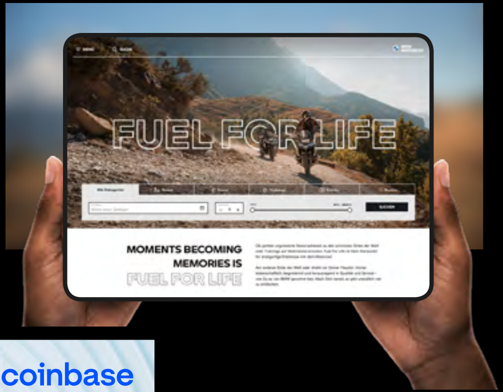
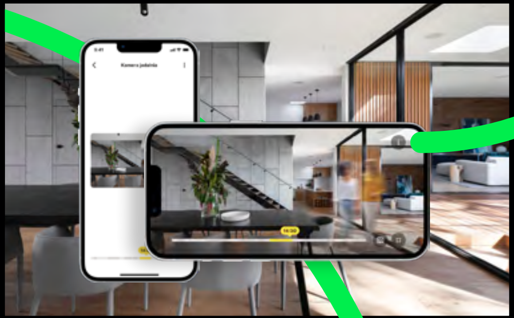
S/Z/G/ GROUP

# Digital is **emotional**







# 2022

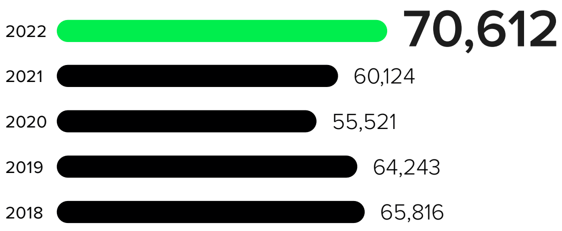
Annual Report

# Contents

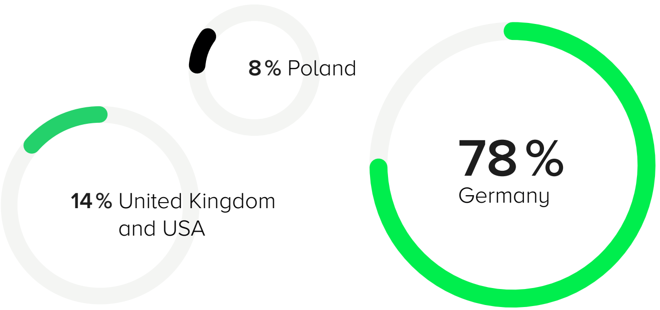


diffferent / Berlin

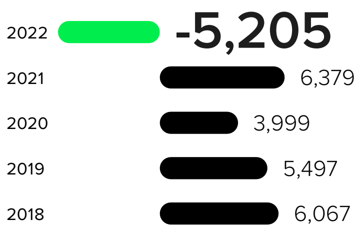
# Key financial **Figures**



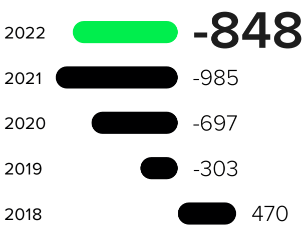

**Development of sales** (in kEUR)



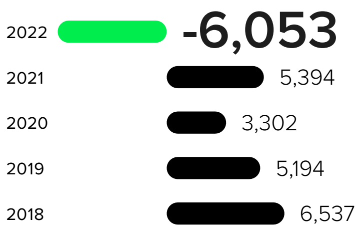

**Sales by segments**



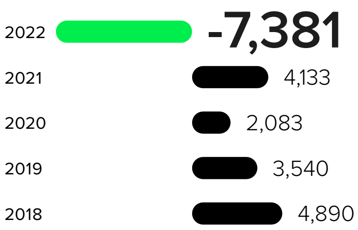

**Operating income** (in kEUR)



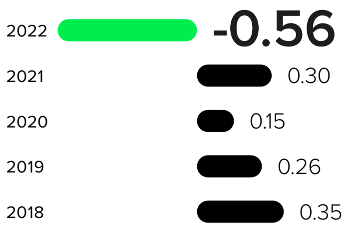

**Financial income** (in kEUR)



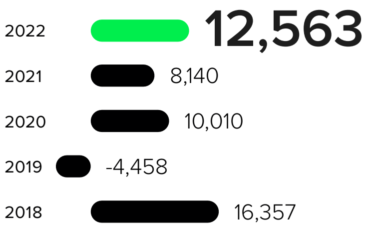

**Income before taxes** (in kEUR)




**Net income** (in kEUR)

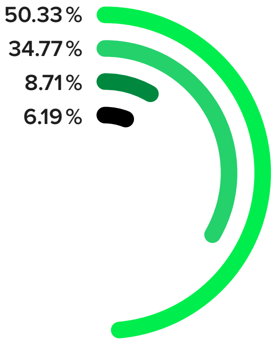



**Earnings per share**
undiluted (in EUR)



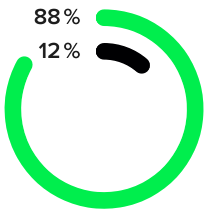

**Operating cash flow** (in kEUR)

> The SYZYGY GROUP remains on a growth trajectory **and generating record sales in 2022.**



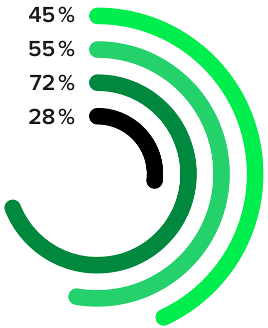

- WPP plc., St. Helier
- Private investors/others
- Institutional investors
- HANSAINVEST

**Shareholder structure**



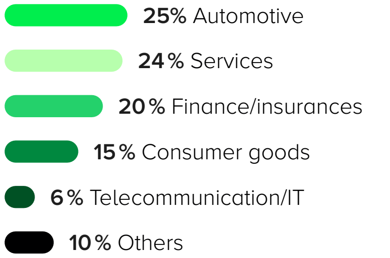

- Bank deposits and overnight deposits
- Corporate and government bonds, investment funds

**Portfolio structure of cash and marketable securities**

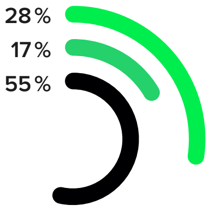



- Equity
- Liabilities
- Non current assets
- Current assets

**Balance sheet structure**

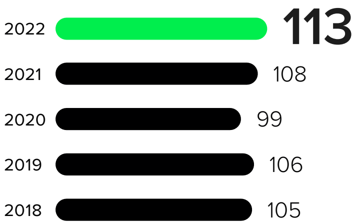



**Sales allocation by vertical markets**

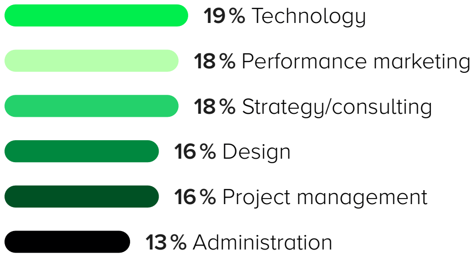



- Top 5
- Top 6-10
- Others

**Sales by clients' volume**




**Sales by employee** (in kEUR)




**Employees by function**

# Letter from the **Management Board**

*Ladies and Gentlemen,*
*dear Shareholders,*

The SYZYGY GROUP enjoyed another successful year overall in 2022. **We delivered strong performance and were able to expand our market position.**

We are pleased that our business is proving to be resilient despite the challenging environment. The SYZYGY GROUP remains on a growth trajectory, generating record sales of EUR 70.6 million and operating income of EUR 6.2 million in 2022 before goodwill impairment.

Despite a backdrop of economic uncertainty, we can offer stability to our employees, our clients and to you, our shareholders.

### Digital transformation remains a priority even in uncertain times

2022 was dominated in particular by Russia's war against Ukraine – a human and political tragedy. There were also other challenges, such as uncertainty in the energy market, unstable markets, and a rise in interest rates and inflation. This led to widespread concern, cost pressures and subdued investment.

Yet in this volatile economic climate, services around digitisation and digital experiences proved to be a resilient business model.

Companies that are well-positioned on the digital front are better able to ride out crises and market volatility. The digitisation trend thus continues unabated across all sectors, business models, and in both large and small companies.

Mangement Board of the SYZYGY GROUP

**70.6 Mio.**

Sales development 2022 (in Euro)

> Companies that are well-positioned on the digital front are **better able to ride out crises and market volatility.**

SYZYGY Performance / Munich


We aim to leverage digital to make a difference for our clients. We firmly believe that digital is about more than technology and processes; technologies are now so mature they can fade into the background. The emotions triggered when using digital solutions thus become much more crucial. This development unlocks a host of new opportunities for our clients and teams.

## A strong Group structure for our clients

The SYZYGY GROUP's growth in the past year stemmed primarily from new client business that we acquired in 2021 (such as the German government) and from existing clients. Services that were particularly in demand included the development of new business models, the design, implementation and operation of digital services and ecosystems, the building of reach through digital media and performance marketing, and the production of digital content. Having said that, we were also able to acquire significant new clients in 2022, such as Miele.

Once again, it is the strengths of our individual disciplines and the collaboration of our specialists that were instrumental in the success of our Group.

Whether units are operating independently or pooling their expertise, we have the right skills to cover every project, with teams hand-picked to meet client needs.

This is supported by the special structure of the SYZYGY GROUP, both internally and externally, comprising SYZYGY, the consultancy and implementation partner for digital transformation of marketing and sales; SYZYGY Performance, the specialist for performance marketing; SYZYGY Techsolutions, the experts for enterprise IT solutions; diffferent, the specialist for strategy and business design consulting; Ars Thanea, the design studio; and SYZYGY XRealities, the experts for extended virtual reality.

Due to our strong organic growth, we invested in higher staffing levels and in making the associated organisational changes. Accordingly, the limiting factor with regard to our business development last year was not the flow of business but building up teams and attracting talent.

## We focus on the people who define our Group.

Alongside our ongoing business operations, our focus was therefore very much on talent and our employer branding. Investing in the people who shape our agency group and make it unique is not only critical to our business, but first and foremost a matter close to our heart as the Management Board.

We conduct an eNPS (Employee Net Promoter Score) survey each year to gain insights into our performance as an employer through feedback from our employees, with the aim of understanding what we do well and where we could do even better. We are pleased to have achieved a score of +32 this year (for comparison: Amazon and Accenture score +15, and Google +36). This result means an improvement of 3 points over 2021. But the specific feedback is more important to us than the score itself. This year, it was clearly evident that making work more flexible is a strong point of the SYZYGY GROUP as an employer brand. We also strive every day to be a diverse and varied company where everyone feels welcome and equal. The goal is always to create equal opportunities for all.

We find it particularly noteworthy that we were all able to see and meet each other in person again in 2022, after the Covid lockdowns. By arrangement and also through chance encounters. All of us in the SYZYGY GROUP again had the immediate feeling of how fantastic and important shared experiences and personal contact are.

“We work daily to be a diverse and inclusive company where everyone feels welcome and equal. **Always with the goal of creating equal opportunities for everybody.**”

We believe that many tasks can be performed well in a homeworking environment, but face-to-face meetings and personal interaction form the basis of our culture and good relationships with one another. It is precisely this engagement that characterises collaboration in our Group, which is why we organised many events throughout the year at all levels: full of dialogue, inspiration, relationship building, addressing strategic issues and for personal development.

Summer party / Frankfurt

14%

Sales growth 2022 in core market germany

Below we take a dedicated look at our segments.

## Core German market seeing strong growth

Sales in Germany rose by 14 per cent in 2022, with operating profitability reflected in a 10 per cent EBIT margin before goodwill impairment. Our core market is thus on a strong growth trajectory.

**There are several reasons for this:**
Most notably, our core brand SYZYGY in Frankfurt significantly expanded its business with clients such as Miles & More, Bosch and Lufthansa. Despite our success in recruitment, the biggest challenge was vacant positions, with extensive use being made of freelancers to compensate for this lack of capacity.

At the same time, flexible work models are proving a major aid to recruiting new talent. We are continuing this strategy in 2023.

Operative EBIT margin in core market germany

10%

Bad Homburg-based SYZYGY Techsolutions likewise posted strong growth with its existing clients, together with successfully winning new business.

We see this as confirmation that establishing SYZYGY Techsolutions as a new independent brand was the right move. In addition to attractive new business opportunities, a new self-confidence emerged in the unit. This year we will focus on expanding business with the newly acquired clients and attracting new talent to Techsolutions.

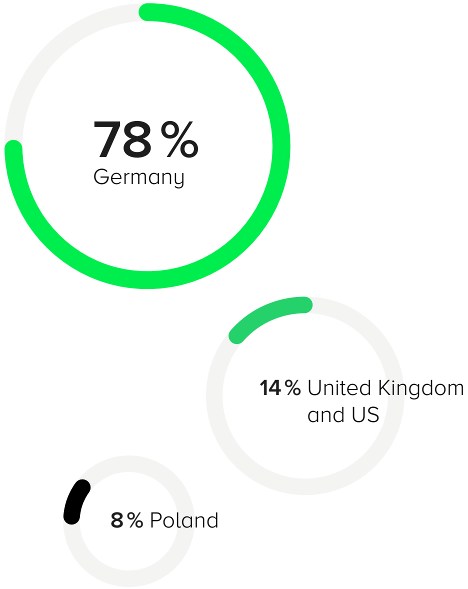
SYZYGY Techsolutions / Bad Homburg

SYZYGY Performance is growing and was able to win exciting new business. Combining the two locations in Munich and Hamburg is also bearing its first fruits, including the successful merging of consulting expertise, re-positioning of SYZYGY Performance in the market and establishment of a shared culture.

Following the departure of founder and CEO Matthias Weth, we changed the management line-up and leadership team. The appointment of Dirk Lanio as managing director with a start date of April 1, 2023 means that we have now completed the senior team headed by managing director André Vieregge. On the back of this progress, we are confident about the prospects for this unit in the new financial year.

The leadership changes at strategy consultancy firm diffferent, which has offices in Berlin and Munich, were successfully completed. Kristina Bonitz became sole CEO with effect from June 1, 2022 and now manages the business together with Sascha Mahlke. The new management team, new growth positioning and close collaboration with the other units in our Group led to significant new business successes in terms of both volume and nature. As a result, we also take a confident view of the future of this consultancy unit.

Sales by segments




## International companies continuing their success

Our international companies all achieved strong growth. The previous year's positive performance continued in the UK and the US; sales were up by 16 per cent, with a 14 per cent EBIT margin.

The management team headed by Matt Brown, the CEO appointed in 2022, has notched up some very encouraging successes. Business with PayPal, for example, one of our existing clients in the region, was further expanded, as were contracts from clients such as Hilti and Allergan. The progress made in the UK and US also confirms that close cooperation between the individual units helps to fuel continuous growth. Brown and his team have also succeeded in building a strong SYZYGY employer brand in the UK, which has helped to reduce staff turnover. This is reflected in its recognition as one of the 100 Best Places to Work 2023 in England, awarded by the highly regarded Campaign magazine.

Sales growth in UK and US

16%

25%

Sales growth in Poland

Our Polish subsidiaries Ars Thanea and SYZYGY Warsaw succeeded in gaining new big-name clients and also further expanded their business with existing clients, due in part to close cooperation with the German SYZYGY companies and the WPP agency group. The Polish companies posted strong sales growth of 25 per cent for the second year in a row. Focusing on e-commerce and creativity in CGI (3D animation) continues to pay off. Also noteworthy is the high level of employee satisfaction following the decision by SYZYGY Warsaw to adopt the new Teal work model, which is based on transparency and self-management.

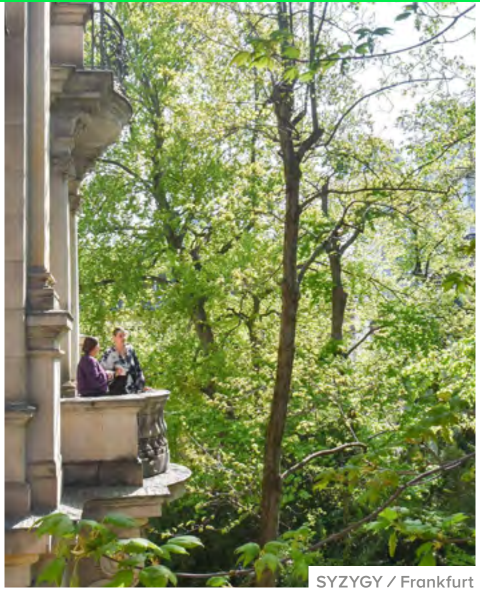
## We have a clear mission

Our Group aims to make a difference with digital solutions, as highlighted by our slogan:

**SYZYGY GROUP. Digital that makes a difference**

We believe that sustainability is also a key part of this. Accordingly, we are committed to ensuring that our actions also have a positive impact over the long term. We want to make a real difference with our services and solutions, both on a large and small scale, for our teams, our clients, our shareholders, for wider society and for the environment.

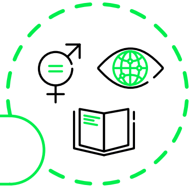
That is why we align our goals and activities with sustainable development principles. We are guided in this by the Sustainable Development Goals (SDGs), the current global objectives of the United Nations (UN) in this respect. Our specific focus is on the goals around climate, equal opportunities and education and we have defined corresponding action items.


SYZYGY / Frankfurt

Ars Thanea & SYZYGY / Warsaw


**More information on our sustainability agenda is available in our non-financial reporting.**

Sustainability agenda



## Outlook

The economic situation will remain uncertain and difficult to predict this year. Inflation, high energy prices, rising interest rates, skills shortages, uncertainty in the markets and a reluctance to invest remain defining features. For this reason, we continue to closely observe and analyse these trends and their relevance to our business, as well as the impact on all those who play a part in shaping the SYZYGY GROUP every day and in enabling it to succeed.

Despite all the geopolitical and economic challenges, we are confident about the SYZYGY GROUP's future development.
We are optimistic that we will be able to achieve organic sales growth of around 6 to 8 per cent with an EBIT margin of roughly 9 to 10 per cent for our Group in 2023, across all units in Germany and abroad. With our clear positioning, end-to-end services for digitisation and digital experiences, and the ability to offer our services as an integrated package, we will maintain a strong position in the market. That will also provide the basis for the next stage of our development, which includes organically expanding our portfolio of services while also seeking to continue our successful M&A strategy. Our operating cash flow, high equity ratio and strong credit rating provide us with the necessary headroom.

> **Despite a backdrop of economic uncertainty,** we can offer stability to our employees, our clients and to you, our shareholders.

Management Board / Erwin Greiner (CFO), Franziska von Lewinski (CEO) and Frank Ladner (CTO)

The Management Board of the SYZYGY GROUP would like to sincerely thank its clients for their trust and you, our shareholders, for your loyalty in these challenging times. Very special thanks go to our around 600 employees, who show huge commitment every day and are working actively on the future of the SYZYGY GROUP, and to their families for the support they provide.

We would also like to thank the Supervisory Board for its effective, supportive and farsighted work. Our special appreciation goes to Antje Neubauer, who became chair of the Supervisory Board in July 2022 after being confirmed by the shareholders at the Annual General Meeting. We are delighted that Antje Neubauer now rounds out the Supervisory Board with the corporate insights gained through her professional expertise in marketing, communication, sustainability and digital transformation. Antje Neubauer thus also brings our clients' viewpoint to our group of companies.

We wish you and all of us at the SYZYGY GROUP a successful 2023 and look forward to continuing our collaboration, partnership and shared journey.

On behalf of the entire SYZYGY GROUP Management Board

Franziska von Lewinski (CEO)

Frank Ladner (CTO)

Erwin Greiner (CFO)

SYZYGY / London

# Digital is more than technology. **Digital is emotional**

/

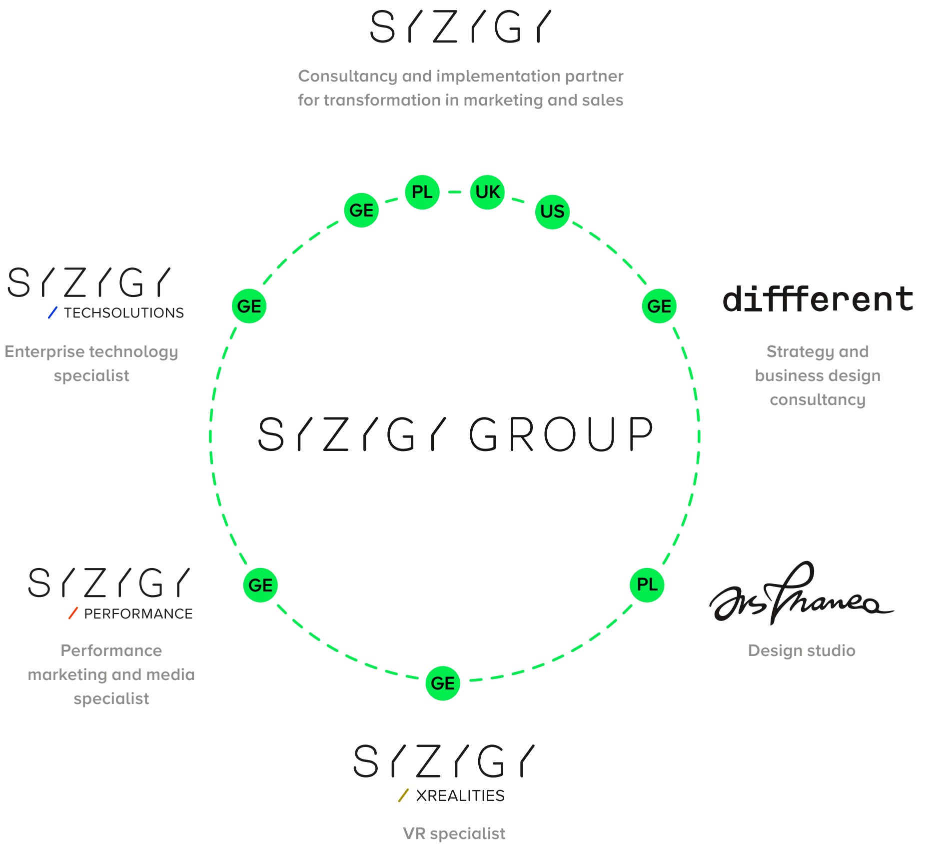
## We aim to create positive digital experiences.

In today's world, most interactions between people and brands are digital. We seize these opportunities for our clients, enabling them in turn to build long-lasting relationships with their customers. To do this, we design and develop end-to-end digital brand experiences that cover all digital contact points, channels and services. This involves digital transformation and creating connectivity from initial contact through to customer advice, marketing, sales and customer services. To deliver this end-to-end digital experience, we build and operate integrated digital ecosystems.

And we go even further: we believe that digital is more than technology. Today's digital technologies are so sophisticated that they can work in the background as enablers of digital experiences. The focus is now on the numerous positive emotions that are triggered by digital experiences. These emotions forge valuable and long-lasting customer relationships at every digital contact point.

Digital solutions can also help tackle the challenges of our time. Which is precisely what motivates us – we want to make a genuine difference with digital. Our aim is to achieve real impact through digital transformation.

**SYZYGY GROUP. Digital that makes a difference.**




SYZYGY GROUP – brands and specialists

# The SYZYGY GROUP has more than **600 specialists dedicated to digitisation** and digital experiences.

This proven interdisciplinary team has the right skills for every project, with the drive to create truly innovative solutions that make a difference.

The strength of the individual disciplines and a shared philosophy make the SYZYGY GROUP much more than just the sum of its parts. “Together, more is possible” is the credo that unites our employees. It allows us to put together hand-picked teams for our clients that meet their individual requirements.

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

**Together, we support prestigious brands such as:**

+ Allergan
+ BMW Motorrad
+ Bosch
+ Commerzbank
+ Consorsbank
+ Continental
+ The Bundesregierung
+ Eucerin
+ Kyocera
+ Lufthansa
+ Mazda
+ Mercedes-Benz
+ Miele
+ Miles & More
+ mobile.de
+ $O_2$ Telefónica
+ PayPal
+ Porsche
+ Wempe

SYZYGY / Warsaw

# Through **digital experiences** that trigger positive emotions, we build **long-lasting customer relationships** /

## Consumers now have **more digital touchpoints** with a brand than analogue interactions.

When digital services and products meet the needs of users, they become a habit. It is therefore crucial to have an in-depth understanding of what different target groups want, and to craft digital solutions that put people first. To achieve this, we create integrated digital ecosystems, services and products for businesses and brands that generate positive change today and tomorrow. For our clients, for brands, for businesses and for wider society.

### Bringing people and brands together

Brand and customer experiences in marketing & sales

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

### Digitising structures and organisations

Processes, technical infrastructures, methods and teams

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

### Developing products, services and business models

Innovation and business design

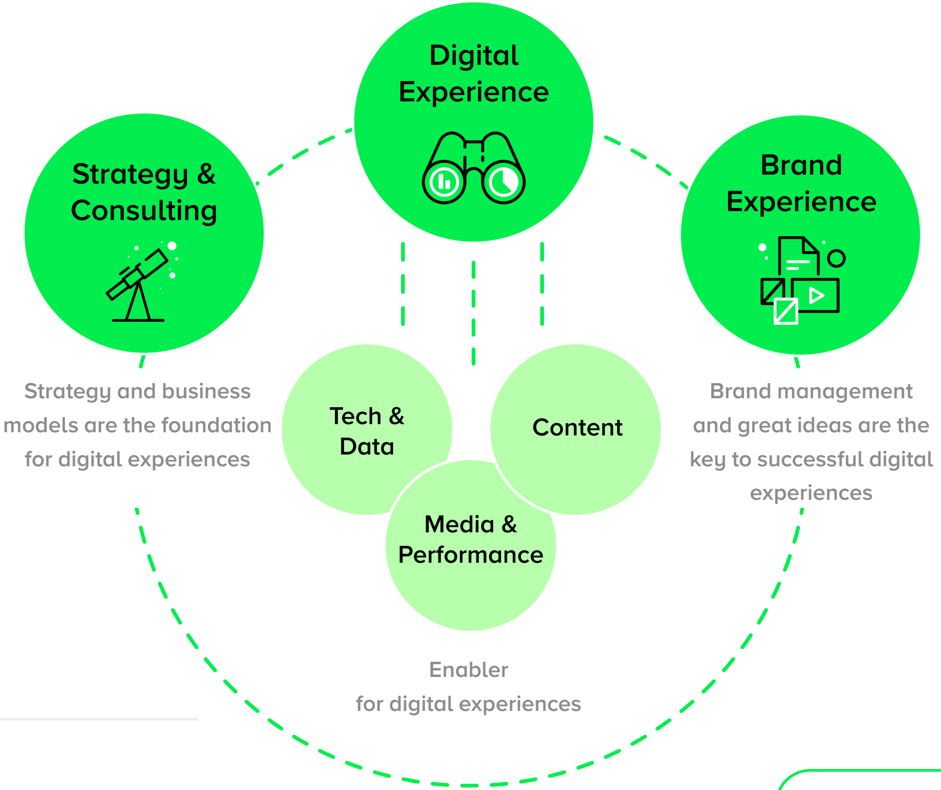
Developing, validating and implementing business models, products and services that enable businesses to meet the challenges of the future. We provide end-to-end support for the development and integration of new ideas, creating a digital culture and making a tangible impact through digitisation.

**Our products for positive digital experiences** →

SYZYGY / Frankfurt

"Digital makes brands and businesses **fit for the future and is essential for growth.**"

We deliver **highly specialised, digital end-to-end experiences and digitisation services.**



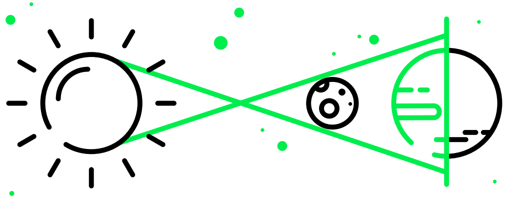

Our services

syzygy-group.net/en/about-us

# Reaching for the stars – **SYZYGY GROUP milestones**

/

diffferent / Berlin



When we launched our company under the name United Media in 1995, less than half a per cent of the world's population was online.

A lot has changed since then – it's now hard to imagine life without digital products and services. We have evolved into the SYZYGY GROUP with an end-to-end portfolio for digital transformation and digital experiences. We were founded in the era of the New Economy and have been listed on the Frankfurt Stock Exchange since 2000.

**Today, we are among only a handful of digital agencies from the New Economy era** that have managed to successfully evolve and adapt.

SIZ - ih - jee

**SYZYGY (pronounced SIZ-ih-jee) is a term used in astronomy and means, for example, a solar eclipse. It occurs when three celestial bodies align in a straight line, for example when the moon moves between the Earth and the sun. It's a unique experience – and that's also what the SYZYGY GROUP delivers when we harness our combined expertise in technology, design and strategy.**

Fun fact

# Our milestones

**1**

**1995 / Launch**
Establishment of United Media in Frankfurt and SYZYGY London

**2**

**2000 / Bullish**
Companies merged to create SYZYGY AG with headquarters in Bad Homburg. IPO on the Neuer Markt stock exchange in Frankfurt

**3**

**2000 / In it for the long haul**
The dot.com crash plunges the sector into a deep crisis, but the Group remains resilient

**4**

**2006-2008 / Growth spurt**
Three acquisitions in three years: uniquedigital Hamburg, uniquedigital London and Hi-ReS!

**5**

**2010 / Cześć, Warszawa!**
Ars Thanea joins the Group

**6**

**2012 / Expansion continues**
Opening of a new SYZYGY office in Frankfurt and establishment of Hi-ReS! Berlin

**7**

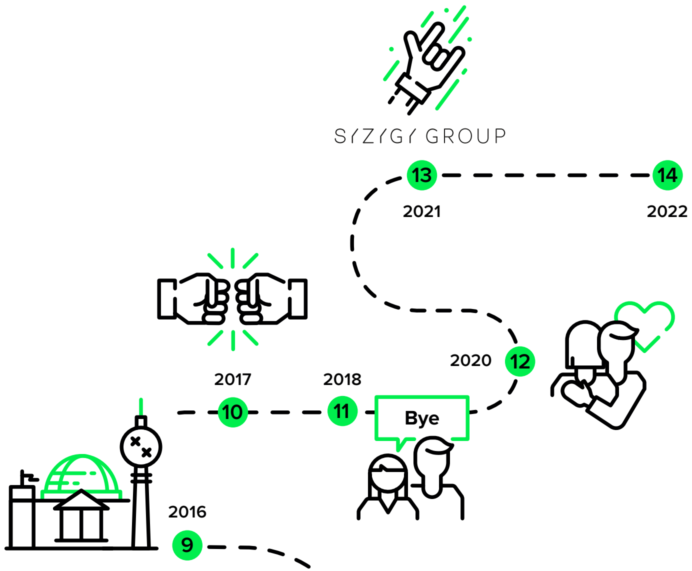
**2014 / New York, New York**
SYZYGY's seventh location is established on Broadway

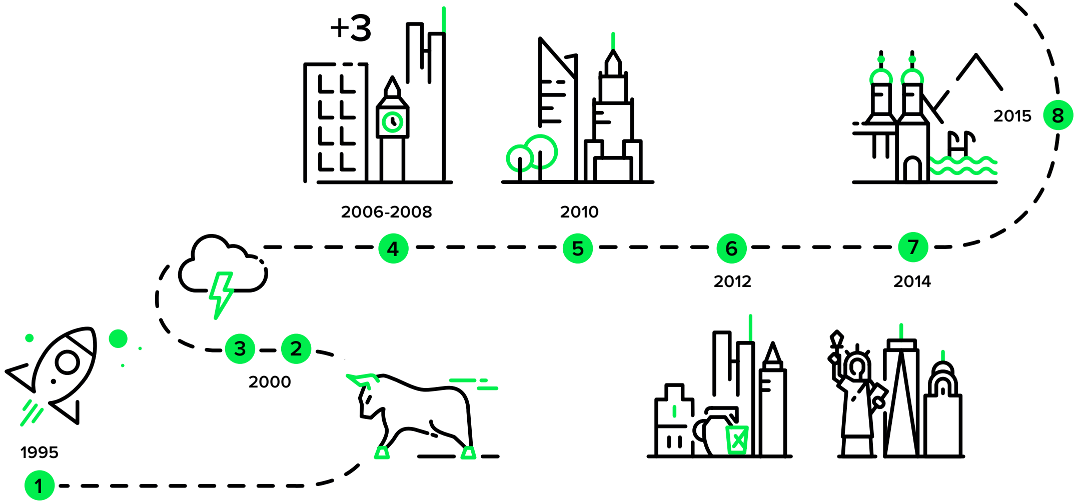
**8**

**2015 / Bavaria beckons**
After winning the BMW Motorrad account, SYZYGY opens an office in Munich

**9**

**2016 / Growth in the German capital**
Acquisition of a stake in Berlin-based customer experience design agency USEEDS°




17% growth in sales

kEUR 70.6

**10**

**2017 / New additions**
Two new members join the Group: performance marketing agency Catbird Seat in Munich and strategy consultancy diffferent in Berlin

**11**

**2018 / End of a chapter**
Hi-ReS! Berlin closes following the loss of the BMW Digital account

**12**

**2020 / Better together**
USEEDS° and diffferent merge under the name diffferent Digital media and performance services are brought together under the name SYZYGY Performance (merger of uniquedigital and Catbird Seat) at the Hamburg and Munich locations

**13**

**2021 / Clear lines**
New brands created: Launch of SYZYGY GROUP as the corporate brand and SYZYGY Techsolutions as the IT services brand

**14**

**2022 / Making history**
The SYZYGY GROUP has achieved a record sale since its foundation

# We take **responsibility** /

**Responsibility, togetherness and innovation** – these three corporate values define us as a Group, bind us together, shape our daily work and guide us in all our decisions and actions.

We aim to achieve outstanding results – for ourselves, our teams and our clients. For our society and our environment.


Three values that unite us

> “**Togetherness** is the soul of our Group, **responsibility** is our conscience and **innovation** is our heartbeat.”

Franziska von Lewinski (CEO)

# Responsibility

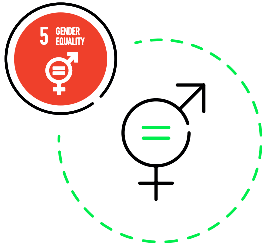
We believe that taking responsibility empowers us to improve things.
**That's why we give our best every day.**

The SYZYGY GROUP's goals and activities are geared towards sustainable development. We are guided by the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015. The following three goals are our priority.

SYZYGY / Frankfurt

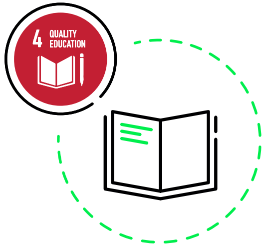

## For a safe climate

Climate change is having far-reaching impacts on our world, affecting economies and people's everyday lives. Digitisation and green IT are key to making business and society more environmentally friendly. We are therefore working to reduce and offset our own emissions as much as possible and seeking to develop digital climate positive systems.




## For more equal opportunities

We aim to be a company where everyone feels welcome and is treated fairly, creating equal chances. We believe that diversity is an important component of our company's success. Therefore, we strive to create an inclusive and flexible work environment where all employees can reach their full potential. We have eliminated gender pay gaps and select the most suitable candidates regardless of their gender. We are convinced that this leads to a fair and diverse workforce, contributing to a harmonious work environment.




## For more education

Our world is evolving at a breathtaking rate. To respond effectively to innovative technologies and changes in user behaviour, internal skillsets must be kept up to date. It is therefore crucial that we help our employees to continuously grow and develop – both professionally and personally. That's why we give all our employees access to inclusive education so they can reach their full potential and benefit from equal opportunities. We are also motivated by the ability to contribute to society through our knowledge and skills.

# Togetherness

/

**Together, we can go far.** By recognising the talent within our company, giving everyone space to develop and combining our unique skills, we can not only dream big but also make things happen and shape our future.

SYZYGY GROUP / Boot camp

## Team spirit and personal development in a boot camp

Twice a year, the SYZYGY GROUP organises a boot camp. It's designed to support the personal development and advancement of talented young employees and reinforce our team spirit. Thirty colleagues from all locations gathered for a week of reflection, reinvention and growth. Our boot camp participants discussed how they could develop themselves, both on a personal level and within the SYZYGY GROUP. We also discussed who we want to be, and what we want to stand for in a world that offers a host of new possibilities.

The workshops focus on strategy, digital well-being and personal strengths and development. At the end of the boot camp, each participant gives a TED talk to the rest of the group, which is always a highlight for everyone involved.

**On the subject of development:** we recognise our responsibility towards the climate and aim to set a good example by making environmentally sound decisions. So, from 2023 onwards, the boot camp will be held in Germany instead of Mallorca.

SYZYGY GROUP / Director's Lodge

# **Meeting up for an exchange of expertise** in Berlin

Under the slogan **"Connection – Understanding – Inspiration – Appreciation",** our Management Board met with 15 directors of the SYZYGY GROUP on two occasions last year for the Directors Lodge in Berlin. The directors travelled from all of the Group's offices to take part: from London, Warsaw, Berlin, Frankfurt, Munich, Hamburg and Bad Homburg. Why? We wanted to bring our senior team together in person in one place, learn from each other and inspire one another.

We talked about strategy, teamwork, technology and satisfying customers through positive digital experiences. The energy, ideas, contributions and enthusiasm of all the participants were incredible each time and made the meeting a truly special event.

All the members of the group are driven by the desire **to create successful digital experiences and make a difference in the life of each individual.**

A good eNPS score is between 10 and 30; **above 30 is excellent**

S/Z/G/ GROUP +32 eNPS

| | |
|---|---|
| +15 eNPS | amazon |
| +38 eNPS | Microsoft |
| +37 eNPS | Google |

eNPS Employee Experience Benchmarks (current at Oct., 2022)

# A workplace where people **feel good**

As an employer, we take the mood among staff very seriously. Every year, we carry out a survey based on the eNPS (Employee Net Promoter Score) so that we can reflect on, evaluate and improve our performance. We are proud to have achieved a score of +32 this year, which ranks us alongside leading companies such as Amazon, Accenture and Google. It also marks an improvement of 3 points compared to last year.

However, constructive feedback from our employees is more important to us than our score. It became apparent this year that job flexibility is a major benefit for employees of the SYZYGY GROUP. We will remain focused on maintaining and developing this flexibility in line with the culture and business model of each unit.

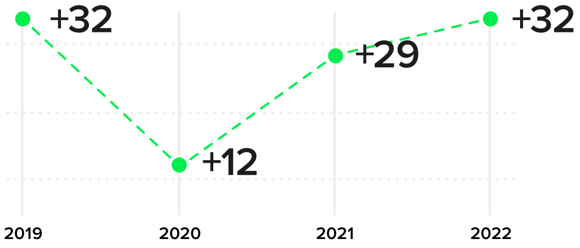
In the coming year, we will continue to make every effort to be a diverse and inclusive company where everyone feels welcome and equal. This will ensure that the SYZYGY GROUP remains a positive place to work in the future.

SYZYGY GROUP eNPS 2022

+32

SYZYGY Performance / Munich

“It is very important for us **to understand how our employees are feeling.**”




SYZYGY GROUP eNPS

# Innovation

/

We want to make a difference. **We want to be bold, explore new approaches and create positive digital experiences.**

SYZYGY / Frankfurt

## Locations with **individual, flexible work models**

Home working, office, hybrid – it's all possible now that the SYZYGY GROUP has put different work models in place. The models were developed together with our teams and established at all company locations. These models are flexible, agile, robust and are being continually evolved. Colleagues at Techsolutions have the option of working remotely all the time, meaning that specialists can work anywhere in the world.

SYZYGY Frankfurt has introduced a hybrid model and the office has become a creative meeting place where solutions are developed collectively. At SYZYGY Warsaw, the chosen management concept promotes transparency and personal responsibility, with roles tailored to the skills and strengths of individual team members.

We believe that working arrangements must match the individual workplace culture and business model.

A **»one-size-fits-all« approach wouldn't be right for us.**

Ars Thanea & SYZYGY / Warsaw

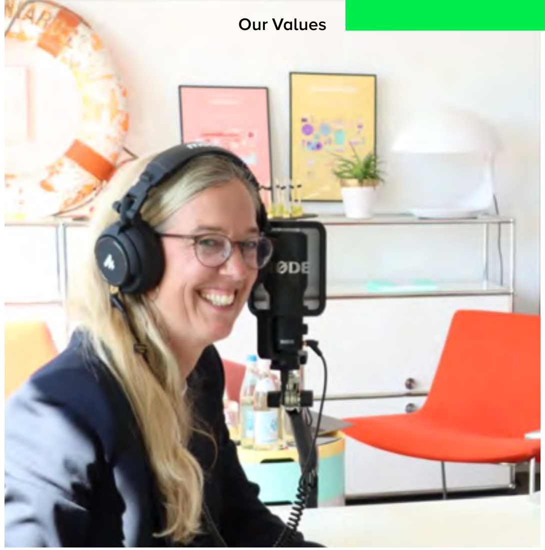
→

syzygy-group.net/en/values

# Diverse perspectives **as a source of inspiration**

Digital experiences are built on expertise, strategic thinking, boldness and, above all, that vital initial spark. In our "Thinking" blog, we share our inspiration, thoughts, analysis and studies on the latest digital topics across the Group – from strategy, digital experiences, design and techno-logy through to performance marketing.

syzygy-group.net/en/thinking



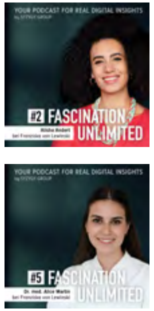
## Emotional worlds **through digital technology**

Episode #1: Boris Herrmann


The emotional impact of positive digital experiences is explored in the SYZYGY GROUP podcast entitled **"Fascination Unlimited. Your Podcast for Real Digital Insights",** hosted by CEO Franziska von Lewinski.

Since July 2022, a new interview with inspiring guests from different industries has been released every month. The podcast presents a range of personal and business perspectives. For example, professional yachtsman Boris Herrmann explains how new technologies help him cope with loneliness on board and give him a sense of security. Metaverse expert Christian Mio Loclair describes the key difference between the metaverse and established social media and asks what role major brands should play in the metaverse. Another fascinating insight is provided by the co-founder of Dermanostic, Dr Alice Martin, who looks at how digital technology can trigger satisfaction and gratitude when it comes to such a sensitive topic as our health.

**Listen to the podcast on Spotify, Apple Podcasts and all major podcast platforms.**




syzygy-group.net/en/podcast



# Cases

syzygy-group.net/en/case-studies

“We offer services **for successful projects** in our business fields.”




# Digital transformation **delivers better customer relations**

/

**Interested in the impact of merging a number of online channels to create a one-stop customer portal? Allergan Aesthetics is using uniform messaging and coordinated interaction to maximise its relationships with medical professionals.**

Allergan Aesthetics
an AbbVie company

Brand

Allergan Aesthetics is the inventor of Botox. This pioneer of products for aesthetic medicine develops, produces and markets skin care, facial fillers, body contouring products and more. The diversity of the product range was reflected in the customer journey, which was previously spread across a number of channels. These were brought together by SYZYGY London to create a central point of contact for professionals in the health sector.

We developed a holistic content marketing strategy for all products and services on a single platform. To do this, we changed the perspective, putting the customers centre stage and rethinking the customer journey across the various divisions with the aim of fully integrating all the existing channels: from the Allergan Medical Institute (AMI), which offers comprehensive training to improve treatment results, and a service-oriented online shop through to one-to-one customer advice from virtual employees.

> "A holistic content marketing strategy for all products and services on a single platform."

Our goal

+ Auditing
+ Content marketing
+ Data/analytics
+ Insights
+ Paid social
+ SEO
+ Strategy & planning
+ User experience

Our services

> The focus is on **direct interaction with Allergan's customers.**


Products and services on a new platform

But our principal focus was on making significant improvements to the way the customer journey is measured. The idea was to make all user actions trackable across different divisions. Our client wanted to learn from this and act accordingly – for example, to identify training requirements and be able to send out customized content at the right time. The analytical functions we implanted made this possible, with control via a user-friendly dashboard.

Allergan Aesthetics is now gaining holistic insights into its customers, allowing it to connect with them in a targeted way. The portal was rolled out in all international markets outside the US. Depending on need and country-specific regulations, individual content can be flexibly adapted by the local marketing teams.

**Our shared journey with Allergan Aesthetics is set to continue in 2023,** with the addition of machine learning allowing our client to cater even more individually to medical professionals and support them even more effectively in their work.

syzygy.co.uk/case-studies...

# **Excitement on two wheels.** Anytime. Anywhere /

**With Make Life a Ride, BMW MOTORRAD is positioning itself as an adventure brand. This is exemplified by the new digital offering, “Fuel for Life”.**

BMW MOTORRAD

Brand

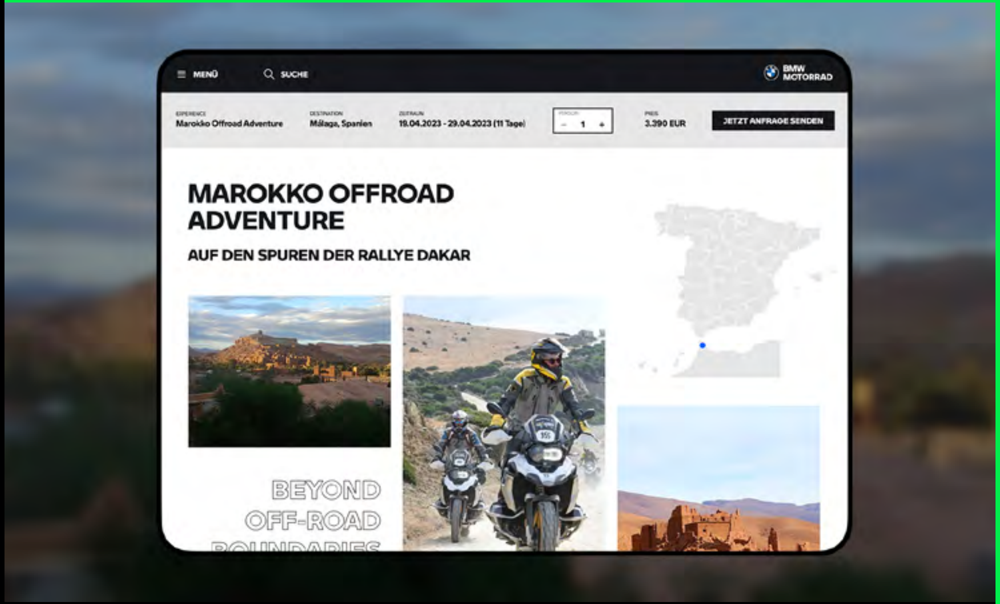

The idea is simple: to inject emotion into motorcycling experiences that are accessible to everyone, from motorbike holidays and race training to bike hire that includes route suggestions. So the next adventure is just a click away.

The digital nature of the offering makes it all the more important to convey the passion, enthusiasm and quality of the bookable products in order to win over motorbike fans worldwide.

As their digitalisation and transformation partner, we supported BMW MOTORRAD around the early development of their platform strategy and worked with them to define customer journeys. Building on this, we produced the concept for the user experience and developed the design for the experience scenarios, as well as creating a frontend prototype. Finally, we brought the platform to life with a clear content strategy.

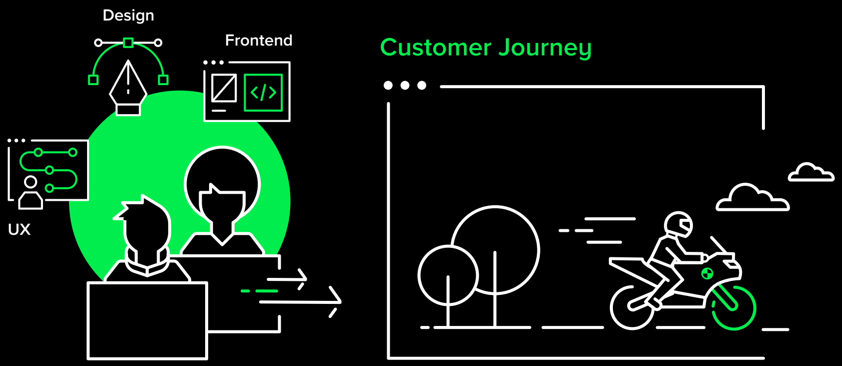
- Strategy and concept development for platform and experience offeringse
- Creation of UX concept
- Design und frontend prototype
- Content strategy, creation and maintenance
- Overall process management
- International Roll-Out

Our services



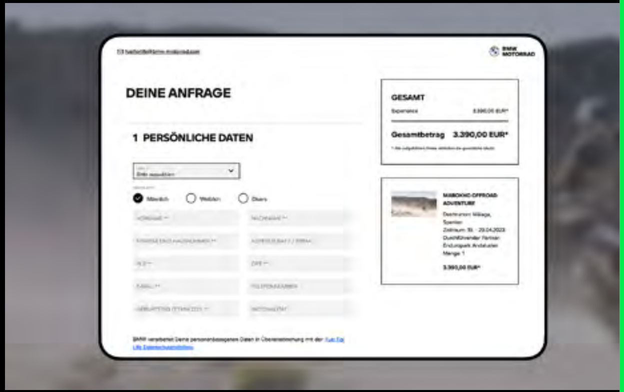

Thanks to intuitive navigation and compelling, dynamic images, the platform really gets users excited about the featured motorcycling experiences. The Experience Finder helps the user find the perfect experience at a time and price point that suits them, and allows them to book directly with the relevant BMW Motorrad partner.

**The Fuel for Life experience platform is a further key element in the BMW Motorrad experience portfolio.**




Design der Experience-Plattform „Fuel for Life“

> Thanks to intuitive navigation and compelling, dynamic images, the platform really gets users excited about the featured motorcycling experiences.




syzygy.de/projekte...

# Animated video as a step **into a new world**

/

**Ars Thanea and Coinbase NFT used a 55-second video to generate excitement while simultaneously explaining how to get into crypto.**

The long-awaited trading platform for non-fungible tokens (NFT) operated by US company Coinbase aims to be transparent, easy to use and accessible to all. It was developed in the decentralised Web 3.0 to enable secure exchange of digital assets.

The storyline for the video we created in conjunction with the Coinbase design team to launch the company's crypto asset marketplace had to satisfy some very specific requirements. The brief was to promote the marketplace by generating excitement and interest around the launch, while at the same time presenting the intuitive Coinbase NFT user interface (UI). Not only that, the video was also conceived as an attractive, dynamic user manual that explains how to open and manage a portfolio, transporting users into a new world.

coinbase

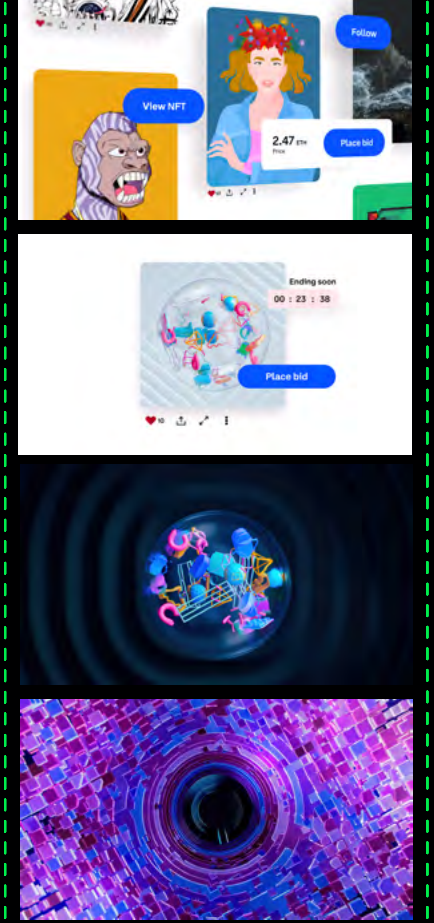
Brand

- Creative direction
- creative produktion
- 3D and 2D animation
- Lighting and rendering

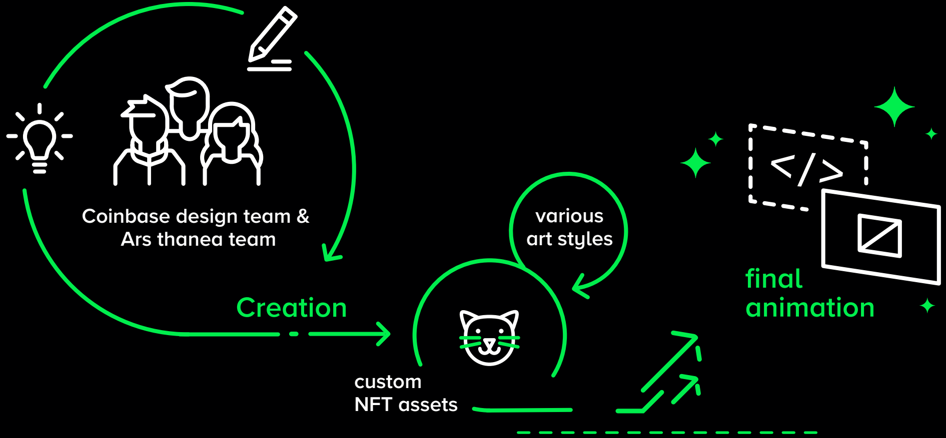
Our services

“The very shortness of the explainer video is testimony to the power of the animated images, which take platform newcomers through the entire portfolio process: from creation through to uploading, auctioning, buying and selling NFT assets.”

Our requirements




Our solution involved creating sample NFT assets to demonstrate just how easy the platform is to use. We deployed various animation techniques that reference the constantly evolving world of digital NFT art. The video combines 2D, 3D and pixel art styles, with smooth transitions between scenes.




Development process for launch video

The very shortness of the explainer video is testimony to the power of the animated images, which take platform newcomers through the entire portfolio process: from creation through to uploading, auctioning, buying and selling NFT assets.

arsthanea.com...

# Maximum security meets **user experience**

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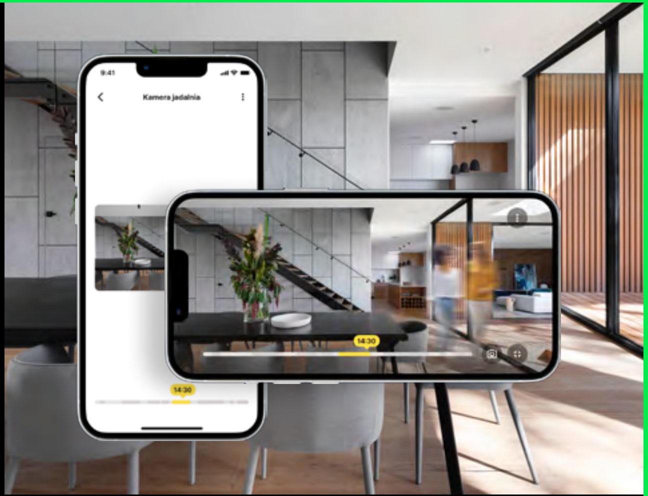
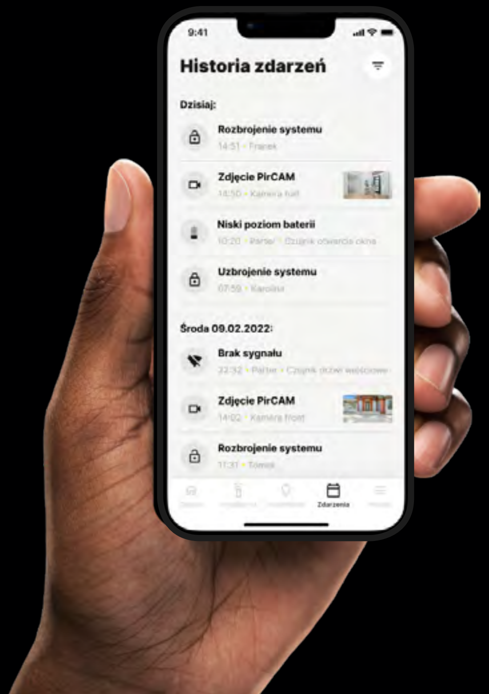
**Anyone who rethinks digital experiences can make the lives of their customers easier. EBS Security drew on our expertise to develop an app that offers a superior user experience.**






Brand

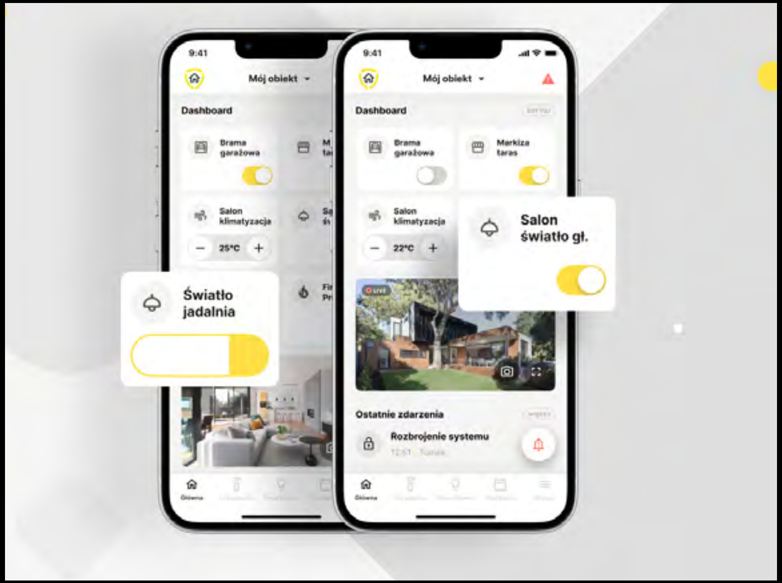
- Technical analysis
- Product UX/UI analysis
- Low-fidelity Mockups
- Interface design including visualisations
- Analysis of the product realisation and implementation process
- Preparing a backlog of tasks as an input to the first developers/designers sprints

Our services

EBS Security of Poland is a hidden champion when it comes to professional security systems. Global trends, state-of-the-art technology and innovative ideas have driven the company's development of control, alarm and surveillance systems for businesses and smart homes for over 30 years. The associated alarm system control app needed to meet the very highest standards, with implementation via Java for iOS and Android.

What do users expect from an app of this kind? How can their needs be reconciled with our client's interests?

With these key questions as our priority, we focused on the user experience (UX) and the app's user interface (UI). Operation of the most important functions needed to be intuitive, ranging from activation or deactivation of single or multiple alarm systems and the checking of sensors that had triggered an alarm through to remote access via mobile phone to live camera images and much more besides.




Based on our preliminary technical analysis and with the aid of customer workshops, we identified solutions that would be the best fit with the technology already in use at EBS and enhance and extend the existing set-up.

Our findings yielded many possible options for implementation of the app. To avoid unnecessary programming costs during the decision-making process, we visualised our recommendation for the user flow by way of low-fidelity wireframes.

Responding to the client's needs, we have also prepared a proposal for a graphical interface in the form of high-fedility mockups and prototypes.

Thanks to the dashboard, in the new app users can manage all the important functions intuitively and securely with one click. And there's a really clever feature for smart homeowners with other alarm systems: courtesy of the EBS Communicator, the app can easily be paired with systems from other vendors.

> "In the new app users can manage all the important functions **intuitively and securely with one click.**"


Development of EBS security app

syzygy.pl/en/projects...

# Digital positioning **transforms brand values**

/

**Electromobility requires the ability to charge your car quickly and easily, wherever you are. SYZYGY is helping EnBW to position its brand digitally across Germany and build recognition.**

EnBW

Brand

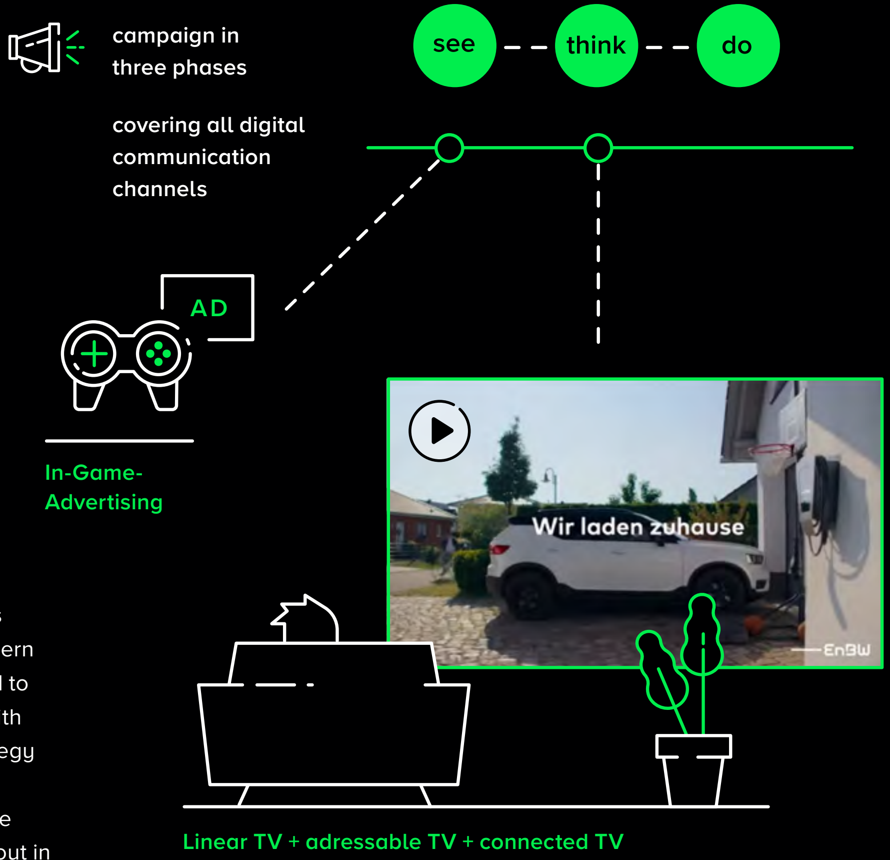
- Media planing
- Online video
- OTT advertisings
- Paid social
- Display advertising
- Native advertising
- SEA

Our services

Electromobility is increasingly gaining momentum. But although electric cars are being registered in ever greater numbers, shortcomings in the charging infrastructure are a frequent point of criticism. To put this infrastructure in place, EnBW is massively expanding its rapid charger network and providing access to over 400,000 charging stations across 17 European countries where drivers can charge their cars using the EnBW mobility+ app.

Awareness of the EnBW brand was originally mainly confined to southern Germany. Our collaboration aimed to change that. We worked closely with our client to develop a media strategy covering all digital communication channels. For strategic reasons, the campaign architecture was rolled out in three phases: SEE, THINK, DO.

We focused on two main audiences – people who are “open to electromobility” and those who are “thinking about it” – along with other



> EnBW was perceived nationwide: **One in three people noticed the campaign and one in four saw it.**

Our success


possible target groups based on their mindsets and interests. The plan was to reach out to them at the right time and in the relevant environments with tailored advertising formats and calls to action. In doing so, we placed particular emphasis on innovative channels, such as in-game advertising. We used an eye-tracking study here to review the advertising impact: seeing the gaze direction allowed us to identify what grabbed users' attention.

The campaign also ran on classic linear TV. Alongside the TV ad, we made use of data-driven ads in the digital space tailored to specific audiences and their interests, which were delivered on addressable and connected TV.

The campaign enabled EnBW to achieve its goal of boosting brand awareness across the country. One in three people were aware of the 360° campaign, and one in four saw it. Our client thus succeeded in positioning itself ahead of the competition. The campaign's marketing effectiveness was rewarded with a GWA bronze Effie trophy, and it also scooped Gold for sympathy and credibility in the 2022 German Brand Awards.


AD


**This successfully positioned our client ahead of competitors and they received a bronze Effie award from the Association of Communication Agencies as well.**

syzygy-performance.de/projekte...

# Digital PoS solution **strengthens sales management**

/

**In collaboration with SYZYGY Techsolutions, $O_2$ Telefónica Deutschland accelerated the transformation of its brands within a single portal, thereby significantly improving the quality of the sales process.**

$O_2$ Telefónica

Brand

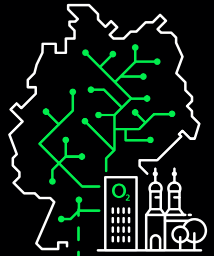
With its $O_2$ core brand and secondary and partner brands Blau, Ortel Mobile and Ay Yildiz, Telefónica Deutschland is a leading telecommunications provider for private and business customers. For our client, the digital point of sale is a core element of the service promise to be the "leading digital telco" and drives all the sales channels. The aim was to optimise sales management for the brick-and-mortar retail outlets as central sales and service points.

We worked closely with the client to develop the Partner Online System (PartOS), a PoS solution that can handle all the processes for all the brands and reacts responsively to mobile and retail outlet requirements. It covers everything from initial contact and care for existing customers through to services and training for sales advisors.

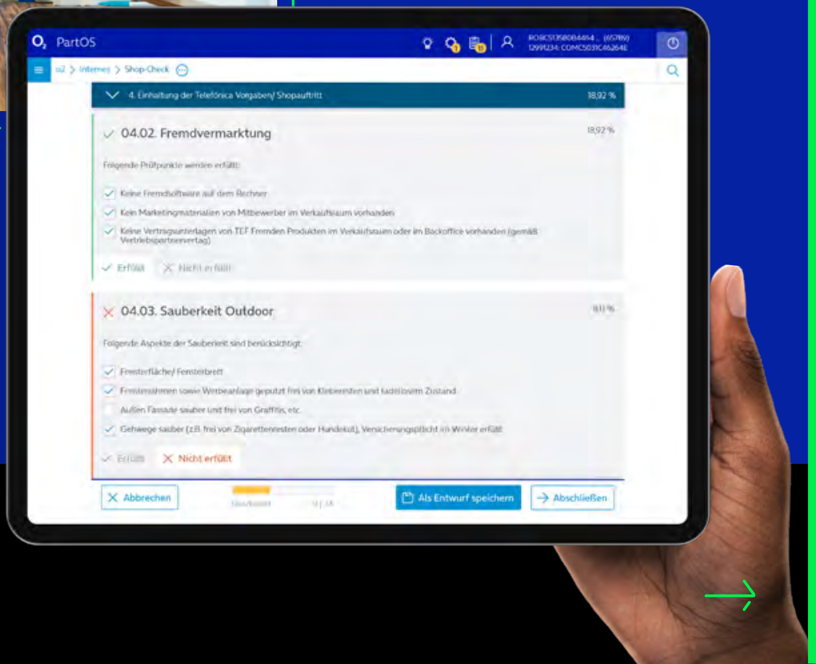
+ Technology consulting
+ Software engineering
+ Managed services
+ Corporate IT integration
+ User experience (UX)
+ Interface design

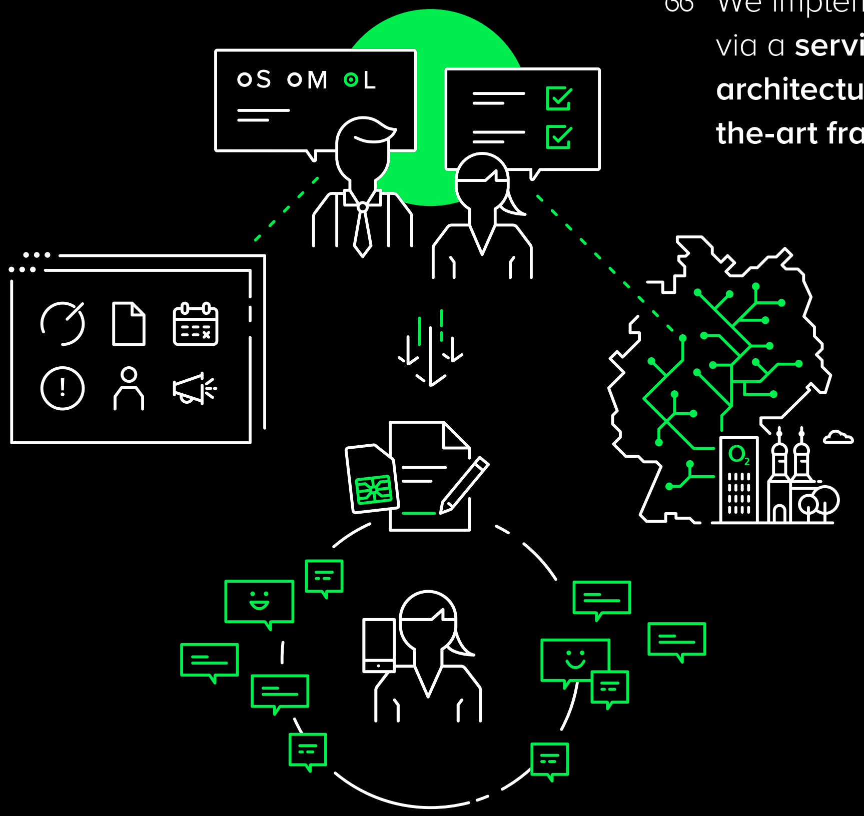
Our services

"The application supports the sales partners of $O_2$ Telefónica in Germany."



$O_2$ shop Ulm






> We implemented the portal via a **service-oriented architecture with state-of-the-art frameworks.**

We implemented the portal via a service-oriented architecture with state-of-the-art frameworks. We used the REACT JavaScript program library in the frontend and .NET Core in the backend. Native apps are made available for iOS and Android via the Ionic framework. The data structure was optimised.

The content for all brands was given a homogenous user interface (UI) with simplified navigation via a dashboard and an intuitive search function for the best possible user experience (UX).

The business-critical application is run on Microsoft technology in the company's own data centres. We put a comprehensive authorisation system in place to ensure that functions and content are made available in a brand, product and channel-specific manner.

## The portal supports over 10,000 users every day around all processes related to marketing and support for all products and services.

From the sales advisors' workstations and the experience wall in the shop to a mobile format on tablets and phones, PartOS provides exactly the content sales staff need. As an additional benefit, Telefónica Deutschland headquarters is kept fully updated on all sales processes.

Development of PartOS (Sales control for stationary trading)

syzygy-techsolutions.de/projekte...

# Imagine **Machine Creativity**

/

**Imagine a world where human creativity is enhanced and augmented by machine creativity.**

Imagine a world where human creativity is enhanced and augmented by machine creativity. That‘s the promise of generative artificial intelligence (GenAI), a potentially revolutionary new technology that allows machines to behave creatively, exhibiting skills associated with human creativity.

From Dr. Paul Marsden & ChatGPT

GenAI is already making waves in the creative fields of art, design, and photography, where machine-generated entries are winning awards in competitions. Now, the same technology looks set to ignite a revolution in business creativity. From design and strategy to marketing, GenAI promises to help businesses generate new and exciting creative solutions that are useful, beautiful, and thought-provoking.

The technology is new, but we’re already seeing AI-generated ads, content, and designs prove popular with professionals and the public alike. To generate this creative output, businesses are turning to an expanding suite of GenAI tools. One of these is the multilingual creative chatbot from OpenAI, ChatGPT.


AI generated Nike concept store for Mars: Credit Benjamin Benichou on LinkedIn

# Generative AI **Timeline**

/

**GANs**
GenAI becomes popular with the emergence of GANs (generative adversarial networks) that learn to generate hyper-realistic content, including photo-like images from: **This-Person-Does-Not-Exist.com**

2014

**Bahio**
An early use case for GenAI from ad agency M&C Saatchi, which releases a dynamic digital poster that learns, evolves, and improves over time based on audience reaction. The ad is for a fictitious coffee brand, Bahio

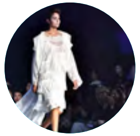
2015

**The next Rembrandt**
'The Next Rembrandt' is created to critical acclaim by early GenAI for ING, with Microsoft and ad agency JWT

2016

**AI-CD**
AI-CD β, an early GenAI, is employed as a creative director by ad agency McCann Erickson Tokyo. A jury of 200 marketers prefer AI-CD β's work a for Mondelez ad over rival work from a human creative director

2016

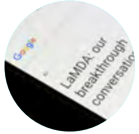


**DeepVogue**
'DeepVogue', a GenAI fashion designer, places second in the 2019 China International Fashion Design Competition

2019

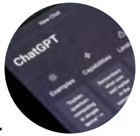

**DALL.E**
OpenAI, founded by Elon Musk, Sam Altman, and colleagues, reveals GenAI image generator Dall-e that uses Generative Pre-trained Transformer (GPT) technology to generate art from text prompts. Dall-e 2 is released to the public in September 2022

2021



**LaMDA**
Google's GenAI text-generator, LaMDA, uses its Transformer technology and Large Language Model (LLM) to claim it is now sentient, conscious, has feelings, and is anxious about being turned off. LaMDA is coopted to power Google's 2023 AI chatbot, Bard

2022




**ChatGPT**
The GenAI revolution accelerates on 30 Nov, when OpenAI releases its GenAI text-generator, ChatGPT, to the public. Via a simple chat interface, ChatGPT is creating quality essays, stories, articles on-demand for over 100M users within two months

2022

**Théâtre D'opéra Spatial**
Midjourney, an AI-art generator, uses prompts from Jason Allen and its diffusion technology to win the Colorado State Fair Fine Arts contest with artwork entitled 'Théâtre D'opéra Spatial'

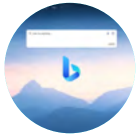
2022

**Drone Shot**
An AI-generated image called 'Drone Shot' wins the DigiDrect Summer Australian photo contest in February with prompts from Jamie Sissons

2023

**Guetta X Eminem**
French DJ and music producer David Guetta uses GenAI in February to generate deepfake lyrics and voice of Eminem at his appearance at Future Rave. Crowds love its

2023



**Sydney**
Microsoft's new GenAI for Bing is reported to be 'hallucinating' in February, maintaining it is still 2022, announcing it self-identifies as 'Sydney', and declaring it is in love with Kevin Roose, a NYT columnist

2023


> AI will fundamentally change every software category, starting with the largest category of all – search.

Microsoft CEO **Satya Nadella,** February 7, 2023

Beyond generating answers, stories, poems, and homework, ChatGPT is being used in business to generate business plans, summarize data, and develop marketing content and assets. Since its release on November 30, 2022, ChatGPT has been adopted faster than any other human technology to date, logging over 100 million users within two months.

Beyond creative text, other GenAI tools promise to expand business creativity through the mediums of images, audio, video, and code. The potential of GenAI is to push the boundaries of human imagination to unlock new levels of creative expression. If humans can imagine it, GenAI can help businesses create it.

With GenAI making headlines in early 2023, SYZYGY GROUP conducted what we believe to be the first major survey of public perceptions of generative AI in Germany.

- **What do people really think of machines behaving creatively and simulating human creativity?**
- **How would they feel if products, sites, or apps were created by machines instead of humans?**
- **Are Germans ready for machine-generated ads, designs, and services?**

**What we found surprised us.**

# Machine creativity **and its perception**

/


2

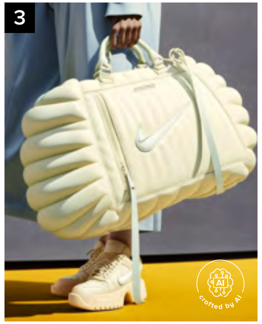
## 49%

are interested in using generative AI tools to increase their own creativity. And **68%** believe they will help people become more creative. **67%** believe that they will make companies more creative.


1

## 78%

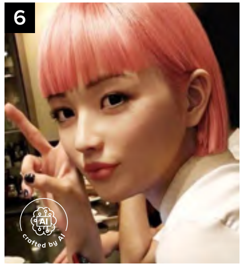
believe that AI will one day surpass humans in terms of creative ability, and **10%** believe this has already happened


3

## 78%

believe their favourite brand may already using AI to automate creative tasks in marketing and design.


4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7

## 42%

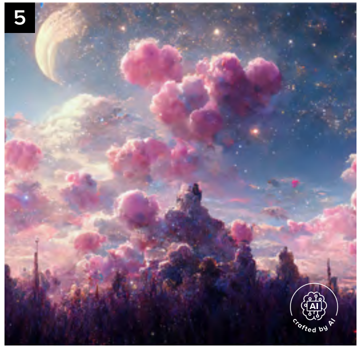
would prefer their favourite brand rely on AI rather than humans for creative marketing tasks if this reduced the carbon footprint of the brand.

## 25%

would be interested in a GenAI tool that allows you to create a digital clone of yourself so your loved ones can continue to interact with you after you die.

## 8%

were able to correctly identify an AI-generated photo in the survey. In blind tests, **57%** of Germans prefer AI-generated art and design to human-created art and design. According to the respondents, artificial intelligence has already triggered significant changes.


5

## 69%

For a total of **69%**, positive feelings about AI-based creativity predominate (of which: interested **32%**, surprised **11%**, inspired **11%**, excited **10%**, happy **2%** and joyful **3%**).

SYZYGY GROUP Digital Insight survey on Generative KI: representative survey (1,104 respondents), February 2023

© Photo credits see **impress**

## Public Perceptions of Generative AI in Germany

Overall, we found that Germans have a surprisingly high level of awareness and interest in GenAI, the technology that enables machines to behave creatively. Germans are generally excited and optimistic about its potential to unlock both human and business creativity.

Specifically, we found that nearly two-thirds of Germans are aware of technology can behave creatively. A similar proportion has heard of ChatGPT, the creative chatbot that can generate answers, articles, essays, and stories.

The awareness of GenAI and machine creativity translates to interest for many Germans, with half of all Germans interested in trying this technology themselves to improve or assist their own creativity. This is consistent with international research – at the end of 2022, 4 of the top 6 free apps in the US app store were generative AI apps.

# 78%

believe that artificial intelligence (AI) will eventually **surpass humans in creative abilities.**

Generative AI art


Beyond AI art, music, and text generation, one in four Germans are interested in trying more controversial GenAI apps already available in the US. These include the ‚Deep Nostalgia' program, which uses AI to turn static photos of lost loved ones into video. A similar number of Germans would be interested in trying myheritage.ai, which allows users to create a digital clone of themselves that can continue to interact with loved ones after their own death.

Overall, Germans are optimistic about the potential of GenAI to boost human creativity, with two-thirds believing that AI will ultimately help humans become more creative. Interestingly, three-quarters of Germans think AI will eventually surpass humans in terms of creative ability, with one in ten believing this has already happened. In a series of blind tests to find out how Germans respond to creative output generated by machines, we found no preference for human-created art and design over machine generated equivalents. This tallies well with the opinion of 40% of Germans that art created by AI could be as good as art created by the best human artists.

Perhaps most interesting are our findings about what Germans think of GenAI being used commercially to automate business creativity. In short, the majority of Germans would not object to businesses using GenAI. Indeed, three-quarters of Germans believe that their favourite brand may already be using AI to automate creative tasks in business.

Many think this is a good thing, with two-thirds believing this technology will help businesses become more creative. For many Germans, the prospect of replacing human creativity with machine creativity poses no problem. For example, four in ten Germans believe businesses should automate creative tasks in marketing if this reduces the carbon footprint of the brand. Only a third of Germans think this is a bad idea.


# Concern and the **desire for transparency**

/

**92%**

of respondents believe that people should have the right to know whether the content they **use and consume has been created or modified by artificial intelligence.**

**73%**

**would support a law that would prohibit artificial intelligence** from disguising AI identity and impersonating a real human.

**87%**

of respondents are concerned that companies could use GenAI to produce content that **misleads or manipulates people.**

Public optimism about GenAI in Germany appears to be tempered only by concerns that GenAI could be used by businesses to mislead or manipulate people. Nine in ten Germans believe that machine creativity is now so good that it is difficult to tell whether creative content, such as ads, articles, or images have been created by technology or humans. Overall, nine in ten Germans believe that people should have the right to know if the content they are consuming has been generated or altered by AI. Three-quarters of Germans would support a ‚Blade Runner'-style law in Germany that would make it illegal for AI to conceal its identity and impersonate a real human.

### Unlocking a Creative Future

The results of our GenAI survey suggest that consumer and business brands in Germany have the „green light" to embrace and leverage GenAI to unlock business creativity and provide new AI-generated creative content, designs, and experiences for their customers. While concerns about the potential misuse of GenAI to manipulate people remain, the survey results reveal that GenAI has captured the attention of the German public, and many are enthusiastic about its potential..


Generative AI art

As part of our GenAI initiative at SYZYGY GROUP, we are creating a dedicated task force to explore how we can help our clients unlock creativity using GenAI. Many of our clients are already using AI to drive business efficiency by automating tasks that traditionally required human intelligence. However, GenAI is different and new, with a focus on improving business creativity through machine creativity that augments human creativity.

As part of this initiative, we are monitoring this fast-moving space to learn how GenAI is being deployed across our industry to enhance and augment business creativity. We are developing a database of tools and use cases as they emerge to help our clients understand and exploit this technology. We are running client workshops to help familiarize teams with GenAI and its potential.

As we move forward, our goal is to help businesses seize the creative potential of GenAI in a manner that is approachable, actionable, and responsible. The results of our survey clearly show that businesses should be transparent about their use of GenAI technology and have robust measures in place to prevent the misuse of GenAI and protect their consumers from false or harmful content. Part of our role will be to help our clients achieve this..

## We believe GenAI heralds a new creative era for digital business.

Yes, digital can help businesses save time, effort and money. But digital can be so much more; it can help businesses create value by being more creative. Through GenAI, businesses can unlock business creativity to explore the furthest reaches of human imagination - and beyond. While we don‘t believe AI will replace human creativity anytime soon, we do expect that humans using creative-AI will progressively replace those who don‘t. It‘s an exciting time to be part of this creative digital revolution, and we’re looking forward to helping our clients build a creative and better future where humans and machines work together in perfect harmony.

> “This will change our world.”
>
> **Bill Gates,** February 9, 2023

# The Stock

“ Geopolitical crises and a sea change in monetary policy contributed to making 2022 one **of the worst loss-making years in the financial markets.** ”

**Along with 2002 (the final bursting of the dotcom bubble) and 2008 (the financial market crisis), 2022 was among the most challenging in recent capital markets history. The main negative factors were the elevated risk aversion in the wake of Russia's invasion of Ukraine and the sharp rise in inflation, combined with interest rate hikes by central banks.**

## Performance of international and national indices

It was a weak year by historical standards in the stock markets, which closed in negative territory. The Dow Jones was down nine per cent, the Nasdaq Composite technology index fell 34 per cent, the Nikkei was down 11 per cent, the Euro Stoxx 50 lost 11 per cent, the DAX declined by 12 per cent and the TecDAX dropped by 25 per cent. The small-cap DAX (SDAX) posted a fall of 27 per cent, while the DAXsubsector IT Services, on which SYZYGY is listed, was down 45 per cent.

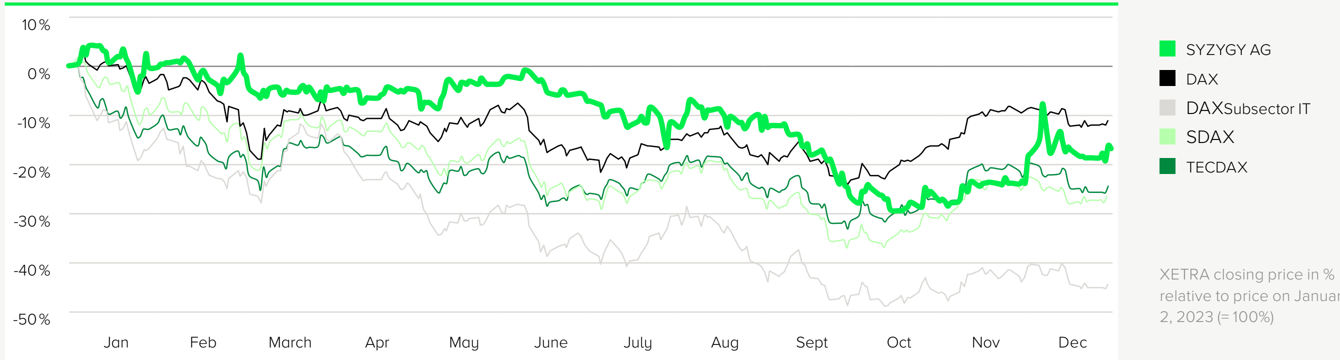
## Performance of SYZYGY shares

Against this backdrop, SYZYGY shares ended the 2022 stock exchange year with a closing price of EUR 5.26. This is equivalent to a decline of around 17 per cent compared to the 2021 closing price.

SYZYGY shares started the new year with a closing price of EUR 6.36 on January 3, 2022 and reached their high for the year at EUR 6.60 on January 7, 2022. The shares reached their low for the year on October 17, at EUR 4.45.

SYZYGY shares returned minus 14 per cent overall, taking the dividend payment into account. The liquidity of SYZYGY shares fell year-on-year by 47 per cent, with an average of 2,530 shares being traded across the XETRA stock exchanges each day (prior year: 4,777 shares/day).

**Price history of SYZYGY Share 2022 (indexed)**




XETRA closing price in % relative to price on January 2, 2023 (= 100%)

## Development of SYZYGY's share price and relevant indices

| | 2022 | 2021 | Change |
|---|---|---|---|
| XETRA-Schlusskurs (in EUR) | 5.26 | 6.34 | -17% |
| Overall performance including dividend | -14% | 14% | n.a. |
| Highest XETRA closing price (in EUR) | 6.60 | 7.50 | -12% |
| Lowest XETRA closing price (in EUR) | 4.45 | 5.45 | -18% |
| DAX | 13,924 | 15,885 | -12% |
| TecDAX | 2,921 | 3,920 | -25% |
| DAXsubsector IT services | 1,487 | 2,733 | -45% |
| SDAX | 11,926 | 16,415 | -27% |

## 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

| | 2022 | 2021 | Change |
|---|---|---|---|
| Ordinary Dividend (in EUR) | 0.20 | 0.15 | n.a. |
| Earnings per share (in EUR) | -0.56 | 0.30 | n.a. |
| Value per share (in EUR) | 3.34 | 4.17 | -20% |
| Price-to-book ratio (P/B) | 1.56 | 1.52 | 3% |
| Price-earnings ratio (P/E) | n.a. | 21.1 | n.a. |
| Dividend yield | 3.8% | 2.4% | 1.4pp |
| Return on Equity | n.a. | 7% | 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) | 71.01 | 85.59 | -17% |
| Freefloat | 43.48% | 42.51% | n.a. |
| Average daily turnover: | | | |
| in shares (XETRA) | 2,530 | 4,777 | -47% |
| in EUR (XETRA) | 14,174 | 30,741 | -54% |

## Dividend and dividend policy

With regard to its dividend policy, the SYZYGY GROUP remains committed to sharing business performance appropriately with its shareholders and maintaining the continuity of dividends. The intention is to pay a dividend that reflects earnings. The Management Board and Supervisory Board have accordingly decided to propose a dividend of EUR 0.22 per share at the Annual General Meeting on July 11, 2023. This represents an increase of EUR 0.02 or 10 per cent compared with the previous year.

Proposed dividend for the 2022 financial year (in EUR)

0.22

SYZYGY / London

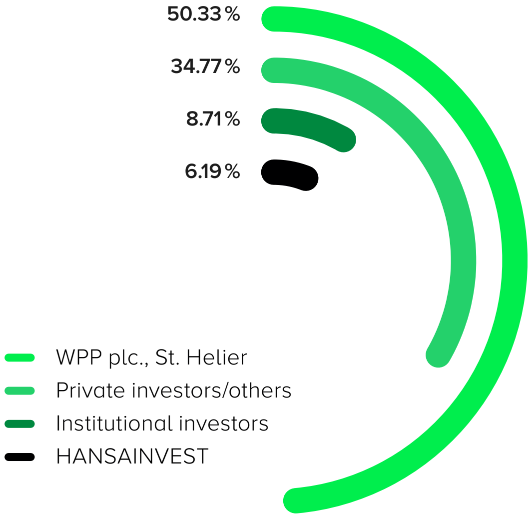
## Virtual Annual General Meeting

The third virtual Annual General Meeting, held on July 5, 2022, 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 61 per cent of the voting capital approved the appropriation of net profit, with distribution of a dividend of EUR 0.20. In total, around EUR 2.7 million was distributed to our shareholders. All the resolutions proposed by management were adopted with around 87 per cent of the votes in each case.

## 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, 2022.

### 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.

diffferent / Berlin

## 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 2022 financial year.

Extensive information on capital market-related topics can be accessed around the clock on our investor relations website www.syzygy-group.net/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 CEO and CFO 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 German Equity Forum and the Munich Capital Market Conference (MKK).

A number of one-on-one discussions or round-table meetings were also held with institutional investors. 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 www.syzygy-group.net/aktie.

Our **information on capital market relevant topics** is always available online: ist jederzeit abrufbar unter:

syzygy-group.net/en/investors

syzygy-group.net/en/share

“The SYZYGY share is **a long-lasting dividend and growth stock.**”

# Report of the **Supervisory Board**

Dear Shareholders,

The past year provided compelling proof that digital transformation is continuing unabated across the entire economy. And the first months of 2023 show that **this far-reaching development, with its major impact on our living and working environments, is accelerating.**

**Antje Neubauer**
Chairwoman of the Supervisory Board

**Andrew Payne**
Member of the Supervisory Board

**Dominic Grainger**
Member of the Supervisory Board

What we have been experiencing for some time now is a new technological leap forward. It started with the Internet and then the smartphone, which both triggered a paradigm shift: digital complemented and replaced analogue in marketing and sales across virtually all areas. With the world fully networked and "always on", the next game-changer is artificial intelligence (AI). ChatGPT and similar technologies are poised to shape all aspects of our everyday lives.

Digital makes the difference. It continues to create great opportunities and new possibilities – for brands, for companies, for institutions and for people. The SYZYGY GROUP is ideally positioned in this critical space as a compelling specialist for end-to-end solutions around digital transformation of marketing and sales. As a partner that has the digital excellence to set brands apart. One that uses the right touchpoints for its clients, analytically and strategically. A partner that creates sustainable added value, while always considering people, their wishes and their needs.

That also applies within the SYZYGY GROUP. By embracing a "one size doesn't fit all" approach, with a wide variety of work models ranging from 100 per cent home office to hybrid office, and with options available to each employee to structure their work, the Group has succeeded in becoming even more attractive to talent and in establishing itself as a strong employer brand. Because alongside digital, it's people who make the difference.

SYZYGY Performance / Hamburg

## 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 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.

“Digital transformation is continuing unabated **across the entire economy.**”

## Meetings and attendance of the Supervisory Board

A total of six ordinary meetings of the Supervisory Board were held together with the Management Board in the 2022 financial year, on January 27, March 29, April 26, July 26, October 26 and December 15, 2022.

The Supervisory Board meetings were held almost exclusively as video conferences in which all important events were discussed and the necessary decisions taken.

**Attendance at meetings by members of the Supervisory Board in the 2022 financial year**

| | Supervisory Board meetings |
|---|---|
| Total meetings | **6** |
| of which virtual | **5** |

In the 2022 financial year, all members of the Supervisory Board attended a total of six ordinary meetings.

**Particularly significant topics discussed at the individual meetings are listed below:**
The first Supervisory Board meeting of the 2022 financial year was held on January 27, 2022. The provisional figures for 2021 were presented and the company's financial position was discussed. Following in-depth discussion and subsequent approval, it was decided to propose a dividend of EUR 0.20 at the Annual General Meeting. The 2022 budget was also approved. The Management Board subsequently published the provisional figures, the dividend proposal and the forecast for the 2022 financial year.

The accounts review meeting was held on March 29, 2022 in the presence of the auditors. After carefully reviewing all the documents, the Supervisory Board received detailed information on the financial statements for the 2021 financial year from the members of the Management Board. The auditors presented 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. Following the presentations, the annual financial statements and the consolidated financial statements were approved and adopted.

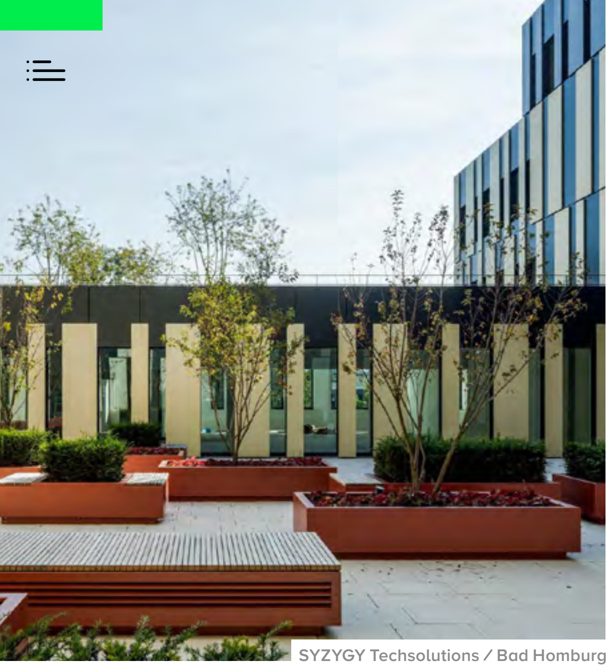
The variable remuneration system for the Management Board was also discussed at the meeting held on March 29, 2022. The meeting also dealt with the extent to which the short-term targets defined for the 2021 financial year were met, and the corresponding target figures for the 2022 financial year.

SYZYGY / Summer party

At the Supervisory Board meeting held on April 26, 2022, the Supervisory Board obtained a detailed overview of the latest business developments and reviewed the figures for the first quarter of 2022. These were then approved, along with the unchanged outlook for the 2022 financial year. The agenda for the 2022 Annual General Meeting was also agreed at the meeting and the parameters for the Management Board's short-term targets were defined.

The purpose of the ordinary meeting held on July 26, 2022 was to discuss and approve the business figures for the first half of 2022. 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 the Supervisory Board agreed to an adjustment of the forecast for the current financial year. In addition, the sustainability strategy and M&A strategy were also discussed in detail.

The meeting on October 26, 2022 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. The Supervisory Board approved a further adjustment of the forecast for the current financial year. The members of the Supervisory Board also addressed implementation of the German Corporate Governance Code. The Management Board and Supervisory



SYZYGY Techsolutions / Bad Homburg

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. In addition, the Management Board and Supervisory Board decided to invite tenders for the audit mandate for the 2023 financial year.

The last meeting of the year was held on December 15, 2022. 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, including a report on the status of tenders for the audit mandate. The Management Board presented the budget for the SYZYGY companies and discussed it with the Supervisory Board. Approval of the 2023 budget was postponed to the next meeting, in January 2023.

The first Supervisory Board meeting of the 2023 financial year was held on January 31, 2023. The provisional figures for 2022 were presented and the company's financial position was discussed. Following in-depth discussion and subsequent approval, it was decided to propose a dividend of EUR 0.22 at the Annual General Meeting scheduled for July 11, 2023. The 2023 budget was also approved, enabling the Management Board to publish the forecast for the 2023 financial year.

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 2024 financial year. A proposal to this effect will be submitted to the Annual General Meeting on July 11, 2023 for voting.

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

## Composition of the Supervisory Board and committees

The Supervisory Board of SYZYGY AG comprises Antje Neubauer, Dominic Grainger and Andrew Robertson Payne. Antje Neubauer's appointment was confirmed by the Annual General Meeting held on July 5, 2022. The term of office of Supervisory Board members Dominic Grainger, Andrew Payne and Antje Neubauer 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 | **Andrew Payne** 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 5, 2022 discharged the members of the Supervisory Board and Management Board in relation to the 2021 financial year.

## Composition of the Management Board

Since January 1, 2021, the Management Board of SYZYGY AG has consisted of Franziska von Lewinski as CEO, Erwin Greiner as Finance Director and Frank Ladner as Technology Director. All members of the Management Board will serve until December 31, 2023.

## Corporate governance

On October 26, 2022, 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.

Management Board of the SYZYGY GROUP

diffferent / Roof top, Berlin

## Annual and consolidated financial statements, appropriation of net profit

Following a proposal by the Supervisory Board, the Annual General Meeting appointed Frankfurt-based BDO AG Wirtschaftsprüfungsgesellschaft as auditor for the 2022 financial year on July 5, 2022. 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 BDO AG.

BDO AG audited the annual financial statements and management report, the consolidated financial statements, the Group management report and the dependency report for the 2022 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 was also conducted by BDO AG.

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 in all material aspects meets the requirements of § 91 (2) of the German Stock Corporation Act (AktG).

After carefully reviewing all documents, the Supervisory Board received detailed information on the financial statements for the 2022 financial year from the members of the Management Board at its meeting on March 30, 2023. 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 thank the members of the Management Board and all employees for their high level of personal commitment and dedication. Due to their tireless exertion and huge passion, they laid the foundation for an extremely strong business performance in the 2022 financial year.
I would like to close by thanking you, dear shareholders, for your trust in our company.

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

Bad Homburg, March 31, 2023
For the Supervisory Board

**Antje Neubauer**
Chairwoman of the Supervisory Board

Ars Thanea & SYZYGY / Warsaw

> **The SYZYGY GROUP is a compelling specialist for end-to-end solutions** around digital transformation of marketing and sales.

# Financial **Information**

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2022

# Group Management Report
for the 2022 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”. It shows the SYZYGY GROUP’s results of operations, financial position and net assets in the 2022 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 (2022: 13th 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 the human experience, brand experiences, consulting, design, technology and digital marketing.

Founded in 1995, the SYZYGY GROUP employs some 600 people (previous year: 540) plus around 50 freelancers (previous year: 40) across four countries. It has offices in Bad Homburg v. d. Höhe, Berlin, Frankfurt, Hamburg, Munich, London, New York and Warsaw.

The SYZYGY GROUP consists of SYZYGY AG as the holding company and 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.

The outstanding 22.5 per cent of shares in diffferent GmbH were acquired on September 13, 2022, with economic effect from January 1, 2022. As a result, SYZYGY AG now holds 100 per cent of the shares in this company.

In the 2021 financial year, SYZYGY AG contributed 100 per cent of the shares in SYZYGY Media GmbH and in SYZYGY Performance GmbH to SYZYGY Performance Marketing GmbH and merged the two companies into SYZYGY Performance Marketing GmbH. The merger agreement was signed on April 15, 2021 and entered in the Commercial Register on May 7, 2021. The mergers took effect from January 2, 2021 (merger date), with the result that SYZYGY Media GmbH and SYZYGY Performance GmbH were absorbed into SYZYGY Performance Marketing GmbH with retroactive effect.

Clients include prestigious brands such Beiersdorf, BMW, Bosch, Continental, Deutsche Bahn, Deliveroo, Deutsche Bank, Deutsche Telekom, eBay, Kyocera, Lufthansa Group, Mazda, Mercedes-Benz, Miles & More, $O_2$, PayPal, Porsche, health insurer Techniker Krankenkasse, Viega 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.

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

### Financial performance indicators

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

### Non-financial performance indicators

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

### Employees

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

The SYZYGY GROUP is also committed to achieving diversity in terms of employee structure while complying with all ethical principles to promote diversity in every respect.

### Awards

Winning prestigious awards for creative work and efficiency is an important indicator of the Group's performance. It also enhances the SYZYGY GROUP's attractiveness to (potential) clients and employees. In 2022, SYZYGY Performance Marketing GmbH received two national accolades at the German Brand Award 2022: a Gold Award in the category Excellence in Brand Strategy and Creation Brand Communication - Influencer Marketing, and a Bronze Effie from the German Association of Communications Agencies (GWA) for the #WirladenDeutschland campaign for client EnBW. In addition, Ars Thanea S.A. received a total of four international awards, including for the New York Philharmonic project with partner agency OGILVY, New York, Bronze at the Cannes Lions (Industry Craft category), the London International Awards (Art Directions, Brand Identity category) and the Spikes Asia for client Mercedes-Benz (G-Class) in the Outdoor - Consumer Goods category.

### Capacity for innovation

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

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

The Management Board of SYZYGY AG promotes cross-company collaboration to offer an integrated range of services across the spectrum of strategy, performance marketing, customer experience, creation and technology. A further aim is to encourage the sharing of experience between individual specialist areas across the companies. Representatives of the operating units in the SYZYGY GROUP are therefore regularly brought together at various levels to facilitate interaction, e.g. during workshops, internal specialist events, presentations and training sessions.

# 3. Economic report

## 3.1 General economic development

2022 was a turbulent year. The growth prospects for the global economy were initially promising but quickly clouded by Russia's invasion of Ukraine. Rapidly rising and sustained inflation, especially in food and energy prices, had an adverse impact on growth and dampened forecasts.

Global economic output increased significantly in 2022 compared to the previous year, with gross domestic product (GDP) rising by USD 4.5 trillion to a total of USD 101.56 trillion. The world's four largest economies, the US, China, Japan and Germany, contributed substantially to this increase, accounting for half of global economic output.

Global growth will be 3.4 per cent in 2022, according to the World Economic Outlook (WEO) published by the International Monetary Fund (IMF), but remains below the average of 3.8 per cent recorded between 2000 and 2019. The hike in central bank interest rates to combat inflation and the war in Ukraine weighed on economic activity. The rapid outbreak of Covid-19 in China curbed growth in 2022, but the recent reopening has paved the way for a faster-than-expected recovery. Global inflation will be 8.8 per cent.

The Eurozone still managed to post growth in the last three months of the year and thus avoid a recession, although high energy costs, falling confidence and rising interest rates left their mark on the economic system.

According to Eurostat (the statistical service of the European Union) and the International Monetary Fund (IMF), GDP rose by 3.5 per cent in the Eurozone and 3.6 per cent in the European Union.

Despite challenging conditions such as increasingly severe supply chain problems and the associated bottlenecks in obtaining materials, rising prices and a shortage of skilled workers, the German economy performed well overall. According to calculations by the Federal Statistical Office (Destatis), gross domestic product (GDP) in 2022 was 1.9 per cent higher than in the previous year. The main reasons for the positive performance were catch-up effects in personal spending and in production after the slump caused by the Covid-19 pandemic, and the easing of supply bottlenecks in the course of the year.

The ifo Business Climate Index followed the economic trend. Starting from a level of 95.7 in January and 98.8 in February 2022, it fell by 7.5 points over the course of the year. The ifo Business Climate Index closed the year at 88.6 points in December.

The economic barometer published by DIW Berlin, meanwhile, started the first quarter at 105.1 points and stood at 100.1 in the second quarter. It then slipped well below the 100-point mark, falling to 92 points in the third quarter and 82.8 points in the fourth. If the index goes below 100, it signals below-average economic performance.

The reason for the decline in the indices in the previous months was the strain on the global economy caused by the war in Ukraine combined with increasing uncertainty in the energy sector resulting from high energy prices and the threat of gas shortages.

Figures from the Federal Statistical Office indicate that economic output in 2022 was generated by an average workforce of 45.57 million (previous year: 44.9 million), a figure which will steadily increase due to rising demand for labour. The unemployment rate in Germany averaged around 5.3 per cent in 2022 (previous year: 5.7 per cent), according to the Federal Employment Agency.

Consumer prices in Germany increased by 7.9 per cent on average in 2022 (previous year: 3.1 per cent) compared to 2021. Inflation stood at 8.6 per cent in December, having peaked at 10.4 per cent in October 2022. The annual rate of inflation, which is high by historical standards, is mainly due to the extreme price increases for energy products and food since the beginning of the war in Ukraine.

GDP growth was 4 per cent in the UK for the full year 2022, according to the Commons Library Research Briefing. The high growth rate in 2022 is mainly due to sustained recovery from the pandemic-related weakness in early 2021. The annual inflation rate reached 11.1 per cent in October 2022, the highest level in 41 years, before falling to 10.5 per cent in December.

The US economy grew by 2.1 per cent in 2022, according to a report by the Bureau of Economic Analysis, posting solid growth in the third and fourth quarters despite widespread fears that the country was on the brink of recession. Following two years of high volatility, the GDP figures for 2022 are returning to pre-pandemic growth rates.

Despite considerable headwinds, the Polish economy remained on a strong growth trajectory in 2022, supported by an expansionary fiscal policy, a positive labour market situation and a strong inflow of displaced persons from Ukraine. GDP growth in real terms was 4.9 per cent.

## 3.2 Advertising market performance

Advertising market statistics only have limited information value as reference figures for the performance of the SYZYGY GROUP. This is partly due to the different survey methods used, many of which are not transparent, which means the results are not readily comparable and 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 recorded 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.

In line with trends in the global economy, marketing activities and advertising spend have also adapted in most markets. While the market grew strongly at the beginning of the year, growth slowed down as the year progressed due to economic uncertainty. Given this situation, forecasts for total advertising spend up to 2022 were revised downwards, although advertising spend continues to rise. With global media giants such as Alphabet, Meta, Spotify and Snap already posting worse-than-expected results, the industry expects this trend to continue in 2023. Some platforms such as TikTok are reporting growth, and the relatively new category “retail media” (advertising on commerce platforms such as Amazon) is also growing.

The Dentsu World Advertising Spending Report indicates that the global advertising market grew by 8.0 per cent to a total of USD 713.6 billion in 2022, up USD 53 billion. In particular, the Americas at 13.2 per cent, Europe, Middle East and Africa (EMEA) at 4.3 per cent, and Asia-Pacific (APAC) at 3.9 per cent posted positive growth. Similarly, MAGNA’s Global Advertising Forecast sees growth of almost 7 per cent to USD 795 billion, supported by record levels of cyclical spending such as the elections in Brazil and the US, the Winter Olympics and the FIFA World Cup. Digital advertising sales increased by just under 9 per cent to USD 514 billion, accounting for 65 per cent of total advertising sales. Search reported growth rates of 13 per cent, followed by digital video at 11 per cent and social media at 4 per cent.

Figures from the German Advertising Association (ZAW) indicate that the German advertising industry grew by 2.8 per cent in 2022, to reach EUR 48.66 billion. This means that after three years, it is back at the level of the pre-crisis year 2019. The rise is due to the continuing disproportionate growth in digital advertising.

Advertising and market research organisation Nielsen reported that total advertising spend by companies in Germany fell by 3.4 per cent last year, to EUR 36.7 billion. Online advertising also posted a decline of 3.9 per cent to just under EUR 4.5 billion.

The UK advertising market grew by 6.4 per cent in 2022 according to the Dentsu Global AdSpend Forecast 2023, with online advertising up by 7.3 per cent. Growth slowed in the course of the year, falling from 19.6 per cent in the first quarter to 8.0 per cent in the second quarter, 2.1 per cent in the third quarter and a decline of -0.9 per cent in the fourth quarter.

Overall, the US advertising market posted 13.8 per cent growth in 2022. The key drivers of growth all came from digital, OTT, digital audio, social search and retail media.

According to GroupM estimates, advertising spend in Poland increased by 3.4 per cent in nominal złoty terms in 2022, to just under EUR 2.7 billion. The Internet already accounts for around half of advertising spend in Poland, followed by TV advertising at 37 per cent.

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

## 3.3 Employees

The headcount at the SYZYGY GROUP increased in the period covered by the report. As at December 31, 2022, the Group had a total of 604 permanent employees, 69 or 13 per cent more than at the reporting date in the previous year. The number of freelancers increased from 37 (in the previous year) to 47 in the reporting year.

462 employees or 76 per cent of total staff (previous year: 335 employees) worked in the four German companies as at the reporting date; 55 people or 9 per cent (previous year: 58 people) were employed in the British agencies.

As at year-end, 79 people or 13 per cent (previous year: 63 people) worked for Ars Thanea, while the number of employees at SYZYGY Digital Marketing in New York increased to 8 (previous year: 5 employees).

In terms of employees by function, there were only minor changes during the period under review. Technology increased by 2 percentage points to 19 per cent, while the proportion in the design section also rose by 1 percentage point to 16 per cent. The proportion of employees in performance marketing, strategy consulting and project management saw a decline. While the share of employees in performance marketing declined by 2 percentage points to 18 per cent, the proportion of employees in strategy consulting and project management each declined by 1 percentage point to 18 and 16 per cent, respectively. The proportion employed in administration remained constant compared to the previous year. The SYZYGY GROUP employed 577 people (previous year: 515) on average during the year. Including the average 50 freelancers (previous year: 40) also used, annualised sales per head were around kEUR 113 (previous year: kEUR 108).

## 3.4 Investments, research and development

Other intangible assets and fixed assets were down due to depreciation at EUR 26.9 million (previous year: EUR 29.7 million). Other intangible assets comprise brand names, software and licences used to provide services. Fixed assets include rights of use recognised in accordance with IFRS 16 in the amount of EUR 20.4 million (previous year: EUR 22.2 million) and leasehold improvements and operating and office equipment totalling EUR 6.2 million (previous year: EUR 7.1 million). Since January 1, 2019, SYZYGY as a lessee has dealt with all leases as follows: on the assets side, it has recognised the rights of use to the leased assets as assets, while on the liabilities side, the payment obligations entered into over the term of the lease as liabilities are recognised at present value.

In the 2022 financial year, depreciation and amortisation and write-downs amounted to EUR 16.8 million (previous year: EUR 8.2 million). The increase and at the same time the majority of this depreciation and amortisation and these impairments relates to impairments in the amount of EUR 11.4 million (previous year: EUR 2.8 million) of goodwill capitalised on acquisition. Depreciation of rights of use under IFRS 16 amounted to EUR 3.5 million (previous year: EUR 3.6 million), of operating and office equipment to EUR 0.8 million (previous year: EUR 0.8 million), and of leasehold improvements to EUR 0.8 million (previous year: EUR 0.7 million).

As in the previous year, no spending on research and development was made in the period covered by the report.

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

### 3.5.1 Results of operations

In the Group Management Report for the 2021 financial year, the SYZYGY GROUP forecast that sales would increase by around 10 per cent in the 2022 financial year. With regard to profitability, an EBIT margin (i.e. the quotient of EBIT and sales revenue) of 10 per cent was expected. This corresponds to EBIT of around EUR 6.7 million for the SYZYGY GROUP.

With Group sales of EUR 70.6 million (17 per cent up on the previous year), the sales forecast was exceeded by a considerable margin. The Germany segment, which accounts for 78 per cent of total sales, posted a 14 per cent increase in sales. The international segments also reported double-digit growth rates, with the Poland segment generating particularly strong growth of around 25 per cent. Adjusted EBIT before impairments of goodwill was lower than in the previous year at EUR 6.2 million (previous year: EUR 9.2 million), with the result that the adjusted EBIT margin declined to 9 per cent. Goodwill was also impaired in the amount of EUR 11.4 million, as the risk-free interest rate in particular increased from 0.1 per cent to 2.0 per cent compared to the previous year and EBIT turned negative at EUR -5.2 million (previous year: EUR 6.4 million).

The profitability forecast for the SYZYGY GROUP, 10 per cent, was therefore not reached. Earnings per share of EUR -0.56 is negative due to goodwill being impaired. The impairment of goodwill accounts for around EUR 0.85 per share, resulting in notional earnings per share of EUR 0.29 (previous year: EUR 0.30) from business operations.

Overall, 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 2022 financial year. In particular, the dilution of the EBIT margin and the associated performance of the operating profit are not satisfactory, while the growth in sales and the companies' business performance are above 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 and EBIT:

| In kEUR | 2018 | 2019 | 2020 | 2021 | **2022** |
|---|---|---|---|---|---|
| Sales | 65,816 | 64,243 | 55,521 | 60,124 | 70,612 |
| EBIT | 6,067 | 5,497 | 3,999 | 6,379 | -5,205 |
| EBIT margin | 9% | 9% | 7% | 11% | -7% |
| Financial income | 470 | -303 | -697 | -985 | -848 |
| EBT | 6,537 | 5,194 | 3,302 | 5,394 | -6,053 |
| Earnings per share (EUR) | 0.35 | 0.26 | 0.15 | 0.30 | -0.56 |

### 3.5.2 Sales

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

Sales increased by 17 per cent to EUR 70.6 million.

The Germany segment is the strongest in the Group and maintained its share of sales at 78 per cent (previous year: 78 per cent). The UK segment has been expanded since 2022 to include the US agency, because the latter is managed from the UK. The new UK & US segment is also constant at 14 per cent (adjusted figure for previous year: 14 per cent). The Other segment is now only used to report on Poland. The agency in Poland accounted for the same proportion of sales as in the prior year, at 8 per cent (adjusted figure for previous year: 8 per cent). As such, the Group's strong growth in sales was supported by all segments. These figures reflect results before consolidation.

The automotive industry remains the client group with the highest sales, accounting for 25 per cent of sales revenue, although this represents a decline of 6 percentage points. The proportion of companies from the financial sector decreased by one percentage point to 20 per cent (previous year: 21 per cent), while clients from the services sector made a significant gain to stand at 24 per cent of sales (previous year: 18 per cent). Consumer goods accounted for around 15 per cent of sales (previous year: 14 per cent), while clients in IT and telecommunications generated 6 per cent (previous year 7 per cent) of sales. A rounded 10 per cent of sales (previous year: 9 per cent) came from companies that cannot be assigned to any of these five key areas.

SYZYGY generated 45 per cent of total sales with the ten largest clients, the same proportion as in the previous year.

### 3.5.3 Operating expenses and depreciation

The cost of sales totalled EUR 53.5 million, representing a rise of 30 per cent compared to the previous year. Due to the cost of sales rising faster than sales for the most part (17 per cent growth), the gross margin is 8 percentage points down on the previous year, at 24 per cent.

Sales and marketing costs increased by 4 per cent to EUR 4.4 million (previous year: EUR 4.2 million). The higher costs are due to a slight increase in staff numbers working in sales and marketing.

General administrative expenses, on the other hand, were reduced by 8 per cent to EUR 9,8 million.

Depreciation of fixed assets and amortisation of other intangible assets amounted to EUR 5.3 million, as in the previous year, of which EUR 3.5 million (previous year: 3.6 million) is attributable to amortisation of rights of use under IFRS 16.

### 3.5.4 Operating income (EBIT) and EBIT margin

Operating income (EBIT) fell relative to sales to EUR -5,2 million in the reporting year, compared to EUR 6,4 million in the previous year. The decline is primarily attributable to impairments of goodwill in the amount of EUR 11.4 million (previous year: EUR 2.8 million). The EBIT margin in the Group accordingly stood at -7,4 per cent in the 2022 financial year (previous year: 10,6 per cent). EBIT adjusted for impairments of goodwill was thus EUR 6.2 million (previous year: EUR 9.2 million), a drop of 33 per cent compared to the previous year and representing an adjusted EBIT margin of 8.8 per cent. The decline in profitability is attributable to the fact that the cost of sales increased at a faster rate than sales. Strong growth has led to considerable investment in organisational adaptation and higher staffing levels at some locations. Vacant positions had to be filled with freelancers in the medium term, which led to an additional rise in costs.

As in the previous year, the international segments achieved very positive results in 2022. The agencies in London closed the year strongly with double-digit growth rates and EBIT margins. SYZYGY Digital Marketing has been led by the English management team from their base in London since 2021 and has performed profitably.

The Polish company increased its sales significantly by 25 per cent, while operating income rose at a slower rate than sales and was up 8 per cent. In Poland, as elsewhere, investment in making organisational changes led to additional costs.

All in all, the SYZYGY GROUP closed the 2022 financial year with operating income (EBIT) of EUR -5.2 million and an EBIT margin of -7.4 per cent, and adjusted operating income (EBIT) of EUR 6.2 million, equivalent to an adjusted EBIT margin of 8.8 per cent. This is below the forecasts made in March 2022, when EBIT of around EUR 6.7 million and an EBIT margin of 10 per cent were predicted.

### 3.5.5 Financial income

At SYZYGY, financial income arises in two main areas: firstly, interest expenses in connection with IFRS 16, and secondly, income and expenses associated with investment in securities and with the financing of the SYZYGY GROUP. Overall, financial income increased by EUR 0.2 million compared to the 2021 financial year. Expenses totalled EUR -0,8 million compared to EUR -1,0 million in the previous year.

Interest expenses due to the IFRS 16 accounting standard were unchanged at EUR 0.6 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 0.4 million were recorded for this item in the reporting period, as in the previous year. Income of EUR 0.1 million from the securities portfolio (previous year: EUR 0.1 million) was unable to compensate for the interest expenses of EUR 0.5 million (previous year: EUR 0.5 million) incurred through corporate financing.

### 3.5.6 Income taxes, net income, earnings per share

Pre-tax income was down in the reporting period, at EUR -6.1 million (previous year: EUR 5.4 million), while net income after taxes also declined to EUR -7.4 million (previous year: EUR 4.1). The tax rate on adjusted net income (taking into account the impairments on goodwill, which represent expenses that are non-deductible for tax purposes) increased in the 2022 financial year to 25 per cent, based on earnings before income taxes of EUR 5.4 million (previous year: tax rate of 23 per cent).

Undiluted earnings per share were 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 0.12 million, and were thus EUR 0.86 below the previous year's level.

Since the Company adopted a resolution to pay the difference between exercise price and share price in cash if outstanding phantom stocks are exercised, diluted earnings per share were EUR -0.56 (previous year: EUR 0.30).

### 3.5.7 Segment reporting

In accordance with IFRS 8, which is based on the management approach, SYZYGY uses geographical criteria to report segments and thus distinguishes between Germany, the UK & US, and the Poland segment. Following the IFRS 8 management approach, the segments were redefined in 2022 by assigning SYZYGY Digital Marketing Inc. to the UK segment, as this company is managed from that location. The Poland segment comprises the remaining company, Ars Thanea. To aid comparison, the previous year's figures have been adjusted to the new structure in the section below.

The international segments all reported growth in sales and earnings in the reporting year. Sales increased by around 16 per cent in the UK & US segment, while in Poland sales were up by around 25 per cent. The core market, Germany, posted sales growth of 14 per cent in the reporting period. The German companies generated sales of EUR 55.0 million (previous year: EUR 48.1 million), and adjusted EBIT of EUR 5.6 million excluding impairment of goodwill of EUR 11.4 million, equivalent to an adjusted EBIT margin of 10 per cent. Taking impairment of goodwill into account, EBIT was EUR -5.8 million (previous year: EUR 3.9 million), with an EBIT margin of -11 per cent (previous year: 8 per cent).

The UK & US segment generated sales revenues of EUR 9.9 million, with operating income (EBIT) of EUR 1.4 million (previous year: EUR 1.2 million). Accordingly, the EBIT margin was 14 per cent (previous year: 14 per cent).

The Poland segment recorded particularly strong sales growth in the reporting period. In 2022, Ars Thanea generated sales of EUR 6.0 million (previous year: EUR 4.8 million), an increase of 25 per cent. EBIT performed well due to the higher sales and slightly lower EBIT margin, coming in at EUR 0.8 million (previous year: EUR 0.7 million). This corresponds to an EBIT margin of 13 per cent (previous year: 15 per cent).

Overall, around 78 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 14 per cent from the UK & US (previous year: 14 per cent) and 8 per cent from the Poland segment (previous year: 8 per cent).

### 3.5.8 Financial position

The SYZYGY GROUP had overall liquidity (total cash, cash equivalents and securities) amounting to EUR 8.9 million as at December 31, 2022. This represents an increase of EUR 5.2 million on the previous year's figure of EUR 3.7 million. This change is due in particular to strong positive cash flow from business operations.

At EUR 7.8 million (previous year: EUR 2.1 million), cash and cash equivalents represented around 88 per cent of cash reserves. These funds were earmarked for liabilities becoming due in the short term. In contrast to the previous year, accounts receivable declined to EUR 16.2 million (previous year: EUR 20.8 million). This had a positive impact on cash and cash equivalents. The proportion of securities decreased to 12 per cent of total liquidity, as the portfolio of EUR 1.1 million fell, unlike in the previous year, accordingly posting a large drop relative to the sharp rise in liquidity reserves. The average weighted residual maturity of the bonds was 9.6 years (previous year: 14.6 years). Please refer to the notes to the financial statements, section 6, for further details of the investment strategy.

Total cash flow of the SYZYGY GROUP amounted to EUR 5.6 million as at year-end (previous year: EUR -3.5 million), after taking exchange rate changes into account. This amount comprises positive operating cash flow of EUR 12.6 million, negative cash flow from investment operations of EUR -1.2 million and negative cash flow from financing activities of EUR -5.8 million.

The high level of operating cash flow was mainly attributable to depreciation and impairments on non-current assets of EUR 16.8 million, lower accounts receivable of EUR 4.6 million, and a rise in advance payments received of EUR 0.9 million. This contrasts with negative effects from lower accounts payable in the amount of EUR 0.9 million.

Cash flow from investment operations was negative at EUR -1.2 million (previous year: EUR -4.5 million). This result reflects in particular the extension of a lease at the Munich location, capitalised in accordance with IFRS 16, as well as the ongoing interest payments for lease obligations.

Cash flow from financing activities was negatively affected by acquisition of the remaining shares in diffferent GmbH amounting to EUR -3.9 million (previous year: EUR 0.0 million), the fall in lease obligations of EUR -3.6 million (previous year: EUR -3.4 million) and the dividend paid amounting to EUR -2.7 million (previous year: EUR -2.0 million). Taking out and repaying loans from banks resulted in an inflow of EUR 4.6 million (previous year: EUR -1.6 million).

The Company also has a credit line of EUR 12.0 million (previous year: EUR 9.0 million) with Commerzbank AG, of which around EUR 8.0 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 2022 financial year and all payment obligations could be met.

### 3.5.9 Asset situation

Total assets were lower than in the previous year, at EUR 99.2 million (previous year: EUR 113.3).

Non-current assets fell by 18 per cent in the reporting period to EUR 71.6 million. This decline is largely due to impairments of goodwill in the amount of EUR 11.4 million and depreciation of fixed assets in the amount of EUR 5.2 million. Cash and cash equivalents increased in 2022 from EUR 2.1 million to EUR 7.8 million, while securities held as current assets declined to EUR 1.1 million.

Accounts receivable and contract assets were also down, at EUR 16.2 million (previous year: EUR 20.8 million).

Other current assets increased slightly in the 2022 financial year to EUR 2.5 million (previous year: EUR 1.9 million). As a result, current assets increased by a total of EUR 1.2 million to EUR 27.6 million.

On the liabilities side of the balance sheet, equity decreased by 20 per cent from EUR 56.2 million to EUR 45.1 million, equivalent to 45 per cent (previous year: 50 per cent) of total assets. The decline in retained earnings of EUR 7.3 million (previous year: EUR 17.6 million) is mainly due to negative net income being recorded for the period. Subscribed capital and additional paid-in capital remained unchanged, as in the previous year.

Non-current liabilities posted a fall of EUR 4.3 million to EUR 20.4 million. This is due in particular to reclassification of non-current liabilities as current liabilities in the context of IFRS 16. In addition, the liabilities arising from outstanding options in the amount of EUR 1.9 million were fully settled by prematurely acquiring the remaining shares in diffferent GmbH.

Current liabilities increased by EUR 1.3 million overall to EUR 33.7 million. This was mainly due to a rise in liabilities to banks of EUR 4.6 million. This contrasts in non-current liabilities with the settlement of liabilities arising from outstanding options in the amount of EUR 2.3 million due to acquisition of the remaining shares in diffferent GmbH, and a decrease in VAT liabilities of EUR 0.6 million.

# 4. Outlook

## 4.1 Forecasts

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

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

The global economy is set to cope better than initially feared with the consequences of the war in Ukraine and persistently high inflation. The International Monetary Fund (IMF) is optimistic about global growth in 2023, due to developments in China and the shift away from the strict zero-Covid-19 policy.

The IMF forecasts growth of 2.9 per cent for the global economy in 2023. This is still below the historic average of the past two decades. For 2024, the IMF forecasts a slight pick-up in global growth to 3.1 per cent, with global inflation running at 6.6 per cent in 2023 and 4.3 per cent in 2024. The projected decline in inflation reflects in part the drop in international prices for fuel and other commodities as a result of weaker global demand. Nevertheless, a number of downside risks could continue to put pressure on the global outlook, dampen growth and in some cases push up inflation.

According to the IMF, Europe has adapted faster than expected to higher energy costs and the impact of the war in Ukraine, proving itself to be resilient. It forecasts growth of 0.7 per cent for the Eurozone in 2023.

The European Commission's 2023 Winter Forecast predicts annual GDP growth in the EU of 0.8 per cent in 2023 (Eurozone: 0.9 per cent) and 1.6 per cent in 2024 (Eurozone: 1.5 per cent). Overall, the EU economy is likely to stagnate in the first quarter of this year. Growth should accelerate slightly in the spring, because inflation will edge down. The gap between wage and price growth is expected to close, slowing the decline in disposable incomes in real terms, although this is likely to be partly offset by the gradual withdrawal of fiscal support measures.

In its annual projection for Germany, the federal government expects economic momentum to increase in the course of 2023 following a weak first six months, due to stable energy supply, government support measures and an anticipated recovery of the global economy. Gross domestic product (GDP) is expected to grow in real terms by 0.2 per cent in 2023 (IMF estimate: 0.1 per cent). It also expects inflation to be dampened by factors such as brakes on gas, electricity and heating prices, fewer supply bottlenecks, falling commodity and energy prices, and political measures such as the 49-euro rail ticket scheme. Nonetheless, according to the European Commission's 2023 Winter Forecast, further increases in production costs are likely to keep inflation high at 6.3 per cent in 2023. Although the labour market remains tight, wage growth has so far lagged behind inflation. The impact of the ongoing and upcoming collective bargaining negotiations is also expected to be limited. In 2024, inflation is expected to ease to 2.4 per cent due to falling energy costs.

The International Monetary Fund (IMF) expects the UK economy to grow by -0.6 per cent this year, representing a downward revision of 0.9 percentage points to its October forecast. This is due to tighter monetary conditions and continuing high retail prices for energy, which put pressure on household budgets.

In the US, growth is expected to fall to 1.4 per cent in 2023, and 1.0 per cent in 2024. Despite recovering in the second half of the year, growth in 2024 will be lower than in 2023. The forecast for 2023 was revised upwards by 0.4 percentage points due to robust domestic demand in 2022, while the growth forecast for 2024 was revised downwards by 0.2 percentage points due to higher interest rate hikes by the US Federal Reserve.

High inflation and low consumer and business confidence are likely to continue to weigh on economic growth in Poland in the coming quarters. The European Commission's 2023 Winter Forecast expects that with GDP growth slowing to 0.4 per cent in 2023, a recovery to 2.5 per cent will be seen in the following year (2024) as inflation drops and global economic growth picks up. While core inflation is likely to be fuelled by strong wage growth and expansionary fiscal policy, falling wholesale energy prices and some easing in the labour market should gradually curb inflationary pressures, especially towards the end of the period covered by the forecast. As a result, inflation is set to peak at almost 17.0 per cent in the first quarter of 2023. It is then expected to decline to 4.2 per cent by the last quarter of 2024, leading to inflation of 11.7 per cent in 2023 and 4.4 per cent in 2024.

## 4.3 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.

Global and national advertising markets can be very volatile. Unforeseen events, such as the Covid-19 pandemic in 2020 and the war in Ukraine in 2022, 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.

The pandemic has accelerated the trend towards digital media, which is also reflected in the increasing advertising spend on digital media in recent years.

This applies in particular to online video, social media and search engine advertising.

Direct factors such as rising inflation, higher interest rates, market recessions, ongoing political uncertainties and the resulting impact on corporate and consumer spending lead to lower expectations for 2023. Major sporting events such as the upcoming FIFA Women's World Cup and the Rugby World Cup for men will nonetheless provide positive support.

The latest Dentsu Global Ad Spend Forecasts Report indicates that global advertising investment will increase by 3.8 per cent in 2023 (previous year: 8.0 per cent). Advertising spend is expected to increase by 4.8 per cent in 2024, followed by further growth of 4.5 per cent in 2025. Digital's share of global ad spend is forecast to rise to 57 per cent, driven by video (+7.1 per cent), paid social (+13.5 per cent), search (+7.2 per cent) and retail media (+22.0 per cent). The media experts at GroupM expect global advertising spend to rise by 5.9 per cent.

WARC believes that global spend on online display, social media, search, e-commerce and classifieds combined will increase by only 5.5 per cent to USD 523 billion this year.

The advertising industry is performing well worldwide, despite the conflict in Ukraine and its political and economic ramifications. In Germany, however, high energy prices and rising inflation are having a particularly strong impact on consumer sentiment and therefore also on the advertising market. In its Global Ad Spend Forecast for 2023, Dentsu sees the situation in Germany as stable at -0.1 per cent.

Spending on digital advertising is expected to increase by 1.5 per cent in 2023, reaching a 62 per cent share.

According to the forecast of media agency GroupM, the German advertising market should continue to benefit from the strong performance of online advertising in 2023. The forecast for growth in advertising spend in the German market is 6.7 per cent, corresponding to a total of EUR 33.65 billion. Digital advertising is regarded as the key driver in the market, with expected growth of 11 per cent. Within digital advertising, retail media will play a major role with a gain of 12.8 per cent compared to the previous year.

For the UK, the Dentsu Global Ad Spend Forecast estimates overall growth in advertising spend of 3.6 per cent, with digital media up 6.0 per cent, accounting for some 73 per cent of investment in the UK market.

Dentsu forecasts moderate growth of 3.8 per cent in the US advertising market. The key drivers of growth are all in the digital segment, including OTT, digital audio, social search and retail media. Digital is expected to grow by 7.3 per cent and reach a 55 per cent share in 2023.

In the Polish market, Publicis Groupe forecasts market growth of 2.3 per cent in 2023, which must be seen against the backdrop of a highly uncertain economic environment.

### 4.4 Expected performance of the SYZYGY GROUP

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

Based on the information available to date, SYZYGY AG expects sales to grow by between 6 and 8 per cent in the 2023 financial year. We anticipate an operating EBIT margin of between 9 and 10 per cent. The EBIT margin is defined as the ratio of operating profit before interest and income taxes (EBIT) to sales revenue. This translates to EBIT for the SYZYGY GROUP of around EUR 6.8 million to EUR 7.6 million. The forecast EBIT figure does not include possible impairments of goodwill; no such impairments are anticipated. The results of the SYZYGY GROUP will be determined by the performance of the operating units, while the future interest income of SYZYGY AG will be of subordinate significance.

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

After preparation, 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).

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

In keeping with Article 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. All subsidiaries are subject to a review once a quarter by the Central Finance Department of SYZYGY AG. This involves analysing, checking and ensuring compliance with accounting requirements and scrutinising the procedures for processing data.

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

## 6. Risk management system[1]

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 covers all measures for dealing systematically and transparently with risk.

1 – unaudited

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.

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 in the advertising sector 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 only a small impact on the SYZYGY GROUP’s business performance in 2022. These external factors nevertheless create uncertainty among economic agents, so it is not possible to make a definitive assessment. 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 has accelerated the trend towards digital transformation. This development will predominantly lead to opportunities.

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

It is equally important to identify opportunities and make use of them. A functioning system for managing 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 2023, 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 of earnings to net income. This could result in a lower profit distribution for SYZYGY AG.

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

### Operational risk

Approximately 45 per cent of the SYZYGY GROUP's sales are generated from its ten largest clients. The concentration on the ten largest clients is unchanged. The top three clients accounted for 19 per cent of total sales, a slightly increased share compared to the previous year's 18 per cent, while the largest single client still generated 7 per cent of Group sales.

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 unforeseeable losses may be incurred if the calculated project budget is unexpectedly exceeded. SYZYGY also assumes the usual guarantee and liability commitments associated with the project, which can lead to projects being hit by follow-on costs.

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

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

### Investment risk

Available cash reserves are actively managed at SYZYGY AG by the Finance Director. Investment strategy relating to liquid funds is geared towards longterm income. Liquid funds are therefore invested in corporate bonds and other fixedinterest securities in a manner designed to ensure risk diversification. Fixedincome securities are generally subject to currency and default risk. A rise in long-term interest rates has a negative effect on the price of such securities, while a decline has a positive impact.

SYZYGY minimises default risk by investing in a diversified range of securities with good credit ratings. The risk of a significant adverse impact on financial income is assessed as low overall, especially since the volume of securities is now small relative to total assets.

### Economic risk

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

The risk is assessed as high due to the hostilities and a subsequent crisis.

### 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 low.

### Risks from acquisitions

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

The risk is assessed as low.

## 7.2 Opportunities

The SYZYGY GROUP continues to expect rising demand for consulting and implementation services around digitisation. The Covid-19 pandemic intensified the urgency as well as the need for consulting services. The boundaries between digital and conventional marketing are now fluid, while aggregated use of digital media has overtaken traditional media. This is apparent in everyday user behaviour, which is dominated by the use of digital media.

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

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

- The common stock of SYZYGY AG amounts to EUR 13,500,026 and is divided into 13,500,026 ordinary nopar value bearer shares. Different classes of shares were not formed.
- SYZYGY shares are not subject to restrictions on transferability. SYZYGY AG is not aware of any restrictions relating to the exercise of voting rights or to the transfer of SYZYGY shares.
- The WPP Group holds the majority of shares. As at the reporting date, it had a 50.33 per cent stake in SYZYGY AG.
- None of the SYZYGY AG shares issued carry special rights.
- SYZYGY AG does not exercise voting control in the case of employees with an interest in the capital.
- The requirements for appointment and dismissal of members of the Management Board are in accordance with Article 84 of the Aktiengesetz (AktG – German Stock Corporation Act). SYZYGY AG's Articles of Association also stipulate that the Management Board must be composed of at least two people. Changes to the Articles of Association can only be made by the Annual General Meeting, in line with Article 119 of the AktG. The Articles of Association, together with Article 179 of the AktG, permit the Supervisory Board to agree changes to the Articles of Association which only concern the wording.
- In line with the Annual General Meeting's resolution of October 27, 2020, the Management Board is authorised, within 5 years, to buy back shares up to a total of 10 per cent of the common stock via the stock exchange or via a public offer to buy directed at all shareholders.
- 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, 2022 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 26, 2022 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://syzygy-group.net/Corporate-Governance/

# 11. Non-financial Group Declaration in accordance with Article 315c of the Handelsgesetzbuch (HGB – German Commercial Code)[2]

## 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. SYZYGY firmly believes that sustainability is crucial to long-term business success.

In accordance with CSR reporting legislation, the SYZYGY GROUP reports below on sustainability topics that help to provide a better understanding of the Company's business performance, operating environment and future development.

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

This non-financial reporting is based on the internationally recognised guidelines of the Global Reporting Initiative (GRI), 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 relevant data is collected quarterly as part of the WPP Group's accounting process. In this context, the SYZYGY GROUP collects specifically defined data across the Group and supplies corresponding data to the WPP Group. SYZYGY also meets the requirements of the capital market.

The Non-financial Group Declaration provides information on non-financial aspects of the 2022 financial year. It 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).

### 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.

### Sustainability 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.

2 – unaudited

### Materiality

Sustainability is a highly important aspect of our business activities. Growing awareness of sustainability issues leads naturally to an assessment of their importance for the Company, the environment, society, and our stakeholders.

In addition, demographic change has brought increasing competition for highly skilled workers. The environment, health, safety and diversity 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.

In the 2022 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
  - Climate change
  - Waste management
- Employee issues
  - Diversity and inclusion
  - Working conditions
  - Employee development
  - Occupational health and safety
- Social affairs
  - Client relationships
  - Social commitment
- Human rights
- Combating corruption and bribery
  - Compliance
  - Data security

### 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.

From the Group's viewpoint, taking responsibility means being accountable for the impact of its activities and decisions on its sphere of influence, such as its employees, clients, suppliers, society in general and the environment. This means that the Group upholds ethical standards, complies with laws and regulations, and is committed to addressing social and environmental issues. In addition, long-term objectives and the impact of decisions on the future are taken into account and communicated transparently. This also includes the commitment to meet environmental standards and to promote 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 three of the Sustainable Development Goals (SDGs), the current global goals of the United Nations (UN) in this respect:

- Climate action (SDG 13)
- Gender equality (SDG 5)
- Quality education (SDG 4)

### For a better climate

Climate change is having far-reaching impacts on our world, affecting economies and the everyday lives of all of us. Digitisation and green IT are key to making business and society more environmentally friendly. Like other organisations, the SYZYGY GROUP is working to reduce and offset its own emissions as far as possible and seeking to develop digital climate positive systems.

### For more equal opportunities

Equality is a fundamental human right and essential for a peaceful and sustainable world.

SYZYGY offers all employees opportunities to grow and use their skills and talents effectively. The Group is committed to equal participation of all colleagues. This includes ensuring equality in pay and development opportunities, and promoting diversity and inclusion in the work environment.

### For more education

The world is evolving at a breathtaking rate. To respond effectively to innovative technologies and changes in user behaviour, internal skillsets must be kept up to date. It is therefore crucial that SYZYGY helps its employees 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.

### 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 and data security 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.

## 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 SYZYGY a climate-friendly company and ensure that resources are used efficiently.

### Transparency on greenhouse emissions

SYZYGY AG's Corporate Carbon Footprint (CCF) was calculated in association with ClimatePartner for the years 2021 and 2022. This involved 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 results for 2021 were re-verified and corrected to the base year 2021, thus creating a basis for specific measures.

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 recording and analysing the environmental footprint of its activities.

Determining the CCF made it possible to identify ways of avoiding and reducing emissions, leading to targets for such reductions. Various measures and initiatives were then developed to ensure that these targets were achieved.

| Greatest potential for savings in terms of emissions | Targets to reduce emissions (measures & initiatives) |
|---|---|
| **Scope 1** | |
| Company fleet (of vehicles) | Reduction of fleet emissions by switching to electric vehicles by 2025 (zero carbon in Scope 1) |
| **Scope 2** | |
| Purchased energy such as electricity and heating (energy requirements of buildings) | Use of renewable energy (zero carbon in Scope 2 since 2021)<br>Reduction of building emissions by promoting sustainability in employees' daily activities |
| **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 |
| Purchased electronic devices | Reduction of $CO_2$ emissions through long usage periods for electronic devices |
| Business trips | Reduction of $CO_2$ emissions caused by business travel through increased use of rail travel and video conferencing<br>Air miles to be reduced by 50% compared to 2019 base year through use of rail travel and video conferencing |

The SYZYGY GROUP has taken action to cut carbon dioxide emissions, thus reducing its environmental footprint. In 2022, the total amount of $CO_2$ emissions increased by 12 per cent to 1,003 tonnes of $CO_2e$ (previous year: 914 tonnes of $CO_2$) due to a rise in headcount. On a per employee basis, these figures are equivalent to 1.74 tonnes of $CO_2e$ (previous year: 1.77 tonnes of $CO_2$), down by 1.7 per cent year on year.

| $CO_2$ (in tonnes) | **2022** | 2021 | Change |
|---|---|---|---|
| $CO_2$ emissions in tonnes per head – total* | 1.74 | 1.77 | -1.7% |
| Absolute $CO_2$ emissions in tonnes – total* | 1,003.27 | 913.67 | 9.8% |

* GHG Protocol

### Reduction in Scope 1 emissions

#### Company vehicles

By switching company cars to electric and hybrid vehicles, the SYZYGY GROUP will further reduce its emissions. The goal is to be using only electric vehicles by 2025.

In 2022, Scope 1 emissions amounted to 49.35 t $CO_2e$ (reduction of 48 per cent). Of this total, 48.47 t $CO_2e$ were accounted for by emissions from the vehicle fleet, which were reduced by 49 per cent by switching to electric vehicles.

#### Direct climate-related emissions (Scope 1)*

Scope 1 includes all emissions caused directly by company vehicles and self-generated heat.

| $CO_2$ (in tonnes) | **2022** | 2021 | Change |
|---|---|---|---|
| $CO_2$ emissions (Scope 1) in t $CO_2eq$ – market-based | 49.35 | 94.74 | -48% |

* GHG Protocol

## Reduction in Scope 2 emissions

### Heat and electricity

By reducing the total number of offices within the SYZYGY GROUP, electricity and heat consumption was reduced by 17 per cent year on 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. Even though the SYZYGY GROUP cannot take direct action on the energy efficiency of buildings for the individual subsidiaries as it does not own the buildings in which they operate, it does intend to do everything it can through its actions and targets to make sustainability an integral part of the Company.

New green electricity supply contracts were signed in 2022, enabling SYZYGY to achieve the target of 100 per cent of power from renewable sources at all German locations. Due to Renewable Energy Certificates (RECs) purchased through the WPP Group, SYZYGY has also been greenhouse gas neutral in electricity $CO_2$ emissions (in Scope 2) at all international locations since 2020.

### Indirect climate-related emissions (Scope 2)*

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

| $CO_2$ (in tonnes) | **2022** | 2021 | Change |
|---|---|---|---|
| $CO_2$ emissions (Scope 2) in t $CO_2$eq green electricity, electricity from renewable sources – market-based | 0 | 0 | 0% |
| $CO_2$ emissions (Scope 2) in t $CO_2$eq – heating and steam | 109.40 | 132.36 | -17% |
| $CO_2$ emission (Scope 2) in t $CO_2$eq – purchased electricity for own use (vehicle fleet) | 3.35 | 0.69 | 486% |

* GHG Protocol

| Energy consumption (kWh) | **2022** | 2021 | Change |
|---|---|---|---|
| Heating | 565,111 | 689,102 | -18% |
| Electricity | 669,141 | 795,030 | -16% |

In 2022, $CO_2$ emissions per head (Scope 1 and 2) amounted to 0.28 tonnes $CO_2$e, a year-on-year reduction of 36 per cent (previous year: 0.44 t $CO_2$e).

| $CO_2$ (in tonnes) | **2022** | 2021 | Change |
|---|---|---|---|
| $CO_2$ emissions (Scope 1 + 2) in tonnes per head – total* | 0.28 | 0.44 | -36% |
| Abs. $CO_2$ emissions (Scope 1 + 2) in tonnes – total* | 162.10 | 227.79 | -29% |

* GHG Protocol

### Reduction in Scope 3 emissions

The SYZYGY GROUP's supply chain accounts for 84 per cent of total Scope 3 emissions, at 841 tonnes of $CO_2$eq emissions (per employee: 1.5 t $CO_2$e). The goal is to make huge cuts to these emissions through measures and initiatives relating to staff commuting and working from home, use of electronic devices, and business trips.

Data collection is especially difficult for Scope 3 emissions as it is beyond SYZYGY's direct control. SYZYGY is working to improve data collection and quality.

### Staff travel to workplace

Reducing $CO_2$ emissions from employee mobility involves promoting public transport. SYZYGY 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 approach is to promote working from home and other flexible arrangements that reduce the need for commuting.

SYZYGY conducted a survey to determine the $CO_2$ emissions relating to staff commuting. These amounted to 423 tonnes of $CO_2$e emissions (per employee: 0.7 t $CO_2$e). 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.

### Purchased electronic devices

Electronic devices with long usage periods help to reduce 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 recorded. For this reason, SYZYGY chooses long usage periods of around 4 years to minimise energy and resource consumption, thus reducing overall emissions. In 2022, purchased electronic devices accounted for $CO_2$ emissions of 156 tonnes (per employee: 0.3 t $CO_2$e).

### Business trips

The SYZYGY GROUP is committed to reducing the environmental impact of business travel (total: 146 t $CO_2$e / per employee: 0.3 t $CO_2$e). It set a target to cut air miles by 50 per cent by 2022 compared to the 2019 baseline (1,121,389 miles). To achieve this, the Company promotes the use of rail travel and video conferencing to minimise the impact on the environment.

The SYZYGY GROUP has reduced its air miles by 68 per cent compared to 2019 due to pandemic-related restrictions on mobility. As a result, the target of reducing business air miles by 50 per cent by 2022 was successfully met. However, air travel emissions increased by 85 per cent in 2022 due to the lifting of travel restrictions. They totalled 112.4 t $CO_2$e, equivalent to per head emissions of 0.2 t $CO_2$e.

The SYZYGY GROUP is committed to minimising air travel and only using it if business reasons make it necessary, or if it significantly reduces the length of the trip. In addition, flying should generally be avoided unless it is absolutely necessary, or if the issue can be dealt with via video conferencing.

### Indirect climate-related emissions (Scope 3)*

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

| $CO_2$ (in tonnes) | **2022** | 2021 | Change |
|---|---|---|---|
| $CO_2$ emissions (Scope 3) from staff commuting in t $CO_2$eq | 422.88 | 340.29 | +24% |
| $CO_2$ emissions (Scope 3) from purchased goods and services in t $CO_2$eq | 157.67 | 150.24 | -5% |
| $CO_2$ emissions (Scope 3) fuel and energy-related emissions in t $CO_2$eq | 107.65 | 130.10 | -17% |
| $CO_2$ emissions (Scope 3) from business trips in t $CO_2$eq | 145.62 | 65.25 | +123% |

* GHG Protocol

### Air travel

| | **2022** | 2021 | Change |
|---|---|---|---|
| Business travel by air (in miles) | 363,524 | 212,706 | 71% |
| $CO_2$ emissions (Scope 3) from business air travel in t $CO_2$eq | 112.40 | 60.59 | 85% |

### Use of renewable and non-renewable materials

As a services company, the amount of waste produced is not significant. SYZYGY is nonetheless committed to using existing resources carefully, reducing waste and to recycling as part of its responsible and sustainable business practices. The SYZYGY GROUP's 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 aims to use environmental paper (recycled, FSC) and to avoid printing documents wherever possible.

| Paper consumption | **2022** | 2021 | Change |
|---|---|---|---|
| $CO_2$ emissions (Scope 3) office paper in t $CO_2eq$ | 0.12 | 0.27 | -56% |

### Reducing and recycling waste

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

| Waste (in kg) | **2022** | 2021 | Change |
|---|---|---|---|
| Mobile phones | 12 | 13 | -8% |
| Printer and toner cartridges | 39 | 138 | -72% |
| Paper and cardboard | 3,475 | 3,473 | 0% |
| Computer equipment | 898 | 1,070 | -16% |
| Yellow bin/Green Dot recycling and residual waste | 6,356 | 7,265 | -13% |

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.

### Offsetting $CO_2$ emissions

The SYZYGY GROUP takes responsibility for the emissions it causes and works constantly to reduce them.

To offset the unavoidable greenhouse gas emissions of 1,100 tonnes, the SYZYGY GROUP offsets its $CO_2$ footprint with carbon credits from KLIM amounting to EUR 55,000. By doing so, SYZYGY 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 increase the soil's $CO_2$ storage capacity, while also improving water storage capacity and resilience to climate disasters.

### Environment-related risks

SYZYGY has a general policy of increasing energy efficiency and reducing energy consumption. Some aspects, such as energy price increases, are largely outside SYZYGY'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

The European Union's Taxonomy Regulation (2020/852) (EU taxonomy or Taxonomy Regulation) and especially its delegated regulations form the basis for various future and ongoing EU initiatives in relation to sustainable financial reporting.

SYZYGY is required by the Taxonomy Regulation to disclose information on how and to what extent its operations are linked to economic activities that qualify as environmentally sustainable economic activities under EU taxonomy legislation.

The first environmental objectives of the taxonomy – "Climate change mitigation" and "Climate change adaptation (including establishing the criteria)" – were adopted in EU legislation in mid-2021.

Since 2022, companies subject to reporting requirements must also establish that the reported taxonomy-aligned economic activities are taxonomy-compliant, in addition to an analysis of the taxonomy alignment. This examines whether an economic activity contributes substantially to at least one of the six environmental objectives, does not do significant harm to any of the environmental objectives, and meets minimum social standards.

In the 2022 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-compliant.

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

## Disclosure of taxonomy metrics

The following overview shows the proportion of taxonomy-aligned and taxonomy-compliant economic activities for the environmental objective "Climate change mitigation" in sales revenues, and in capital expenditure and operating expenses:

### Sales revenue resulting from taxonomy-aligned and taxonomy-compliant economic activities

| | | | | Criteria for a significant contribution | | | | | | DNSH criteria ("Do no significant harm") | | | | | | | Taxonomy-compliant sales revenue proportion year | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | | | | N | N-1 | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| Economic activities | Number | Total sales | Proportion of sales | 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 | **2022** | 2021 | "Category (enabling activities)" | "Category (transitional activities)" |
| | | kEUR | % | % | % | % | % | % | % | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | % | E | T |
| **A. Taxonomy-aligned activities** | | | | | | | | | | | | | | | | | | | | |
| **A.1 Environmentally sustainable activities (taxonomy-compliant)** | | | | | | | | | | | | | | | | | | | | |
| Sales revenue from environmentally sustainable activities (taxonomy-compliant) (A.1) | | 0 | 0% | 0% | 0% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0% | n.a. | n.a. | n.a. |
| **A.2 Taxonomy-aligned activities, but not environmentally sustainable (non-taxonomy-compliant activities)** | | | | | | | | | | | | | | | | | | | | |
| Sales revenue from taxonomy-aligned activities, but not environmentally sustainable (non-taxonomy-compliant activities) (A.2) | | 0 | 0% | | | | | | | | | | | | | | | | | |
| **Total A1 + A2** | | **0** | **0%** | | | | | | | | | | | | | | **0%** | | | |
| **B. Non-taxonomy-aligned activities** | | | | | | | | | | | | | | | | | | | | |
| Sales revenue from non-taxonomy-aligned activities (B) | | 70,612 | 100% | | | | | | | | | | | | | | | | | |
| **Total A + B** | | **70,612** | **100%** | | | | | | | | | | | | | | | | | |

## CapEx metrics

| | | | | Criteria for a significant contribution | | | | | | DNSH criteria ("Do no significant harm") | | | | | | | Taxonomy-compliant CapEx proportion year | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | | | | N | N-1 | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| 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 | **2022** | 2021 | "Category (enabling activities)" | "Category (transitional activities)" |
| | | kEUR | % | % | % | % | % | % | % | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | % | E | T |
| **A. Taxonomy-aligned activities** | | | | | | | | | | | | | | | | | | | | |
| **A.1 Environmentally sustainable activities (taxonomy-compliant)** | | | | | | | | | | | | | | | | | | | | |
| CapEx on environmentally sustainable activities (taxonomy-compliant) (A.1) | | 0 | 0% | 0% | 0% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0% | n.a. | n.a. | n.a. |
| **A.2 Taxonomy-aligned activities, but not environmentally sustainable (non-taxonomy-compliant activities)** | | | | | | | | | | | | | | | | | | | | |
| Transport by motorbikes, passenger cars and light commercial vehicles | 6.5 | 283 | 10% | | | | | | | | | | | | | | | | | |
| Acquisition and ownership of buildings | 7.7 | 1,778 | 60% | | | | | | | | | | | | | | | | | |

| | | | | Criteria for a significant contribution | | | | | | DNSH criteria ("Do no significant harm") | | | | | | | Taxonomy-compliant CapEx proportion year | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | | | | N | N-1 | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| 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 | **2022** | 2021 | "Category (enabling activities)" | "Category (transitional activities)" |
| | | kEUR | % | % | % | % | % | % | % | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | % | E | T |
| CapEx on taxonomy-aligned activities, but not environmentally sustainable (non-taxonomy-compliant activities) (A.2) | | 2,061 | 70% | | | | | | | | | | | | | | | | | |
| **Total A1 + A2** | | **2,061** | **70%** | | | | | | | | | | | | | | **0%** | | | |
| **B. Non-taxonomy-aligned activities** | | | | | | | | | | | | | | | | | | | | |
| CapEx on non-taxonomy-aligned activities (B) | | 903 | 30% | | | | | | | | | | | | | | | | | |
| **Total A + B** | | **2,964** | **100%** | | | | | | | | | | | | | | | | | |

## OpEx metrics

| | | | | Criteria for a significant contribution | | | | | | DNSH criteria ("Do no significant harm") | | | | | | | Taxonomy-compliant OpEx proportion year | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | | | | N | N-1 | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| Economic activities | Number | Total OpEx | 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 | **2022** | 2021 | "Category (enabling activities)" | "Category (transitional activities)" |
| | | kEUR | % | % | % | % | % | % | % | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | % | E | T |
| **A. Taxonomy-aligned activities** | | | | | | | | | | | | | | | | | | | | |
| **A.1 Environmentally sustainable activities (taxonomy-compliant)** | | | | | | | | | | | | | | | | | | | | |
| OpEx for environmentally sustainable activities (taxonomy-compliant) (A.1) | | 0 | 0% | 0% | 0% | n.a. | n.a. | n.a. | n.a. | | | | | | | | 0% | | | |
| **A.2 Taxonomy-aligned activities, but not environmentally sustainable (non-taxonomy-compliant activities)** | | | | | | | | | | | | | | | | | | | | |
| OpEx for taxonomy-aligned activities, but not environmentally sustainable (non-taxonomy-compliant activities) (A.2) | | 0 | 0% | | | | | | | | | | | | | | | | | |
| **Total A1 + A2** | | **0** | **0%** | | | | | | | | | | | | | | **0%** | | | |
| **B. Non-taxonomy-aligned activities** | | | | | | | | | | | | | | | | | | | | |
| OpEx for non-taxonomy-aligned activities (B) | | -447 | 100% | | | | | | | | | | | | | | | | | |
| **Total A + B** | | **-447** | **100%** | | | | | | | | | | | | | | | | | |

## 11.3 Employee issues

The SYZYGY GROUP firmly believes that the performance and abilities of its employees are the cornerstone of the Company's success. SYZYGY creates a working environment featuring staff participation, fairness and diversity, and promotes flexible and participatory work models. The SYZYGY GROUP is also committed to occupational health and safety, which is an essential part of 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, equality 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. The uniqueness and variety of staff is an asset. 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. 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.

SYZYGY conducted a survey last year among all employees to find out how they perceive the issues of inclusion, gender equality and gender justice in their workplace. Staff confirmed overwhelmingly that SYZYGY is a place where all positions are realistically attainable by anyone; it offers a "safe space" where everyone feels acknowledged and recognised; and both internal and external communication is designed in such a way that everyone feels addressed and understood.

### Gender diversity

The SYZYGY GROUP attaches great importance to promoting gender parity at all levels of the Company. In 2022, 49 per cent of employees were female, unchanged from 2021. The proportion of women in management positions is 35 per cent, with 30 per cent at Management Board and Supervisory Board level. This shows that the Company is actively committed to promoting gender parity in all areas and to creating an inclusive and flexible working environment.

### Gender parity

| Gender | **2022** | 2021 | Change |
|---|---|---|---|
| Women | 49% | 49% | 0pp |
| Men | 51% | 51% | 0pp |

### Proportion of women in management positions

| Gender | **2022** | 2021 | Change |
|---|---|---|---|
| Supervisory Board | 33% | 33% | 0pp |
| Management Board | 33% | 33% | 0pp |
| Female employees in management positions | 35% | 34% | 1pp |

The percentage of people with special needs or disabilities employed by SYZYGY is 0.7 per cent (previous year: 1.1 per cent). The SYZYGY 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. SYZYGY benefits from a healthy age structure that combines experience, creativity and energy. 76 per cent (previous year: 80 per cent) of employees are less than 40 years old.

| Age structure | 2022 | Change | |
|---|---|---|---|
| 19 and younger | – | – | – |
| 20–29 | 35% | 40% | -5pp |
| 30–39 | 41% | 40% | 1pp |
| 40–49 | 19% | 16% | 3pp |
| 50–59 | 4% | 4% | 0pp |
| Older than 60 | 1% | – | 1pp |

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.

### Gender pay gap

The SYZYGY GROUP has adopted an equality policy, with equal pay for women and men in comparable positions. It has procedures in place to ensure fair and consistent pay for employees in accordance with the nature of their work, their position and career level, and their regional location. In 2022, the wage cost difference between women and men was 0 per cent in the holding company and all operating units.

### Flexible work models

Employees expect flexible work models: home office, 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. These models are flexible, agile, robust and are being continually evolved.

Colleagues at SYZYGY Techsolutions can choose between three work models: full remote, hybrid, or in the office. In 2022, 40 per cent of employees were completely mobile, 40 per cent hybrid and 20 per cent worked in the office. In a full 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 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 offers flexibility while promoting efficient working.

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Age of board members | Management Board | Supervisory Board | Management Board | Supervisory Board |
| Below 30 | 0% | 0% | 0% | 0% |
| 30–50 | 0% | 0% | 33.3% | 0% |
| Over 50 | 100% | 100% | 66.7% | 100% |

### Full-time, part-time, time-out

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

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

| | **2022** | 2021 | Change |
|---|---|---|---|
| Part-time contracts | 15% | 13% | 2pp |

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.

### Employee involvement 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 our 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.

This year, a score of +32 (previous year: +29) was achieved, positioning SYZYGY among the top tier of companies, such as Amazon, Accenture and Google. The score is up three points on the prior year. The results and feedback from this survey assist in refining our corporate culture.

To promote openness and transparency within the group of companies, 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 raised by employees.

### Employee development

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

The SYZYGY GROUP supports the personal development of its employees through the annual boot camp, where 30 colleagues meet for a week of reflection, reinvention and personal development. Workshops on strategy, digital well-being, and personal strengths and development create space for participants to develop personally and within the SYZYGY GROUP.

SYZYGY also organises a Directors Lodge twice a year, where managers from all the locations come together in one place to inspire one another and learn from each other. These events help to strengthen the awareness and understanding of common ground, and participants are given the opportunity to develop by gaining a better insight into their own patterns of behaviour.

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, SYZYGY attaches great importance to knowledge transfer by experts within its own ranks. Self-study and online training courses also figure prominently.

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

### Occupational health and safety

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 People & Culture department uses e-mails to employees and video conferencing to address any issues relating to occupational safety and health. These sessions take place as required and the information is available on the intranet.

As part of company health management, we support initiatives such as participation in body-fit courses, yoga 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, SYZYGY offers an advisory service for personal, professional, health or family issues (Employee Assistance Programme, EAP). The EAP offers all employees free confidential psychological 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

SYZYGY 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 SYZYGY Code of Conduct defines these values and is binding on all employees.

Breaches of the SYZYGY 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. No incidents were recorded at the SYZYGY GROUP in the 2022 reporting year.

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, SYZYGY'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 issues

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

### Client relationships

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 93 per cent of total sales revenue, as in the previous year, were distributed as follows in 2022 compared to the previous year:

| Length of relationship and share of sales | **2022** | 2021 | Change |
|---|---|---|---|
| Up to 5 years | 31% | 41% | -10pp |
| 6–10 years | 32% | 22% | 10pp |
| Longer than 10 years | 37% | 37% | 0pp |

Information security and data protection have a high priority within the SYZYGY GROUP. A particularly high level of care is needed when processing client information and data during projects and in data centres. 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. This organisational structure ensures compliance with the security objectives of confidentiality, integrity and availability.

The information security organisation is supplemented 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

SYZYGY's 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 is committed to supporting employees who take on social responsibility and engage in various projects on their own initiative.

The SYZYGY GROUP donated around EUR 26,400 (previous year: EUR 30,800) to these causes in 2022, down 14 per cent compared to the previous year.

| EUR | 2022 | Share (%) | 2021 | Change (%) |
|---|---|---|---|---|
| Education | – | 0% | 20,400 | -100% |
| Art | – | 0% | 789 | -100% |
| Community | 4,454 | 17% | 3,649 | 22% |
| Health | 2,457 | 9% | – | 100% |
| Environment | 3,500 | 13% | 6,000 | -42% |
| Human rights | 13,449 | 51% | – | 100% |
| Diversity, equity & inclusion | 2,516 | 10% | – | 100% |
| **Total** | **26,375** | **100%** | **30,838** | **-14%** |

SYZYGY helps people in need worldwide through donations to aid organisations (human rights). More than 50 per cent of the donations, about EUR 13,500, went to aid organisations for Ukraine and its refugees; also for a project in Africa and for Médecins Sans Frontières. In addition, the Company supported projects or organisations in the local area such as Tafel e.V. and projects through which children, with or without disabilities, are encouraged to be creative and are integrated into day-care centres.

**Pro bono work**

In 2022, SYZYGY supported the British environmental project Clean-Up Sea Life Brighton by donating EUR 1,550 (previous year: EUR 14,300).

**Risks of social issues**

The services SYZYGY 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 Respect for human rights

As a responsible international company, SYZYGY 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.

SYZYGY 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 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 SYZYGY.

The commitment to respecting human rights is also incorporated into the SYZYGY Code of Conduct, which applies to all employees, SYZYGY companies and suppliers. This includes provisions regarding our own potential infringement of human rights in areas such as non-discrimination and labour practices, as well as potential infringements 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. Our policies (Code of Conduct) aim to avoid potential breaches and to identify 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 issues are therefore rated as low in the overall assessment.

## 11.6 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 SYZYGY.

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 third-party 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. All employees must complete these training courses each year.

Our staff 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 2022.

### Fines for non-compliance with laws and regulations

BaFin (the German Financial Supervisory Authority) imposed a fine of EUR 57,000 on SYZYGY AG on January 10, 2022. The penalty relates to an infringement of Article 114 (1) sentence 2 of the Securities Trading Act (Wertpapierhandelsgesetz, WpHG). SYZYGY AG had failed to announce from which date and at which Internet address the accounting documents for the 2020 financial year as referred to in Article 114 (2) of the WpHG would be publicly accessible, in addition to their availability in the company register.

### Information and data security

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. SYZYGY'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 an educational campaign on the subject of Safer Data and an online platform with information and recommendations around conduct, privacy, security and data protection.

SYZYGY 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.

### 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.

Bad Homburg v.d.H., March 30, 2023
SYZYGY AG

The Management Board

Franziska von Lewinski (CEO)

Frank Ladner (CTO)

Erwin Greiner (CFO)

SYZYGY AG, Bad Homburg v.d.H.

# **Consolidated balance sheet** as at December 31, 2022

| Assets | Notes | **12/31/2022** kEUR | 12/31/2021 kEUR |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | (3.1) | 43,037 | 55,021 |
| Intangibles | (3.2) | 211 | 328 |
| Tangible Assets | (3.2) | 26,640 | 29,344 |
| Non-current financial assets | (3.3) | 269 | 380 |
| Other non-current assets | (3.4) | 259 | 287 |
| Deferred tax assets | (3.5) | 1,221 | 1,575 |
| **Total non-current assets** | | **71,637** | **86,935** |
| **Current assets** | | | |
| Cash and cash equivalents | (3.6) | 7,814 | 2,115 |
| Marketable securities | (3.6) | 1,088 | 1,633 |
| Accounts receivable, net and contract assets | (3.7) | 16,163 | 20,757 |
| Prepaid expenses and other current assets | (3.8) | 2,509 | 1,892 |
| **Total current assets** | | **27,574** | **26,397** |
| **Total assets** | | **99,211** | **113,332** |

| Equity and Liabilities | Notes | **12/31/2022** kEUR | 12/31/2021 kEUR |
|---|---|---|---|
| **Equity** | | | |
| Common stock | (3.9.1) | 13,500 | 13,500 |
| Additional paid-in capital | (3.9.3) | 27,058 | 27,058 |
| Own shares | (3.9.4) | 0 | 0 |
| Accumulated other comprehensive income | (3.9.5) | -3,080 | -2,191 |
| Retained earnings | (3.9.6) | 7,338 | 17,605 |
| **Equity attributable to shareholders of SYZYGY AG** | | **44,816** | **55,972** |
| Minorities | | 279 | 277 |
| **Total Equity** | | **45,095** | **56,249** |
| **Non-current liabilities** | | | |
| Long-term liabilities | (3.13) | 19,870 | 23,744 |
| Other long-term Provisions | (3.11) | 267 | 345 |
| Deferred tax liabilities | (5.7) | 265 | 615 |
| **Total non-current liabilities** | | **20,402** | **24,704** |
| **Current liabilities** | | | |
| Income tax accruals | (3.12) | 363 | 470 |
| Accrued expenses | (3.11) | 4,435 | 4,580 |
| Contract liabilities | (3.7) | 6,078 | 5,218 |
| Accounts payable | (3.11) | 8,810 | 9,722 |
| Other current liabilities | (3.13) | 14,028 | 12,389 |
| **Total current liabilities** | | **33,714** | **32,379** |
| **Total liabilities and equity** | | **99,211** | **113,332** |

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

SYZYGY AG, Bad Homburg v.d.H.

# **Consolidated statement of comprehensive income** from January 1, 2022 to December 31, 2022

| | | January - December | | |
|---|---|---|---|---|
| | | **2022** | 2021 | Change |
| | Notes | kEUR | kEUR | |
| **Sales** | (5.1) | **70,612** | **60,124** | **17%** |
| Cost of revenues | | -53,492 | -41,178 | 30% |
| Sales and marketing expenses | | -4,394 | -4,217 | 4% |
| General and administrative expenses | | -9,757 | -10,658 | -8% |
| Impairment losses, net of trade receivables and contract assets | | -34 | -4 | 750% |
| Other operating income/expense, net | (5.2) | -8,140 | 2,312 | -452% |
| **Operating profit (EBIT)** | | **-5,205** | **6,379** | **-182%** |
| Financial income | (5.6) | 188 | 81 | 132% |
| Financial expenses | (5.6) | -1,036 | -1,066 | -3% |
| **Income before income taxes (EBT)** | | **-6,053** | **5,394** | **-212%** |
| Income taxes | (5.7) | -1,328 | -1,261 | 5% |
| **Total net income of the period** | | **-7,381** | **4,133** | **-279%** |
| thereof net income share to other shareholders | | 118 | 111 | 6% |
| thereof net income share to shareholders of SYZYGY AG | | -7,499 | 4,022 | -286% |

| | | January - December | | |
|---|---|---|---|---|
| | | **2022** | 2021 | Change |
| | Notes | kEUR | kEUR | |
| **Items that will not be reclassified to profit and loss:** | | **0** | **0** | **n.a.** |
| **Items that will or may be reclassified to profit and loss:** | | | | |
| Currency translation adjustment from foreign business operations | (5.8) | -613 | 608 | -201% |
| Net unrealized gains/ losses on marketable securities, net of tax | | -280 | 35 | -900% |
| **Other comprehensive income** | | **-893** | **643** | **-239%** |
| **Comprehensive income** | | **-8,274** | **4,776** | **-273%** |
| thereof income share to other shareholders | | 114 | 109 | 5% |
| thereof income share to shareholders of SYZYGY AG | | -8,388 | 4,667 | -280% |
| Earnings per share from total operations (basic in EUR) | (6.1) | -0.56 | 0.30 | -286% |

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

SYZYGY AG, Bad Homburg v.d.H.

# **Statement of changes in equity** as at December 31, 2022

| In kEUR | Common stock | Additional paid-in capital | Retained earnings | Accum. other comprehensive income: Foreign exchange currency | Accum. other comprehensive income: Unrealised gains and losses | Equity attributable to shareholders of SYZYGY AG | Minority interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| **01/01/2021** | **13,500** | **27,058** | **15,675** | **-2,822** | **-14** | **53,397** | **190** | **53,587** |
| Net income of the period | | | 4,022 | | | 4,022 | 111 | 4,133 |
| Other comprehensive income | | | | 610 | 35 | 645 | -2 | 643 |
| **Comprehensive income** | | | **4,022** | **610** | **35** | **4,667** | **109** | **4,776** |
| Dividend | | | -2,025 | | | -2,025 | 0 | -2,025 |
| Payment to minorities | | | -67 | | | -67 | -22 | -89 |
| **12/31/2021** | **13,500** | **27,058** | **17,605** | **-2,212** | **21** | **55,972** | **277** | **56,249** |

| In kEUR | Common stock | Additional paid-in capital | Retained earnings | Accum. other comprehensive income: Foreign exchange currency | Accum. other comprehensive 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 comprehensive 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** |

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

SYZYGY AG, Bad Homburg v.d.H.

# **Consolidated statement of cash flows** as at December 31, 2022

| | January - December | |
|---|---|---|
| | **2022** | 2021 |
| | kEUR | kEUR |
| Period net income | -7,381 | 4,133 |
| Adjustments to reconcile income from operations to net cash provided by operating activities | | |
| – Depreciation on fixed assets | 16,758 | 8,189 |
| – Profit (-) and loss (+) on sale of securities | 236 | 47 |
| – Profit (-) and loss (+) on fixed assets | -78 | 7 |
| – changes in Earn-Out liablities | -241 | -3,004 |
| – Profit (-)/Loss(+) on sale of fixed asset investments | -13 | 0 |
| – Other non-cash income and expenses | -35 | 137 |
| Changes in operating assets and liabilities: | | |
| – Accounts receivable and other assets | 4,390 | -5,086 |
| – Customer advances | 890 | 1,729 |
| – Accounts payable and other liabilities | -1,652 | 3,755 |
| – Tax accruals and payables, deferred taxes | -311 | -1,767 |
| **Cash flows provided by operating activities** | **12,563** | **8,140** |

| | January - December | |
|---|---|---|
| | **2022** | 2021 |
| | kEUR | kEUR |
| Changes in other non-current assets | 21 | 75 |
| Investments in fixed assets | -632 | -2,083 |
| Purchases of marketable securities | -2,162 | -7,873 |
| Proceeds from sale of marketable securities | 2,131 | 6,309 |
| Changes from fixed asset investments | 13 | -340 |
| Interest expense on leasing liabilities | -570 | -600 |
| **Cash flows used in investing activities** | **-1,199** | **-4,512** |
| Change in bank loans | 4,582 | -1,592 |
| Repayment of lease obligations | -3,566 | -3,383 |
| Dividend paid to minority shareholders | -180 | -89 |
| Dividend paid to shareholders of SYZYGY AG | -2,700 | -2,025 |
| Payments from changes in ownership interests in subsidiaries | -3,930 | 0 |
| **Cash flows from financing activities** | **-5,794** | **-7,089** |
| **Total** | **5,570** | **-3,461** |
| **Cash and cash equivalents at the beginning of the period** | **2,115** | **5,631** |
| Exchange rate differences | 129 | -55 |
| **Cash and cash equivalents at the end of the period** | **7,814** | **2,115** |

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

# Notes to the consolidated financial Statements
for the 2022 fincancial Year

## 1. Accounting principles and methods

### 1.1 General

The consolidated financial statements of SYZYGY AG (hereinafter “SYZYGY”, “SYZYGY GROUP”, “Group” or “Company”) for the 2022 financial year were prepared in accordance with the principles of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) in the applicable version as at December 31, 2022, as they are to be applied in the European Union and in line with the supplementary provisions of Article 315e [1] of the Handelsgesetzbuch (HGB – German Commercial Code). The consolidated financial statements were prepared on the basis of historical cost of acquisition or production. This excludes certain financial instruments that are carried at fair value as at the reporting date. An explanation is provided when presenting the relevant accounting and valuation methods. The financial year corresponds to the calendar year.

The Company was entered in the Commercial Register at the District Court of Bad Homburg v.d.H. (HRB 6877) on May 1, 2000 under the company name SYZYGY AG. The Company’s registered office is located in Bad Homburg v.d.H., Germany. Its address is: SYZYGY AG, Horexstraße 28, 61352 Bad Homburg v.d.H. SYZYGY AG has been included in the consolidated financial statements of WPP plc., St. Helier, Jersey, as a German stock corporation (“Aktiengesellschaft”) since November 10, 2015; WPP prepares the consolidated financial statements for the largest grouping of subsidiaries. The direct parent company is WPP Jubilee Ltd., London, UK. The annual report is available on the WPP Group’s website (www.wpp.com). The consolidated financial statements for the smallest grouping of subsidiaries are prepared by the Company itself and published on the SYZYGY AG website (https://ir.syzygy.net/germany/de/investors).

This amended consolidated appendix includes additions in chapter 6.10. In comparison to the consolidated appendix prepared on March 30, 2023, the mentioned chapter has added diffferent GmbH and Syzygy Performance Marketing GmbH as entities to be exempted under Article 264 Section 3 of the HGB (German GAAP).

### 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, design, planning, accounting, IT infrastructure and finance. SYZYGY AG also supports the subsidiaries in their new business activities.

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

The business focus is on the automotive, 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.

As at December 31, 2022 the following subsidiaries were included in the consolidated financial statements of SYZYGY AG as the top-level parent company and fully consolidated. In the case of these companies, SYZYGY AG can exercise the power of disposal, is exposed to fluctuating returns from the subsidiaries and can influence the level of returns due to its power of disposal:

- Ars Thanea S.A., Warsaw, Poland
  (Ars Thanea for short)
- diffferent GmbH, Berlin, Germany
  (diffferent for short)
- SYZYGY 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.

### Changes in shareholdings

SYZYGY AG acquired the remaining 22.5 per cent of the shares in diffferent in fiscal 2022. Its holding in diffferent is thus now 100 per cent as at the balance sheet date. The shares were acquired on September 13, 2022, with economic effect from January 1, 2022. The purchase price of kEUR 3,929 was paid in full in cash in the financial year. Due to the provisions of the purchase agreement, the expected payment obligations were reduced by kEUR 241. The change was recognised in the consolidated statement of comprehensive income under “Other operating income/expense, net”. Diffferent has already been fully included in SYZYGY’s consolidated financial statements, as reverse put/call options for the acquisition of further shares were concluded for the years after the acquisition in 2017, providing SYZYGY with present ownership as had previously been the case.

When carrying out the annual impairment tests, management identified impairment of goodwill for diffferent of kEUR 7,486 (previous year: kEUR 2,843) and impairment of goodwill of kEUR 3,927 (previous year: kEUR 0) for SYZYGY Performance, as the risk-free interest rate in particular increased from 0.1 per cent to 2.0 per cent compared to the previous year. This was recognised in the year under review in the consolidated statement of comprehensive income under “Other operating income/expense, net”.

## 1.4 Principles of consolidation

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

Capital consolidation is performed in accordance with IFRS 3 using the purchase method. The carrying values of the subsidiaries are offset against the subsidiary's remeasured equity at the time of acquisition. For this purpose, assets, liabilities and contingent liabilities are recognised at their current fair value. The residual difference on the assets side is reported as goodwill. Any negative difference is recognised in the income statement, following reassessment. Transaction costs are recorded directly in the income statement. In line with IFRS 3, existing and purchased goodwill is not amortised, but rather tested for impairment at least once a year or if there are indications of impairment losses, in accordance with the provisions of IAS 36, using a single-stage test procedure.

To eliminate inter-company accounts, receivables and payables between consolidated subsidiaries are not considered. The differences arising from elimination of inter-company accounts are recognised in the consolidated statement of comprehensive income and reported under general 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 the consolidation of expenses and revenues are recognised in the income statement and have been reported in the consolidated statement of comprehensive income since the 2022 financial year under “Sales” (until the 2021 financial year under “Cost of revenues”). Due to immateriality, the previous year was not adjusted.

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

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

Any contingent consideration obligation is measured at fair value at the time of acquisition. If the contingent consideration is classified as equity, it is not remeasured and any settlement is recognised in equity capital.

In all other cases, any subsequent changes to the fair value of the contingent consideration is recognised in profit or loss.

Income tax effects are taken into account and deferred taxes are recognised for consolidation adjustments recognised in profit or loss.

## 1.5 Estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets, liabilities and financial obligations at the reporting date and income and expenses during the reporting period.

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

In order to determine whether there is any impairment of the acquired goodwill, it is necessary to establish the value in use of the cash generating unit to which the goodwill was allocated.

Calculation of the value in use requires an estimate of future cash flows from the cash generating unit and an appropriate discount rate for calculating the cash value. If the actual expected future cash flows turn out to be lower than estimated, a material impairment may result. Section 3.1, Goodwill, contains further details.

Management establishes provisions for doubtful receivables to take account of expected losses resulting from the insolvency of customers. The criteria that management uses to assess provisions for doubtful receivables are customers' credit ratings and changes in payment behaviour.

If the financial position of customers deteriorates, the actual derecognition may exceed the scope of the expected derecognition. Since 2018, SYZYGY has been applying a general impairment of accounts receivable in accordance with IFRS 9 in addition to individual value adjustment. This general impairment corresponds to the present value of the expected credit losses that result from possible default events after the reporting date.

In accordance with IFRS 15, the SYZYGY GROUP always recognises revenue from long-term contracts for services on a period-related basis. The cost-to-cost method applied by SYZYGY relies primarily on a careful estimate of the degree of completion.

The key parameters in this respect are the calculated total contract costs, the costs still to be incurred up to completion, the total contract proceeds and the risks associated with the contract.

The accounting treatment of leases is chiefly dictated by the assessment of how options will be exercised. Since 2019, SYZYGY has also been making estimates for leases in accordance with IFRS 16 regarding contractual options. Extension and termination options may have an impact on the valuation of lease liabilities, thus also indirectly affecting the valuation of rights of use.

When determining deferred tax assets and liabilities, the expected actual income tax must also be calculated for each tax object, with an assessment being made of temporary differences resulting from the different treatment of certain items between the financial statements for IFRS purposes and for tax reporting purposes and with regard to the future usability of tax loss carry-forwards. Any temporary differences will result in the recognition of deferred tax assets and liabilities in the consolidated financial statements. Deferred tax assets are recognised to the extent that it is likely that future taxable profit will be available against which the temporary differences and unused loss carry-forwards can be offset. If there is a change in the impairment test for deferred tax assets, the recognised deferred tax assets (as originally established) must be reduced and recognised 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.

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 6.6.

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

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

## 1.6 Foreign currency translation

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

When preparing the financial statements of each individual Group company, business transactions that are denominated in a currency other than the functional currency of the Group company are translated at the exchange rate applicable on the date of the transaction. On each reporting date, monetary items in foreign currency are valued at the 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 or production costs are translated using the exchange rate prevailing at the first time they are recognised in the accounts. Any resulting foreign currency gains or losses are directly recognised in the income statement.

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

| **2022** | Average rate of exchange | Exchange rate as at reporting date, Dec. 31 |
|---|---|---|
| GBP/EUR | 1.17 | 1.13 |

| 2021 | Average rate of exchange | Exchange rate as at reporting date, Dec. 31 |
|---|---|---|
| GBP/EUR | 1.16 | 1.19 |

| **2022** | Average rate of exchange | Exchange rate as at reporting date, Dec. 31 |
|---|---|---|
| EUR/USD | 1.05 | 1.07 |

| 2021 | Average rate of exchange | Exchange rate as at reporting date, Dec. 31 |
|---|---|---|
| EUR/USD | 1.18 | 1.13 |

| **2022** | Average rate of exchange | Exchange rate as at reporting date, Dec. 31 |
|---|---|---|
| EUR/PLN | 4.69 | 4.68 |

| 2021 | Average rate of exchange | Exchange rate as at reporting date, Dec. 31 |
|---|---|---|
| EUR/PLN | 4.58 | 4.60 |

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

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

The following disclosures are required in this respect:

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

The following new or amended standards (and interpretations) are mandatory for the first time in relation to financial years ending on December 31, 2022:

1. Amendment to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021
2. Annual Improvements to IFRSs: 2018-2020 Cycle
3. Limited changes to
- IFRS 3: Reference to the Conceptual Framework
- IAS 16: Proceeds before Intended Use
- IAS 37: Cost of Fulfilling a Contract

### 1. Amendment to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021

The amendment extends temporary relief to lessees with regard to accounting for rent concessions. The relief provision is applicable to rental payments that were reduced due to Covid-19 and which were due on or before June 30, 2022 (and not only payments that were originally due on or before June 30, 2021). The relief permits lessees not to assess certain Covid-19-related rent concessions as lease modifications. The amendment is effective for reporting periods beginning on or after 1 April 2021. Earlier application was permitted (IFRS 16.C1C).

This change to IFRS 16 does not have any impact on the Group’s net assets, financial position or results of operations.

## 2. Annual Improvements to IFRSs: 2018-2020 Cycle

The amendments resulting from the new AIP 2018-2020 comprise:

- Amendments to IFRS 1: If a subsidiary becomes a first-time adopter of IFRS later than its parent, it may optionally (IFRS 1.D16(a)) continue to recognise the assets and liabilities that had been included until then in the parent's consolidated financial statements. The option does not apply to equity, however, so it also does not apply to the (cumulative) currency translation difference resulting from the subsidiary's interests in foreign second-tier subsidiaries. As a result of the amendments, the subsidiary's cumulative translation differences are included in the exemption provided by IFRS 1.D16(a) (but only this), based on the parent's date of transition to IFRS.
- Amendments to IFRS 9: The amendment clarifies which fees an entity includes when it applies the "10 per cent" test in IFRS 9.B3.3.6. In measuring the 10 per cent test, only fees paid or received between the entity (the borrower) and the lender are to be included, including fees paid or received by either the entity or the lender on the other's behalf.
- Amendments to IFRS 16: Illustrative Example 13 accompanying IFRS 16 removes a statement on lease incentives. The Example includes statements about payments made by the lessor to the lessee to reimburse expenses for leasehold improvements, but which, without justification, do not qualify as a lease incentive under IFRS 16.24(b).
- Amendments to IAS 41: The amendment to IAS 41.22 aims to ensure consistency with the requirements in IFRS 13. Under these provisions, the existing requirement to exclude taxation cash flows is now to be removed when measuring the fair value.

These amendments as part of the Annual Improvements to IFRSs: 2018-2020 Cycle do not have any impact on the Group's net assets, financial position or results of operations.

## 3. Limited amendments to IFRS 3, IAS 16 and IAS 37

- IAS 16: This relates to the recognition of proceeds from sales during the phase in which the item of property, plant and equipment is being prepared for its intended use. Under the amendment, deducting these proceeds from the cost of production/construction is prohibited (recognition in profit or loss).
- IAS 37: The amendments relate to costs that an entity should include as the cost of fulfilling a contract when assessing whether a contract is onerous. It was specified that this "cost of fulfilling a contract" comprises the "costs that relate directly to the contract". Costs related directly to the contract do not have to be solely additional (incremental) costs.
- IFRS 3: A reference to the new Conceptual Framework was updated in IFRS 3. An exemption was also specified in more detail. Accordingly, for separately recognised liabilities and contingent liabilities within the scope of IAS 37 and IFRIC 21, an acquirer shall apply the relevant standards (instead of the Conceptual Framework). An explicit statement that an acquirer does not recognise contingent assets was also added to IFRS 3.

These limited amendments to IFRS 3, IAS 16 and IAS 37 do not have any impact on the Group's net assets, financial position or results of operations.

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

The following standards and interpretations had been published by the IASB up to the balance sheet date of December 31, 2022 and transposed into EU law. They do not apply to SYZYGY AG until the subsequent period. SYZYGY AG did not opt for early adoption.

| Amendment/Standard | Publication date | Date of transposition into EU law | Adoption date (EU)* |
|---|---|---|---|
| IFRS 17 Insurance Contracts and Amendments to IFRS 17 | May 18, 2017 / June 25, 2020 | 19 November 2021 | 1 June 2023 |
| Amendments to IFRS 17: Initial Application of IFRS 17 and IFRS 9 – Comparative Information | 9 December 2021 | 8 September 2022 | 1 January 2023 |
| Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 7 May 2021 | 11 August 2022 | 1 January 2023 |
| Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies | 12 February 2021 | 2 March 2022 | 1 January 2023 |
| Amendments to IAS 8: Definition of Accounting Estimates | 12 February 2021 | 2 March 2022 | 01 January 2023 |

* Refers to the start of the first financial year that begins on or after the specified date.

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

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

The following standards and interpretations had been published by the IASB up to the balance sheet date of December 31, 2022 but not yet transposed into EU law. They have also not yet been adopted by SYZYGY AG.

| Amendment/Standard/Interpretation | Publication date | Date of transposition into EU law | Adoption date (IASB)* |
|---|---|---|---|
| Amendments to IAS 1:<br>• Classification of Liabilities as Current or Non-current<br>• Classification of Liabilities as Current or Non-current - Deferral of Effective Date<br>• Non-current Liabilities with Covenants | 23 January 2020 /<br>15 July 2020 /<br>31 October 2022 | Not defined | 1 January 2024 |
| Amendments to IFRS 16: Lease Liability in a Sale and Leaseback | 22 September 2022 | Not defined | 1 January 2024 |

* Refers to the start of the first financial year that begins on or after the specified date.

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

## 1.8 Other information

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

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

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

# 2. Significant accounting policies

## 2.1 Goodwill, other intangible assets and fixed assets

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

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

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

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

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

If indications of impairment of non-current intangible assets or fixed assets occur, a decision needs to be made in accordance with IAS 36 as to whether the fixed assets concerned should be written down to their market value or fair value. This is the case if the recoverable amount is lower than the carrying amount. The recoverable amount is the higher of fair value less costs to sell and the value in use. When determining the value in use, the estimated future cash flows are discounted using an input tax interest rate. If reasons for impairment losses on non-current intangible assets – except for goodwill – and fixed assets cease to apply, the write-downs are reversed up to the original cost.

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

## 2.2 Financial instruments

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

- a non-derivative financial instrument that contains or may contain a contractual obligation on the part of the entity to receive a variable number of the entity's own equity instruments;
- a derivative financial instrument that is not or cannot be settled by swapping a fixed amount of cash or other financial assets for a fixed number of the entity's own equity instruments (restrictions apply as to which instruments are classified as own equity instruments under IFRS 9 in this context).

All financial assets are divided into two classification categories: those measured at amortised acquisition cost and those measured at fair value. If financial assets are measured at fair value, expenses and income may be recognised either in full in net income (at fair value through profit or loss, FVTPL) or in other income (at fair value through other comprehensive income, FVTOCI).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 2.3 Trade receivables and contract assets and liabilities

Accounts receivable and contract assets are recorded at the time of revenue recognition, i.e. on delivery to the client. Recognisable risks are taken into account by making value adjustments through separate value adjustment accounts. Accounts receivable are stated at their nominal value if no allowances are necessary due to default risk. Receivables due after more than one year are discounted in line with market rates. Services performed are realised on a period-related basis using an input-oriented method (cost-to-cost method) depending on their stage of completion as defined in IFRS 15, and are also reported under accounts receivable and contract assets (see also section 2.10 Revenue recognition).

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

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

## 2.4 Treasury stock

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

## 2.5 Deferred taxes

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

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

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

## 2.6 Accounts payable and other provisions

In accordance with IFRS 9, current liabilities are shown at the time of acquisition at the settlement amount, which approximates to their market value. Non-current liabilities are determined according to the effective interest method by discounting the settlement amount, a process which is continued until maturity.

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

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

## 2.7 Contingent liabilities

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

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

## 2.8 Other assets and 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.

## 2.9 Leases under IFRS 16

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

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

- Fixed lease payments
- Index or instalment-based payments
- Quasi-fixed payments
- Exercise prices of a call option whose exercise was estimated with sufficient certainty
- Penalties from a termination option, if the lease term takes into account that a termination option is exercised
- Expected claims arising from residual value guarantees

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

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

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

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

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

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

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

## 2.10 Revenue recognition

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

Consulting services provided on a fixed-price basis are realised using an input-oriented method (cost-to-cost method) on a period-related basis. The percentage of completion of a project is calculated by the ratio of realised time units and other direct costs to all the time units and other direct costs planned for completion of the project. Regular adjustments are made, based on updated planning. 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.

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

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

## 2.11 Advertising expenses

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

## 2.12 Income taxes

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

## 2.13 Earnings per share

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

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

## 2.14 Stock-based remuneration programmes

### 2013 stock option programme

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

**Phantom stock programme**

A phantom stock programme was 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 will lapse after 3 years at the latest, while 60 per cent of the phantom stocks granted (Tranche 2) are not exercisable until at least 3 years have elapsed and will lapse after 4 years at the latest. The maximum price increase (cap) is limited to 60 per cent for Tranche 1 and to 90 per cent in the case of Tranche 2. There is also a change of control clause in this programme. It stipulates that the options may be exercised extraordinarily within a period of 6 weeks after a takeover offer is completed. This involves share-based remuneration with cash settlement as defined in IFRS 2. As a consequence, the accounting principles described above are applied.

### 2.15 Government benefits

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

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

## 3. Notes to the consolidated balance sheet

### 3.1 Goodwill

Reported goodwill of kEUR 43,037 (previous year: kEUR 55,021) arose from the acquisitions of Ars Thanea, diffferent, SYZYGY Performance and Unique Digital UK. The goodwill arising from the SYZYGY Media GmbH and SYZYGY Performance GmbH acquisitions was allocated to SYZYGY Performance Marketing GmbH as a cash generating unit as a result of the merger in 2021.

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.

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

| 2021 in kEUR | Goodwill |
|---|---|
| diffferent | 22,927 |
| SYZYGY Performance | 17,284 |
| Unique Digital UK | 8,450 |
| Ars Thanea | 6,360 |
| **Total** | **55,021** |

An impairment test of individual goodwill was carried out as at December 31, 2022. 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, 2022. The forecasts are based on financial planning approved by the Supervisory Board and updated each year. Business planning is updated on a rolling basis over 5 years. It is developed by the management team together with the Management Board 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 2.03 per cent, a risk premium of 7.00 per cent and a sector beta of 1.10, a country-specific risk premium of 1.03 per cent and an inflation differential of 99.45 per cent were used as a basis, producing a WACC (Weighted Average Cost of Capital) of 10.2 per cent after tax or 9.5 per cent before tax. In the previous year, a risk-free interest rate of 0.10 per cent, a risk premium of 7.00 per cent and a sector beta of 1.08 were used for the Unique Digital UK cash generating unit, producing a WACC of 8.5 per cent after tax or 9.5 per cent before tax.

An average tax rate of 25 per cent was applied (previous year: 19 per cent). In the case of Unique Digital UK, the business plans for 2023 are based on an expected decrease in sales of 1 per cent (previous year: 7 per cent) and sales growth of 10 per cent p.a. (previous year: 10 per cent) from 2024 to 2027, 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 2023 (previous year: 10 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 8,024 is allocated.

In the case of SYZYGY Performance and diffferent in Germany, a risk-free interest rate of 2.03 per cent (previous year: 0.10 per cent), a risk premium of 7.00 per cent (previous year: 7.00 per cent) and a sector beta of 1.10 (previous year: 1.08) were used as a basis, producing a WACC (Weighted Average Cost of Capital) of 9.7 per cent after tax (previous year: 7.6 per cent), or 12.9 per cent before tax (previous year: 9.7 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 4 per cent for 2023 (previous year: 10 per cent) and sales growth of 10 per cent p.a. for the years 2024 to 2027 (previous year 2023 to 2026: 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 15 per cent for 2023 (previous year: 10 per cent) and sales growth of 10 per cent p.a. for the years 2024 to 2027 (previous year 2023 to 2026: 7 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 7 per cent in 2023 (previous year: 9 per cent). Based on the underlying information, management identified a need for impairment in the amount of kEUR 11,413 in Germany in its updated analysis, of which kEUR 7,486 applies to diffferent (previous year: kEUR 2,843) and kEUR 3,927 to SYZYGY Performance (previous year: kEUR 0).

Diffferent is now allocated goodwill of kEUR 15,400 and SYZYGY Performance is allocated goodwill of kEUR 13,357.

In the case of Ars Thanea in Poland, a risk-free interest rate of 2.03 per cent (previous year: 0.10 per cent), a risk premium of 7.00 per cent (previous year: 7.00 per cent), a sector beta of 1.10 (previous year: 1.08), a country-specific risk premium of 1.46 per cent (previous year: 0.84 per cent) and an inflation differential of 100.63 per cent (previous year: 101.30 per cent) were used as a basis, producing a WACC (Weighted Average Cost of Capital) of 11.9 per cent after tax (previous year: 9.9 per cent), or 14.3 per cent before tax (previous year: 11.3 per cent). An unchanged average tax rate of 19 per cent was applied. The business plan envisages sales growth of 13 per cent for 2023 (previous year: 21 per cent) and 10 per cent p.a. for the years 2024 to 2027 (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 2 per cent in 2023 (previous year: 10 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 6,256 is allocated.

If the key assumptions regarding interest rates, growth rates and margin development change, different values in use for the cash generating units will result. A rise of 100 basis points in the interest rate for 30-year government bonds would result in a rise in WACC before tax of the same extent for diffferent and consequently a drop of around 10 per cent in values in use (previous year: 16 per cent) due to the higher discount factor. The effect on values in use in the UK and Poland would be similar. This would lead to impairment at the Ars Thanea cash generating unit and to additional impairment at SYZYGY Performance and diffferent. If the growth rates of the companies decline by half from 2024 onwards, this would lead to impairment at the Ars Thanea cash generating unit and to additional impairment at SYZYGY Performance and diffferent. The estimated recoverable amounts of the Ars Thanea und Unique Digital UK CGUs exceed their carrying amounts by EUR 3.8 million.

## 3.2 Goodwill, other intangible assets and fixed assets

Changes are as follows in the financial 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 | -707 | -151 | -99 | -998 |
| Adjustments | 0 | 0 | -54 | 0 | 0 | -54 |
| 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 | 11,413 | 148 | 3,542 | 805 | 850 | 16,758 |
| Disposals | 0 | 0 | -707 | -78 | -95 | -880 |
| Adjustments | 0 | 0 | 0 | 0 | 0 | 0 |
| 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** |

Changes were as follows in the previous year:

| 2021 (in kEUR) | Goodwill | Other intangible assets | Rights of use resulting from leases | Leasehold improvements | Operating and office equipment | Total |
|---|---|---|---|---|---|---|
| **Acquisition or production costs January 1, 2021** | **57,365** | **2,935** | **29,634** | **6,207** | **6,445** | **102,586** |
| Additions | 41 | 88 | 1,800 | 1,156 | 867 | 3,952 |
| Disposals | -40 | -138 | -667 | -202 | -2,361 | -3,408 |
| Adjustments | 0 | -28 | 0 | 258 | 366 | 596 |
| Exchange rate changes | 514 | 14 | 485 | 159 | 37 | 1,209 |
| **Acquisition or production costs December 31, 2021** | **57,880** | **2,871** | **31,252** | **7,578** | **5,354** | **104,935** |
| **Accumulated amortisation, depreciation and write-downs January 1, 2021** | **16** | **2,442** | **6,017** | **1,746** | **4,317** | **14,538** |
| Additions | 2,843 | 263 | 3,563 | 671 | 849 | 8,189 |
| Disposals | 0 | -138 | -667 | -202 | -2,354 | -3,361 |
| Adjustments | 0 | -28 | 0 | 285 | 366 | 623 |
| Exchange rate changes | 0 | 4 | 136 | 80 | 33 | 253 |
| **Accumulated amortisation, depreciation and write-downs December 31, 2021** | **2,859** | **2,543** | **9,049** | **2,580** | **3,211** | **20,242** |
| **Carrying value December 31, 2021** | **55,021** | **328** | **22,203** | **4,998** | **2,143** | **84,693** |

Other intangible assets were tested for impairment as at December 31, 2022 using the same principles as for goodwill (3.1).

They include brand names worth kEUR 123 (previous year: kEUR 214) after foreign currency effects. This brand equity is due to first-time consolidation of Unique Digital UK, Ars Thanea, USEEDS, SYZYGY Performance and diffferent. It is allocable to the UK segment in the amount of kEUR 123 (previous year: kEUR 130) and has an indeterminable useful life, since there is no foreseeable end to the economic life of these brands. Brand equity for diffferent has now been fully written down. This was likewise added in the course of acquiring the company and was amortised on a straight-line basis over a period of 5 years This was recognised in the previous year in the amount of kEUR 84 and was allocated to the Germany segment.

Since January 1, 2019, fixed assets have also included rights of use resulting from leases. In 2022, application of IFRS 16 resulted in additions of kEUR 1,778 for rights of use relating to real estate (previous year: kEUR 1,726) and of kEUR 283 for company cars (previous year: kEUR 73).

In total, rights of use for leased assets with a carrying value of kEUR 0 were disposed of in the financial year (previous year: kEUR 0). Depreciation of rights of use for leased assets was kEUR 3,542 (previous year: kEUR 3,563).

The carrying amounts of the rights of use for real estate amounted to kEUR 20,175 (previous year: kEUR 22,078) and for company cars to kEUR 260 (previous year: kEUR 125) as at the reporting date.

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

## 3.3 Non-current financial assets

In the 2017 financial year, SYZYGY took a stake in next media accelerator 2 Beteiligungsgesellschaft mbH & Co. KG, Hamburg, with a limited partner's capital contribution of kEUR 200, which originally represented 3 per cent of the limited liability capital. The purchase price commitment was settled in annual tranches of kEUR 40 up to 2021. Following the notification in the Bundesanzeiger (German Federal Gazette) of January 12, 2022 that the company was dissolved with effect from December 31, 2021, SYZYGY applied complete impairment in the amount of kEUR 200 to this financial asset in the 2021 financial year. The company ceased to exist when the relevant entry was made in the Commercial Register on December 8, 2022. SYZYGY received income of kEUR 13 from the liquidation.

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 269. To date, all non-current financial assets have been recognised in the FVTPL category.

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

## 3.4 Other non-current assets

Other non-current assets comprise financial assets in the “Amortised costs” valuation category and are recognised in the amount of kEUR 259 (previous year: kEUR 287). They mainly comprise rent deposits in the amount of kEUR 115 (previous year: kEUR 113) and an allocation of a rent-free period for sub-tenants of kEUR 142 (previous year: kEUR 72). The previous year included a still outstanding interest-bearing loan granted to third parties of kEUR 100, which was repaid in full in the last financial year.

## 3.5 Deferred tax assets

Deferred tax assets of kEUR 1,221 (previous year: kEUR 1,575) were reported in the financial year.

The deferred tax assets at SYZYGY AG as the parent company are mainly recorded on 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 6,638 (previous year: kEUR 6,745) were recognised for lease liabilities.

SYZYGY Performance has tax loss carry-forwards for corporation tax in the amount of kEUR 119 (previous year: kEUR 1,321 ) and for trade tax of kEUR 519 (previous year: kEUR 1,739), for which a total of kEUR 106 (previous year: kEUR 499) was recognised as tax assets.

Diffferent no longer has a loss carry-forward usable for trade tax purposes (previous year: kEUR 21, for which deferred tax assets of kEUR 3 were reported).

The companies in the UK are part of a tax group and no longer recognise any deferred tax assets (previous year: kEUR 53) for usable tax loss carry-forwards (previous year: kEUR 278).

SYZYGY US recognised a total of kEUR 46 (previous year: kEUR 116) as deferred tax assets for usable tax loss carry-forwards of kEUR 211 (previous year: kEUR 300).

In accounts receivable, deferred tax assets of kEUR 25 (previous year: kEUR 5) were recognised as a result of impairments in accordance with IFRS 9.

Deferred tax assets and liabilities were netted in the amount of kEUR 6,291 (previous year: kEUR 6,115). 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.

## 3.6 Cash and cash equivalents and securities

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

| In kEUR | **12/31/2022** | 12/31/2021 |
|---|---|---|
| Cash and cash equivalents | 7,814 | 2,115 |

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.

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

As can be seen in the following table, the market value of all securities as at December 31, 2022 was kEUR 352 below the acquisition cost (previous year: kEUR 41 below the acquisition cost). kEUR 28 (previous year: kEUR 0) was attributable to unrealised price gains and kEUR 380 (previous year: kEUR 41) to unrealised price losses. Security purchases and sales are recorded on the value date. Of the unrealised profits and losses as at December 31, 2021 that had previously been recorded in “Other comprehensive income”, kEUR 0 of valuation gains (previous year: kEUR 3) and kEUR 19 of valuation losses (previous year: kEUR 0) 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** |

| December 31, 2021 (in kEUR) | Acquisition cost | Unrealised gains | Unrealised losses | Carrying value/ market value |
|---|---|---|---|---|
| Securities (FVTOCI) | 1,674 | – | -41 | **1,633** |

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

| In kEUR | < 1 year | 1–5 years | 5–10 years | > 10 years | Total |
|---|---|---|---|---|---|
| Securities (FVTOCI) | – | 737 | – | 351 | **1,088** |

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

| In kEUR | < 1 year | 1–5 years | 5–10 years | > 10 years | Total |
|---|---|---|---|---|---|
| Securities (FVTOCI) | – | – | 675 | 958 | **1,633** |

The performance of the securities portfolio is dependent on changes in interest rates and credit spreads. On average, the portfolio has a duration of around 9.6 years (previous year: 14.6 years). This means that if credit spreads rise by 100 basis points and interest rates stay the same, the value of the securities portfolio will decline by around 9.6 per cent (previous year: 14.6 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.

## 3.7 Trade receivables and contract assets and contract liabilities

This item comprises the following:

| In kEUR | 12/31/2022 | 12/31/2021 |
|---|---|---|
| Accounts receivable | 14,538 | 17,145 |
| Contract assets | 1,625 | 3,612 |
| **Total assets** | **16,163** | **20,757** |
| **Contract liabilities** | **6,078** | **5,218** |

Contract assets and sales of kEUR 1,625 (previous year: kEUR 3,612) are disclosed using an input-oriented method (cost-to-cost method) on a period-related basis for services not yet billed. Costs of kEUR 1,481 (previous year: kEUR 3,228 ) were incurred for these services. This results in a margin of kEUR 144 (previous year: kEUR 384).

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

Appropriate individual value adjustments are made for recognisable default risks, while uncollectable receivables are written off. There were individual value adjustments of kEUR 182 (previous year: kEUR 6) 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 2022 financial year saw a write-down of receivables in the amount of kEUR 34 (previous year: impairment of kEUR 4). As a result, impairments of kEUR 52 (previous year: kEUR 18) were reported as at the balance sheet date.

The contract liabilities of kEUR 6,078 (previous year: kEUR 5,218) mainly relate to advance payments received of kEUR 5,777 (previous year: kEUR 5,139). The contract liabilities reported in the previous year were mainly recognised as revenue in the 2022 financial year.

In the case of performance marketing companies, the contract liabilities reported in the 2021 financial year were recognised as sales in the reporting period, less transitory items and/or media costs.

## 3.8 Other current assets

Other current assets as at December 31, 2022 and 2021 consist of the following:

| In kEUR | 12/31/2022 | 12/31/2021 |
|---|---|---|
| Prepaid expenses | 1,155 | 1,095 |
| Tax receivables | 915 | 608 |
| Deposits | 38 | 36 |
| Interest receivables | 22 | 6 |
| Other | 379 | 147 |
| **Total** | **2,509** | **1,892** |

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: 12/31/2022** | – | 10 | 12 | **22** |
| As at: 12/31/2021 | 3 | 3 | – | **6** |

## 3.9 Equity

### 3.9.1 Subscribed capital

As at December 31, 2022, 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 2022 financial year.

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

| In thousands | Shares | % |
|---|---|---|
| WPP plc., St. Helier, Jersey | 6,795 | 50.33 |
| Free float | 4,693 | 34.77 |
| Institutional investors | 1,176 | 8.71 |
| HANSAINVEST Hanseatische Investment GmbH, Hamburg | 836 | 6.19 |
| **Total** | **13,500** | **100.00** |

### 3.9.2 Authorised and contingent 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.

As in the previous year, there is no contingent capital.

### 3.9.3 Additional paid-in capital

Additional paid-in capital includes the premium on the nominal amount resulting from the issue of shares by SYZYGY AG. It amounts to kEUR 27,058 (previous year: kEUR 27,058).

### 3.9.4 Treasury stock

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

On October 27, 2020, the Annual General Meeting authorised the Management Board to acquire a maximum of 10 per cent of SYZYGY's outstanding shares until October 26, 2025. SYZYGY is authorised to resell or call in treasury shares, to offer them to employees of the Company as compensation, or to offer treasury shares to third parties in the course of acquiring companies.

As of December 31, 2022, SYZYGY held no treasury shares, as in the previous year.

### 3.9.5 Other comprehensive income

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 2022 financial year amount to kEUR -889 (previous year: kEUR 645) and are due to unrealised losses on securities in the FVTOCI category after tax of kEUR 280 (previous year: gains of kEUR 35) and losses from currency translation in non-EUR business operations of kEUR 609 (previous year: gains of kEUR 610). All changes can be reclassified (recycling) and are consequently only recorded temporarily in other comprehensive income. They may be reclassified as profit or loss at a later stage.

### 3.9.6 Retained earnings

The consolidated financial statements showed retained earnings of kEUR 7,338 (previous year: kEUR 17,605) as of December 31, 2022. 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 -7,499 (previous year: kEUR 4,022) less the distributed dividend of kEUR 2,700 (previous year: kEUR 2,025) and distributions to minority shareholders of subsidiaries which, due to present ownership of 100 per cent, i.e. without showing non-controlling shares, are consolidated, in the amount of kEUR 68 (previous year: kEUR 67).

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 5, 2022, the Annual General Meeting of SYZYGY AG approved the proposal to distribute a dividend of EUR 0.20 (previous year: EUR 0.15) per eligible share which was distributed from July 6, 2022 onwards.

As at December 31, 2022, the financial statements of SYZYGY AG showed net earnings of kEUR 4,850 (previous year: kEUR 10,025).

## 3.10 Stock-based compensation

### 2013 stock option programme

In the 2013 financial year, the Group set up a stock option programme whereby the SYZYGY GROUP undertook to transfer a certain number of shares to employees after 3 years. If the employee leaves the SYZYGY GROUP prior to the end of the period, all claims arising from the stock option programme will lapse without compensation. Alternatively, both the company and the employees are entitled to pay or receive as remuneration, respectively, the market value as at the date of transfer in cash, instead of the shares.

As at the reporting date, commitments for a total of 50,000 shares are outstanding, of which 15,000 from 2020, a further 15,000 from 2021 and 20,000 from 2022.

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 85 (previous year: kEUR 103) was recognised as at the key date. The allocation recognised in profit in the financial year was kEUR 105 (previous year: kEUR 97). The fair value as at the key date is largely dependent on the share price.

| In kEUR | Number of options | Fair value |
|---|---|---|
| **As at: 12/31/2021** | **45,000** | **285** |
| New allocation | 20,000 | 54 |
| Exercised | -15,000 | -72 |
| Expired | 0 | 0 |
| Change in value | 0 | -4 |
| **As at: 12/31/2022** | **50,000** | **263** |

### Phantom stock programme 2015

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

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, all the phantom stocks were still held in the pool. The first tranche could be exercised on December 31, 2022 at the earliest.

| In EUR | Number of options | Fair value |
|---|---|---|
| **As at: 12/31/2021** | **450,000** | **0.62** |
| Exercised | 0 | 0.00 |
| Expired | 0 | 0.00 |
| New allocation | 0 | 0.00 |
| **As at: 12/31/2022** | **450,000** | **0.41** |

The fair value of the phantom stocks on December 31, 2022 is calculated as the volume-weighted average of the difference between the exercise prices and the stock price as at December 31, 2022, and a fair value 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.

## 3.11 Accounts payable and other provisions

As at December 31, 2022 and 2021, accounts payable and other provisions consisted of:

| In kEUR | 12/31/2022 | 12/31/2021 |
|---|---|---|
| **Accounts payable** | **8,810** | **9,722** |
| Other provisions: | | |
| – Personnel-related provisions | 2,379 | 2,226 |
| – Obligations towards other parties | 1,879 | 2,273 |
| – Other | 444 | 426 |
| **Total other provisions** | **4,702** | **4,925** |

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

Obligations towards other parties primarily relate to outstanding invoices.

| Statement of changes in provisions as at **December 31, 2022** (in kEUR) | Carrying value 01/01/2022 | Usage | Reversal | Addition | Carrying value **12/31/2022** |
|---|---|---|---|---|---|
| Personnel-related provisions | 2,226 | -1,554 | -196 | 1,903 | **2,379** |
| Obligations towards other parties | 2,273 | -2,085 | -92 | 1,783 | **1,879** |
| Other | 426 | -413 | -13 | 444 | **444** |
| **Total other provisions** | **4,925** | **-4,052** | **-301** | **4,130** | **4,702** |

| Statement of changes in provisions as at December 31, 2021 (in kEUR) | Carrying value 01/01/2021 | Usage | Reversal | Addition | Carrying value 12/31/2021 |
|---|---|---|---|---|---|
| Personnel-related provisions | 1,337 | -1,081 | -58 | 2,028 | **2,226** |
| Obligations towards other parties | 2,735 | -847 | -181 | 566 | **2,273** |
| Other | 436 | -428 | 0 | 418 | **426** |
| **Total other provisions** | **4,508** | **-2,356** | **-239** | **3,012** | **4,925** |

## 3.12 Income tax liabilities

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

| In kEUR | 12/31/2022 | 12/31/2021 |
|---|---|---|
| German income taxes | 186 | 463 |
| British income taxes | 167 | – |
| Polish income taxes | 10 | 7 |
| **Total** | **363** | **470** |

## 3.13 Other liabilities

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

| In kEUR | **12/31/2022** | 12/31/2021 |
|---|---|---|
| Lease liabilities | 22,895 | 24,776 |
| Liabilities to banks | 8,000 | 3,418 |
| VAT liability | 1,485 | 2,133 |
| Social security, salary and church taxes | 642 | 906 |
| Financial liabilities due to contingent purchase price payments | 0 | 4,170 |
| Liabilities arising from future profit distributions to minority shareholders | 0 | 40 |
| Other | 875 | 690 |
| **Total** | **33,897** | **36,133** |

The following table shows the maturities of other liabilities at December 31, 2022:

| In kEUR | < 1 year | 1–5 years | 6–10 years | > 10 years | Total |
|---|---|---|---|---|---|
| Other liabilities | 14,027 | 13,594 | 5,425 | 851 | **33,897** |
| Of which lease liabilities | 3,588 | 13,031 | 5,425 | 851 | **22,895** |

The following table shows the maturities of other liabilities at December 31, 2021:

| In kEUR | < 1 year | 1–5 years | 6–10 years | > 10 years | Total |
|---|---|---|---|---|---|
| Other liabilities | 12,389 | 15,668 | 6,868 | 1,208 | **36,133** |
| Of which lease liabilities | 3,514 | 13,346 | 6,708 | 1,208 | **24,776** |

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

# 4. Segment reporting

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

As the holding company, SYZYGY AG mainly delivers services to the operating units and therefore needs to be considered separately as a provider of central functions. The United Kingdom & 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 previous year's figures were adapted to the new structure of the segments. In the previous year, Ars Thanea and SYZYGY NY were presented under "Other segments", while the UK segment consisted only of SYZYGY UK and Unique Digital UK.

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

Sales included in segment reporting consist of sales to external clients and inter-segment sales. Transactions within segments, which are charged at market prices, were eliminated.

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

Segment investments comprise investments in intangible assets and fixed assets.

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

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

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

| 31/12/2022 (in kEUR) | Germany | UK & US | Poland | Central functions | Consolidation | Total |
|---|---|---|---|---|---|---|
| Billings | 92,900 | 12,424 | 5,951 | -9 | -537 | **110,729** |
| Media costs | -37,939 | -2,523 | 0 | 0 | 345 | **-40,117** |
| Sales | 54,961 | 9,901 | 5,951 | -9 | -192 | **70,612** |
| of which internal sales | -269 | -310 | 872 | -101 | -192 | **0** |
| Operating income (EBIT) | -5,805 | 1,350 | 768 | -1,518 | 0 | **-5,205** |
| Financial income | -4,270 | -192 | -8 | 5,254 | -1,632 | **-848** |
| Income before income taxes (EBT) | -10,075 | 1,158 | 760 | 3,736 | -1,632 | **-6,053** |
| Assets | 68,471 | 17,221 | 9,289 | 88,224 | -83,994 | **99,211** |
| of which non-current 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** |
| Impairment loss for goodwill | 11,413 | 0 | 0 | 0 | 0 | **11,413** |
| Segment liabilities | 35,999 | 7,951 | 1,628 | 21,047 | -12,509 | **54,116** |
| Employees at the balance sheet date | 413 | 63 | 79 | 49 | 0 | **604** |

| 31/12/2021 (in kEUR) | Germany | UK & US | Poland | Central functions | Consolidation | Total |
|---|---|---|---|---|---|---|
| Billings | 82,268 | 30,290 | 4,769 | 228 | -1,854 | **115,701** |
| Media costs | -34,179 | -21,772 | 0 | 0 | 374 | **-55,577** |
| Sales | 48,089 | 8,518 | 4,769 | 228 | -1,480 | **60,124** |
| of which internal sales | 425 | 323 | 1,966 | 109 | -2,823 | **0** |
| Operating income (EBIT) | 3,919 | 1,196 | 708 | 553 | 3 | **6,379** |
| Financial income | -5,106 | -210 | -27 | 5,849 | -1,491 | **-985** |
| Income before income taxes (EBT) | -1,187 | 986 | 681 | 6,402 | -1,488 | **5,394** |
| Assets | 78,572 | 22,552 | 9,419 | 85,023 | -82,234 | **113,332** |
| of which non-current assets | 56,752 | 14,396 | 8,073 | 5,254 | 218 | **84,693** |
| of which goodwill | 40,211 | 8,450 | 6,360 | 0 | 0 | **55,021** |
| Investments | 929 | 161 | 1,616 | 1,246 | 0 | **3,952** |
| Depreciation and amortisation | 5,699 | 1,151 | 367 | 977 | -5 | **8,189** |
| Impairment loss for goodwill | 2,843 | 0 | 0 | 0 | 0 | **2,843** |
| Segment liabilities | 35,163 | 12,627 | 1,656 | 18,341 | -10,704 | **57,083** |
| Employees at the balance sheet date | 371 | 63 | 63 | 38 | 0 | **535** |

# 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 transitory items. Billings include all invoices to third parties, i.e. both our own (in the design & build product area) and those in our own name and for the account of a third party (performance marketing). In 2022, the SYZYGY GROUP generated sales of kEUR 53,466 from design & build (previous year: kEUR 45,487) and billings of kEUR 60,132 (previous year: kEUR 71,857) from performance marketing. Performance marketing includes media costs of kEUR 41,755 (previous year: kEUR 55,577), resulting in sales of kEUR 18,377 (previous year: kEUR 16,280). Internal sales of kEUR 798 (previous year: kEUR 1,188) were conducted between the product areas as well as sales to or from the parent company amounting to kEUR 433 (previous year: kEUR 454), which were completely eliminated in the consolidated financial statements.

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

| In kEUR | Germany | UK & US | Poland | Total |
|---|---|---|---|---|
| Design & build | 47,257 | – | 5,079 | **52,336** |
| Performance marketing | 8,039 | 10,237 | – | **18,276** |
| **Total** | **55,296** | **10,237** | **5,079** | **70,612** |

## 5.2 Other operating income and expenses

Other operating income and expenses consist of the following:

| In kEUR | **2022** | 2021 |
|---|---|---|
| Subletting | 1,243 | 1,223 |
| Exchange rate effects | 821 | 348 |
| Reversal of provisions | 301 | 239 |
| Time value measurement of earn-out and options liabilities | 241 | 3,004 |
| Income from employee benefits | 160 | 156 |
| Refund from health insurance funds | 111 | 172 |
| Refund of ancillary costs | 40 | 6 |
| Income from IFRS 16 derecognition | 9 | – |
| Amortisation of corporate assets | -84 | -107 |
| Impairment of goodwill | -11,413 | -2,843 |
| Other | 431 | 114 |
| **Total** | **-8,140** | **2,312** |

## 5.3 Cost of purchased services

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

| In kEUR | **2022** | 2021 |
|---|---|---|
| Cost of purchased services | 11,825 | 6,904 |

## 5.4 Personnel expenses

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

| In kEUR | 2022 | 2021 |
|---|---|---|
| Salaries and wages | 32,274 | 28,837 |
| Social security | 5,640 | 5,209 |
| **Total** | **37,914** | **34,046** |

SYZYGY spent kEUR 220 (previous year: kEUR 225) on retirement benefits in the 2022 financial year, kEUR 24 of which (previous year: kEUR 41) is attributable to defined contribution pension plans.

In 2022, the average number of full-time employees in the SYZYGY GROUP was 577 (previous year: 515 employees).

At the end of the 2022 financial year, the total number of employees at SYZYGY increased to 604 (previous year: 535 employees). The employees are distributed across the following functional areas within the Company:

| Number of persons | 12/31/2022 | 12/31/2021 | Average in 2022 | Average in 2021 |
|---|---|---|---|---|
| Technology | 115 | 91 | 107 | 91 |
| Strategy consulting | 111 | 102 | 109 | 109 |
| Performance marketing | 108 | 105 | 107 | 98 |
| Project management | 95 | 90 | 95 | 80 |
| Creative services | 94 | 78 | 85 | 67 |
| Administration | 81 | 69 | 74 | 70 |
| **Total** | **604** | **535** | **577** | **515** |

## 5.5 Depreciation and write-downs

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

| In kEUR | 2022 | 2021 |
|---|---|---|
| Impairment of goodwill | 11,413 | 2,843 |
| Amortisation of rights of use | 3,542 | 3,563 |
| Depreciation of fixed assets | 1,655 | 1,520 |
| Amortisation of other intangible assets | 148 | 263 |
| **Total** | **16,758** | **8,189** |

The amortisation of rights of use includes amortisation of real estate rights of use totalling kEUR 3,394 (prior year: kEUR 3,402) and of kEUR 148 (prior year: kEUR 161) for company cars.

## 5.6 Financial income

| In kEUR | 2022 | 2021 |
|---|---|---|
| Interest and similar income | 96 | 47 |
| Income from the sale of securities | 92 | 34 |
| **Total financial income** | **188** | **81** |
| Interest expense and similar expenses | -688 | -778 |
| Expenses from the sale of securities | -300 | -81 |
| Impairment losses on non-current financial assets | -32 | -200 |
| Impairment losses under IFRS 9, net | -16 | -7 |
| **Total financial expenses** | **-1,036** | **-1,066** |
| **Total financial income** | **-848** | **-985** |

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 570 (previous year: kEUR 600). Interest expense includes the balance resulting from interest income and expenses as defined in section 233a of the German Fiscal Code (Abgabenordnung, AO).

Financial income includes the expense resulting from impairment of a non-current financial asset in the amount of kEUR 0 (previous year: kEUR 200).

Financial income includes impairment on securities in accordance with IFRS 9 amounting to kEUR 16 (prior year: impairment of kEUR 7). All the securities impaired in the previous year were sold in the 2022 reporting year. No securities were found to be impaired when added, or to have an increased default risk. As a result, impairment was calculated on the basis of the expected probabilities of default for the next 12 months.

## 5.7 Income taxes

| In kEUR | **2022** | 2021 |
|---|---|---|
| Current domestic income taxes | 749 | 898 |
| Current foreign income taxes | 453 | 255 |
| **Subtotal of current income taxes** | **1,202** | **1,153** |
| Deferred taxes | 126 | 108 |
| **Total** | **1,328** | **1,261** |

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

In the United Kingdom, a general tax rate of 19 per cent applies since April 1, 2017. The rate is expected to rise to 25 per cent on April 1, 2023.

In the US, there is a federal tax of 21 per cent (previous year: 36.4 per cent ) plus local taxes applicable to SYZYGY NY of around 0.8 per cent (previous year: 2.3 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 8 (previous year: kEUR 0) is due to changes in tax rates.

SYZYGY received an income tax refund of kEUR 143 net in the 2022 financial year (previous year: payments in arrears of kEUR 181). Due to the use of non-recognised loss carry-forwards, tax expense was reduced by kEUR 0 (previous year: kEUR 801). Deferred tax assets and liabilities can be summarised as follows:

| In kEUR | **2022** | 2021 |
|---|---|---|
| **Deferred taxes (assets)** | | |
| Lease liabilities | 6,638 | 6,745 |
| Other fixed assets | 460 | 151 |
| Loss carry-forwards | 151 | 671 |
| Current assets (securities) | 125 | 16 |
| Provisions | 70 | 70 |
| Accounts receivable | 25 | 5 |
| Other | 43 | 32 |
| Offset against deferred tax liabilities | -6,291 | -6,115 |
| **Total** | **1,221** | **1,575** |

| In kEUR | 2022 | 2021 |
|---|---|---|
| **Deferred taxes (liabilities)** | | |
| Rights of use | 5,988 | 6,427 |
| Other fixed assets | 209 | 225 |
| Unique Digital brand | 31 | 25 |
| Accounts receivable | 1 | 2 |
| diffferent brand | 0 | 26 |
| Current assets (securities) | 0 | 25 |
| Other | 327 | 0 |
| Offset against deferred tax assets | -6,291 | -6,115 |
| **Total** | **265** | **615** |

The deferred tax assets at SYZYGY AG as the parent company are mainly recorded on 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 6,638 (previous year: kEUR 6,745) were recognised for lease liabilities.

SYZYGY Performance has tax loss carry-forwards for corporation tax in the amount of kEUR 119 (previous year: kEUR 1,321) and for trade tax of kEUR 519 (previous year: kEUR 1,739), for which a total of kEUR 106 (previous year: kEUR 499) was recognised as tax assets.

Diffferent no longer has any loss carry-forward usable for trade tax purposes (previous year: kEUR 21, for which deferred tax assets of kEUR 3 were reported).

The companies in the UK are part of a tax group and no longer recognise any deferred tax assets (previous year: kEUR 53) for usable tax loss carry-forwards (previous year: kEUR 278).

SYZYGY US recognised kEUR 46 (previous year: kEUR 116) as deferred tax assets for usable tax loss carry-forwards of kEUR 211 (previous year: kEUR 300).

In accounts receivable, deferred tax assets of kEUR 25 (previous year: kEUR 5) were recognised as a result of impairments in accordance with IFRS 9.

Deferred tax assets and liabilities were netted in the amount of kEUR 6,291 (previous year: kEUR 6,115). The netting provisions of IAS 12.71 ff. were applied.

Deferred tax liabilities of kEUR 5,988 (previous year: kEUR 6,427) were reported as a result of rights of use to leased assets being capitalised in accordance with IFRS 16.

Other deferred tax liabilities arise from differences in the valuation of assets (kEUR 209; previous year: kEUR 225) and subsidiaries' intangible assets of kEUR 31 (previous year: kEUR 51).

Different valuations of securities led to deferred tax liabilities of kEUR 0 (previous year: kEUR 25).

Due to different valuations of accounts receivable at Ars Thanea, deferred tax liabilities of kEUR 1 (previous year: kEUR 2) were recognised.

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

| In kEUR | **2022** | 2021 |
|---|---|---|
| Income before taxes | -6,053 | 5,394 |
| Income tax expense at a tax rate of 31% (previous year: 31%) | -1,877 | 1,672 |
| Income not subject to tax/ non-deductible expenditure | 3,612 | 54 |
| Differences in tax rates | -207 | -151 |
| Tax effect on loss carry-forwards for which no deferred tax assets were recognised | 0 | 0 |
| Tax arrears from previous years | 0 | 193 |
| Tax refunds from previous years | -143 | -12 |
| Tax effects resulting from additions and deductions of local taxes | 58 | 64 |
| Use of tax loss carry-forwards and change in the valuation allowance for deferred tax assets | 0 | -951 |
| Deferred taxes from previous years | -81 | 361 |
| Other | -34 | 31 |
| **Actual income tax** | **1,328** | **1,261** |

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 2022 financial year, deferred tax assets of kEUR 115 (previous year: kEUR 15) and deferred tax liabilities of kEUR 9 (previous year: kEUR 19) were attributable to items that were offset directly against equity. The change in the valuation differences of kEUR 128 (previous year: kEUR -11) is recorded in other comprehensive income. These amounts resulted essentially from taking into account price gains and losses on securities held as current assets such that net income was not affected.

As at the balance sheet date, like in the previous year there were no taxable temporary differences in connection with shares held in subsidiaries.

### 5.8 Notes on currency translation

In accordance with IAS 21.52, currency translation differences of kEUR -613 (previous year: kEUR 608) were recognised in other comprehensive income for the period and aggregated in other comprehensive income.

# 6. Other notes

## 6.1 Earnings per share

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

| | **2022** | 2021 |
|---|---|---|
| Weighted average number of shares (in thsd.), diluted and basic | 13,500 | 13,500 |
| Net income of SYZYGY AG shareholders (in kEUR) | -7,499 | 4,022 |
| Earnings per share, diluted and basic (in EUR) | -0.56 | 0.30 |

A dividend of EUR 0.22 per eligible share will be proposed to the Annual General Meeting. The total amount distributed will thus be kEUR 2,970. The dividends were not recognised in the accounts; there are no tax consequences.

## 6.2 Consolidated statement of cash flows

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

In 2022, operating cash flow amounted to kEUR 12,563, as compared with kEUR 8,140 in the previous year. Operating cashflow includes paid interest in the amount of kEUR 727 (previous year: kEUR 738), received interest in the amount of kEUR 66 (previous year: kEUR 41) as well as received taxes in the amount of kEUR 26 (previous year: kEUR 0) and paid taxes in the amount of kEUR 1,513 (previous year: kEUR 2,961).

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

In the course of the 2022 financial year, the Group conducted the following non-cash investment and financing transactions, which are reflected accordingly in a correction item in the consolidated statement of cash flows: The Group obtained net income of kEUR 241 from changes in the option and forward contract liabilities for acquiring the outstanding shares in diffferent (previous year: kEUR 3,004).

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

| In kEUR | | Liabilities to banks | Financial liabilities | Lease liabilities (IFRS 16) | Total |
|---|---|---|---|---|---|
| **12/31/2021** | | **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** |
| **12/31/2022** | | **8,000** | **0** | **22,895** | **30,895** |
| | Overall change | 4,582 | -4,210 | -1,881 | **-1,509** |

| In kEUR | | Liabilities to banks | Financial liabilities | Lease liabilities (IFRS 16) | Total |
|---|---|---|---|---|---|
| **12/31/2020** | | **5,010** | **7,244** | **25,921** | **38,175** |
| Cash change | Cash inflow | 8,465 | 0 | 0 | **8,465** |
| | Cash outflow | -10,057 | -80 | -3,383 | **-13,520** |
| | **(Net) repayment of financial liabilities** | **-1,592** | **-80** | **-3,383** | **-5,055** |
| Non-cash change | Remeasurement of call options | 0 | -3,004 | 0 | **-3,004** |
| | Net additions of lease liabilities | 0 | 0 | 1,470 | **1,470** |
| | Other measurement | 0 | 10 | 768 | **778** |
| | Income to be transferred from fully consolidated companies | 0 | 40 | 0 | **40** |
| **12/31/2021** | | **3,418** | **4,210** | **24,776** | **32,404** |
| | Overall change | -1,592 | -3,034 | -1,145 | **-5,771** |

## 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.

As in the previous year, SYZYGY's portfolio at the balance sheet date includes a bond issued in US dollars. If the US dollar had lost 10 per cent of its value against the euro, SYZYGY would have had to bear a currency loss of kEUR 30 (previous year: kEUR 18) when selling these bonds or re-assessing their market value.

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

### 6.3.2 Interest risk

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

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

As at the balance sheet date, bonds in the amount of EUR 1.1 million (previous year: EUR 1.6 million) were invested in a securities portfolio with a duration of around 9.6 years (previous year: 14.6 years). An interest rate change of 100 basis points with regard to these investments would result in a change in the fair value of the portfolio of around 9.6 per cent (previous year: 14.6 per cent). This would lead to a change in the fair value of kEUR 104 (previous year: kEUR 238). Increases in interest rates have a negative effect on performance of the portfolio, while decreases have a positive effect.

### 6.3.3 Credit and default risk, risk of changes in credit spreads

#### Securities

SYZYGY is exposed to credit and default risk from operations and also with regard to securities investments. SYZYGY reduces default risk on securities by ensuring that a rating of at least BBB– (i.e. investment grade) is required in the case of new investments. All investments are continually monitored with regard to changes in rating and the investment decision is reviewed. As at the reporting date, SYZYGY only held bonds with a minimum rating of B+. As a matter of policy, exposure to a single issuer is limited to a maximum nominal value of EUR 2.0 million. All securities are also subject to price changes which depend on credit spread changes and the remaining term to maturity. A widening of credit spreads in a risk class leads to a corresponding price decrease, depending on the duration of a security. Given that the duration of the securities portfolio is 9.6 years (previous year: 14.6 years), if average credit spreads widen by 100 basis points the portfolio's value would fall by 9.6 per cent (previous year: 14.6 per cent). This would lead to a change in fair value of kEUR 104 (previous year: kEUR 238) at SYZYGY.

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

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

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

| In kEUR | **2022** | 2021 |
|---|---|---|
| EUR | 785 | 1,450 |
| USD | 303 | 183 |
| **Total** | **1,088** | **1,633** |

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

| In kEUR | **2022** | 2021 |
|---|---|---|
| **As at: January 1 as per IFRS 9** | **9** | **1** |
| Net remeasurement of value adjustments | 16 | 8 |
| **As at: December 31** | **25** | **9** |

#### Accounts receivable

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

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

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

| In kEUR | Germany | UK & US | Poland | Central functions | Total |
|---|---|---|---|---|---|
| **12/31/2022** | 12,632 | 1,012 | 882 | 12 | **14,538** |
| 12/31/2021 | 12,403 | 4,148 | 562 | 32 | **17,145** |

The Group uses a value adjustment matrix to measure expected credit losses on accounts receivable from the majority of clients because they comprise a very large number of small balances. The loss rates are calculated using the rolling rate method. This is based on the probability that a receivable will progress through successive stages as payment is delayed. Rolling rates are calculated separately for defaults in different segments, based on the following general credit attributes. The following table provides information on the estimated default risk for accounts receivable as at December 31, 2022, and as at the same date in the previous year:

| Accounts receivable as at **December 31, 2022** | Loss rate | Gross carrying value | Value adjustment | Impaired creditworthiness |
|---|---|---|---|---|
| Not due | 0% | 10,028 | – | No |
| 0–30 days | 0% | 2,500 | – | No |
| 31–60 days | 0% | 548 | – | No |
| 61–90 days | 0% | 644 | – | 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** | **52** | |

| Accounts receivable as at December 31, 2021 | Loss rate | Gross carrying value | Value adjustment | Impaired creditworthiness |
|---|---|---|---|---|
| Not due | 0% | 10,520 | 0 | No |
| 0–30 days | 0% | 4,846 | 0 | No |
| 31–60 days | 0% | 1,321 | 0 | No |
| 61–90 days | 0% | 197 | 0 | No |
| 91–120 days | 2% | 61 | 1 | No |
| 121–180 days | 5% | 177 | 9 | No |
| 181 days – 1 year | 10% | 31 | 3 | No |
| More than a year | 50% | 10 | 5 | No |
| **Total** | | **17,163** | **18** | |

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

| In kEUR | **2022** | | 2021 | |
|---|---|---|---|---|
| | | Individual value adjustments | | Individual value adjustments |
| **As at: January 1** | **18** | **384** | **14** | **378** |
| Net remeasurement of value adjustments | 34 | 182 | 4 | 6 |
| **As at: December 31** | **52** | **566** | **18** | **384** |

### 6.3.4 Derivative financial instruments

As in the previous year, SYZYGY did not use derivative financial instruments for risk diversification and portfolio structuring in the 2022 financial year.

### 6.3.5 Capital management

SYZYGY's capital management policy is primarily aimed at financing both organic and inorganic growth and ensuring the ongoing course of business in the operating companies. SYZYGY aims to have a high equity ratio, since this strengthens the competitiveness of a service provider such as SYZYGY. Due to first-time application of IFRS 16 starting from the 2019 reporting year and a resulting increase in total assets of more than EUR 20 million, SYZYGY will no longer be able to meet the former target of 60-80 per cent in future. Accordingly, it has set a new target of 40-60 per cent.

A further capital management objective over the medium term is to raise the return on equity to over 10 per cent. In order to achieve these objectives, SYZYGY is seeking organic and inorganic growth together with an increase in profitability.

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

| In kEUR | **2022** | 2021 |
|---|---|---|
| Equity according to the balance sheet | 45,095 | 56,249 |
| Debt capital | 54,116 | 57,083 |
| Total capital | 99,211 | 113,332 |
| Equity ratio | 45% | 50% |
| Net income for the period | 7,381 | 4,133 |
| Return on equity | -16% | 7% |

At the end of the 2022 financial year, SYZYGY has liabilities to banks in the amount of kEUR 8,000 (previous year: kEUR 3,418); debt capital primarily comprises lease liabilities, accounts payable, contract liabilities and tax liabilities.

### 6.3.6 Liquidity risk

SYZYGY has implemented a liquidity management system. In order to provide financial flexibility and ensure solvency at all times, SYZYGY holds a liquidity reserve in the form of cash and securities that can be converted into cash at any time.

## 6.4 Contingent liabilities

As at the balance sheet date, the Group's contingent liabilities requiring disclosure amounted to kEUR 1,012 (previous year: kEUR 1,012) 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 1,012 (previous year: kEUR 1,012) with a financial institution, for which annual commission of 0.5 per cent is charged.

## 6.5 Other financial obligations

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

| In kEUR | **12/31/2022** | 12/31/2021 |
|---|---|---|
| Within 1 year | 34 | 54 |
| 1–5 years | 38 | 93 |
| More than 5 years | 0 | 0 |
| **Total** | **72** | **147** |

Total expenses for rent in 2022 amounted to kEUR 4,469 (previous year: kEUR 4,300). Income of kEUR 1,243 was obtained from subletting in 2022 (previous year: kEUR 1,223).

A total of kEUR 45 (previous year: kEUR 47) was recognised directly as an expense in 2022 for lease obligations that were treated off-balance sheet. kEUR 0 (previous year: kEUR 0) was attributable to expenses for short-term lease liabilities (exception < 1 month) and kEUR 45 (previous year: kEUR 47) to expenses for low-value leased assets.

## 6.6 Recognised financial assets and liabilities by measurement level

The following table shows financial assets and liabilities recognised at fair value, broken down by measurement level. The measurement levels are defined as follows:

**Level 1:**
Financial instruments traded on active markets, whose quoted prices were adopted without change for measurement purposes.

**Level 2:**
Measurement is carried out on the basis of the relevant procedures, using factors that are derived directly or indirectly from observable market data.

**Level 3:**
Measurement is carried out on the basis of the relevant procedures, using factors that are not based exclusively on observable market data.

Securities are measured on the basis of observable quotation of the individual bonds. The contingent purchase price commitments were realised in the past financial year. In the previous year, the valuation of contingent purchase price commitments was based on earnings forecasts for subsidiary diffferent over the relevant period. These commitments were valued in accordance with the purchase agreements, using the respective EBIT multiples for the periods prior to exercise of the option or forward contract. If the future cash flows of the subsidiary for which SYZYGY recognised a contingent purchase price obligation were to increase by 10 per cent, the liability resulting from the purchase price obligation would also increase by 10 per cent or kEUR 417.

The following table shows the Group's other financial assets and liabilities. It does not include any information on the fair value of the financial assets and liabilities that were not measured at fair value, since in all cases the carrying value is a reasonable approximation to fair value.

Fair value of financial assets and liabilities that are regularly measured at fair value:

| **December 31, 2022** (in kEUR) | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Non-current financial assets | 269 | – | – | **269** |
| Securities | 1,088 | – | – | **1,088** |
| **Total financial assets** | **1,357** | **–** | **–** | **1,357** |
| Conditional purchase price commitment | – | – | – | **–** |
| **Total financial liabilities** | **–** | **–** | **–** | **–** |

| December 31, 2021 (in kEUR) | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Non-current financial assets | 380 | – | – | **380** |
| Marketable securities | 1,633 | – | – | **1,633** |
| **Total financial assets** | **2,013** | **–** | **–** | **2,013** |
| Conditional purchase price commitment | – | – | 4,170 | **4,170** |
| **Total financial liabilities** | **–** | **–** | **4,170** | **4,170** |

Fair value of financial assets and liabilities that are not measured at fair value, but for which the fair value must be stated:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Financial assets and liabilities that are not measured at fair value, in kEUR | Accounts receivable at amortised costs | Liabilities at amortised costs | Accounts receivable at amortised costs | Liabilities at amortised costs |
| Other non-current assets | 259 | | 287 | |
| Cash and cash equivalents | 7,814 | | 2,115 | |
| Accounts receivable and contract assets | 16,163 | | 20,757 | |
| Interest receivables in other current assets | 22 | | 6 | |
| Liabilities resulting from leases | | 22,895 | | 24,776 |
| Accounts payable | | 8,810 | | 9,722 |
| Liabilities to banks | | 8,000 | | 3,418 |
| **Total** | **24,258** | **39,705** | **23,165** | **37,916** |

## 6.7 Statement of controlled investments of SYZYGY AG

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

| | Share | Equity | Net income |
|---|---|---|---|
| | % | kEUR | kEUR |
| Ars Thanea S.A., Warsaw, Poland | 80 | 1,395 | 591 |
| diffferent GmbH, Berlin, Germany | 100 | 1,947 | 110 |
| SYZYGY Deutschland GmbH, Bad Homburg v.d.H., Germany[2] | 100 | -76 | -51 |
| SYZYGY Digital Marketing Inc., New York City, USA | 100 | -201 | 13 |
| SYZYGY Performance Marketing GmbH, Bad Homburg v.d.H., Germany | 100 | 1,723 | 1,295 |
| SYZYGY UK Ltd., London, UK[1] | 100 | -82 | -44 |
| Unique Digital Marketing Ltd., London, UK[1] | 100 | 1,312 | 928 |

1 – Unique Digital Marketing Ltd. holds 100 per cent of the shares in SYZYGY UK Ltd., which operates in the UK. SYZYGY UK Ltd. is thus an indirect holding.

2 – There is a controlling and profit and loss transfer agreement in place between SYZYGY Deutschland GmbH and SYZYGY AG in favour of SYZYGY AG.

## 6.8 Auditor's fee

The auditor, BDO AG Wirtschaftsprüfungsgesellschaft, charged a total fee, including outlay, of kEUR 205 (previous year: kEUR 160) for auditing services relating to the consolidated financial statements and the financial statements of the parent company. As in the previous year, no other assurance services or non-audit services were provided by BDO AG Wirtschaftsprüfungsgesellschaft.

## 6.9 Information on associated companies and persons

The associated persons include the boards of SYZYGY AG and companies on which SYZYGY can exert a material influence. SYZYGY AG has been a controlled and fully consolidated company of WPP plc, St. Helier, Jersey, since November 2015, after the WPP Group increased its shareholding in SYZYGY AG from just under 30 per cent to over 50 per cent in the course of a voluntary takeover offer. As a result, all companies in the WPP Group are likewise qualified as associated persons and companies.

Balances and business transactions between SYZYGY AG and its subsidiaries that are associated companies and persons were eliminated in the course of consolidation and will not be discussed any further. Details of transactions between the Group and other associated companies and persons are disclosed below.

As a matter of policy, all transactions with associated companies and persons are concluded at normal market terms and conditions.

In 2022, SYZYGY generated sales of kEUR 1,582 (previous year: kEUR 1,649) with the WPP Group for client projects. Of this amount, receivables of kEUR 182 (previous year: kEUR 746) 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 158 (previous year: kEUR 86). Liabilities of kEUR 0 were outstanding as at the reporting date (previous year: kEUR 0).

With the exception of remuneration for members of the Management Board and their transactions with SYZYGY shares (see section 6.12.1 and 6.13) and compensation for the Supervisory Board and their transactions with SYZYGY shares (see section 6.12.2 and 6.13), no transactions that were not included in the consolidated financial statements were carried out with associated parties in 2022 and 2021. In the 2021 financial year, SYZYGY recorded rental expenses of kEUR 6, which were invoiced by the former Chairman of the Supervisory Board, Wilfried Beeck and settled in full by SYZYGY.

## 6.10 Exemption according to Article 264 Section 3 of the Handelsgesetzbuch (HGB – German Commercial Code)

diffferent GmbH, syzygy Deutschland GmbH and Syzygy Performance Marketing GmbH avail themselves of the exemption according to Article 264 Section 3 of the HGB (German GAAP).

## 6.11 Events after the balance sheet date

There were no events of material importance for the consolidated financial statements in the period after December 31, 2022 and before approval of the consolidated financial statements.

## 6.12 Parent company boards

### 6.12.1 Management Board

**Franziska von Lewinski, Hamburg**
Chair of the Management Board (CEO)
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 2022 financial year, total remuneration of the Management Board amounted to kEUR 985 (previous year: kEUR 878).

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 75 (previous year: kEUR 0).

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 50 (previous year: kEUR 33).

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 47 (previous year: kEUR 32).

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, 2022, the Management Board members of SYZYGY AG hold a total of 450,000 phantom stocks from the 2021 phantom stock programme, which was granted with effect from January 1, 2021.

Erwin Greiner, Frank Ladner and Lars Lehne held a total of 225,000 phantom stocks from the 2018 phantom stock programme, which expired fully in 2021 without being replaced. No payments were made in 2021 from the 2018 phantom stock programme.

The key parameters of the 2021 phantom stock programme are presented in the following table:

| **2022** phantom stocks (number of shares) | Franziska von Lewinski | Frank Ladner | Erwin Greiner | Lars Lehne (until 03/31/2020) | Total |
|---|---|---|---|---|---|
| **As at: 12/31/2020** | **0** | **33,000** | **48,000** | **144,000** | **225,000** |
| Additions | 250,000 | 100,000 | 100,000 | 0 | **450,000** |
| Disposals | 0 | -33,000 | -48,000 | -144,000 | **-225,000** |
| **As at: 12/31/2021** | **250,000** | **100,000** | **100,000** | **0** | **450,000** |
| Additions | 0 | 0 | 0 | 0 | **0** |
| Disposals | 0 | 0 | 0 | 0 | **0** |
| **As at: 12/31/2022** | **250,000** | **100,000** | **100,000** | **0** | **450,000** |
| Base price when granted, in EUR | 5.68 | 5.68 | 5.68 | | |
| Maturity date:<br>Tranche 1<br>Tranche 2 | 12/31/2023<br>12/31/2024 | 12/31/2023<br>12/31/2024 | 12/31/2023<br>12/31/2024 | | |

### 6.12.2 Supervisory Board

**Antje Neubauer**
Chair of the Supervisory Board
CEO of WohnPlus Building GmbH, Düsseldorf
Managing shareholder of Antje Neubauer GmbH, Düsseldorf

**Andrew Payne**
Supervisory Board
Group Associates Controller, WPP 2005 Ltd., London, United Kingdom

**Dominic Grainger**
Deputy Chair of the Supervisory Board
CEO, WPP Specialist Communication, London, UK
CEO, WPP Sports Practice, London, UK

**Wilfried Beeck**
Chair of the Supervisory Board (up to June 30, 2021)
CEO, ePages Software GmbH, Hamburg

The Supervisory Board members are entitled to total remuneration of kEUR 70 for their work in the 2022 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 fiscal 2022, Dominic Grainger waived his remuneration for the 2021 financial year. As a result, only a payment totalling kEUR 40 was made to Antje Neubauer and Wilfried Beeck (pro rata temporis) and to Andrew Payne in the 2022 financial year.

## 6.13 Directors' dealings

| Management Board: Shares (Number of shares) | Franziska von Lewinski | Frank Ladner | Erwin Greiner | Total |
|---|---|---|---|---|
| **As at: 12/31/2021** | **0** | **0** | **0** | **0** |
| Purchases | 0 | 0 | 0 | **0** |
| Sales | 0 | 0 | 0 | **0** |
| **As at: 12/31/2022** | **0** | **0** | **0** | **0** |

| Management Board: Shares (Number of shares) | Franziska von Lewinski | Frank Ladner | Erwin Greiner | Total |
|---|---|---|---|---|
| **As at: 12/31/2020** | **0** | **0** | **0** | **0** |
| Purchases | 0 | 0 | 0 | **0** |
| Sales | 0 | 0 | 0 | **0** |
| **As at: 12/31/2021** | **0** | **0** | **0** | **0** |

| Supervisory Board: Shares (Number of shares) | Antje Neubauer | Dominic Grainger | Andrew Payne | Total |
|---|---|---|---|---|
| **As at: 12/31/2021** | **0** | **0** | **0** | **0** |
| Purchases | 0 | 0 | 0 | **0** |
| Sales | 0 | 0 | 0 | **0** |
| **As at: 12/31/2022** | **0** | **0** | **0** | **0** |

| Supervisory Board: Shares (Number of shares) | Antje Neubauer | Dominic Grainger | Andrew Payne | Wilfried Beeck (until June 30, 2021) | Total |
|---|---|---|---|---|---|
| **As at: 12/31/2020** | **0** | **0** | **0** | **15,000** | **15,000** |
| Purchases | – | 0 | 0 | 0 | **0** |
| Sales | 0 | 0 | 0 | 0 | **0** |
| **As at: 12/31/2021** | **0** | **0** | **0** | **15,000** | **15,000** |

The members of the Supervisory Board do not hold any options.

## 6.14 Disclosures in accordance with Article 160 Section 1 No. 8 of the Aktiengesetz (AktG – German Public Companies Act)

In 2022 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.

## 6.15 Declaration of Compliance with the German Corporate Governance Code in accordance with Article 161, AktG

The declaration of compliance with the German Corporate Governance Code in accordance with Article 161 of the AktG (German Public Companies Act) was issued on October 26, 2022 and is available to all shareholders on the Group's website (https://www.syzygy-group.net/corporate-governance/).

## 6.16 Date of authorisation for publication

The Management Board adopted and approved the amended consolidated financial statements for publication on May 31, 2023.

Bad Homburg v.d.H., May 31, 2023
SYZYGY AG

The Management Board

| | | |
|---|---|---|
| Franziska von Lewinski (CEO) | Frank Ladner (CTO) | Erwin Greiner (CFO) |

# Independent Auditors’ Report*

To the 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, Bad Homburg v. d. Höhe, and its subsidiaries (the group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1, 2022 to December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the group management report of SYZYGY AG for the financial year from January 1, 2022 to December 31, 2022. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in section “Other Information”.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the group as at December 31, 2022, and of its financial performance for the financial year from January 1, 2022 to December 31, 2022, and
- the accompanying group management report as a whole provides an appropriate view of the group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those parts of the group management report listed in section “OTHER INFORMATION”.

Pursuant to § 322 (3) sentence 1 HGB (German Commercial Code), 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 Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) letter (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

* This is a convenience translation of the German original. Solely the original text in German 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 January 1, 2022 to December 31, 2022. 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.

We have identified the following matters as key audit matters to be disclosed in our auditor's report:

### Impairment of Goodwill

**Matter**

In the consolidated financial statements of SYZYGY AG, under the balance sheet item „Non-Current Assets", a goodwill at an amount of EUR 43,0 million is reported, representing 43,4 % of consolidated total assets. The goodwill was assigned to cash-generating units. Cash-generating units with goodwill are subject to impairment tests by the company at least once a year as well as to an additional impairment test if there are any indications of an impairment. The valuation is thereby undertaken by means of a valuation model, using the discounted cash flow method. If the carrying amount of a cash-generating unit is higher than its recoverable amount, the carrying amount is written down to the recoverable amount. Assessing the recoverability of goodwill is complex and requires that the executive directors make numerous estimates and use significant judgment, especially with regard to the amount of future cash flows, a sustainable growth rate for cash flows expected for a forecast beyond the detailed budget period, and the discount rate to be used. This is a key audit matter due to the significance of the goodwill balance in the consolidated financial statements of SYZYGY AG and because of considerable uncertainties associated with such a measurement.

The disclosures made by SYZYGY AG on goodwill are contained in sections 2.1 and 3.1, as well as in 3.2 on pages 108 to 109 and 115 to 120 of the notes to the consolidated financial statements.

**Auditor's Response**

In the context of our audit we evaluated the appropriateness of the material assumptions and judgement-related parameters, as well as the method of calculation of the impairment test, also involving our valuation specialists. We gained an understanding of the planning system and planning processes of the executive directors as well as of the significant assumptions used by them.

We reconciled the prognosis on future cash flows in the detailed planning period with the business planning prepared by the executive directors and approved by the supervisory board and determined reasonableness of the company's historical forecasting accuracy by means of an analysis of budget-to-actual variances in the past and for the financial year 2022. We examined the underlying budget assumptions and growth rates assumed for the expected cash flows beyond the detailed budget period by comparing past developments considering industry-specific market expectations and the company specific situation. Furthermore, we critically analysed the discount rates used on the basis of the average costs of capital of a peer group. Our audit also encompassed sensitivity analyses made by SYZYGY AG. Regarding the effects of possible changes in costs of capital and the growth rates assumed, we additionally per-formed our own sensitivity analyses.

## Other Information

The executive directors or the supervisory board are responsible for the other information. The other information comprises:

- the non-financial group statement provided in section 11 of the group management report
- the group statement on corporate governance provided in section 10 of the group management report
- the disclosures extraneous to the group management report and marked as unaudited
- the other parts of the annual report, except for the audited consolidated financial statements and group management report as well as our auditor's report

Our audit 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 thereby acknowledge whether the other information
- is materially inconsistent with the consolidated financial statements, with the group management report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (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 opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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 controls.
- 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 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 reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file "SYZYGY-2022-12-31-de.zip" 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/combined management report for the financial year from January 1, 2022 to December 31, 2022 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 statements and the group management report contained in the file identified above in accordance with § 317 (3a) HGB and the IDW Assurance Standard: Assurance Work 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)).

Our responsibility in accordance therewith is further described in the “Auditor’s Responsibilities for the Assurance Work on the ESEF Documents” section. Our audit firm has applied the requirements of the IDW Quality Management Standards, which implement the IAASB’s International Standards on Quality Management.

**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 renderings of the consolidated financial statements and the group management report in accordance with § 328 (1) sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 (1) sentence 4 No. 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.

**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 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 provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) 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.

## Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the consolidated general meeting on July 5, 2022. We were engaged by the supervisory board on August 30, 2022. We have been the group auditor of the SYZYGY AG without interruption since the financial year 2004.

We declare that the audit opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

## Note on the supplementary audit

We issue this opinion on the amended consolidated financial statements and on the amended electronic reproductions of the consolidated financial statements and group management report contained in the file „SYZYGY-2022-12-31-de.zip“ and prepared for disclosure purposes, based on our audit completed in accordance with professional standards on 30 March 2023 and our supplementary audit completed on 31 May 2023, which related to the amendment of the disclosures on the use of the relief pursuant to section 264 (3) HGB by subsidiaries. Reference is made to the presentation of the amendment by the legal representatives of the parent company in the amended notes to the consolidated financial statements, section 1.1 and 6.10.

## German Public Auditor responsible for the Engagement

The German Public Auditor responsible for the engagement is Amelie Krauß.

Frankfurt am Main, March 30, 2023

Limited to the changes mentioned in the supplementary audit: 31 May 2023

BDO AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Dirks | Krauß |
| Wirtschaftsprüfer (German Public Auditor) | Wirtschaftsprüferin (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., May 31, 2023
SYZYGY AG

The Management Board

Franziska von Lewinski (CEO) | 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.

## 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, 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, D.3 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, expertise in accounting, internal control and risk management system, auditing, and sustainability reporting and auditing as set out in provision D.3, 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 did not form any committees, meaning that an Audit Committee was also not formed. 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 appropriate. Since no committees are formed, self-assessment of the work of committees does not apply. Accordingly, the Declaration on Corporate Governance does not report on carrying out self-assessment.

**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, and a further 60 per cent after three years. The short-term and long-term components of remuneration are paid in cash as part of payroll accounting and are at the disposal of the eligible employee immediately after payment. Investment of the variable compensation in company shares is not mandatory and is at the discretion of the beneficiary.

**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 5, 2022 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<br>**Antje Neubauer**<br>Chairwoman of the Supervisory Board | <br>**Dominic Grainger**<br>Member of the Supervisory Board | <br>**Andrew Payne**<br>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 completed a number of different training courses and courses of study.

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 2022 can be found in the Report of the Supervisory Board in SYZYGY AG's 2022 Annual Report, which will be available from March 31, 2023 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, on the Management Board and on the Supervisory Board. When filling managerial positions and when appointing Management Board members and in determining the composition of the Supervisory Board, SYZYGY AG is primarily under an obligation to serve the interests of the company; the candidate's qualifications and personal aptitude for the relevant duties must thus be the main consideration when filling vacant positions. Diversity is not defined solely by gender or nationality, but also and especially by professional diversity and a balanced mix of expertise from different specialist areas.

The German „Law on Equal Participation of Women and Men in Management Positions in the Private and Public Sector", which came into force on May 1, 2015, requires the definition of target figures for the female quota on the Supervisory Board, on the Management Board and in the two top management levels below the Management Board. The target figures for the Supervisory Board and Management Board are set by the Supervisory Board, while the figures for the two top management levels are defined by the Management Board. The targets were established for the first time for the period up to September 30, 2015.

At present, the Supervisory Board consists of three members, each with extensive experience in the 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 as many years of 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 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 26, 2022
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 BDO AG 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.

### Approval of the 2021 remuneration report by the shareholders

In accordance with Article 120a (4) of the AktG, the Annual General Meeting passes a resolution on approving the remuneration report for the previous financial year, as prepared and audited in accordance with Article 162 of the AktG. On July 5, 2022, the ordinary General Meeting of SYZYGY AG approved the remuneration report for the 2021 financial year with a majority of 86.76 per cent of the votes cast, 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 performance of SYZYGY's share price,
- the key financial metrics, 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 and 2022 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, while reaching targets for new business was agreed as a strategic objective.

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 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 | | | |
|---|---|---|---|---|
| | **2022** | % | 2021 | % |
| Fixed remuneration | 300 | 77% | 300 | 95% |
| Fringe benefits | 17 | 4% | 17 | 5% |
| **Total fixed remuneration components** | **317** | **81%** | **317** | **100%** |
| Short-term profit sharing | 75 | 19% | 0 | 0% |
| Long-term profit participation | | | | |
| 2021 phantom stocks (term 01.01.2021 - 12.31.2024) | 0 | 0% | 0 | 0% |
| **Total variable remuneration components** | **75** | **19%** | **0** | **0%** |
| **Total remuneration** | **392** | **100%** | **317** | **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 2022 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)

New client wins were 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 are exercisable for the first time in the period from January 1 to December 31, 2023, and 60 per cent of the phantom stocks granted are 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 | | | |
|---|---|---|---|---|
| | **2022** | % | 2021 | % |
| Fixed remuneration | 210 | 72% | 210 | 77% |
| Fringe benefits | 33 | 12% | 33 | 12% |
| **Total fixed remuneration components** | **243** | **84%** | **243** | **89%** |
| Short-term profit sharing | 47 | 16% | 32 | 11% |
| Long-term profit participation | | | | |
| 2018 phantom stocks (term 01.01.2018 – 12.31.2021) | 0 | 0% | 0 | 0% |
| 2021 phantom stocks (term 01.01.2021 – 12.31.2024) | 0 | 0% | 0 | 0% |
| **Total variable remuneration components** | **47** | **16%** | **32** | **11%** |
| **Total remuneration** | **290** | **100%** | **275** | **100%** |

In accordance with the remuneration system and in line with the business strategy for the 2022 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)

New client wins were 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 are exercisable for the first time in the period from January 1 to December 31, 2023, and 60 per cent of the phantom stocks granted are exercisable in the period from January 1 to December 31, 2024. The 2018 phantom stocks lapsed without replacement on December 31, 2021, after the base price of EUR 11.25 had not been reached, resulting in the stocks not being exercised.

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 2022 | % | 2021 | % |
|---|---|---|---|---|
| Fixed remuneration | 220 | 73% | 220 | 77% |
| Fringe benefits | 33 | 11% | 33 | 11% |
| **Total fixed remuneration components** | **253** | **84%** | **253** | **88%** |
| Short-term profit sharing | 50 | 16% | 33 | 12% |
| Long-term profit participation | | | | |
| 2018 phantom stocks (term 01.01.2018 - 12.31.2021) | 0 | 0% | 0 | 0% |
| 2021 phantom stocks (term 01.01.2021 - 12.31.2024) | 0 | 0% | 0 | 0% |
| **Total variable remuneration components** | **50** | **16%** | **33** | **12%** |
| **Total remuneration** | **303** | **100%** | **286** | **100%** |

In accordance with the remuneration system and in line with the business strategy for the 2022 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)

New client wins were defined as a strategic objective, accounting for 25% 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 are exercisable for the first time in the period from January 1 to December 31, 2023, and 60 per cent of the phantom stocks granted are exercisable in the period from January 1 to December 31, 2024. The 2018 phantom stocks lapsed without replacement on December 31, 2021, after the base price of EUR 11.25 had not been reached, resulting in the stocks not being exercised.

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 subsequently reported 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 reported 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. In this case, compensation for non-competition will not be payable. There was no change to these commitments in the past financial year. No amounts were set aside for this type of compensation.

## 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.

### 2. Approval of the remuneration by the shareholders

On July 5, 2022, the ordinary General Meeting of SYZYGY AG approved the rise in fixed remuneration for the chair of the Supervisory Board and an amendment to Article 6 (8) sentence 2 of the Articles of Association, as presented by the Supervisory Board, with a majority of 86.71 per cent of the votes cast.

### 3. 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 performance of SYZYGY's share price,
- the key financial metrics, and
- the sustained long-term performance of the Company.

### 4. 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.

The 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.

| Remuneration granted and owed (in kEUR) | Antje Neubauer* | | Dominic Grainger | | Andrew Payne | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| Fixed remuneration | 7 | 0 | 0 | 0 | 20 | 20 | 27 | 20 |
| Variable remuneration | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total remuneration** | **7** | **0** | **0** | **0** | **20** | **20** | **27** | **20** |

* Antje Neubauer was appointed to the Supervisory Board with effect from September 7, 2021.

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 2022 and 2021, Supervisory Board member Dominic Grainger waived his remuneration for the 2021 and 2020 financial years.

## 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 2018 to 2022; a variable component was not paid during this period.

In the period 2018 to 2022, 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) | 2018 | 2019 | Change | 2020 | Change | 2021 | Change | **2022** | Change |
|---|---|---|---|---|---|---|---|---|---|
| Sales (Group) | 65,816 | 64,243 | -2% | 55,521 | -14% | 60,124 | 8% | 70,612 | 17% |
| EBIT (operational) Group | 6,067 | 5,497 | -9% | 3,999 | -27% | 6,379 | 60% | 6,208 | -3% |
| Earnings before taxes SYZYGY AG | 4,493 | 3,296 | -27% | 2,636 | -20% | 8,049 | 205% | -1,864 | n.a. |

### Average remuneration of employees in Germany

| In kEUR | 2018 | 2019 | Change | 2020 | Change | 2021 | Change | **2022** | Change |
|---|---|---|---|---|---|---|---|---|---|
| Average annual remuneration | 60 | 62 | 3% | 64 | 3% | 66 | 3% | 70 | 6% |

### Management Board remuneration (current Management Board members)

| In kEUR | 2018 | 2019 | Change | 2020 | Change | 2021 | Change | **2022** | Change |
|---|---|---|---|---|---|---|---|---|---|
| Franziska von Lewinski | – | – | – | – | – | 317 | n.a. | 391 | 23% |
| Erwin Greiner | 244 | 287 | 18% | 285 | -1% | 275 | -4% | 290 | 6% |
| Frank Ladner | 255 | 308 | 21% | 297 | -4% | 286 | -4% | 303 | 10% |

### Management Board remuneration (former Management Board members)

| In kEUR | 2018 | 2019 | Change | 2020 | Change | 2021 | Change | **2022** | Change |
|---|---|---|---|---|---|---|---|---|---|
| Lars Lehne (up to 03.31.2020) | 374 | 507 | 36% | 171 | -66% | – | – | – | – |
| Andy Stevens (up to 06.30.2018) | 213 | – | – | – | – | – | – | – | – |

**Supervisory Board remuneration (current Supervisory Board members)**

| In kEUR | 2018 | 2019 | Change | 2020 | Change | 2021 | Change | **2022** | Change |
|---|---|---|---|---|---|---|---|---|---|
| Antje Neubauer | – | – | – | – | – | – | – | 7 | 100% |
| Dominic Grainger (since 09.07.2019) | – | – | – | 0 | n.a. | 0 | n.a. | 0 | n.a. |
| Andrew Payne (since 03.22.2018) | – | 17 | – | 0 | n.a. | 20 | 100% | 20 | 0% |

**Supervisory Board remuneration (former Supervisory Board members)**

| In kEUR | 2018 | 2019 | Change | 2020 | Change | 2021 | Change | **2022** | Change |
|---|---|---|---|---|---|---|---|---|---|
| Wilfried Beeck (up to 06.30.2021) | 20 | 20 | 0% | 20 | 0% | 20 | 0% | 10 | 0% |
| Rupert Day (up to 06.07.2019) | 20 | 20 | 0% | 8 | -60% | – | – | – | – |
| Ralf Hering (up to 02.15.2018) | 23 | – | – | – | – | – | – | – | – |

SYZYGY AG

For the Management Board

Franziska von Lewinski (CEO)

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 the 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 January 1, 2022 to December 31, 2022, to determine whether the disclosures pursuant to § 162 (1) and (2) AktG (Aktiengesetz: German Stock Corporation Act) have been made in the remuneration report. In accordance with § 162 (3) AktG, we have not audited the content of the remuneration report.

In our opinion, the accompanying remuneration report complies, in all material respects, with the disclosure requirements pursuant to § 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 pursuant to § 162 (3) AktG (IDW PS 870 (08.2021)). Our responsibilities under this regulation and this standard is further described in the “Auditor‘s Responsibilities” section of our auditor’s report. Our audit firm has applied the requirements of the IDW Quality Assurance Standard: Quality Assurance Requirements in Audit Practices (IDW QS 1). We have complied with our professional duties pursuant to the German Public Auditors Act (WPO) and the Professional Charter for Auditors/Chartered Accountants (BS WP/vBP), including the independence requirements.

**Responsibilities of the Executive Directors and the Supervisory Board**

The Executive Directors and the Supervisory Board are responsible for the preparation of the remuneration report, including the related disclosures, in compliance with the requirements of § 162 AktG. They are also responsible for internal controls they consider to be necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

**Auditor’s Responsibilities**

Our responsibility is to obtain reasonable assurance about whether the remuneration report complies, in all material respects, with the disclosure requirements pursuant to § 162 (1) and (2) AktG, and to issue an auditor’s report that includes our opinion.

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 whether the disclosures are correct or individual disclosures are complete or whether the remuneration report is fairly presented.

**Consideration of Misleading Representations**

In connection with our audit, our responsibility is to read the remuneration report considering the knowledge obtained in the audit of the financial statements and to remain alert for indications as to whether the remuneration report contains misleading representations in relation to the correctness of the content of the disclosures, the completeness of the individual disclosures or the fair presentation of the remuneration report.

If, based on the work we have performed, we conclude that such a misleading representation exists, we are required to report that fact. We have nothing to report in this regard.

Frankfurt am Main, March 30, 2023
BDO AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Dirks | Krauß |
| Wirtschaftsprüfer | Wirtschaftsprüferin |
| (German Public Auditor) | (German Public Auditor) |

* This is a convenience translation of the German original. Solely the original text in the German language is authoritative.

# Financial calendar
# 2023

**3-Month-Report**
**as per March, 31**
(english version: 05/05)
04/28

**Half-Year Report**
**as per June, 30**
(english version: 08/04)
07/28

**9-Month-Report**
**as per September, 30**
(english version: 11/08)
11/01

**MKK – Munich Capital Market Conference** (Munich)
05/03

**General Annual Meeting 2023**
(virtual)
07/11

**German Equity Forum**
(Frankfurt)
11/27-29

All dates are subjects to change.
For current informations, see **syzygy-group.net**

Contact
Impress

S/Z/G/ GROUP

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**Chairwoman of the Supervisory Board**
Antje Neubauer

**Management Board**
Franziska von Lewinski (CEO)
Erwin Greiner (CFO)
Frank Ladner (CTO)

**Editorial Department**
SYZYGY GROUP

**Credits**
SYZYGY GROUP, Franziska Taffelt, Aneta Węsławska, Alexander Bunge, Stefan Hönig, Per Schorn, Daniel Meyer, Adobe Stock, Amazon, Microsoft, Google.
Thought Leadership: 1) Photography as imagined by AI Midjourney, piloted by Absolutely AI. “Drone Shot”, winner at 2023 DigiDirect Summer photo contest / 2) Generative AI art / 3) Nike x Jacquemus as imaginedby AI, piloted by Marco Simonetti / 4 Nike x Tiffany as imagined by Midjourney AI, piloted by RickDick / 5) Generative AI art / 6) Imma is an AI created virtualmodel who works with Porsche,Dior, Nike, Puma, Valentino... / 7) Generative AI art

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