate and the volatility of the underlying instrument.

3.13 Accounts payable

As at December 31, 2023 and 2022, accounts payable consisted of:

In kEUR	**12/31/2023**	12/31/2022
Accounts payable	9,667	10,659

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").

3.14 Other provisions

Personnel-related provisions mainly comprise the employee stock-based compensation plans described in section 3.12.

Provisions break down as follows:

Statement of changes in provisions as at **December 31, 2023** (in kEUR)	Carrying value 01/01/2023	Usage	Reversal	Addition	Carrying value **12/31/2023**
Personnel-related provisions	621	-230	-235	233	**389**
Provision for restoration obligations	296	–	–	15	**311**
Obligations towards other parties	205	-106	-22	147	**224**
Other	197	-92	-107	200	198
Total other provisions	**1,319**	**-428**	**-364**	**595**	**1,122**

Statement of changes in provisions as at December 31, 2022 (in kEUR)	Carrying value 01/01/2022	Usage	Reversal	Addition	Carrying value 12/31/2022
Personnel-related provisions	806	-266	-96	177	**621**
Provision for restoration obligations	301	–	-6	–	**296**
Obligations towards other parties	260	-229	-11	186	**205**
Other	199	-199	–	197	197
Total other provisions	**1,566**	**-694**	**-113**	**560**	**1,319**

In kEUR	2023	2022
Personnel-related provisions	389	621
Provision for restoration obligations	311	296
Obligations towards other parties	224	205
Other	198	197
Total other provisions	**1,122**	**1,319**
Of which:		
Current portion of provisions (< 1 year)	498	766
Non-current portion of provisions (> 1 year)	624	553

The provisions for restoration obligations relate to the estimated costs of restoring the leased properties to their original condition at the end of the lease term. These provisions are expected to be utilised in 2027.

3.15 Income tax liabilities

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

In kEUR	12/31/2023	12/31/2022
German income taxes	538	186
British income taxes	38	167
Polish income taxes	122	10
American income taxes	32	–
Total	**730**	**363**

3.16 Financial liabilities

The components of financial liabilities are detailed in the following.

These comprise liabilities to banks:

In kEUR	Interest rate	Maturity	12/31/2023	12/31/2022
Liabilities to banks	3.373% - 5.734%	–	4,500	8,000
Total			**4,500**	**8,000**

The following table shows the maturities of financial liabilities at December 31, 2023:

In kEUR	< 1 year	Total
Financial liabilities	4,500	4,500

The following table shows the maturities of financial liabilities at December 31, 2022:

In kEUR	< 1 year	Total
Financial liabilities	8,000	8,000

3.17 Other financial liabilities

Other financial liabilities mainly include security deposits paid and have a remaining term of more than one year in the previous year.

3.18 Other non-financial liabilities

In kEUR	**12/31/2023**	12/31/2022
VAT liability	1,048	1,485
Liabilities arising from wages and salaries, annual leave/ overtime, short-term bonus payments, social security, salary and church taxes	2,676	2,584
Other	72	191
Total	**3,796**	**4,260**

All 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 & US segment consists of SYZYGY UK, Unique Digital UK and SYZYGY NY. The Germany segment comprises diffferent, SYZYGY Deutschland and SYZYGY Performance. Ars Thanea makes up the Poland segment.

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 total assets plus the goodwill attributable to the respective 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.

12/31/2023 (in kEUR)	Germany	United Kingdom & US	Poland	Central functions	Consolidation	Total
Sales	57,367	8,350	6,114	38	-127	**71,742**
of which internal sales	-898	-31	1,016	38	-125	**0**
Impairment loss for goodwill	-4,736	0	0	0	0	**-4,736**
EBIT	-375	741	955	-1,977	0	**-656**
Financial income	3,081	88	9	7,641	-10,678	**141**
Financial expenses	-5,716	-154	-28	-4,058	8,522	**-1,434**
Income before income taxes (EBT)	-3,010	675	936	1,606	-2,156	**-1,949**
Income taxes	-586	-99	-197	68	0	**-814**
Income after income taxes (PAT)	-3,596	576	739	1,674	-2,156	**-2,763**
Assets	64,055	16,144	10,957	85,706	-89,560	**87,302**
of which fixed assets	38,156	8,245	8,824	3,286	329	**58,840**
of which goodwill	24,022	8,166	6,725	0	0	**38,913**
Investments	744	172	858	-75	0	**1,699**
Depreciation and amortisation	7,213	1,172	370	1,225	0	**9,980**
Segment liabilities	36,180	6,697	2,589	16,591	-15,382	**46,675**
Employees at the balance sheet date	430	43	68	48	0	**589**

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 & US	Poland	Total
Design & build	49,867	–	5,098	**54,965**
Performance marketing	8,404	8,373	–	**16,777**
Total	**58,271**	**8,373**	**5,098**	**71,742**

12/31/2022 (in kEUR)	Germany	United Kingdom & US	Poland	Central functions	Consolidation	Total
Sales	54,961	9,901	5,951	-9	-192	**70,612**
of which internal sales	-269	-310	872	-101	-192	**0**
Impairment loss for goodwill	11,413	0	0	0	0	**11,413**
EBIT	-5,805	1,350	768	-1,518	0	**-5,205**
Financial income	107	1	10	5,822	-5,753	**187**
Financial expenses	-4,377	-193	-18	-568	4,121	**-1,035**
Income before income taxes (EBT)	-10,075	1,158	760	3,736	-1,632	**-6,053**
Income taxes	-462	-369	-181	-315	0	**-1,327**
Income after income taxes (PAT)	-10,537	789	579	3,421	-1,632	**-7,380**
Assets	68,471	17,221	9,289	88,224	-83,994	**99,211**
of which fixed assets	44,842	12,693	7,774	4,454	125	**69,888**
of which goodwill	28,757	8,024	6,256	0	0	**43,037**
Investments	2,416	137	143	259	0	**2,955**
Depreciation and amortisation	14,118	1,148	354	1,138	0	**16,758**

5. Notes on the statement of comprehensive income

5.1 Sales

The sales figures include sales revenue from the performance marketing and design & build product areas. The sales figures are arrived at by deducting media costs from billings. Media costs are incurred in the performance marketing companies as pass-through 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).

All services relate to periods of not more than one year or are invoiced at a fixed daily rate. As permitted under IFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

5.2 Other operating income and expenses

Other operating income consists of the following:

In kEUR	**2023**	2022
Subletting	1,162	1,243
Exchange rate effects	378	821
Reversal of provisions	364	113
Reversal of liabilities	206	188
Time value measurement of earn-out and options liabilities	–	241
Income from employee benefits	144	160
Refund from health insurance funds	144	111
Refund of ancillary costs	13	40
Income from IFRS 16 derecognition	475	9
Other	409	431
Total	**3,295**	3,357

Other operating expenses consist of the following:

In kEUR	**2023**	2022
Amortisation of corporate assets	–	84
Other	–	34
Total	**–**	**118**

5.3 Cost of sales

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

In kEUR	**2023**	2022
Cost of purchased services	12,227	11,825

Other expenses are assigned to cost of sales by means of a headcount allocation.

In Germany, the Company maintains defined contribution pension plans, under which it pays contributions to the relevant pension scheme provider in accordance with statutory provisions. Apart from the contribution payments, the Company has no further commitments arising from the plans. Current contribution payments are reported as expenses in the relevant financial year.

Further information on the cost of sales can be found in section 3.5.3 of the management report.

5.4 Sales and marketing costs

Sales and marketing costs include the following directly attributable expenses:

In kEUR	**2023**	2022
Direct expenses for sales and marketing costs	1,253	1,208

Other expenses are assigned to sales and marketing costs by means of a headcount allocation.

5.5 General and administrative expenses

General and administrative expenses include the following directly attributable expenses:

In kEUR	**2023**	2022
Direct expenses for general and administrative expenses	1,382	1,979

Other expenses are assigned to general and administrative expenses by means of a headcount allocation.

SYZYGY spent kEUR 223 (previous year: kEUR 220) on retirement benefits in the 2023 financial year, kEUR 19 of which (previous year: kEUR 24) is attributable to defined contribution pension plans.

In 2023, the average number of employees in the SYZYGY GROUP was 615 (previous year: 577 employees). They are all salaried employees.

As at the end of the 2023 financial year, the total number of employees at SYZYGY had fallen to 589 (previous year: 604 employees). The employees are distributed across the following functional areas within the Company:

Number of persons	**12/31/2023**	12/31/2022	Average in 2023	Average in 2022
Technology	123	115	119	107
Strategy/consulting	99	111	110	109
Performance marketing	96	108	108	107
Project management	96	95	98	95
Design	94	94	97	85
Administration	81	81	83	74
Total	**589**	**604**	**615**	**577**

5.6 Depreciation and write-downs

Depreciation and amortisation, which is included in cost of sales, sales and marketing costs and general and administrative expenses through a distribution key within the statement of comprehensive income, comprises the following:

In kEUR	2023	2022
Impairment of goodwill	4,736	11,413
Amortisation of rights of use	3,009	3,542
Depreciation of fixed assets	2,191	1,655
Amortisation of other intangible assets	44	148
Total	**9,980**	**16,758**

The amortisation of rights of use includes amortisation of real estate rights of use totalling kEUR 2,872 (prior year: kEUR 3,394) and of kEUR 137 (prior year: kEUR 148) for company cars.

5.7 Financial income

In kEUR	2023	2022
Interest and similar income	122	96
Income from the sale of securities	19	92
Total financial income	**141**	**188**
Interest expense and similar expenses	-298	-118
Interest expense from leases	-531	-570
Expenses from the sale of securities	-630	-300
Impairment losses on non-current financial assets	–	-32
Impairment losses under IFRS 9, net	25	-16
Total financial expenses	**-1,434**	**-1,036**
Total financial income	**-1,293**	**-848**

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 16 amounts to kEUR 526 (previous year: kEUR 570). Interest expense includes the balance resulting from interest income and expense as defined in section 233a of the German Fiscal Code (Abgabenordnung, AO).

Financial income includes reversal on securities in accordance with IFRS 9 amounting to kEUR 25 (prior year: impairment of kEUR 16). All the securities impaired in the previous year were sold in the 2023 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.

5.8 Income taxes

In kEUR	2023	2022
Current domestic income taxes	524	749
Current foreign income taxes	102	453
Subtotal of current income taxes	**626**	**1.202**
Deferred taxes	188	126
Total	**814**	**1,328**

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 applied from April 1, 2017. That figure rose to 25 per cent on April 1, 2023. A weighted tax rate of 23.5 per cent was used to calculate income taxes.

In the US, there is a federal tax of 21 per cent (previous year: 21 per cent) plus local taxes applicable to SYZYGY NY of around 0.8 per cent (previous year: 0.8 per cent).

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

In all, deferred tax income of kEUR 0 (previous year: kEUR 8) is due to changes in tax rates.

SYZYGY received an income tax refund of kEUR 235 net in the 2023 financial year (previous year: refund of kEUR 143). Deferred tax assets and liabilities can be summarised as follows:

In kEUR	**2023**	2022
Deferred tax assets		
Lease liabilities	5,735	6,638
Other fixed assets	493	460
Loss carry-forwards	0	151
Current assets (securities)	0	125
Provisions	94	70
Accounts receivable	9	25
Other	85	43
Offset against deferred tax liabilities	-5,488	-6,291
Total	**928**	**1,221**

In kEUR	**2023**	2022
Passive latente Steuern		
Rights of use	4,453	5,988
Other fixed assets	168	209
Unique Digital brand	31	31
Accounts receivable	1	1
Other financial assets	797	0
Other	305	327
Offset against deferred tax assets	-5,488	-6,291
Total	**267**	**265**

The deferred tax assets at Syzygy AG as the parent company are mainly due to the different valuations of lease obligations and fixed assets.

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

Deferred tax assets of kEUR 5,735 (previous year: kEUR 6,638) were recognised for lease liabilities.

SYZYGY Performance no longer has any tax loss carry-forwards for corporation tax (previous year: kEUR 119) or trade tax (previous year: kEUR 519). A total of kEUR 106 was recognised as deferred tax assets in the previous year; they were fully utilised in the past financial year.

SYZYGY US also fully utilised the usable tax loss carry-forwards (previous year: kEUR 211), for which a total of kEUR 46 had been recognised as deferred tax assets.

In accounts receivable, deferred tax assets of kEUR 9 (previous year: kEUR 25) were recognised as a result of impairments in accordance with IFRS 9.

Deferred tax assets and liabilities were netted in the amount of kEUR 5,488 (previous year: kEUR 6,291). The netting provisions of IAS 12.71 ff. were applied.

Deferred tax liabilities of kEUR 4,453 (previous year: kEUR 5,988) were reported as a result of rights of use to leased assets being capitalised in accordance with IFRS 16. Deferred tax liabilities of kEUR 618 were also recognised on the existing rent receivables arising from the sublease arrangement.

Other deferred tax liabilities arise from differences in the valuation of assets (kEUR 168; previous year: kEUR 209) and subsidiaries' intangible assets of kEUR 31 (previous year: kEUR 31).

Due to different valuations of accounts receivable at Ars Thanea, deferred tax liabilities of kEUR 1 (previous year: kEUR 1) were recognised.

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

In kEUR	**2023**	2022
Income before taxes	-1,949	-6,053
Income tax expense at a tax rate of 31% (previous year: 31%)	-604	-1,877
Income not subject to tax/ non-deductible expenditure	1,605	3,612
Differences in tax rates	-30	-207
Tax refunds from previous years	-235	-143
Tax effects resulting from additions and deductions of local taxes	64	58
Deferred taxes from previous years	0	-81
Other	14	-34
Actual income tax	**814**	**1,328**

The tax rate differences result from an average tax rate of 31 per cent in Germany compared with around 22 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 did not apply in the past financial year to the companies included in the SYZYGY GROUP. In the 2023 financial year, deferred tax assets of kEUR 0 (previous year: kEUR 115) and deferred tax liabilities of kEUR 9 (previous year: kEUR 9) were attributable to items that were offset directly against equity.

The change in the valuation differences of kEUR -116 (previous year: kEUR 128) 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.

5.9 Notes on currency translation

In accordance with IAS 21.52, currency translation differences of kEUR 737 (previous year: kEUR -613) were reported in other comprehensive income for the period and recognised in other provisions.

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:

	2023	2022
Weighted average number of shares (in thsd.), diluted and basic	13,500	13,500
Net income of Syzygy AG shareholders (in kEUR)	-2,915	-7,499
Earnings per share, diluted and basic (EUR)	-0.22	-0.56

It was decided that no dividend would be paid in respect of the financial year.

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 2023, operating cash flow amounted to kEUR 7,067, as compared with kEUR 12,563 in the previous year. Operating cashflow includes interest paid in the amount of kEUR 813 (previous year: kEUR 727), interest received in the amount of kEUR 59 (previous year: kEUR 66) as well as tax refunds in the amount of kEUR 451 (previous year: kEUR 26) and taxes paid in the amount of kEUR 1,171 (previous year: kEUR 1,513).

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 2023 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 derived no net income from changes in the option and forward contract liabilities for acquiring the outstanding shares in diffferent (previous year: kEUR 241).

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

In kEUR		Financial liabilities	Other financial liabilities	Lease liabilities (IFRS 16)	Total
December 31, 2022		**8,000**	**279**	**22,895**	**31,174**
Cash change	Cash inflow	24,000	429	0	**24,429**
	Cash outflow	-27,500	-279	-3,778	**-31,557**
	(Net) repayment of financial liabilities	**-3,500**	**150**	**-3,778**	**-7,128**
Non-cash change	Net additions of lease liabilities	0	0	84	**84**
	Other measurement	0	0	748	**748**
December 31, 2023		**4,500**	**429**	**19,949**	**24,878**
	Overall change	-3,500	150	-2,946	**-6,296**

In kEUR		Financial liabilities	Other financial liabilities	Lease liabilities (IFRS 16)	Total
December 31, 2021		3,418	4,210	24,776	**32,404**
Cash change	Cash inflow	29,500	0	0	**29,500**
	Cash outflow	**-24,918**	**-3,996**	**-3,566**	**-32,480**
	(Net) repayment of financial liabilities	4,582	-3,996	-3,566	**-2,980**
Non-cash change	Remeasurement of call options	0	-241	0	**-241**
	Net additions of lease liabilities	0	0	260	**260**
	Other measurement	0	27	1,425	**1,452**
December 31, 2022		8,000	0	22,895	**30,895**
	Overall change	4,582	-4,210	-1,881	**-1,509**

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 fifth 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.

Syzygy AG regularly receives profit distributions in non-EUR currency from its foreign subsidiaries. These distributions are exchanged into euros 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".

No securities were invested in a securities portfolio as at the reporting date.

6.3.3 Credit and default risk, risk of changes in credit spreads

Securities

SYZYGY was 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. SYZYGY did not hold any securities as at the reporting date. As a matter of policy, exposure to a single issuer is limited to a maximum nominal value of EUR 2.0 million. All securities were 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. All the securities were sold in the financial year.

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	2023	2022
EUR	–	785
USD	–	303
Total	**–**	**1,088**

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

In kEUR	2023	2022
As at: January 1 as per IFRS 9	**25**	**9**
Net remeasurement of value adjustments	-25	16
As at: December 31	**0**	**25**

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. SYZYGY has had hardly any credit losses from customers in the past, or none at all, so creditworthiness is rated as excellent. 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:

In kEUR	Germany	United Kingdom & US	Poland	Central functions	Total
December 31, 2023	11,604	988	1,276	0	**13,868**
December 31, 2022	12,632	1,012	882	12	**14,538**

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 for defaults on the basis of the following general credit attributes. The following table provides information on the estimated default risk for accounts receivable as at December 31, 2023, and as at the same date in the previous year:

Accounts receivable as at **December 31, 2023**	Loss rate	Gross carrying value	Value adjustment	Impaired creditworthiness
Not due	0%	9,923	–	No
0-30 days	0%	2,648	–	No
31-60 days	0%	277	–	No
61-90 days	0%	958	–	No
91-120 days	2%	35	–	No
121-180 days	5%	203	10	No
181 days – 1 year	10%	203	20	No
More than a year	50%	–	–	No
Total		**14,247**	**30**	

Accounts receivable as at December 31, 2022	Loss rate	Gross carrying value	Value adjustment	Impaired creditworthiness
Not due	0%	10,028	0	No
0-30 days	0%	2,500	0	No
31-60 days	0%	548	0	No
61-90 days	0%	644	0	No
91-120 days	2%	367	7	No
121-180 days	5%	153	7	No
181 days – 1 year	10%	342	34	No
More than a year	50%	8	4	No
Total		**14,590**	**53**	

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

	2023		2022	
In kEUR		Individual value adjustments		Individual value adjustments
As at: January 1	**52**	**566**	**18**	**384**
Net remeasurement of value adjustments	-22	-217	34	182
As at: December 31	**30**	**349**	**52**	**566**

6.3.4 Financial instruments and financial risk management

The contractual terms of financial liabilities for the year under review and the previous year are stated in 3.16 Financial liabilities and 3.17 Other financial liabilities.

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 Group's capital structure consists of financial liabilities, lease liabilities, cash and cash equivalents, and reserves.

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

In kEUR	**2023**	2022
Equity according to the balance sheet	40,219	45,095
Debt capital	47,083	54,116
Total capital	87,302	99,211
Equity ratio	46%	45%
Net income for the period	-2,763	-7,381
Return on equity	-7%	-16%

Excluding goodwill impairment totalling kEUR 4,736 (previous year: kEUR 11,413), the return on equity amounts to 5 per cent (previous year: 9 per cent).

Debt capital mainly comprises current financial liabilities of kEUR 4,500 (previous year: kEUR 8,000), lease liabilities totalling kEUR 19,948 (previous year: kEUR 22,895), contract liabilities of kEUR 6,624 (previous year: kEUR 6,078) and accounts payable of kEUR 9,667 (previous year: kEUR 10,659).

6.3.6 Liquidity risk

SYZYGY has implemented a central 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. Cash flows are quite difficult to plan as there are no long-term contracts.

Further information on liquidity risk is provided under 7.1 Risk report in the management report.

6.4 Contingent liabilities

As at the balance sheet date, the Group's contingent liabilities requiring disclosure amounted to kEUR 957 (previous year: kEUR 1,012) 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 957 (previous year: kEUR 1,012) with a financial institution, for which annual commission of 0.5 per cent is charged.

6.5 Recognised financial assets and liabilities by measurement level

The simplification rule of IFRS 7.29a was applied to disclosure of certain fair values.

6.6 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	1,653	758
diffferent GmbH, Berlin, Germany[3]	100	1,142	-2,638
syzygy Deutschland GmbH, Bad Homburg v.d.H.[2]	100	368	5,371
SYZYGY Digital Marketing Inc., New York City/USA	100	318	526
Syzygy Performance Marketing GmbH, Bad Homburg v.d.H.	100	3,017	1,229
SYZYGY UK Ltd., London/United Kingdom[1]	100	145	228
Unique Digital Marketing Ltd., London/United Kingdom[1]	100	630	-14

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 a direct 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 controlling and profit and loss transfer agreement in place between diffferent GmbH and Syzygy AG in favour of Syzygy AG.

6.7 Auditor's fee

The auditor, Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, charged a total fee, including outlay, of kEUR 219 for auditing services relating to the consolidated financial statements and the financial statements of the parent company. In the previous year, BDO AG Wirtschaftsprüfungsgesellschaft charged kEUR 205.

6.8 Information on associated companies and persons

Associated companies and persons include the members of the boards of Syzygy AG who hold key management positions, companies that belong to the same group of companies, and companies that are controlled by persons who hold key management positions. 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 on normal market terms and conditions.

In 2023, SYZYGY generated sales of kEUR 1,127 (previous year: kEUR 1,582) with the WPP Group for client projects. Of this amount, receivables of kEUR 165 (previous year: kEUR 182) 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 562 (previous year: kEUR 158). Liabilities of kEUR 349 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 2023 and 2022.

6.9 Exemption according to Article 264 Section 3 of the Handelsgesetzbuch (HGB – German Commercial Code)

Diffferent GmbH, syzygy Deutschland GmbH and Syzygy Performance Marketing GmbH have availed themselves of the exemption according to Article 264 Section 3 of the HGB (German Commercial Code).

6.10 Parent company boards

6.10.1 Management Board

Franziska von Lewinski, Hamburg
Chair of the Management Board
(CEO; until December 31, 2023)
Managing Director, Syzygy Performance Marketing GmbH, Bad Homburg v.d.H.

Frank Ladner, Heusenstamm
Technical Director (CTO)
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
Finance Director (CFO)
Managing Director, diffferent GmbH, Berlin
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 2023 financial year, total remuneration of the Management Board amounted to kEUR 928 (previous year: kEUR 985). Franziska von Lewinski received a basic salary of kEUR 300 (previous year: kEUR 300), fringe benefits of kEUR 12 (previous year: kEUR 12), pension and welfare benefits of kEUR 5 (previous year: kEUR 5) and a variable salary of kEUR 50 (previous year: kEUR 75).

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 21 (previous year: kEUR 21) and a variable salary of kEUR 33 (previous year: kEUR 50).

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 21 (previous year: kEUR 21) and a variable salary of kEUR 32 (previous year: kEUR 47).

The benefits include the cost of a company car, or a car allowance instead if no company car is used. The pension and welfare expenses relate to payments for health, accident and pension insurance.

The Management Board members received phantom stocks as multi-year variable remuneration. 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 a 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 and 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.

As at December 31, 2023, the Management Board members of Syzygy AG hold a total of 270,000 phantom stocks from the 2021 phantom stock programme, which was granted with effect from January 1, 2021. 180,000 phantom stocks lapsed at the end of the financial year.

The key parameters of the 2021 phantom stock programme are presented in the following table:

Phantom stocks (number of shares)	Franziska von Lewinski	Frank Ladner	Erwin Greiner	Total
As at: 12/31/2021	**250,000**	**100,000**	**100,000**	**450,000**
Additions	0	0	0	**0**
Disposals	0	0	0	**0**
As at: 12/31/2022	**250,000**	**100,000**	**100,000**	**450,000**
Additions	0	0	0	**0**
Disposals	-100,000	-40,000	-40,000	**-180,000**
As at: 12/31/2023	**150,000**	**60,000**	**60,000**	**270,000**
Base price when granted (in EUR)	5.68	5.68	5.68	
Maturity date: Tranche 1 Tranche 2	12/31/2023 12/31/2024	12/31/2023 12/31/2024	12/31/2023 12/31/2024	

6.10.2 Supervisory Board

Antje Neubauer
Chair of the Supervisory Board
CEO of WohnPlus Building GmbH, Düsseldorf
Managing Shareholder of Antje Neubauer GmbH, Düsseldorf

Dominic Grainger
Deputy Chair of the Supervisory Board
CEO, WPP Specialist Communication, London, UK
CEO, WPP Sports Practice, London, UK

Andrew Payne
Member of the Supervisory Board (up to July 11, 2023)
Group Associates Controller, WPP 2005 Ltd., London, United Kingdom

Shahid Sadiq
Member of the Supervisory Board (since July 11, 2023)
Global CFO WPP Specialist Communications and Public Relations, London, UK

The Supervisory Board members are entitled to total remuneration of kEUR 70 for their work in the 2023 financial year. This remuneration comprises fixed remuneration of kEUR 20 (previous year: kEUR 20) for each Supervisory Board member and kEUR 30 for the Chair of the Supervisory Board (previous year: kEUR 20). As in the previous year, the Supervisory Board members did not receive any variable remuneration.

In the 2023 financial year, Dominic Grainger waived his remuneration for the 2022 financial year. As a result, only a payment totalling kEUR 50 was made to Antje Neubauer and Andrew Payne in the 2023 financial year.

6.11 Directors' dealings

Management Board: Shares (Number of shares)	Franziska von Lewinski	Frank Ladner	Erwin Greiner	Total
As at: 12/31/2022	**0**	**0**	**0**	**0**
Purchases	0	0	20,000	20,000
Sales	0	0	0	0
As at: 12/31/2023	**0**	**0**	**20,000**	**20,000**

6.12 Disclosures in accordance with Article 160 Section 1 No. 8 of the Aktiengesetz (AktG – German Public Companies Act)

1. Disclosures relating to the issuer

Name	Syzygy AG
Legal Entity Identifier (LEI)	391200XUREIZNGEH1A97
Street, building no.	Horexstraße 28
Postcode	61352
Place	Bad Homburg v.d. Höhe

2. Reason for notification (more than one may be stated)

Acquisition/sale of shares with voting rights

3. Disclosures relating to the party subject to notification requirements

Legal entity	
Name including legal form (company)	HANSAINVEST Hanseatische Investment-GmbH
Registered office	Hamburg
Country	Deutschland

4. Names of shareholders who hold 3 per cent or more of the voting rights, if different from 3.

None

5. Date of breaching threshold

11/29/2023

6. Total percentages of voting rights

	Percentage of voting rights (total of 7.a)	Percentage of instruments (total of 7.b.1 + 7.b.2)	Total shares (total of 7.a + 7.b)	Total number of voting rights pursuant to Article 41, WpHG
New	4.93%	0.00%	4.93%	13,500,026
Most recent notification	5.97%	0%	5.97%	–

7. Details of the voting right holdings

	Absolute		In %	
ISIN	Direct (Art. 33, WpHG)	Attributed (Art. 34, WpHG)	Direct (Art. 33, WpHG)	Attributed (Art. 34, WpHG)
DE0005104806	0	664,996	0%	4.93%
Total	664,996		4.93%	

8. Information on the party subject to notification requirements

Party subject to notification requirements (3.) is neither controlled nor controls party subject to notification requirements of other companies with reportable voting rights of the issuer (1.) or to which voting rights of the issuer are attributed.

9. In the case of proxy in accordance with Article 34 (3) of the Wertpapierhandelsgesetz (WpHG – Securities Trading Act)

Not applicable

10. Other information

In 2023 there were no notifications in accordance with Article 160 Section 1 No. 8 of the Aktiengesetz (AktG – German Public Companies Act).

Please also see the relevant disclosures in the annual financial statements of Syzygy AG.

6.13 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 31, 2023 and is available to all shareholders on the Group's website (https://www.syzygy-group.net/en/corporate-governance/).

6.14 Date of authorisation for publication

The Management Board adopted and approved the consolidated financial statements for publication on March 26, 2024.

Bad Homburg v.d.H., March 26, 2024
Syzygy AG

Frank Ladner (CTO) Erwin Greiner (CFO)

Independent Auditors' Report

To Syzygy AG, Bad Homburg v. d. Höhe

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Audit opinions

We have audited the consolidated financial statements of Syzygy AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as of 31. December 2023, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash-flow statement for the financial year from 1. January to 31. December 2023, 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 1. January to 31. December 2023. In accordance with German legal requirements we have not audited the content of those parts of the Group Management Report listed in the appendix.

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 § 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of 31. December 2023, and of its financial performance for the financial year from 1. January to 31. December 2023, 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 [audit] opinion on the Group Management Report does not cover the content of the parts of the Group Management Report listed in the appendix.

Pursuant to § 322 (3) sent. 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 audit 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 Institute of Public Auditors in Germany (IDW) [Institut der Wirtschaftsprüfer in Deutschland. [Where compliance with ISAs is also relevant add: We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs).] Our responsibilities under those requirements and principles [in case of supplementary compliance with the ISAs, replace this with: requirements, principles and standards] 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 the German language is authoritative.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 1. January to 31. December 2023.These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate [audit] opinion on these matters.

Goodwill Impairment

Related information in the consolidated financial statements

The company's disclosures on goodwill are contained in sections 2.1, 3.1 and 5.6 of the notes to the consolidated financial statements.

Description and related audit risk

In the consolidated financial statements of Syzygy AG, a goodwill amounting to 38.9 Mil. EUR is disclosed under the balance sheet item "Goodwill", which corresponds to 44.6% of total assets. The company allocates the goodwill to cash-generating units that exist within the Group's operating segments. The goodwill is subjected to an impairment test annually or on an ad hoc basis to determine a possible need for impairment. As part of the impairment test, the carrying amount of the respective cash-generating unit is compared with the fair value. The measurement is based on the present value of future cash flows of the relevant cash-generating unit to which the goodwill is allocated. The present values are determined using discounted cash flow models. The Group's five-year financial plan prepared by the executive directors and approved by the Supervisory Board forms the starting point, which is updated with assumptions about long-term growth rates. Expectations about future market developments and assumptions about the development of macroeconomic factors are also taken into account. Discounting is carried out using the weighted average cost of capital of the respective cash-generating unit. The result of this valuation is highly dependent on the estimates of the executive directors with regard to the future cash inflows of the cash-generating units, the discount rate used, the growth rate and other assumptions on the macroeconomic environment and is therefore subject to considerable uncertainty. Based on this background and due to the complexity of the valuation, this matter was of particular significance in the context of our audit.

Audit approach and results

We have analysed the processes and controls to gain an understanding of the impairment process. We reviewed the identification of the cash-generating units "CGU" by the executive directors and defined the cash-generating units as companies operating independently of each other, which represent the lowest level of independent cash flows within the Group at which the goodwill is monitored for internal management purposes and which are subordinate to the operating segments identified in accordance with IFRS 8. We obtained the model used by the executive directors to test goodwill for impairment. We reconciled the input data to the source data and tested the calculation methodology and the integrity of the model. In doing so, we assessed the accuracy of the parameters used for the impairment test, the discount rate, sales growth and expected cost increases over the detailed planning period and the perpetuity. We then assessed the appropriateness of these assumptions with reference to historical data, external studies and the risk of bias by the executive directors. We critically assessed the accuracy of the executive directors' forecasts by comparing the executive directors' budget figures with the company's results achieved in previous years. In order to determine whether an impairment loss needs to be recognised, we used, among other things, the sensitivity analyses prepared by the executive directors, which contain the effects of a reasonably possible change in the key assumptions for impairment. As part of this audit procedure, we also performed our own sensitivity analyses with reference to the results of our assessment of the above assumptions. As part of our audit work, we engaged internal valuation specialists to assist us in assessing the appropriateness of the parameters used in the executive directors' impairment models, such as the discount rate and the long-term growth rate. We assessed the presentation in the consolidated financial statements based on the requirements of IAS 36 "Impairment of Assets" ("IAS 36") and IAS 1 "Presentation of Financial Statements" ("IAS 1"), in particular the disclosures relating to judgements, estimation uncertainties and sensitivities. The valuation parameters and assumptions applied by the legal representatives are comprehensible overall.

Other information

The executive directors and the Supervisory Board are responsible for the other information. The other information comprises the following non-audited components of the Group management report:

- the corporate governance statement pursuant to §§ 289f HGB and 315d HGB, to which reference is made in the Group management report,
- the non-financial statement pursuant to § 289b HGB and § 315b HGB,
- the remuneration report pursuant to § 162 AktG, to which reference is made in the Group Management Report, and
- the disclosures in the risk management system (RMS) section that are not part of the management report and have been labelled as unaudited; disclosures that are not part of the management report are disclosures that are not required pursuant to §§ 289 ff, 315 ff. HGB.

The other information also includes:

- the assurances pursuant to § 297 (2) sentence 4 and § 315 (1) sentence 5 HGB on the consolidated financial statements and Group management report
- the report of the Supervisory Board and
- the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements and Group Management Report and our auditor's report.

The executive directors and the Supervisory Board are jointly responsible for the remuneration report. The Supervisory Board is responsible for the report of the Supervisory Board. Furthermore, the legal representatives are responsible for the other information.

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 doing so, consider whether the other information:

- are materially inconsistent with the consolidated financial statements, the Group Management Report or our knowledge obtained in the audit, or
- otherwise appear to be materially misstated.

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 (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 control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) 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 audit 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) [and supplementary compliance with the ISAs] 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 [audit] opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control 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 audit 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 audit 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 (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit 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 audit 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 audit 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 control 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 actions taken or safeguards applied to eliminate independence threats.

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 on the electronic rendering, of the Consolidated Financial Statements and the Group Management Report, prepared for publication purposes in accordance with § 317 (3A) HGB

Assurance opinion

We have performed assurance work in accordance with § 317 (3a) HGB to obtain rea-sonable assurance as to whether the rendering of the consolidated financial statements and the Group Management Report (hereinafter the "ESEF documents") contained in the attached electronic file SYZYGY-2023-12-31-de.zip (MD5-Hashwert: [7d8d03a811905eb193b08f0256400f52]) and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only 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 these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the Group Management Report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying Group Management Report for the financial year from 1. January to 31. December 2023 contained in the "Report on the audit of the consolidated financial statements and of the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the assurance opinion

We conducted our assurance work on the rendering, of the consolidated financial state-ments and the Group Management Report, contained in the file identified above in accordance with § 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 (3a) HGB (IDW AsS 410) (06.2022) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section.

Our audit firm has applied the quality management system requirements of the International Standard on Quality Management (ISQM 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 with the electronic rendering of the consolidated financial statements and the Group Management Report in accordance with § 328 (1) sent. 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 (1) sent. 4 Nr. 2 HGB.

In addition, the executive directors of the company are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group auditor’s responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of § 328 (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 opinion.
- 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 file (made available,) containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this electronic file.
- evaluate whether the ESEF documents enables an XHTML rendering with content equivalent to the audited consolidated financial statements and of the audited Group Management Report.
- evaluate whether the tagging of ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Other information according to Art. 10 EU-APrVO

We were elected as auditors for the consolidated financial statements by the general meeting on 11. July 2023. We were appointed by the Supervisory Board on 16. August 2023. We have served as auditors for the consolidated financial statements of Syzygy AG.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the audit committee pursuant to Art. 11 EU-AprVO (audit report [Prüfungsbericht]).

Other matters – use of the audit opinion

Our audit opinion should always be read in conjunction with the audited consolidated financial statements and the audited Group Management Report as well as the audited ESEF documents.

The consolidated financial statements and the Group Management Report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic reproductions of the audited consolidated financial statements and the audited Group Management Report and do not replace them. In particular, the ESEF opinion and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

Responsible auditor

The auditor responsible for the audit is Patrick Riedel.

Frankfurt am Main, March 26, 2024

Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Jörg Maas	Patrick Riedel
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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, 2024
Syzygy AG

The Management Board

Frank Ladner (CTO) Erwin Greiner (CFO)

Corporate Governance Report

In this Declaration, the Management Board and Supervisory Board report on corporate governance as required under section 289f 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 April 28, 2022.

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 289f 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;
   a. A reference to the company's website, on which the following are made publicly accessible: remuneration report for the last financial year and the auditor's report in accordance with section 162 of the German Stock Corporation Act, the current remuneration system in accordance with section 87a (1) and (2) sentence 1 of the German Stock Corporation Act, and the most recent remuneration resolution in accordance with section 113 (3) 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.

5) Diversity statement

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 April 28, 2022 since its publication on June 27, 2022, with the following exceptions, and will continue to comply accordingly:

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 with the Management Board, 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.

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.

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. The Supervisory Board's profile of skills and expertise shall also include expertise in the sustainability issues that are of importance for the company. 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 disclosed in the form of a qualification matrix 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, corporate sustainability management, 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 while giving due regard to the company-specific situation. Accordingly, no disclosures of this type are included in the Declaration on Corporate Governance.

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.

Provisions D.2 and D.4 state that the Supervisory Board shall form committees and an Audit Committee, which in the case of larger companies generally supports the effectiveness of the Supervisory Board's work. (Formation of committees with specialist expertise by the Supervisory Board as set out in provision D.2 and of a Nomination Committee as set out in provision D.4):

Due to its current size of three members, the Supervisory Board of Syzygy AG only has an Audit Committee. 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. Accordingly, information on expertise in the required skills as listed in the profile of skills and expertise for Supervisory Board members is disclosed in the Declaration on Corporate Governance.

Provision D.6 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.

Provision D.12 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 necessary. Since no committees are formed, self-assessment of the work of committees does not apply as no committees are formed. Accordingly, the Declaration on Corporate Governance does not report on carrying out self-assessment.

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.

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 over a period of 12 months, and a further 60 per cent after three years over a period of 12 months. After these exercise windows, the phantom stocks expire. 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.

Provision G.11 states that the Supervisory Board shall have the option of taking exceptional circumstances into account within reasonable limits. Where justified, it shall be possible to withhold variable remuneration or reclaim it:
The variable components of remuneration are not paid until and insofar as the agreed performance targets have been reached. Management Board members are thus rendering advance performance. Accordingly, there are no arrangements in place to change performance targets retrospectively or to claw back variable remuneration components. This does not rule out enforcing recourse claims in the event of misconduct by an individual. In order to take exceptional circumstances into account within reasonable limits, the Supervisory Board reserves the right to modify the performance targets to a reasonable extent, including retrospectively, or to raise or lower them. It may do so in extraordinary unforeseen circumstances, in particular if exceptional share price rises occur, for example as the result of a public offer to acquire SYZYGY shares or related rumours, and if exceptional share price falls occur, for example as the result of a special dividend or a capital reduction with repayment of the common stock.

a) Remuneration report / remuneration system

The Syzygy AG website at www.syzygy-group.net/corporate-governance provides publicly accessible information on the current remuneration system for the members of the Management Board in accordance with section 87a (1) and (2) sentence 1 of the German Stock Corporation Act, which was approved by the General Meeting on May 28, 2021, the resolution adopted by the General Meeting on May 28, 2021 in accordance with section 113 (3) of the German Stock Corporation Act and the resolution adopted by the General Meeting on July 11, 2023 on remuneration for members of the Supervisory Board. The same web address provides public access to the remuneration report and the auditor's report in accordance with section 162 of the German Stock Corporation Act.

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 Group and its subsidiaries to achieve sustained, profitable corporate growth, 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 or she 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 Chair of the Management Board acts as spokesperson. He or she 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, profile of skills and expertise, and working methods of the Supervisory Board

The Supervisory Board of Syzygy AG has three members. In line with statutory requirements, they have extensive knowledge of accounting and internal control and risk management systems, auditing and finance, and of sustainability management.

Skills profile	Supervisory Board **Antje Neubauer** Chairwoman of the Supervisory Board	 **Dominic Grainger** Member of the Supervisory Board	 **Shahid Sadiq** Member of the Supervisory Board
Accounting, internal control and risk management			✓
Auditing and finance		✓	✓
Sustainability	✓		
Innovations		✓	✓
Marketing/communication	✓	✓	
Strategy	✓	✓	✓

Two members of the Supervisory Board also benefit from international business experience and other international connections. The members of the Supervisory Board have also a number of different educational and academic bachgrounds.

The Supervisory Board is also the Audit Committee, chaired by Shahid Sadiq. His required professional qualifications are listed in the table. 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 Chair 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 Chair coordinates the work of the Board and chairs the meetings. Each year he or she outlines the work of the Supervisory Board in his or her report to the shareholders and General Meeting.

More detailed information on the work of the Supervisory Board throughout 2023 can be found in the Report of the Supervisory Board in Syzygy AG's 2023 Annual Report, which will be available from March 28, 2024 on the Group's website at https://www.syzygy-group.net/investors.

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. 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 marketing, communications and software sector, as well as international relationships with clients and agencies. The Supervisory Board consists of one female member and two male members. The target quota of 30 per cent female Supervisory Board members is therefore achieved.

At present, the Management Board of Syzygy AG has a female CEO and two male Management Board members – the Chief Financial Officer (CFO) and the Chief Technology Officer (CTO). The Management Board members have extensive experience in the marketing, communications and software sector, as well extensive financial expertise. The existing Management Board contracts have each been concluded for a period of three years and end on December 31, 2023. The target quota of 30 per cent female Management Board members is therefore achieved.

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 on 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 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. 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.

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, audit 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

The objectives of the diversity statement for the Management Board and Supervisory Board were met in the 2022 financial year through representation of women on the Management Board and Supervisory Board.

Bad Homburg v.d.H., October 31, 2023
Syzygy AG

The Management Board and Supervisory Board

Remuneration Report

This remuneration report was prepared by the Management Board and Supervisory Board of Syzygy AG in accordance with Article 162 of the German Stock Corporation Act (AktG). It reports on the remuneration granted and owed by Syzygy AG and by companies in the SYZYGY GROUP to each individual current or former member of the Management Board or Supervisory Board in the past financial year. The remuneration report was audited by auditor Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft in accordance with Article 162 (3) of the AktG. The auditor's report is reproduced in full at the end of the remuneration report.

Review of the 2023 remuneration year

Resolution on approval of the 2022 remuneration report.

The remuneration report for the 2022 financial year, prepared and audited in accordance with Article 162 of the AktG, was submitted to the ordinary General Meeting of Syzygy AG for approval. On July 11, 2023, the General Meeting approved the report with a majority of 86.57 per cent of the votes cast and of the capital represented, in accordance with Article 120a (4) of the AktG. The remuneration of the Management Board and Supervisory Board corresponds in all material aspects to this resolution of approval.

A. Management Board remuneration

I. General information on the remuneration system

The remuneration system for the Management Board is continuously reviewed and adjusted by the Supervisory Board to ensure that it complies with statutory requirements and that it is appropriate for achieving the Company's strategic objectives. It is also reviewed and adjusted on a case-by-case basis when new Management Board service contracts are concluded and/or when existing contracts are extended.

The remuneration system for the Management Board complies with the provisions of Article 87a (1) of the German Stock Corporation Act (AktG) and, apart from the exceptions listed in the latest declaration of conformity in accordance with Article 161 of the AktG, the recommendations of the German Corporate Governance Code as updated on April 28, 2022.

1. Approval of the remuneration system by the shareholders

In accordance with Article 120a (1) of the AktG, the Annual General Meeting of a listed company must pass a resolution on approving the remuneration system for Management Board members as presented by the Supervisory Board when any material change is made, but at least every four years. On May 28, 2021, the ordinary General Meeting of Syzygy AG approved the remuneration system as presented by the Supervisory Board, with a majority of 91.13 per cent of the votes cast.

2. The Company's business strategy

The business strategy of Syzygy AG is aimed at extending its position as a leading consultancy and implementation partner for digital transformation of marketing and sales. Successful implementation of this strategy is reflected in

- the key financial metrics,
- the performance of SYZYGY's share price, and
- the sustained long-term performance of the Company.

3. Overview of the remuneration system

To align the interests of the Company, its shareholders, its employees and its Management Board members, Management Board remuneration comprises

- fixed remuneration components and
- variable remuneration components.

a. Fixed remuneration components

The fixed remuneration consists of a basic salary paid in equal instalments each month and non-cash fringe benefits. Fringe benefits comprise the provision of a company car or payment of a car allowance in equal monthly instalments, as the Management Board member chooses, and the granting of allowances for health, long-term care, accident and pension insurance.

b. Variable remuneration components

The variable remuneration consists of components geared towards the short-term and long-term success of the SYZYGY GROUP (short-term and long-term profit participation).

The level of short-term profit sharing is calculated in accordance with the remuneration system approved by the General Meeting based on reaching the relevant annual targets. These targets will be set each year in advance by the Supervisory Board for the next financial year, in some cases individually for a particular Management Board member, and/or in other cases collectively for all Management Board members.

If targets are met in full, the absolute level of short-term profit sharing is equivalent to 30 per cent (33 per cent in the case of the CEO) of the basic annual salary of the relevant Management Board member. If a Management Board member leaves the board in the course of the year, the short-term profit sharing is paid for the relevant year on a pro rata basis, if and to the extent that the agreed annual targets have been met. There are no arrangements in place to claw back variable remuneration components.

The annual targets must be aligned with operational and strategic objectives. The annual targets are defined as key financial metrics for the purposes of the operational objectives, and qualitatively in the case of strategic objectives. The operational objectives will account for at least half of the maximum achievable short-term profit sharing.

In the 2021, 2022 and 2023 financial years, the overall responsibility of the Management Board was the crucial factor in determining short-term profit sharing, with the result that the short-term targets were formulated uniformly for all Management Board members. Achieving operating income (EBIT) in line with the approved business plan and meeting growth targets for sales were agreed as operational objectives. The acquisition of new clients and targets for new business were agreed as strategic objectives for 2021 and 2022. A reduction in staff turnover was defined as a strategic objective for 2023.

For further details, please see the notes on each of the Management Board members.

The short-term profit sharing becomes due when the annual financial statements are adopted.

The level of long-term profit participation is based on the performance of SYZYGY's share price, in accordance with the remuneration system approved by the General Meeting. It is granted in two tranches, in the form of virtual share options (phantom stocks). 40 per cent of the total phantom stocks issued are allocated to the first tranche, which can be exercised after two years at the earliest, and 60 per cent are allocated to the second tranche, which can be exercised after three years at the earliest. On exercise, the difference between the base price on allocation of the phantom stocks and the share price on exercise of the phantom stocks will be paid out to the eligible Management Board member. The base price and the share price on exercise correspond to the mean XETRA closing price over the 10 trading days prior to the date of granting the stocks, and the 10 trading days prior to exercise, respectively. Subject to certain exclusion periods, e.g. close to the date of publication of the quarterly and annual financial statements, any tranche may be exercised within a timeframe of 12 months from the first exercise date. It follows that the first tranche may be exercised within 24 to 36 months, 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 share price increase over the base price for the first tranche, and at 90 per cent of the price increase for the second tranche.

If the share price increase reaches its maximum level, the absolute amount of long-term profit participation on an annual basis corresponds to 123 per cent of the current basic annual salary for the CEO, 70 per cent for the Finance Director and 67 per cent for the Technology Director.

II. Fixed and variable remuneration components together with explanatory notes

The remuneration components granted to Management Board members are reported below in the financial year in which the relevant payment or other benefit was transferred to the Management Board member, even if the work underlying the remuneration was fully done in a previous financial year. This means that long-term profit participation may also include payments that represent cumulative remuneration for work done over several years.

Accordingly, the relative proportions of the remuneration components stated in per cent relate to the total remuneration reported for the relevant financial year. The relative proportions stated here are therefore not comparable with the relative proportions in the description of the remuneration system referred to in Article 87a (1) No. 3 of the AktG. The proportions stated in the description of the remuneration system relate to the respective target figures.

Remuneration granted and owed (in kEUR)	Franziska von Lewinski, CEO			
	2023	in %	2022	in %
Fixed remuneration	300	82%	300	77%
Fringe benefits	17	5%	17	4%
Total fixed remuneration components	**317**	**86%**	**317**	**81%**
Short-term profit sharing	50	14%	75	19%
Long-term profit participation				
2021 phantom stocks (term 01.01.2021 - 12.31.2024)	0	0%	0	0%
Total variable remuneration components	**50**	**14%**	**75**	**19%**
Total remuneration	**367**	**100%**	**392**	**100%**

In accordance with the remuneration system approved by the Annual General Meeting on May 28, 2021, and in line with the business strategy for the 2023 financial year, the following operational objectives were agreed with the Management Board member for short-term profit sharing:

- Achieving operating profit as budgeted (50% of short-term bonus)
- Sales growth of 10 per cent (15% of short-term bonus)
- Sales growth of 15 per cent (10% of short-term bonus)

A reduction in staff turnover was defined as a strategic objective, accounting for 25% of the bonus.

For the purposes of long-term profit participation, on January 1, 2021, Ms von Lewinski was granted 250,000 virtual share options (phantom stocks) with a base price of EUR 5.68 per phantom stock from the 2021 phantom stock programme described above. 40 per cent of the phantom stocks granted were exercisable for the first time in the period from January 1 to December 31, 2023. This first tranche lapsed without being exercised. A second tranche comprising 60 per cent of the phantom stocks granted is exercisable in the period from January 1 to December 31, 2024.

Both the determining of operational and strategic objectives for the purposes of short-term profit sharing and the granting of phantom stocks for the purposes of long-term profit participation serve the purpose of implementing the business strategy. They thus promote both the short-term and long-term performance of the Company. No variable remuneration components were clawed back in the reporting period.

Remuneration is thus consistent in all its material components with the requirements of the remuneration system as approved by the General Meeting on May 28, 2021. The maximum remuneration laid down in the system was not exceeded.

Remuneration granted and owed (in kEUR)	Erwin Greiner, CFO			
	2023	in %	2022	in %
Fixed remuneration	210	77%	210	72%
Fringe benefits	33	12%	33	12%
Total fixed remuneration components	**243**	**89%**	**243**	**84%**
Short-term profit sharing	32	11%	47	16%
Long-term profit participation				
2021 phantom stocks (term 01.01.2021 – 12.31.2024)	0	0%	0	0%
Total variable remuneration components	**32**	**11%**	**47**	**16%**
Total remuneration	**275**	**100%**	**290**	**100%**

In accordance with the remuneration system and in line with the business strategy for the 2023 financial year, the following operational objectives were agreed with the Management Board member for short-term profit sharing:

- Achieving operating profit as budgeted (50% of short-term bonus)
- Sales growth of 10 per cent (15% of short-term bonus)
- Sales growth of 15 per cent (10% of short-term bonus)

A reduction in staff turnover was defined as a strategic objective, accounting for 25% of the bonus.

For the purposes of long-term profit participation, on January 1, 2021, Mr Greiner was granted 100,000 virtual share options (phantom stocks) with a base price of EUR 5.68 per phantom stock from the 2021 phantom stock programme described above. 40 per cent of the phantom stocks granted were exercisable for the first time in the period from January 1 to December 31, 2023. This first tranche lapsed without being exercised. A second tranche comprising 60 per cent of the phantom stocks granted is exercisable in the period from January 1 to December 31, 2024.

This alignment of the annual targets with the business strategy promotes both the short-term and long-term performance of the Company. No variable remuneration components were clawed back in the reporting period.

Remuneration is thus consistent in all its material components with the requirements of the remuneration system as approved by the General Meeting on May 28, 2021. The maximum remuneration laid down in the system was not exceeded.

Remuneration granted and owed (in kEUR)	Frank Ladner, CTO			
	2023	in %	2023	in %
Fixed remuneration	220	77%	220	73%
Fringe benefits	33	11%	33	11%
Total fixed remuneration components	**253**	**88%**	**253**	**84%**
Short-term profit sharing	33	12%	50	16%
Long-term profit participation				
2021 phantom stocks (term 01.01.2021 - 12.31.2024)	0	0%	0	0%
Total variable remuneration components	**33**	**12%**	**50**	**16%**
Total remuneration	**286**	**100%**	**303**	**100%**

In accordance with the remuneration system and in line with the business strategy for the 2023 financial year, the following operational objectives were agreed with the Management Board member for short-term profit sharing:

- Achieving operating profit as budgeted (50% of short-term bonus)
- Sales growth of 10 per cent (15% of short-term bonus)
- Sales growth of 15 per cent (10% of short-term bonus)

A reduction in staff turnover was defined as a strategic objective, accounting for 25 per cent of the bonus.

For the purposes of long-term profit participation, on January 1, 2021, Mr Ladner was granted 100,000 virtual share options (phantom stocks) with a base price of EUR 5.68 per phantom stock from the 2021 phantom stock programme described above. 40 per cent of the phantom stocks granted were exercisable for the first time in the period from January 1 to December 31, 2023. This first tranche lapsed without being exercised. A second tranche comprising 60 per cent of the phantom stocks granted is exercisable in the period from January 1 to December 31, 2024.

This alignment of the annual targets with the business strategy promotes both the short-term and long-term performance of the Company. No variable remuneration components were clawed back in the reporting period.

Remuneration is thus consistent in all its material components with the requirements of the remuneration system as approved by the General Meeting on May 28, 2021. The maximum remuneration laid down in the system was not exceeded.

III. Assurances in the event of premature or ordinary termination

1. Premature termination

If employment is terminated prematurely and the Management Board member is dismissed, the Management Board service contracts consistently provide for a severance payment for all current Management Board members. This would apply in the event that the contract is terminated for major cause, but not for reasons related to the Management Board member as an individual, or on grounds for which the member is not responsible. The severance payment is equivalent to the outstanding basic salary and fringe benefits for the remainder of the contract period. The duration of the payments to be made is limited to two years (severance payment cap).

The amounts of severance payments are disclosed below for a period of one year. Depending on the actual contract term remaining at the time of termination, these amounts may be lower or higher pro rata temporis. Due to the severance payment cap, however, they are always limited to double the disclosed amounts. There was no change to these commitments in the past financial year.

Severance payments (in kEUR)	Franziska von Lewinski		Erwin Greiner		Frank Ladner	
	per year	Cap	per year	Cap	per year	Cap
Fixed remuneration	300	600	210	420	220	440
Fringe benefits	17	34	33	66	33	66
Total	**317**	**634**	**243**	**486**	**253**	**506**

2. Ordinary termination

In the event that employment is terminated ordinarily, the Management Board service contracts include a post-contractual non-compete ban for a period of twelve months. For the period of the non-compete ban, the Management Board member receives compensation for non-competition amounting to 50 per cent of the average monthly fixed and variable remuneration over the previous 24 months. This compensation is paid monthly. The Company may waive the post-contractual non-compete ban within certain time limits before the contract comes to an end. In this case, compensation for non-competition will not be payable. When the Management Board contract with Franziska von Lewinski expired, compensation for non-competition totalling kEUR 213 became payable, which was accrued in full.

B. Supervisory Board remuneration

I. General information on the remuneration system

The remuneration system for the Supervisory Board is continuously reviewed and adjusted by the Supervisory Board to ensure that it complies with statutory requirements and that it is appropriate for achieving the Company's strategic objectives. It is also reviewed and adjusted on a case-by-case basis on the election or re-election of Supervisory Board members.

The remuneration system for the Supervisory Board complies with the provisions of Article 113 of the German Stock Corporation Act (AktG) and, apart from the exceptions listed in the latest declaration of conformity in accordance with Article 161 of the AktG, the recommendations of the German Corporate Governance Code as updated on April 28, 2022.

1. Approval of the remuneration system by the shareholders

In accordance with Article 113 (3) of the AktG, the Annual General Meeting of a listed company must pass a resolution on remuneration for members of the Supervisory Board at least every four years. On May 28, 2021, the ordinary General Meeting of Syzygy AG approved the remuneration system as presented by the Supervisory Board, with a majority of 89.54 per cent of the votes cast. In a resolution passed on July 5, 2022, it approved the rise in fixed remuneration for the chair of the Supervisory Board with a majority of 86.71 per cent of the votes cast.

2. The Company's business strategy

The business strategy of Syzygy AG is aimed at extending its position as a leading consultancy and implementation partner for digital transformation of marketing and sales. Successful implementation of this strategy is reflected in

- the key financial metrics,
- the performance of SYZYGY's share price, and
- the sustained long-term performance of the Company.

3. Overview of the remuneration system

Remuneration of the Supervisory Board is set out in Article 6 (8) of SYZYGY AG's Articles of Association. 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 20,000.00 for each ordinary member of the Supervisory Board, and EUR 30,000.00 for the chair of the Supervisory Board.

Variable remuneration of EUR 5,000.00 is paid if the market price of SYZYGY shares has increased by at least 20 per cent in the financial year concerned. The share price figures used for this purpose are based on the mean closing price of the stock in the Xetra trading system (or a successor system with comparable functionality that replaces the Xetra trading system) on the Frankfurt Stock Exchange during the first five trading days of a financial year and during the first five trading days of the subsequent financial year.

Supervisory Board members who have not been in office for the whole of the financial year are remunerated on a pro rata basis.

The VAT invoiced by a Supervisory Board member will be paid additionally at the statutory rate in force at the time.

II. Fixed and variable remuneration components together with explanatory notes

The Supervisory Board's remuneration for a financial year is paid annually in one amount, after the General Meeting that votes on discharge of the Supervisory Board for the relevant financial year.

The remuneration components granted to Supervisory Board members are accordingly reported below in the financial year in which the relevant payment or other benefit was transferred to the Supervisory Board member, even if the work underlying the remuneration had been fully done in the previous financial year.

In 2023 and 2022, Supervisory Board member Dominic Grainger waived his remuneration for the 2022 and 2021 financial years.

Remuneration granted and owed (in kEUR)	Antje Neubauer		Dominic Grainger		Andrew Payne*		Shahid Sadiq*		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Fixed remuneration	30	7	0	0	10	20	10	0	50	27
Variable remuneration	0	0	0	0	0	0	0	0	0	0
Total remuneration	**30**	**7**	**0**	**0**	**10**	**20**	**10**	**0**	**50**	**27**

* Andrew Robertson Payne resigned his seat on the Supervisory Board with effect from the end of the Annual General Meeting held on July 11, 2023. Shahid Sadiq was appointed to the Supervisory Board with effect from July 11, 2023. Andrew Payne and Shahid Sadiq were each allotted six months' remuneration.

C. Comparison of the annual change in remuneration of Management Board members, the Company's earnings performance, and the average remuneration of employees

The following table shows the annual change in remuneration of Management Board and Supervisory Board members, the earnings performance of Syzygy AG, and the average remuneration of employees on a full-time equivalent basis.

Earnings performance is based on income before tax as reported in the single-entity financial statements of Syzygy AG, and on the sales figures and EBIT of the SYZYGY GROUP as presented in the consolidated financial statements.

The figures for average remuneration of employees are based on the average remuneration of permanent employees of the SYZYGY GROUP in Germany. Average remuneration was calculated by dividing the remuneration paid to all permanent employees by the number of full-time employees (including part-time workers translated to full-time equivalents).

The remuneration reported for current and former Management Board and Supervisory Board members is the "remuneration granted and owed" referred to in Article 162 (1) sentence 1 of the AktG. These figures may differ from other figures relating to Management Board remuneration as published elsewhere, because those figures are calculated using different methods.

The level of Supervisory Board remuneration was constant in the period 2019 to 2022; no variable component was paid during this period. In 2023, Supervisory Board remuneration was raised to EUR 30,000, plus a variable component of EUR 5,000.

In the period 2019 to 2023, the members of the Supervisory Board did not provide any personal services, such as consulting, for Syzygy AG or its subsidiaries. As a result, they did not receive any additional remuneration for such services.

Earnings performance

Financial year (in kEUR)	2019	2020	Change	2021	Change	2022	Change	**2023**	Change
Sales (Group)	64,243	55,521	-14%	60,124	8%	70,612	17%	71,742	2%
EBIT (operational) Group	5,497	3,999	-27%	6,379	60%	6,208	-3%	4,080	-34%
Earnings before taxes Syzygy AG	3,296	2,636	-20%	8,049	205%	-1,864	n.a.	-8,138	n.a.

Average remuneration of employees in Germany

In kEUR	2019	2020	Change	2021	Change	2022	Change	**2023**	Change
Average annual remuneration	67	68	1%	72	6%	71	-1%	73	2%

Management Board remuneration (current Management Board members)

In kEUR	2019	2020	Change	2021	Change	2022	Change	**2023**	Change
Franziska von Lewinski	–	–	–	317	n.a.	391	23%	367	-6%
Erwin Greiner	287	285	-1%	275	-4%	290	6%	275	-5%
Frank Ladner	308	297	-4%	286	-4%	303	10%	286	-5%

Management Board remuneration (former Management Board members)

In kEUR	2019	2020	Change	2021	Change	2022	Change	**2023**	Change
Lars Lehne (up to 03.31.2020)	507	171	-66%	–	n.a.	–	n.a.	–	n.a.

Supervisory Board remuneration (current Supervisory Board members)

In kEUR	2019	2020	Change	2021	Change	2022	Change	**2023**	Change
Antje Neubauer (since 09/07/2021)	–	–	–	–	–	7	n.a.	30	429%
Dominic Grainger (since 06/07/2019)	–	0	–	0	n.a.	0	n.a.	0	n.a.
Shahid Sadiq (since 07/11/2023)	–	–	–	0	–	–	–	10	n.a.

Supervisory Board remuneration (former Supervisory Board members)

In kEUR	2019	2020	Change	2021	Change	2022	Change	**2023**	Change
Andrew Payne (up to 07/11/2023)	17	0	n.a.	20	100%	20	0%	10	-50%
Wilfried Beeck (up to 06/30/2021)	20	20	0%	20	0%	10	-50%	–	n.a.
Rupert Day (up to 06/07/2019)	20	8	-60%	–	n.a.	–	n.a.	–	n.a.

Syzygy AG

For the Management Board

Frank Ladner (CTO)

Erwin Greiner (CFO)

For the Supervisory Board

Antje Neubauer
Chairwoman of the Supervisory Board

Report of the Independent Auditor
on the Audit of the Remuneration Report
pursuant to § 162 Abs. 3 AktG

To Syzygy AG, Bad Homburg v. d. Höhe

Audit opinion

We have formally audited the remuneration report of Syzygy AG, Bad Homburg v. d. Höhe for the financial year from 1 January to 31 December 2023 to determine whether the disclosures pursuant to § 162 (1) and (2) German Stock Corporation Act (AktG) [Aktiengesetz] have been presented in the remuneration report. In accordance with § 162 (3) AktG, we have not verified the content of the remuneration report.

According to our assessment, the enclosed remuneration report provides, in all material respects, the information required by § 162 (1) and (2) AktG. Our audit opinion does not cover the content of the remuneration report.

Basis for the audit opinion

We conducted our audit of the remuneration report in accordance with § 162 (3) AktG and in compliance with the IDW auditing standard: The audit of the remuneration report [Die Prüfung des Vergütungsberichts] in accordance with § 162 (3) AktG (IDW PS 870 (09.2023)). Our responsibility pursuant to that provision and standard is further described in the section „Responsibility of the auditor“ of our report. As an auditing firm, we have applied the requirements of the International Standard on Quality Management (ISQM 1). We have complied with the professional duties pursuant to the German Auditors‘ Code [Wirtschaftsprüferordnung] and the professional statutes for auditors/sworn auditors [Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer], including the requirements of independence.

Responsibility of the management board and supervisory board

The management board and the supervisory board are responsible for the preparation of the remuneration report, including the related disclosures, which complies with the requirements of § 162 AktG. Furthermore, they are responsible for the internal controls that they determine are necessary to enable the compilation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Responsibility of the auditor

Our objective is to obtain reasonable assurance about whether the disclosures pursuant to § 162 (1) and (2) AktG in the remuneration report have been made in all material respects, and to express an opinion thereon in a report.

We planned and performed our audit to obtain evidence about the formal completeness of the remuneration report by comparing the disclosures made in the remuneration report with the disclosures required by § 162 (1) and (2) AktG. In accordance with § 162 (3) AktG, we have not audited the accuracy of the content of the disclosures, the completeness of the content of the individual disclosures or the adequate presentation of the remuneration report.

Dealing with possible misleading representations

In connection with our audit, we have a responsibility to read the remuneration report, taking into account the knowledge gained from the audit of the financial statements, and to remain alert for indications as to whether the remuneration report contains misleading representations as to the accuracy of the content of the disclosures, the completeness of the content of the individual disclosures or the adequate presentation of the remuneration report.

If, based on the work we have performed, we conclude that such misleading representation exists, we are required to report that fact. We have nothing to report in this regard.

Frankfurt am Main, 21. March 2024

Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

In the original German version signed by:

Jörg Maas	Patrick Riedel
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Financial calendar
2024

3-Month-Report
as per March, 31
(english version: 05/08)
04/24

Half-Year Report
as per June, 30
(english version: 08/02)
07/26

9-Month-Report
as per September, 30
(english version: 11/05)
10/29

MKK – Munich Capital Market Conference (Munich)
04/25

General Annual Meeting 2024
(virtually)
07/09

German Equity Forum
(Frankfurt)
11/25-27

All dates are subjects to change.
For current informations, see **syzygy-group.net**

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Impress

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Editorial Department
SYZYGY GROUP

Credits
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