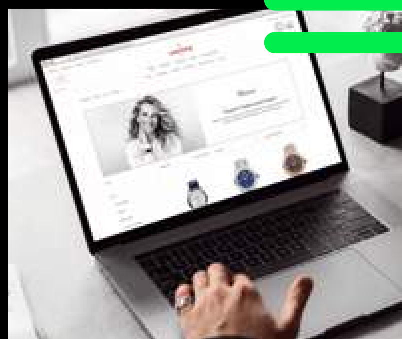
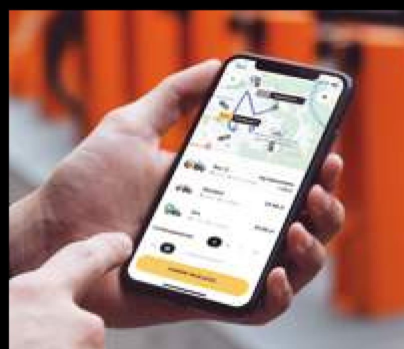
SYZYGY GROUP

Digital makes a **difference!**





2021 Annual Report

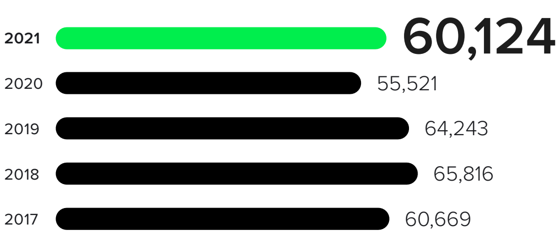
Ars Thanea / Warsaw

syzygy-group.net

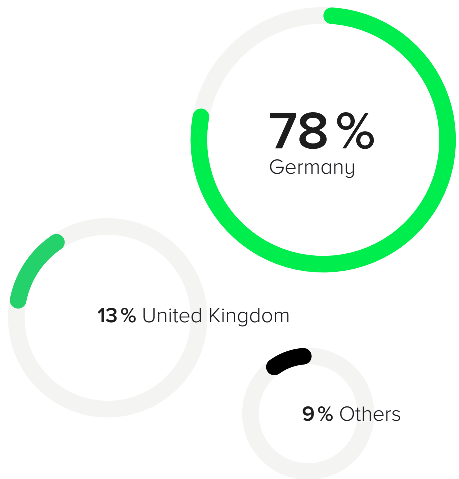
Content

Key financial **Figures**

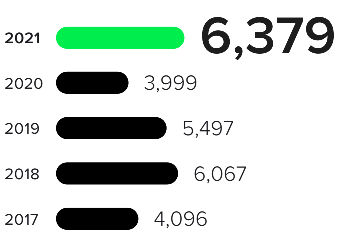
as per 12/31/2021



Development of sales
(in kEUR)

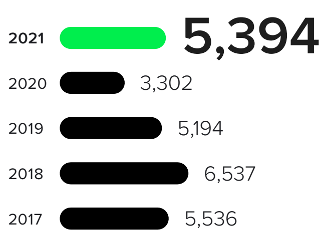


Sales by segments

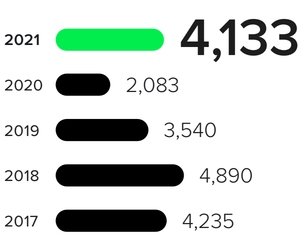


Operating income
(in kEUR)

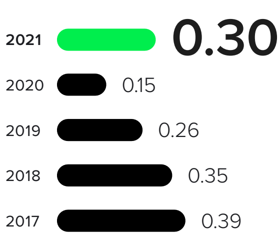
Financial income
(in kEUR)



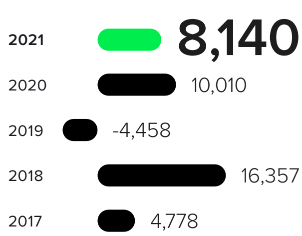
Income before taxes
(in kEUR)



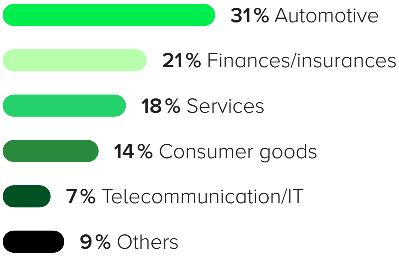
Net income
(in kEUR)



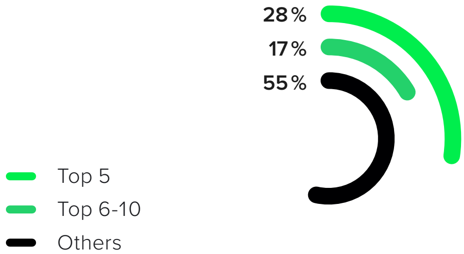
Earnings per share
undiluted (in EUR)



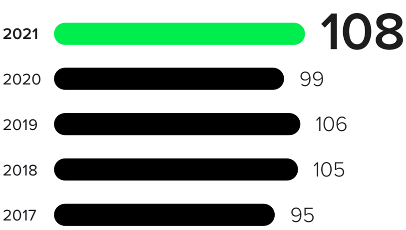
Operating cash flow
(in kEUR)



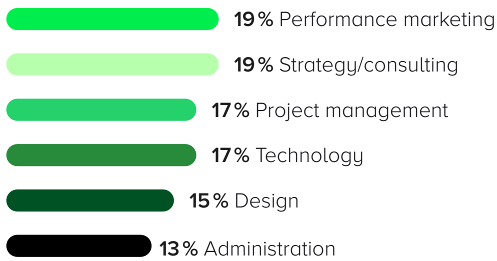
Sales allocation by vertical markets



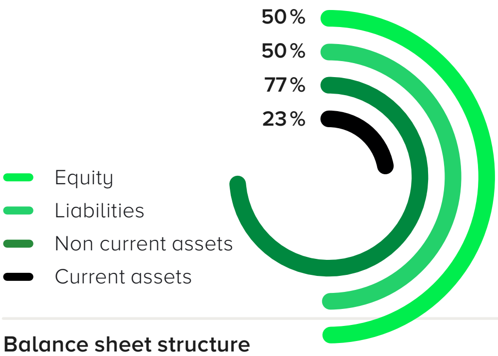
Sales by clients' volume



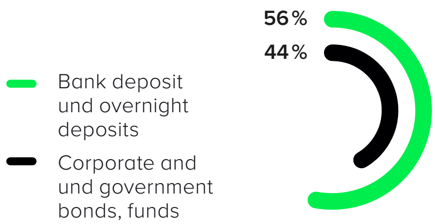
Sales by employee
(in kEUR)



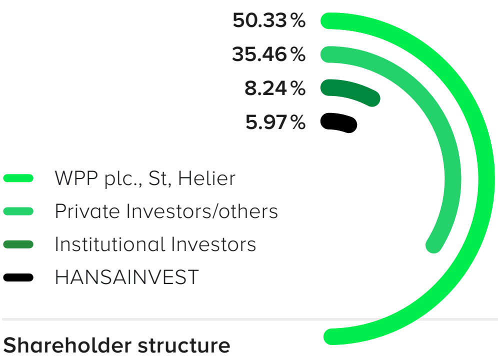
Employees by function



Balance sheet structure



Portfolio structure of cash and marketable securities



Shareholder structure

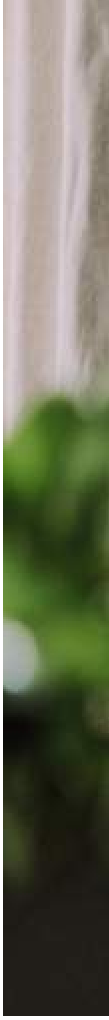
Letter to the **Shareholders**

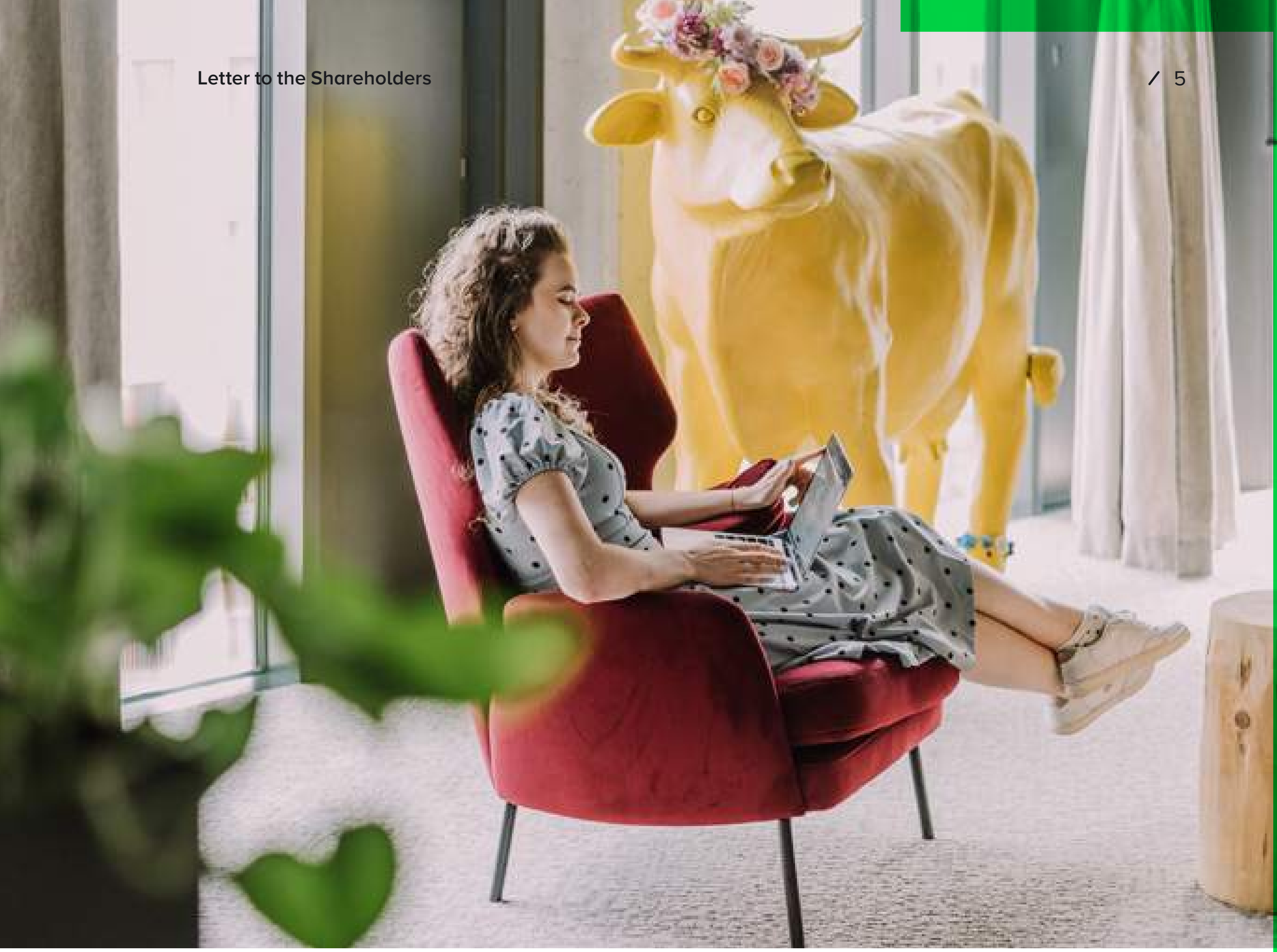
Ladies and Gentlemen,
dear Shareholders,

the SYZYGY GROUP can look back on a successful year. It succeeded in delivering strong performance and expanding its market position in an environment that remains challenging. The SYZYGY GROUP also returned to a growth trajectory. These developments are reflected in the best operating income since the company was established.

There are essentially two factors behind this success. Firstly, digital transformation – which constitutes our core business – continued to accelerate at all levels and in all relevant sectors of the economy, with the COVID-19 pandemic once again proving to be an additional driver of digitisation. Secondly, the restructuring of our business units has borne fruit. The Group can now leverage its DNA even more effectively across a wide range of areas: SYZYGY GROUP – Digital that makes a difference.

It remains the case that the global pandemic substantially changed our everyday lives; it had an impact on our society, our economy and thus also on our company. The duration of the pandemic and the extent of the challenges it posed remained difficult to foresee in the past year. At the heart of our actions was – and remains – the well-being of our employees and their families, together with supporting the various efforts





Ars Thanea & SYZYGY / Warsaw

by the authorities to limit the impact of the pandemic. At the same time, we focused on our existing clients and on winning new business, and also on making the SYZYGY GROUP even more competitive.

A look back at the past year shows that digital is now. Digital is our priority. Digital defines everything we do at all levels. We continued to pursue this agenda in 2021 with the aim of making digitisation and transformation in marketing and sales our key driver.

We reorganised our business units, thereby highlighting the fact that the outstanding strengths of our individual disciplines make the SYZYGY GROUP much more than just the sum of its parts.

SYZYGY / Frankfurt

We have given the Group a clear structure:

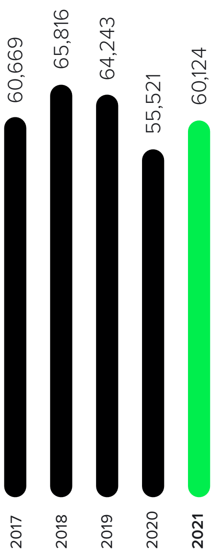
- with SYZYGY, the consultancy and implementation partner for digital transformation of marketing and sales
- with SYZYGY Performance, the specialist for performance marketing
- with SYZYGY Techsolutions, the experts for enterprise IT solutions
- with diffferent, the specialist for strategy and business design consulting
- with Ars Thanea, the design studio
- with SYZYGY XRealities, the experts for virtual reality solutions

Since then, the proven teams in the individual units have demonstrated each and every day that we have the right skills to cover every project. And that we are actively committed to the credo of achieving more together.

“ **Our solutions put people first.** This results in better and more relevant digital experiences that engage users more effectively, more often and for longer. ”

SYZYGY / Frankfurt

Development of sales
(in kEUR)



Sales
(in kEUR)

60,124

New business wins were correspondingly impressive. We acquired numerous new clients within Germany and beyond, including the German Federal Press Office, Frankfurt Book Fair, Miles & More, Hymer, Solarwatt, Seattle electric bike manufacturer RAD Power Bikes, and iTaxi in Poland.

Our units showed once again how pooling their skills offers compelling benefits. One example is Frankfurt Book Fair, where we applied the consulting know-how of diffferent and the tech expertise of SYZYGY Techsolutions. We now hold a long-term contract to develop and implement the digital strategy of what is the largest international trade show for books and media content. Another example is the German Federal Press Office, where SYZYGY Performance and our Frankfurt-based SYZYGY creative unit were appointed as the new lead agency for digital campaigns and activities.

We thus succeeded in fulfilling the forecasts we made a good year ago of achieving significant growth with increasing profitability. Sales rose by 8 per cent in 2021, despite some projects in the fourth quarter being pushed into 2022 and thus not appearing in the sales figures until then. Operating income soared by 60 per cent to deliver an EBIT margin of 10.6 per cent, a new all-time record for the company.

In the past year, we repeatedly succeeded in responding to the challenges of the evolving COVID-19 situation without losing sight of the goals we had set for the year. Overall, digitisation in marketing and sales gained further momentum. We were and are ideally positioned here as a partner and service provider.

Let’s start by looking at our German core market

Overall, we returned to a stable growth trajectory in this brand, SYZYGY, grew its business with existing clients while also gaining a number of new international clients, such as Miles & More.

SYZYGY Techsolutions enhanced its range of services and successfully positioned itself in the market with its own brand identity. The merger of the two SYZYGY performance marketing agencies, involving the formation of multi-location teams in Munich and Hamburg headed by a joint management team, was completed according to plan. It has already delivered results, including significant new client wins such as the Federal Press Office.

SYZYGY / London

Our consulting business was brought together under the diffferent brand. The second half of the year saw organisational realignment and a focus on the “New Growth” strategy, which was very well received by the market and validated by multiple new client wins. This was accompanied by the first changes in management. Long-standing Managing Directors Dirk Jehmlich and Jan Pechmann moved across to diffferent’s Senior Advisor Board at the end of the year, while Kristina Bonitz was appointed as new co-CEO, taking up her duties in February 2022.

Our units, together with their teams, also developed and established a number of variable work models that fit the respective culture and business models. We believe that a “one size fits all” approach is no longer appropriate to our working environment, nor does it meet the expectations and needs of our employees. This also immediately made us more attractive to top talent.

How our international business performed

Our international companies achieved strong growth. A clear turning point was seen in the UK and the US following the completion of strategic realignment, along with change management and closer integration within the SYZYGY GROUP.

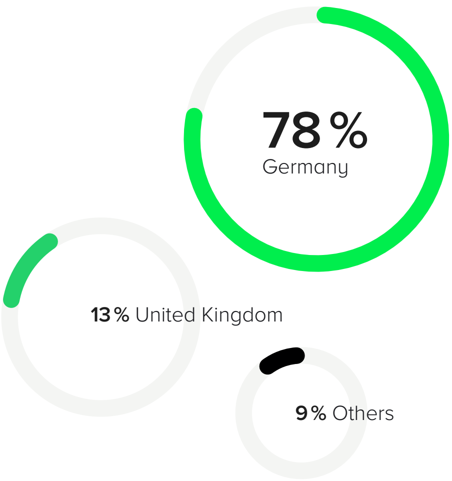
14%

EBIT-Margin in the core German market

Sales in the UK rose by 13 per cent and in the US by more than 20 per cent. Both companies were strongly profitable, with an EBIT margin of more than 10 per cent. The main factors behind this success were the focus on strategy, data and digital marketing, and merging the management of London and New York. This resulted in significant new client acquisitions and expansion of business with existing clients, such as PayPal and Deliveroo. At year-end, Matt Brown took over the management of SYZYGY UK from Ita Murphy. Brown is also responsible for further expansion in the US, operating out of his base in London.

Our Polish subsidiaries Ars Thanea and SYZYGY Warsaw posted strong sales growth of 20 per cent due to new big-name client contracts in their home market. With its focus on e-commerce combined with international recognition for its high level of expertise and creativity in the field of CGI (3D animation), the design studio was able to expand its market position. Ars Thanea also benefited from continued integration within the SYZYGY GROUP.

Sales by segments



10%

Outlook for 2022 sales development

Outlook

We need to monitor two exogenous, global risks this year. The Covid-19 pandemic will remain with us. As such, new restrictions up to and including lockdowns of varying length and severity cannot be ruled out, depending on how the pandemic evolves. In addition, we expect Russia's war against Ukraine to generate uncertainty and impacts that are currently very hard to predict.

There are as yet no reliable forecasts available from economic research institutes with regard to Russia's war of aggression and its consequences for the markets. However, it can be assumed that the war in particular, but also the ongoing pandemic, will affect economic developments in Germany, Europe and the wider world. This will cause volatility for our clients, although we cannot estimate the full extent at this point in time.

Despite this uncertainty, our assessment of our market segments and of the company's ongoing development is positive.

Our agenda is simple: It's time to shape the future. To do this, we craft interconnected digital ecosystems for businesses and brands that generate positive change today and tomorrow. For our clients and for wider society.

Digital that makes a difference. Our solutions put people first. This results in better and more relevant digital experiences that engage users more effectively, more often and for longer. Working closely with our clients, we create positive interactions and drive growth, efficiency and added value for brands and for business.

The SYZYGY GROUP is very well positioned in its markets and will continue to pursue its strategic goals. We bring people and brands together, digitise structures and organisations, and develop new products, services and business models. By covering all aspects of strategy, service, products, creation and activation, we are exceptionally well placed, especially since few other providers in the market offer this breadth. We have already been able to add more new clients to our sales pipeline, which is performing well.

This makes us optimistic that we will be able to achieve organic sales growth of around 10 per cent with an EBIT margin of roughly 10 per cent for our Group in 2022, across all units in Germany and abroad. Consolidation pressure in our industry will continue to intensify. As a result, as a strong player we expect to gain further market share.

The Management Board of the SYZYGY GROUP would like to sincerely thank its clients for their trust and you, our share-holders, for your loyalty in these challenging times. Very special thanks go to our around 550 employees and their families, who show huge commitment every day and are working actively on the future of the SYZYGY GROUP.

We would also like to thank the Supervisory Board for its effective, supportive and considered work. We would also like to express our special gratitude to our long-standing and valued Chairman of the Supervisory Board, Wilfried Beeck. For a decade and a half, he successfully supported the SYZYGY GROUP with his strong business and professional expertise. He stepped down in June at his own request.

We are delighted that Antje Neubauer is joining us as new chair of the Supervisory Board. Antje Neubauer is recognised as a driver of digital transformation in marketing and communication. Her outstanding skills and track record in the corporate world will also allow her to bring the client perspective to the Supervisory Board and our Group.

We wish you and all of us at the SYZYGY GROUP a successful 2022 on behalf of the entire SYZYGY GROUP management team, and look forward to continuing our shared journey.

Best regards,
The Management Board

Franziska von Lewinski (CEO)

Frank Ladner (CTO)

Erwin Greiner (CFO)

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

“ **We craft interconnected digital ecosystems for businesses and brands** that generate positive change today and tomorrow. For our clients and for wider society. ”

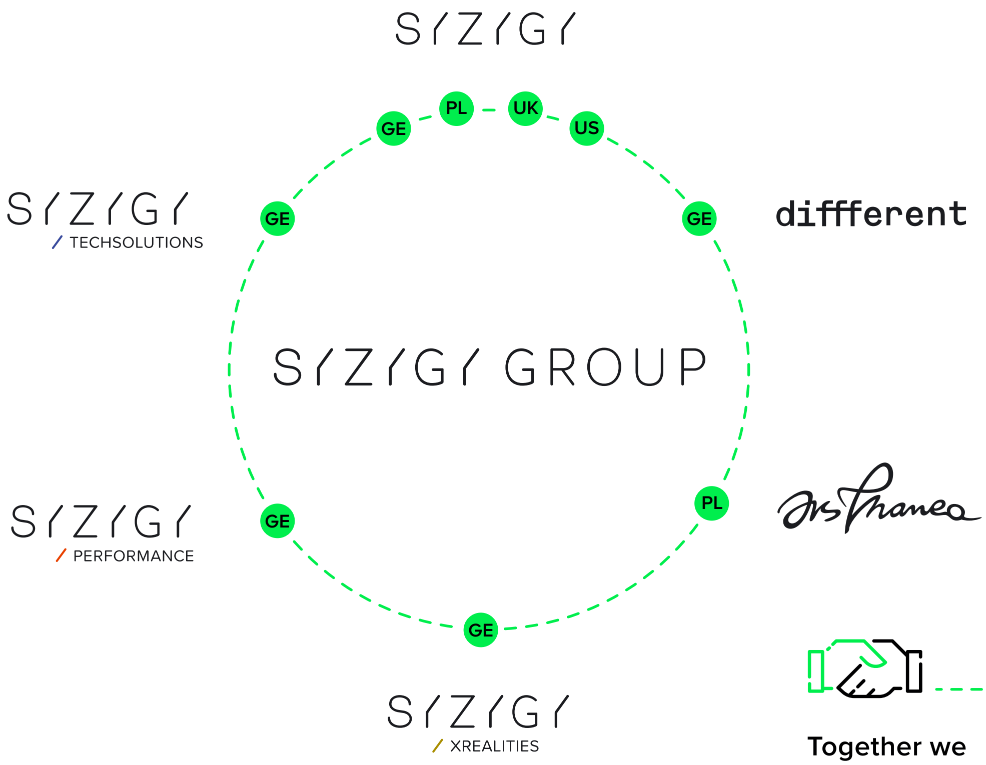
SYZYGY GROUP / Boot camp

Digital that makes a **difference**

We leverage digitisation for a better today and a better future.

We start by focusing on what really matters to people, brands, businesses and society, applying our digital expertise to achieve positive change. Our aim is to make a real impact through digital transformation.

More online at: syzygy-group.net/en/about-us



Brands and specialists of the SYZYGY GROUP

In the SYZYGY GROUP we have **more than 550 specialists,** all working on the same topic: **digitisation.**

This integrated team, with expertise across a range of disciplines, means we can take an agile and creative approach to every project. We're driven by a desire to create truly innovative solutions.

The strength of the individual disciplines and a collective understanding make the SYZYGY GROUP more than the sum of its specialists. “Together, more is possible” is the credo that unites our employees and enables us to challenge the status quo.

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

Together we support brands such as:

+ BMW
+ Commerzbank
+ Consorsbank
+ Continental
+ Daimler
+ Deliveroo
+ Eucerin
+ Frankfurter Buchmesse
+ iTaxi
+ Kyocera
+ Lufthansa
+ Mazda
+ Miles & More
+ MINI Deutschland
+ mobile.de
+ O_2
+ PayPal
+ Porsche
+ RAD Power Bikes
+ Solarwatt
+ Volkswagen
+ Wempe

We create deep long-term **customer relationships through better digital experiences.**

SYZYGY / Warsaw

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

Digital experiences, services and products are used routinely and by choice, and can be instrumental in building a deep brand-user relationship.

It's time to shape the future through digital experiences. With digital solutions that put people first and deliver enhanced experiences. To do this, we craft inter-connected 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 through targeted media.

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

Digitising structures and organisations

Processes, technical infrastructures, methods and teams

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

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

Developing products, services and business models

Innovation and business design

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

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

We love what we do.

Every day we have a unique opportunity to create positive experiences and bringing people and brands together.

"Digital is our priority!
We hope it's yours too."

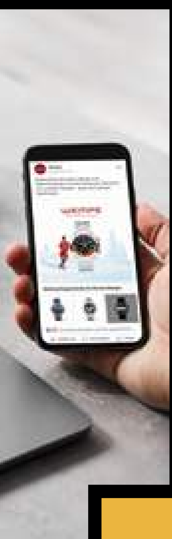
The Management Board of the SYZYGY AG
Franziska von Lewinski (CEO), Erwin Greiner (CFO), Frank Ladner (CTO)

> We provide a range of digital services **that help brands engage** with their customers.

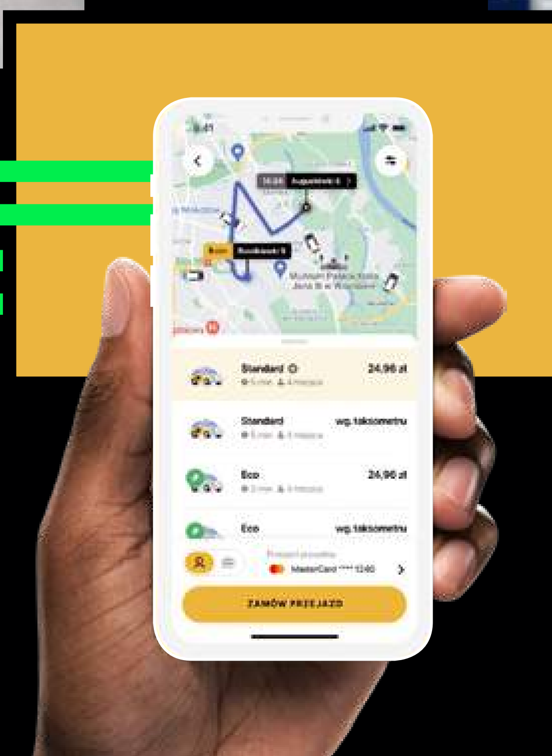
More **cases**
on the following pages
and at:

syzygy-group.net/en/case-studies

Cases




Lufthansa


Standard
24,96 zł
Standard
wg. taksometru
Eco
24,96 zł
Eco
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ZAMÓW PRZEJAZD

New growth for **Frankfurt Book Fair**

/

The world's largest book fair opened a new chapter in its successful history with the **»Frankfurt Masterclasses 2021«.**

A team from the book fair worked in conjunction with the SYZYGY GROUP – led by diffferent – to define and pilot strategically new and viable business models. The aim was to make the Frankfurt Book Fair's brand and business model more resilient and create a stronger digital presence.

How can trade shows and specialist events generate income beyond the physical event itself? This has been an issue for organisers since long before the coronavirus pandemic.

FRANKFURTER BUCHMESSE

Brand

+ Transformational shifts/ hybridisation
+ Serialisation
+ Future projection
+ MVP process

Our services

Because it's not enough to simply replicate trade show activities in a virtual format, we took a fresh look at how various digital offerings could meet the needs of business customers, based on data and insights from markets, customers and experts. We then worked closely with our client to develop the Frankfurt Masterclasses 2021 pilot project for the book fair's specialist programme of events.

The exhibitors presented their expertise, content and portfolios online in masterclasses on digital platforms, all of which were carefully staged, curated and promoted.

The audience was hand-picked: interested individuals had to apply for the limited places in the various online sessions and agree to their data being shared. Participation was free of charge for audience members.

The exhibiting customers and speakers paid a masterclass fee, for which they received a professional recording of their appearance, including post-production, for further use. They also benefited from detailed audience feedback on their session and from the opportunity to engage with specific groups of potential B2B customers.

The highly innovative masterclasses for the 2021 book fair had a very successful market debut: a total of 850 B2B professionals from 75 countries applied for 12 masterclass sessions. The participants stated that they were highly likely to re-use the format, and expressed satisfaction with the content. In turn, the exhibiting publishers and presenting speakers awarded top marks for value for money.

The market was ready for our new strategic approach – and the concept will now be further refined and scaled for the Frankfurt Book Fair 2022 in order to achieve new growth.

> “How can trade shows and specialist events generate income **beyond the physical event itself?**”

Our key issue

Keyvisual

»A Million Dreams« – **Huawei TECH4ALL 3-D animated ad**

/

HUAWEI

Brand

Is it possible to create a 90-second video that clearly conveys how technology can create a better future for everyone and which also emotionally engages the viewer?

The numerous awards for the 3-D animated ad "A Million Dreams" speak for themselves. It was created by design studio Ars Thanea, a member of the SYZYGY GROUP, together with colleagues from the WPP Huawei team and Argentinian directors Mab and Becho.

Sometimes, digital solutions need a new approach to create something really special. TECH4ALL, a digital inclusion initiative supported by Chinese technology firm Huawei, was able to do just that with creative input from our team in Warsaw. They wanted to show how technology can significantly improve quality of life in the four fields of education, health, environment and development.

For this advert, we created a 3-D globe in which the mechanisms and puppet-like animated figures were captured in charming visual images and smooth camera movements. A real movie-like feeling was created, bringing this thought-provoking story to life.

The carefully crafted story unfolds in a lovingly animated world that works like clockwork. The main figure is a tiny robot who visits faraway places and lets the audience see how new technologies can bring about great change. The figure, who is also a metaphor for technology, takes us to an African savannah, a hospital, a rainforest and a remote village, changing people's lives as he goes.

On this virtual journey, the animated video highlights how new digital skills improve standards of healthcare, protect the environment and support balanced development.

It's fun to watch the video and see how technology is making the world a bit better.

“ The main figure is a tiny robot who visits faraway places and lets the audience see **how new technologies can bring about great change.** ”

Reddot Design Award

+ Reddot winner 2021 – brands & communication design

ADC – Art Directors Club

+ Silver (animation/direction)
+ Silver (animation for publishing)
+ 4x shortlist

The One Show:

+ Shortlist (moving image craft)

Spotlight Festival:

+ Silver (animation)

Awards

+ Design & animation

Our services

Customer centricity **at every stage of the journey**

/

LUFTHANSA GROUP

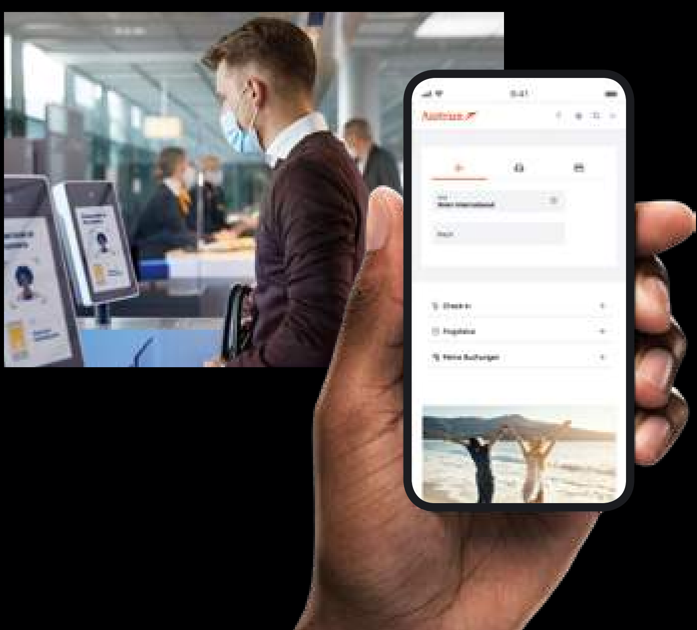
Brand

As the international digital lead agency, SYZYGY has provided a positive and seamless user experience across all the **Lufthansa Group's** digital touchpoints since 2019.

Each network airline in the Lufthansa Group has its own individual character. To avoid Austrian Airlines, Brussels Airlines, Lufthansa and SWISS having to operate their own separate digital platforms, we created a common basis that generates maximum synergy.

We started by defining a set of overarching common technical and functional specifications for all the airlines. Based on these, we then developed four individual digital brand style guides.

The individual modules share a unifying design and can be combined efficiently for any purpose, ensuring a consistent experience across all touchpoints. A pattern library was created along the same lines, which ensures standardisation where it is beneficial and promotes individuality where it strengthens the brand. In large organisations like the Lufthansa Group, a seamless customer experience can only be achieved if everyone pulls together.



Airline brand experience

After implementing the multi-brand management strategy, we moved on to optimising other aspects. As drivers of digital opportunities, we advise the four airlines along the entire value chain, across all departments, teams and customer groups. We always have our shared aim in mind: to create a premium digital experience for Lufthansa Group customers through inspirational content, optimised user flows, convenient new features and efficient processes that underpin the customer experience.

A crucial part of our job involves bringing together information, targets and – most importantly – people. This ensures a shared vision, avoids inconsistencies and increases cost efficiency. To support our partners in the brand, online sales and product departments of the four airlines, we tie in all the relevant stakeholders through our active governance activities.

As a result, work is more efficient and customers are happier at each individual stage of the journey – and, of course, at each touchpoint in the digital cosmos, from smartwatch app to in-flight entertainment.

- Business innovation and service design
- CX and process consulting
- UX and interaction design
- Multi-brand online style guide
- Pattern library/ storybook
- Wireframes and screen design
- Prototyping and usability testing
- Content strategy and editorial
- Frontend development and project management (Scrum)
- Backend consulting and quality monitoring
- Multi-brand stakeholder management and governance

Our services

Selling luxury goods successfully online and offline

/

WEMPE

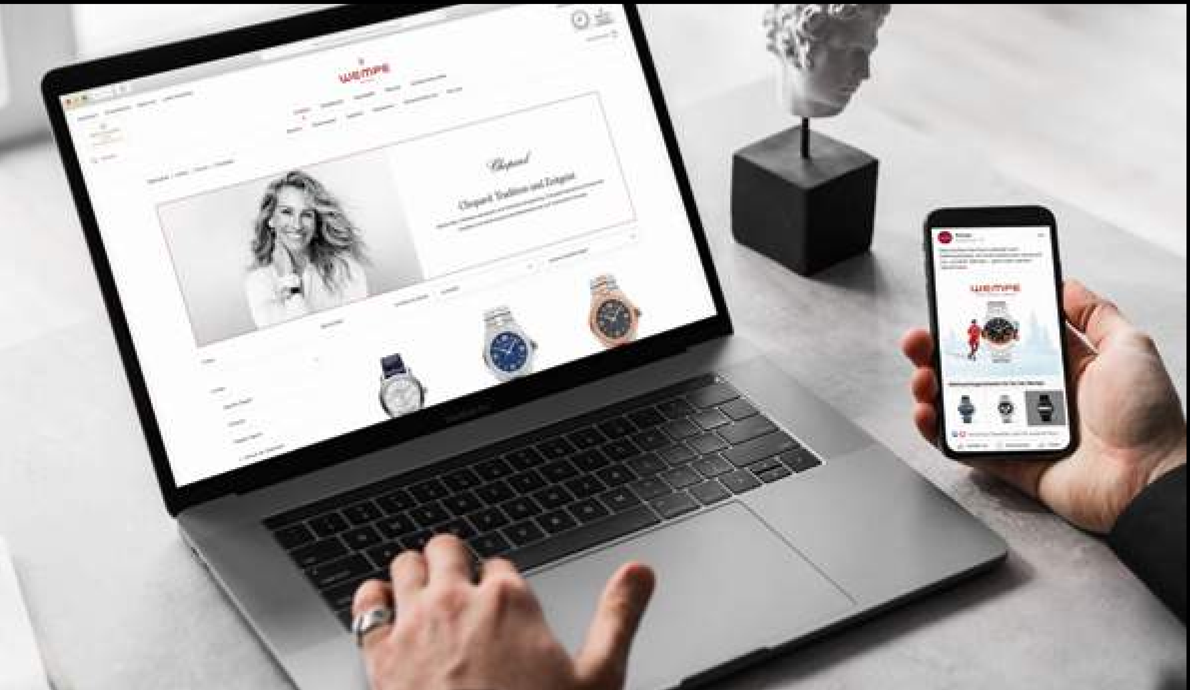
Brand

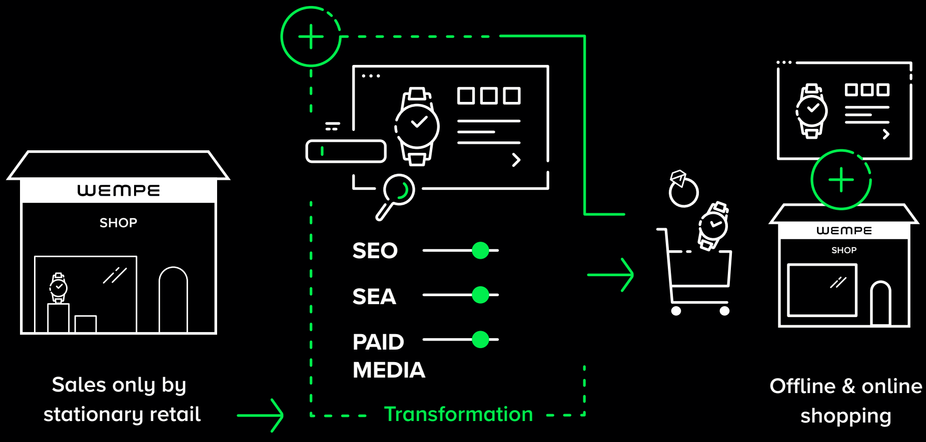
- SEA
- SEO
- Display
- Online video
- Paid social
- Creative services
- Data/analytics
- Connection of data feeds

Our services

WEMPE is a leading manufacturer and retailer of high-end watches and fine jewellery, with more than 30 stores worldwide. The family-owned company chose **SYZYGY Performance** to help it explore new approaches as part of its digital transformation.

WEMPE is now seeing significant increases in reach and sales after integrating its brick-and-mortar stores with its online platform. Many companies in the luxury segment favour traditional sales channels, preferring to sell their products only in brick-and-mortar stores where customers can see the exclusive products in the flesh. That's exactly how WEMPE operated in the past. The company's website functioned as a kind of digital shop window, but it wasn't possible for consumers to buy anything directly from the site.





Integration of stationary trading and online shop

> **The traffic increased by more than a third** due to paid advertising.

Our task was to change this, which involved a complex set of challenges. The company wanted to raise the profile of the WEMPE brand and drive more traffic to its website. At the same time, we were asked to establish our client in the online market for fine jewellery and luxury watches, and steadily increase their visibility in this segment. The technical underpinnings and user experience were continuously optimised in line with the latest quality standards. Ultimately, the aim was for the new measures to boost sales in the company's brick-and-mortar stores and, above all, in the online store.

The biggest challenge straight off was to reach the right target audience. We developed an integrated strategy for paid media, SEO and data. This was aimed at people who could afford the WEMPE range and were happy to buy the products online. Based on this work, we developed marketing activities geared towards specific audiences in Germany, Austria, the UK, Spain and the US.

Our strategy had a significant impact in the very first year following the launch of the online store in October 2019: traffic increased by more than a third due to paid advertising, while organic search advertising boosted it by three quarters. The growth of (organic) visibility in search engines more than doubled.

This successful combination of different activities significantly increased online sales. Many customers also went online to check the availability of products before visiting brick-and-mortar stores to purchase them offline.

From B2B to B2C: **Solarwatt targets consumers**

/

SOLARWATT®

Brand

Having already established strong partnership structures in the B2B sector, global photovoltaic systems manu-facturer Solarwatt is now tapping into the B2C market. Before taking this step, it was necessary for the company to carry out a strategic realignment of its operations. To ensure this process was implemented as efficiently as possible, Solarwatt chose to work with diffferent, the strategy consultancy for new growth.

An increasing number of households want to use environmentally friendly, clean energy. Photovoltaic systems are the best and most attractive option for this market. Solarwatt launched a new strategy to make it as easy as possible for consumers to switch to solar: it provides direct, straightforward access to photovoltaic and storage systems and the associated services. The complexity of photovoltaic technology makes this a challenge, though.

We reduced this complexity and made the product easier to understand. Most importantly, however, we communicated the attributes of the product in a way that engaged the target audience on an emotional level. This enabled the additional B2C offering, the Solarwatt brand and the portfolio to be repositioned in the market.

Taking transition to a hybrid business model as our starting point, we assisted our client from the initial idea and development of a concept right through to implementation. In addition to positioning the brand, searching for partners and managing the transformation process, we worked on restructuring the product portfolio and on the associated communication and content strategy.

Entry into the B2C market with straightforward access to photovoltaic and storage systems and services

We also assisted with roll-out of the new products and with communications activities up to summer 2021.

To communicate and implement the new Solarwatt narrative, we defined content territories and created a content house to ensure consistency across all relevant touchpoints. We brought together experts in creative communication, media and PR in order to leverage their collective capabilities to produce content and formats for media campaigns and cross-media activities.

Today, Solarwatt has been reorganised and is successfully positioned in the B2B and B2C markets. The new slogan “powering a better tomorrow” encompasses more than just the company’s ambition to provide reliable, lifelong support to people who want to use clean energy.

+ Portfolio structuring
+ Strategy consulting
+ Brand orientation

Our services

Solarwatt has recently opened three new production facilities, including one for solar modules. It manufactures a million modules a year, **enough to supply green energy to around 80,000 homes.**

Faster and easier booking with the **iTaxi-App**

/

A user-friendly app is driving iTaxi's success.

iTaxi

Brand

The Polish firm called in SYZYGY to develop new functional solutions in the app architecture and update its visual appearance.

Users can now book much faster with the new passenger app 5.0. In addition, the app is no longer used just by business customers but by private customers as well.

The iTaxi app had undergone several technological changes over the years, meaning that multiple issues needed to be addressed. In previous releases, backend changes were implemented by adding layers. That meant that first of all, we had to tidy up the structure before focusing on simplifying access to the app's functions. We also had to review the user experience (UX) and redefine user actions – for a clear, streamlined passenger experience and improved usability.

+ UX design
+ Graphic design
+ Prototyping
+ Functional tests
+ Product development

Our services

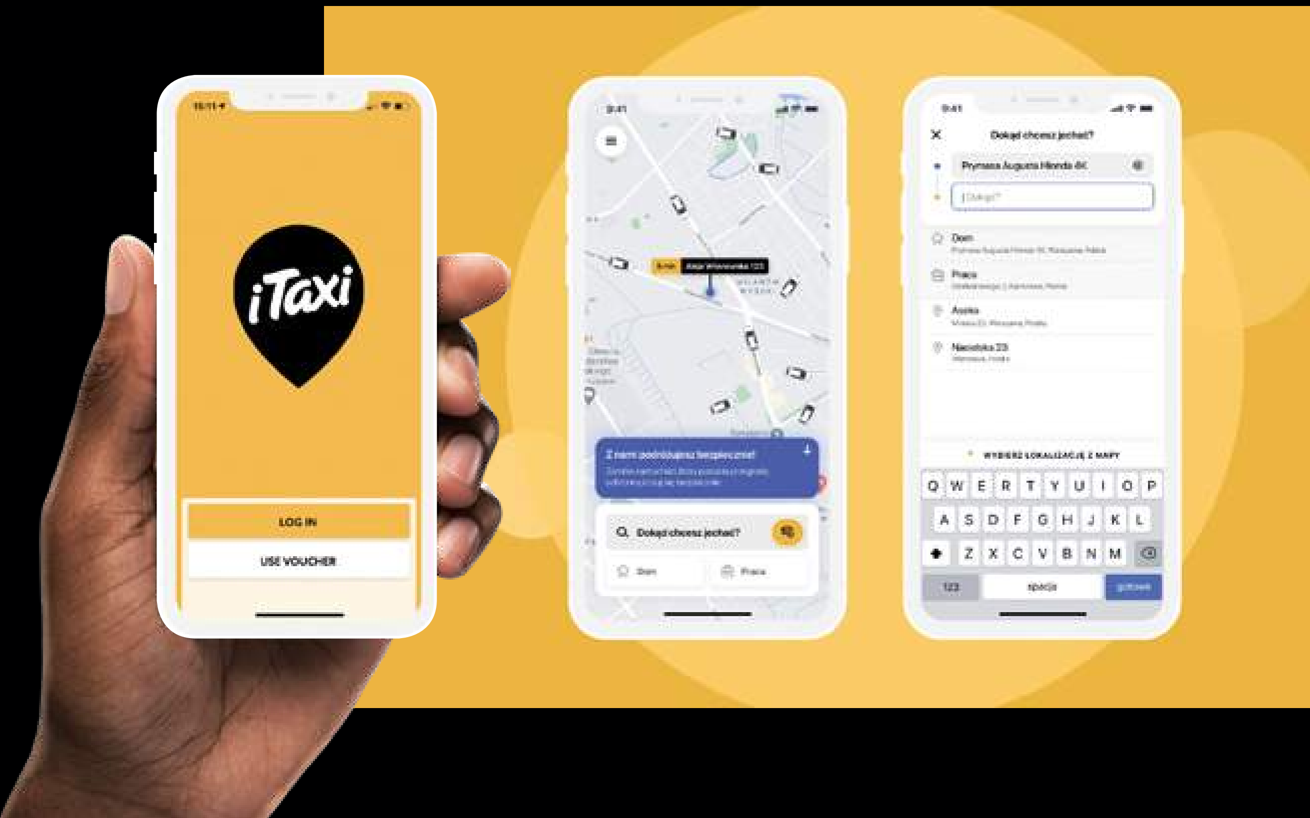
Our task focused on addressing private users as a target group to attract and retain them as iTaxi customers. To avoid losing them in a process it was necessary to simplify and shorten the user interface processes.

Changes to the app architecture were required to enable this: from new user registration through to booking a ride. For the latter, we defined a list of “hot topics” i.e. a list of the most frequently visited locations, which is accessible immediately after logging in. Redundant buttons and user steps were removed and replaced with new, intuitive solutions.

The start page is now designed for both business and private customers. The jumble of pins indicating available cars on the in-app map has been removed and replaced by clear pictograms.

A logged-in user can now order an iTaxi in just two clicks.

The current ordering process accounts for only **20 percent of the time spent by users in the previous version of the app.**



Managed hosting for the Internet of Things

SYZYGY Techsolutions helps to keep the Internet of Things (IoT) running and operates a tailor-made, high-availability managed hosting solution for Continental, enabling secure and reliable fleet management.

Continental

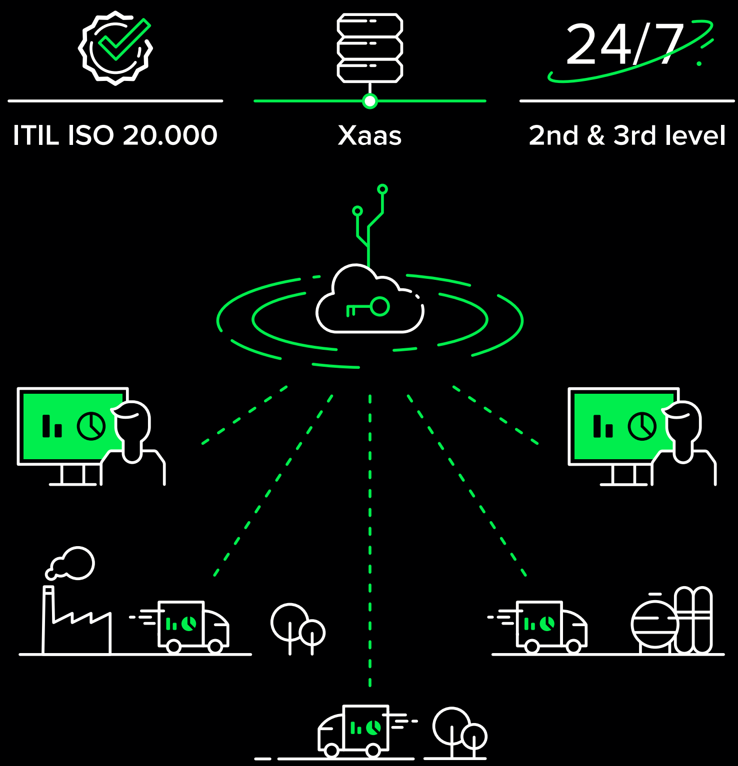
Brand

Tolls, ongoing high diesel prices and the increased cost of AdBlue all mean that fleet companies face intense cost pressure. The necessary level of efficiency can only be achieved through careful planning and full utilisation of drivers, vehicles and trailers.

Any IT-based solution also needs to perform well, be fail-safe and flexible. In addition, the technical infrastructure must meet the individual requirements of mixed fleets, i.e. it must include all makes and models of trucks, and be available 24/7.

TIS-Web® from VDO, a brand owned by the international Continental corporation, provides a complete modular solution that ticks all these boxes. This online fleet management system facilitates optimum utilisation of staff and fleet resources and also reduces driver and vehicle downtime through highly accurate workshop planning.

We operate the required platform via our own private cloud solution, with data encrypted from end to end. The system is based on the Information Technology Infrastructure Library (ITIL) and international IT service management system standard ISO 20000.



Our managed hosting solution

- Technology consulting
- Managed services
- Corporate IT integration

Our services

The infrastructure incorporates ten hosts with over 100 server instances. More than 800 processors (CPU cores) and over four terabytes of memory (RAM) enable over a billion transactions to be processed smoothly every month.

We ensure reliable transmission of real-time data from VDO on-board units and intelligent software.

Our managed hosting service also features 2nd and 3rd level support and is buttressed by DevOps, i.e. the processes that link software developers and IT operations staff.

This VDO solution enables intelligent fleet management. Working efficiently and securely, dispatchers can track routes, locations and more in real time, deploy drivers and vehicles effectively and significantly improve utilisation of the fleet.

European **launch** of North America’s largest electric bike brand

/

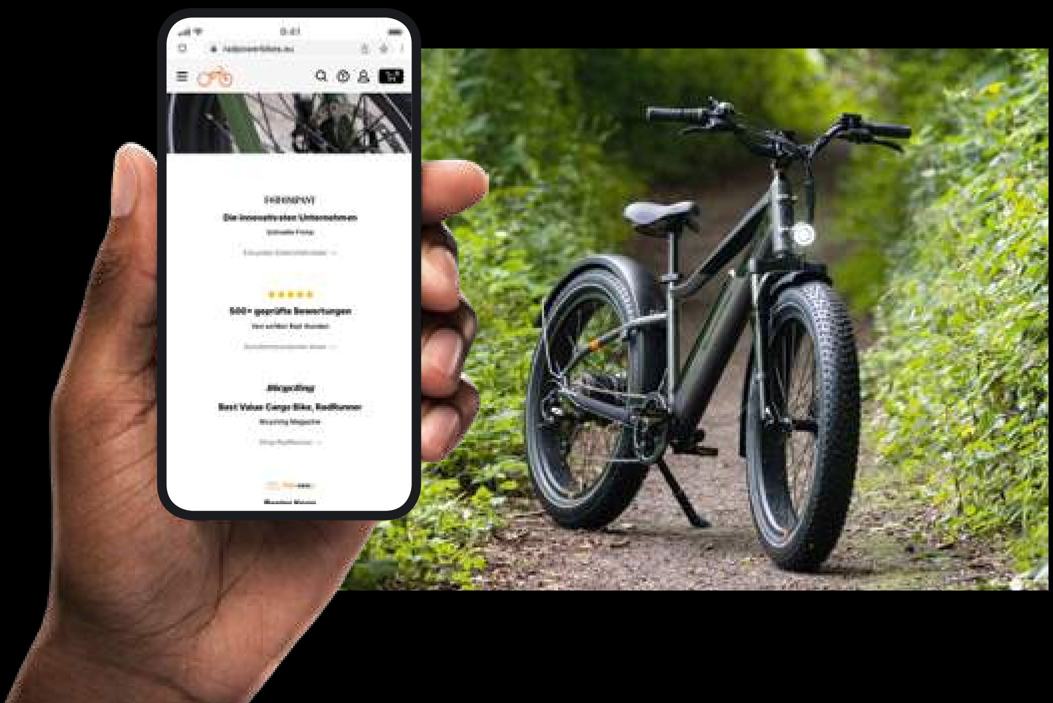
RAD POWER BIKES™

Brand

RAD Power Bikes experienced huge expansion in 2021, with sales growth of 226 per cent compared to the previous year.

SYZYGY contributed to this success with a transformative digital media strategy. We developed the market strategy and demand management system for RAD’s European expansion and successfully launched them in a volatile business environment.

The e-bike market is booming. Despite its success in the US, RAD, North America’s largest e-bike brand, was failing to fully exploit its potential in Europe. This was due to market conditions, which are more complicated than in the US: different languages, cultural habits, lifestyles – even geographical location plays a role.



The brand also faces another major challenge in that it's not very well known in Europe – established rivals have a significant competitive advantage in the booming e-bike market. Other factors including stock availability problems caused by Brexit and the blockage of the Suez Canal also affected the brand's entry into the market.

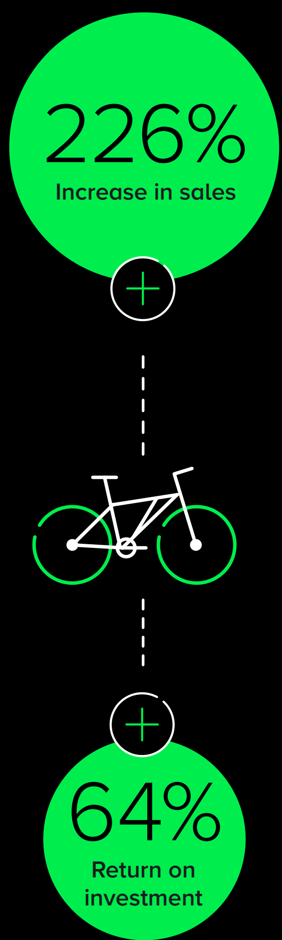
To leverage the full potential of RAD Power Bikes, we developed a global-to-local media strategy based on global trading and local sales. This allowed the company to expand its reach, scale its operations and secure a return on its investment.

For each of RAD's markets, we created localised and individually tailored media plans for communicating key messages via the most appropriate channels and formats. We managed fluctuations in demand and product launches, coordinating these in line with stock levels and market availability of the products. Online advertising was precisely tailored to target audiences in order to position the brand effectively and give it a competitive edge over rival firms.

Our strategy enabled us to achieve record results in the European market within twelve months: we boosted transactions by 90 per cent year on year with a media budget that was just 9 per cent higher. The ROI for our measures was 64 per cent, while our customer's additional sales increased by 79 per cent.

- Creative production
- Pay-per-click (PPC)
- Paid social media/ online advertising
- Programmatic display/ automated purchase of online advertising
- Feed management and optimisation
- Dynamic creative optimisation (DCO)/ dynamic display optimisation

Our services



Success figure of our strategy

Digital provides **well-beeing**

> The more digital technology in your life during the pandemic, the better your wellbeing.

By Dr. Paul Marsden

That's the finding of 2022 **SYZYGY GROUP Consumer Digitalisation Index (CDI).**

Why is SYZYGY GROUP establishing this new index?

Because we believe it will allow us to explore and answer the following key questions: **How do consumers perceive digitalization in their everyday lives? Do digital technologies contribute to a better sense of well-being? And what does this mean for companies that want to reach their customers with digital products and services?**

In our population-balanced, representative survey of 1,500 adults across Germany, we found that during the pandemic, access to and use of digital technology in everyday life was statistically linked to 'satisfaction with life', commonly seen as the clearest indicator of wellbeing. Specifically, consumers with the most digitalised lives during the pandemic, as defined by our new Consumer Digitalisation Index, had a wellbeing score that was 10 per cent higher than those with the least digitalised lives.

Overall, more digitalised consumers experienced higher levels of wellbeing.

Of course, the usual caveats apply for this kind of exploratory survey-based research, including the possibility of confounding variables and the inability of surveys to assess the direction of causality. Although the link between digitalisation and wellbeing is highly statistically significant ($p < 0.01$), this link itself is fairly weak ($r = 0.15$). This simply means that not all people with greater access to digital connectivity during the pandemic experienced higher than average levels of wellbeing.

But on balance, and overall, many did.

This will resonate with many. Digital connectivity during the pandemic allowed many of us to continue doing the things known to protect our wellbeing, such as staying in control of our lives, remaining connected to our loved ones, and feeling confident and competent in our ability to deal with challenge and disruption.

Nevertheless, we believe our inaugural SYZYGY GROUP's CDI report is one of the very first investigations to confirm, with hard evidence, that digital has indeed been good to us during the pandemic.

Consumer Digitalisation Index (CDI)

75

In 2022, our overall benchmark score of consumer digitalisation in Germany stands **at 75**, up 3 points since the first pandemic lockdown in 2020.

66%

of consumers feel "permanently online, permanently connected"

51%

of consumers use a digital voice assistant

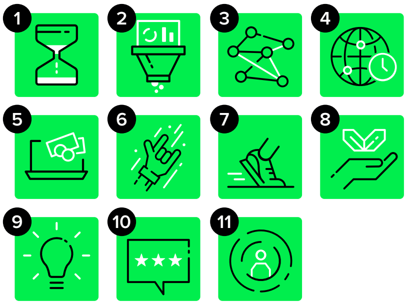
29%

of consumers met their most recent romantic partner online

How do consumers perceive digitisation in their everyday lives?

→

Verbraucher:innen



1. **61%** Saves me time
2. **46%** Saves me effort/ makes things easier
3. **35%** Offers me more choice
4. **26%** Can do things anytime/anywhere
5. **24%** Saves me money
6. **23%** Helps me do things better
7. **18%** Helps me do more
8. **6%** More sustainable
9. **6%** Mackes things more reliable
10. **4%** Better experience
11. **2%** Personalised experience

“ Digitisation is **primarily for convenience.** ”

Representative survey (1,500 participants)
Survey period: February 2022

The main benefits of digitisation for consumers

Convenience-tech: making life easier during challenging times

So how has digital connectivity supported wellbeing during the pandemic? To answer this question, we asked our CDI survey respondents about the benefits of digital technology.

Our key finding is that **digitalisation is primarily about convenience for consumers. Convenience means saving time and effort,** and overall, 61 per cent cited the time-saving convenience of digital as one of the top three benefits. 46 per cent emphasised effort-saving convenience, and 26 per cent stressed the convenience of being able to complete tasks at any time and in any location as a key benefit of a more digitalised life. Overall, when people think of the benefits that digital can bring to their lives, they think in terms of convenience.

Again, these results will not come as a surprise to many. We choose digital solutions not necessarily because they are better or offer a more personalised or superior experience, but primarily because they are convenient – they save us time and effort in our busy lives by allowing us to do things quickly and easily. Overall, this finding fits with the basic psychology of technology, which states that technology has positive psychological effects when it promotes 'self-determination' by allowing us to exert control and competence in our lives.

Of course, our research was conducted during the pandemic, and this may have skewed our results. Nevertheless, the idea that 'convenience is king' in consumer lives is a perennial truism, and convenience is something that digital can deliver in spades.

The business implication of our CDI data is simple. In a hyped world of digital fads, currently dominated by the metaverse, crypto-assets and digital engagement, most businesses would profit from a back-to-basics focus on convenience when it comes to digital strategy. Our data suggests that digital strategy should begin with a simple question.

How can we help make people's lives easier?

And the answer is what we call 'convenience-tech', technology designed to save people time and effort.

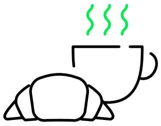
Consumers are digital optimists but worry about digital addiction

One further insight from our inaugural CDI research is that digital businesses could profit from helping people reduce their digital screen time. This might sound paradoxical coming from a digital agency working with digital businesses. But it is what consumers want.

Overall, Germans are digital optimists, with 59 per cent saying that a more digitalised life is a better life. However, 66 per cent of consumers now say they feel 'permanently online, permanently connected', and despite the benefits of digitalisation, 60 per cent now feel that they are spending too much time with digital technology. 55 per cent of German consumers actively want to reduce their 'tech time'. This is far higher for younger digital natives of the 'Gen Z' cohort (born after 1996), 80 per cent feel they're spending too much time with tech and 76 per cent want to reduce their tech time.

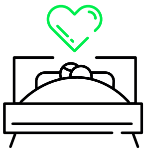
Overall, German consumers want the time-saving benefits of digital, without the extended screen time.

A key challenge for digital businesses, as we emerge from the pandemic, is that many consumers feel that digital technology is 'addictive' technology and they don't like it. Nearly half of Germans (48 per cent) say they feel 'addicted' to the digital technology in their lives today. This feeling of digital addiction rises to 75 per cent for younger consumers of the Gen Z and Millennial cohorts (born after 1980).



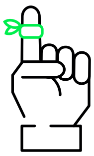
45%

of consumers would rather give up breakfast for a month, than be offline for a month



34%

of consumers would rather give up sex for a month, than be offline for a month



26%

of consumers would rather have a broken finger for a month rather than have a broken phone for a month

Are consumers addicted to digital?

Consumers want the time-saving benefits of digital, without the extended screen time.

Overall, 45 per cent of German consumers feel so dependent on digital tech that they'd rather give up breakfast for a month than be offline for a month. 34 per cent would rather give up sex for a month than be offline, and 26 per cent would rather have a broken finger than a broken phone. These numbers rise significantly for Gen Z; 56 per cent would rather give up breakfast, 46 per cent would give up sex, and 44 per cent would rather a broken finger!

While digital 'addiction' is a contested concept and is primarily associated with online gaming and social media, our research suggests that many digital businesses should be mindful about implementing 'addictive' technology that hijacks people's time and attention. Instead, businesses would benefit from deploying time-efficient tech, that not only helps people save time and effort, but also requires as little screen time as possible. The future of digital is all the benefits of digital, without all the screen time.

About time: the future of digitalisation

Overall, our inaugural Consumer Digitalisation Index (CDI) research suggests that the future of digitalisation is all about time. Consumers want time-saving digital solutions for their busy lives, and they want these digital solutions to take up as little of their time as possible. Ultimately, time is the most precious and finite commodity of all. The human lifespan is about 2.5 billion heartbeats long. Every one of these heartbeats matters.

The fundamental value proposition of digital is that it can help people save time, so they can make the most of the heartbeats that make up a human life. **That's the difference that digital can make.**

“ Consumers want **time-saving solutions**. ”

We always put **people first**

For us, work is about teamwork, exchange, partnership, personal development, community, discovery and success.

We experience all that when the interdisciplinary teams within the SYZYGY GROUP come together and pool their talent to find the best digital solutions for their clients – while also having fun. We want to create a unique and positive culture in the SYZYGY GROUP. We aim to inspire and support our employees through joint events and experiences, personal development workshops and flexible work models.

SYZYGY GROUP / Bootcamp

Team spirit and personal development on Mallorca

Twice a year, the SYZYGY GROUP organises a bootcamp at a finca in the hills of Mallorca. It's designed to support the personal development and advancement of talented young employees. Twenty colleagues from across our offices gathered for a week of reflection, renewal and reinvention. Our bootcamp participants discussed how they and the SYZYGY GROUP might reinvent themselves for the new normal. In an upbeat and collaborative effort, we explored what the post-pandemic agency of the future could and should look like.

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. We conducted workshops on strategy, purpose, digital well-being and personal development. The bootcamp not only helped participants to grow on a personal level, it also reinforced our team spirit.

SYZYGY GROUP / Directors Lodge

A breath of fresh air for our managers in Hamburg

Under the slogan “Connection – Understanding – Inspiration – Appreciation”, our Management Board met with 15 directors of the SYZYGY GROUP in Hamburg for the Directors Lodge. Why? We want to bring our senior team together in person in one place, learn from each other and inspire one another.

The directors travelled from all our offices to take part – from London, Warsaw, Berlin, Frankfurt, Munich, Hamburg and Bad Homburg. We talked about strategy, teamwork, technology and satisfying customers through digital experiences. The energy, ideas, contributions and enthusiasm of all the participants were incredible and made the meeting a truly special event. **We’re driven by digital experiences and the desire to make a difference in the life of each individual.** Everyone involved agreed that the meeting in Hamburg was a great experience and one that we will now repeat on a regular basis.

SYZYGY GROUP
eNPS 2021

+29

A workplace where people feel good

Would you recommend the SYZYGY GROUP as a great place to work? Our employees say yes! In fact, 47 per cent of the SYZYGY GROUP would encourage their friends to work at our company. Overall, we achieved an eNPS of +29 in our most recent employee satisfaction survey. That means we're doing significantly better than many major tech companies and a lot of agency groups. We carry out this survey once a year across all our companies to gauge the mood among staff and identify any issues we need to address.

But more important to us than the eNPS is the actual employee experience – take this comment, for example: "This is the best company I have ever worked for: human contact, trust, honesty, cooperation, opportunities for personal fulfilment and lots of fun."

SYZYGY Performance / Munich

In the coming year, we intend to invest even more in our employees and strengthen our shared company culture in order to ensure that the SYZYGY GROUP remains a positive place to work in the future.

Individual work models to suit everyone

Home working, office, hybrid – it's all possible now that we have put different work models in place. The models have been developed in conjunction with employees and established at our various company locations. These models are flexible, agile, consistent and are being continually updated. Our people at TechSolutions have the option of working remotely all the time. This means that specialists from all over the world can apply for a job with us. At SYZYGY Warsaw, the chosen solution focuses on transparency and personal responsibility.

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.

> “We always put people first, both in our digital transformation work **and in our Group.**”

The **Stock**

/

> **2021 was a turbulent year for financial markets,** and one that was strongly influenced by external factors.

Capital market and share price performance

A recurring topic was the newsflow relating to the Covid crisis, with stories about new variants, vaccination campaigns and repeated lockdowns bringing a mix of positive and negative information. There were also concerns about a more widespread impact of the real estate crisis triggered by Evergrande, with inflation also weighing on people's minds. Sharply rising commodity prices unnerved investors throughout the period, while supply bottlenecks in industry dampened growth rates at the end of the year.

At times, share prices appeared unaffected by the pandemic, reaching record levels despite problems around global logistics. Having said that, there was no steady upward movement in 2021.

After a difficult start with significant drops, Germany's DAX index soared by more than 1,000 points in March. The index posted a fall of around 1,500 points in September, while October and November saw shares back in recovery mode, culminating in an all-time high of 16,290 points.

The new Omicron variant then stopped the booming DAX in its tracks. Pessimistic economic surveys and forecasts led to a noticeable deterioration in stock market sentiment in December. The tension eased somewhat in the final days of trading, however, resulting in rising share prices. Volatility in the equity markets generally increased as the year drew to a close.

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Development of SYZYGY's share price and relevant indices

	2021	2020	Change
XETRA closing price (in EUR)	6.34	5.70	11%
Overall performance including dividend	14%	-22%	n.a.
Highest XETRA closing price (in EUR)	7.50	7.70	-3%
Lowest XETRA closing price (in EUR)	5.45	4.38	24%
DAX	15,885	13,719	16%
TecDAX	3,920	3,213	22%
DAXsubsector IT-Services	2,733	2,124	29%
SDAX	16,415	14,765	11%

Key figures per share

	2021	2020	Change
Ordinary Dividend (in EUR)	0.15	0.00	n.a.
Earnings per share (in EUR)	0.30	0.15	100%
Value per share (in EUR)	4.17	3.96	5%
Price-to-book ratio (P/B)	1.52	1.44	6%
Price-earnings ratio (P/E)	21.1	38	44%
Dividend yield	2.4%	0%	n.a.
Return on Equity	7%	4%	3pp

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)	85.59	77.00	11%
Freefloat	42.51	38.22	11%
Average daily turnover:			
in shares (XETRA)	9,368	4,451	111%
in EUR (XETRA)	60,281	24,872	142%

Share data

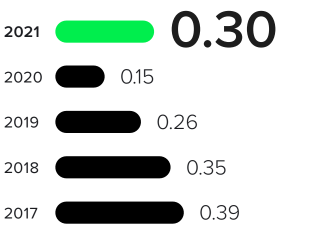
ISIN	DE0005104806
WKN	510480
Symbol	SYZ
Reuters	SYZG.DE
Bloomberg	SYZ:GR
Founded	1995
Listed since	October 6, 2000
Listing segment	Regulated Market, Prime Standard

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

Overall, the markets ended a turbulent year in positive territory. The frontrunners were technology stocks, with gains of 22 per cent by the TecDAX, more than 27 per cent by the S&P 500 Index and 21 per cent by the Nasdaq Composite. The DAX is now bigger, having been expanded from 30 to 40 companies. The German benchmark closed 2021 with a gain for the ninth time in ten years, ending almost 16 per cent up.

The MDAX and SDAX closed the stock market year with gains of 14 per cent and 11 per cent, respectively. The Dow Jones Industrial Index was up more than 18 per cent, while the price of gold fell almost 4 per cent.

SYZYGY Techsolutions / Bad Homburg



Earnings per share
undiluted (in EUR)

Performance of SYZYGY shares

SYZYGY shares started the new year on the stock market with a closing price of EUR 5.85 on January 4, 2021. This price level was maintained until the end of January 2021, before edging marginally downwards. The shares reached their low for the year on January 18, at EUR 5.45.

The price subsequently broke through the EUR 6 mark at the start of April and moved sideways, with a short-lived downward trend in May. This was followed by a strong recovery in the next few months, with the highest price of EUR 7.50 being reached on July 14. SYZYGY shares drifted steadily downwards again until the start of December, hovered around the EUR 6 mark and ended the 2021 stock exchange year on a closing price of EUR 6.34. This is equivalent to a gain of around 11 per cent compared to the 2020 closing price.

SYZYGY shares returned 14 per cent overall, taking the dividend payment into account. The liquidity of SYZYGY shares increased by 111 per cent year-on-year, with an average of 9,368 shares being traded on XETRA stock exchanges each day (prior year: 4,451 shares/day).

Dividend and 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 0.20 per share at the Annual General Meeting on July 5, 2022. This represents a rise of EUR 0.05 or 33 per cent compared with the previous year.

0.20

Proposed dividend for 2021 financial year (in EUR)

Virtual Annual General Meeting

The second virtual Annual General Meeting, held on May 28, 2021, was well received by shareholders and investors. This was apparent from the high level of attendance by holders of the common stock and in the voting results. Around 60 per cent of the voting capital approved the appropriation of net profit, with distribution of a dividend of EUR 0.15. In total, around EUR 2 million was distributed to our shareholders. All the resolutions proposed by management, including approval of the remuneration system for Management Board members, were adopted with more than 91 per cent of the votes in each case.

Shareholder structure

As at the reporting date, the total number of shares was 13,500,026. The company's shareholder structure had changed slightly as at December 31, 2021.

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 2021 financial year.

A wide range of 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 Finance Director 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. Against the backdrop of the COVID-19 pandemic, these events and discussions were held in a virtual format. As usual, the management team was additionally available to analysts, investors and representatives of the business and financial press for individual discussions.

Analyst recommendations

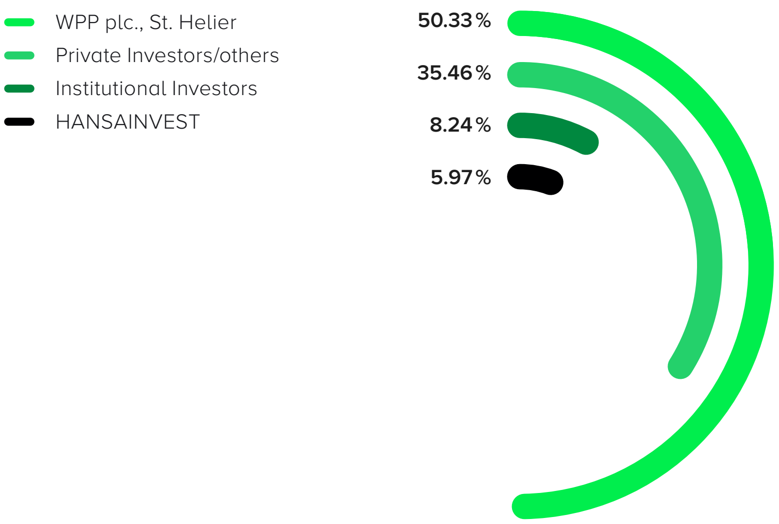
Two analysts regularly evaluated SYZYGY shares in the 2021 financial year, providing up-to-date assessments and forecasts on the SYZYGY GROUP's performance and future development. These analysts are GBC AG and Pareto Securities AS. Pareto Securities AS also holds the Designated Sponsoring mandate.
The analysts recommended buying SYZYGY shares. The median of the price targets, which typically only reflect an outlook for the next 12 months, was EUR 9.35.

Our information on **capital market-relevant topics** are available at any time at:

syzygy-group.net/en/investors

diffferent / Berlin

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.

SYZYGY Performance / Munich

Report of the **Supervisory Board**

/

Dear Shareholders,

the deep, lasting changes in the way people use digital media that occurred during the Covid-19 pandemic have dramatically accelerated digital transformation across all areas of business. Ever stronger consumer engagement with digital experiences raises the bar for marketing. While on the one hand the customer experience has to be continuously enhanced, greater differentiation is also needed. A “me-too” approach cannot deliver brand benefits or a competitive advantage. Sales teams face even tougher challenges. Tried-and-tested processes are being replaced by new digital versions. The aim here must be not just to digitise established processes, but to design new, better and more cost-effective processes and then implement them digitally. This is where the SYZYGY GROUP comes in, positioning itself as a partner and specialist for end-to-end solutions around digital transformation of marketing and sales. As such, every SYZYGY client is not just buying a service, but making a long-term investment in their own brand equity and enterprise value.

Antje Neubauer
Chairwoman of the
Supervisory Board

Andrew Payne
Member of the
Supervisory Board

Dominic Grainger
Member of the
Supervisory Board

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 (page 155).

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.

Meetings and attendance of the Supervisory Board

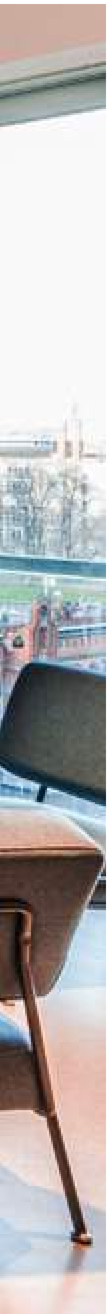
A total of six ordinary meetings of the Supervisory Board were held together with the Management Board in the 2021 financial year, on January 27, March 26, April 26, July 20, October 26 and December 16, 2021. One resolution was also passed by the Supervisory Board on September 16, 2021 by way of circulating the relevant documents.

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

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

“ **Every SYZYGY client is making a long-term investment** in their own brand equity and enterprise value. ”

diffferent / Berlin



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

The accounts review meeting was held on March 26, 2021 in the presence of the auditor. After carefully reviewing all the documents, the Supervisory Board received detailed information on the financial statements for the 2020 financial year from the members of the Management Board. The auditor presented the key aspects and results of his checks. All questions were answered by the Management Board and auditor to the Supervisory Board's full satisfaction. The Supervisory Board was thus able to verify that the audit had been conducted correctly and the audit reports properly prepared. Following the presentations, the annual financial statements and the consolidated financial statements were approved and adopted. The Management Board also informed the Supervisory Board about current business developments and plans for marketing and strategy in 2021. A meeting for a detailed presentation of the SYZYGY GROUP's strategic direction was scheduled for April 26, 2021. The agenda for the 2021 Annual General Meeting was also agreed at the meeting.

At the Supervisory Board meeting held on April 26, 2021, the Supervisory Board obtained a detailed overview of the latest business developments and reviewed the figures for the first quarter of 2021.

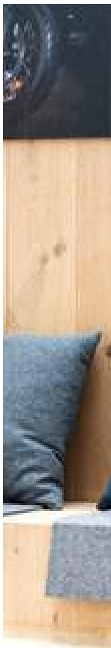
SYZYGY / Frankfurt

These were then approved, along with the outlook for the 2021 financial year. The Management Board also presented the SYZYGY GROUP's strategic direction for 2021 to the Supervisory Board.

At the ordinary meeting held on July 20, 2021, Dominic Grainger took over the chair of the Supervisory Board, Wilfried Beeck having resigned from his position as member and chairman of the Supervisory Board with effect from June 30, 2021. The purpose of the meeting was to discuss and approve the business figures for the first half of 2021. The Management Board presented a detailed outlook for the rest of the financial year. It also described the business situation of the individual companies within the Group. In addition, the Management Board fleshed out the strategy, focusing on operational execution and initiatives for strategy development.

In an extraordinary resolution adopted on June 30, 2021, the Supervisory Board submitted an application to the District Court for Ms Antje Neubauer to be appointed as a new Supervisory Board member in place of Wilfried Beeck. The District Court of Frankfurt approved the proposal and appointed Ms Antje Neubauer as a Supervisory Board member on September 7, 2021, time-limited until the next ordinary General Meeting. On September 16, 2021, the Supervisory Board then elected Ms Antje Neubauer as the new chair of the SYZYGY GROUP's Supervisory Board.

SYZYGY Techsolutions / Bad Homburg



The meeting on October 26, 2021 started off with a discussion of the nine-month figures, which were duly approved. The Management Board additionally provided an updated outlook for the rest of the year. The members of the Supervisory Board also addressed implementation of the German Corporate Governance Code. The Management Board and Supervisory Board issued an updated declaration of conformity in accordance with Article 161 of the German Stock Corporation Act (AktG).

This declaration is available on the company's website. The last meeting of the year was held on December 16, 2021. 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 M&A activities. The Management Board presented the budget for the SYZYGY companies and discussed it with the Supervisory Board. Approval of the 2021 budget was postponed to the next meeting, in January 2022.

“ **Ever stronger consumer engagement with digital experiences** raises the bar for marketing. ”

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 scheduled for July 5, 2022. The 2022 budget was also approved, enabling the Management Board to publish the forecast for the 2022 financial year.
There was also continual dialogue between the Management Board and Supervisory Board between these dates. In particular, the Management Board provided regular written reports about the company's performance and other important events.

Composition of the Supervisory Board and committees

Up to June 30, 2021, the Supervisory Board of SYZYGY AG comprised Wilfried Beeck, Dominic Grainger and Andrew Payne. Wilfried Beeck, chair of the three-member Supervisory Board, stood down for personal reasons. Following a proposal submitted by the Supervisory Board and Management Board of SYZYGY AG, the District Court of Frankfurt appointed Ms Antje Neubauer as a new Supervisory Board member on September 7, 2021. On September 16, 2021, she was elected as chair of the Supervisory Board.

The SYZYGY AG Supervisory Board now comprises Antje Neubauer, Dominic Grainger and Andrew Robertson Payne. Antje Neubauer's appointment is time-limited until the next Annual General Meeting on July 5, 2022, at which the matter will be put to a vote of the shareholders. The term of office of Supervisory Board members Dominic Grainger and Andrew Payne covers the period until conclusion of the Annual General Meeting that discharges the members in relation to the 2023 financial year.

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

The Annual General Meeting held on May 28, 2021 discharged the members of the Supervisory Board and Management Board in relation to the 2020 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, 2021, 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 22 of the German Corporate Governance Code.

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

If any changes are made to the Declaration on the Corporate Governance Code in the course of the financial year, it will be updated jointly by the Supervisory Board and Management Board without delay and made available to all shareholders on the SYZYGY GROUP website.

Annual and consolidated financial statements, appropriation of net profit

Following a proposal by the Supervisory Board, the Annual General Meeting appointed Frankfurt-based BDO AG Wirtschaftsprüfungsgesellschaft as auditor for the 2021 financial year on May 28, 2021. The Supervisory Board has not identified any circumstances that could give rise to a lack of impartiality on the part of the auditor. The auditor himself has issued a statement of independence. Apart from auditing the financial statements, no audit-related services have been provided by BDO AG.

BDO AG audited the annual financial statements and Management Report, the consolidated financial statements and the Group Management Report for the 2021 financial year on behalf of the Supervisory Board and granted an unrestricted auditor's certificate in each case. The annual financial statements were prepared in accordance with the provisions of the German Commercial Code (HGB) and the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). All documents relating to the financial statements, audit reports and the Management Board's proposal regarding the appropriation of profits were provided to all members of the Supervisory Board in a timely manner for their deliberations. The auditor also reported to the Supervisory Board on the audit of the accounting-related internal control and risk management system, which did not reveal any weaknesses.

After carefully reviewing all documents, the Supervisory Board received detailed information on the financial statements for the 2021 financial year from the members of the Management Board at its meeting on March 29, 2022. The auditor also attended, presenting the key aspects and results of his checks. All questions were answered by the Management Board and auditor to the Supervisory Board's full satisfaction. The Supervisory Board was thus able to verify that the audit had been conducted correctly and the a udit reports properly prepared. On the basis of its own checks and taking the audit reports into consideration, the Supervisory Board raised no objections.

Consequently the Supervisory Board approved and adopted the annual financial statements and Management Report of SYZYGY AG and the consolidated financial statements and the Group Management Report. The Supervisory Board also approved the Management Board's proposal regarding the appropriation of net profit.

Thanks and a very warm welcome

On behalf of the Supervisory Board of SYZYGY AG, we would like to sincerely thank Wilfried Beeck for his successful contribution over many years. Wilfried Beeck has supported the company and Management Board as a member of the Supervisory Board since 2005, drawing on his strong business and professional expertise. As Chairman of the Supervisory Board since March 2018, he supported the Management Board especially in the challenging years of the Covid-19 crisis and has been instrumental in driving the Group forward.

We also welcome Ms Antje Neubauer as new chair of the Supervisory Board. She is an excellent choice to fill the vacant seat on our Supervisory Board. During her management career, Antje Neubauer has delivered impressive proof that she is helping to drive digital transformation in marketing and communication. We are delighted that her outstanding skills and track record in the corporate world will also allow her to bring the client perspective to the SYZYGY AG Supervisory Board and our Group.

The Supervisory Board would like to sincerely thank the members of the Management Board and all employees of the SYZYGY GROUP for their high level of commitment. We look forward to continuing to work together and wish you every success for the current financial year.

Bad Homburg, March 29, 2022
For the Supervisory Board

Antje Neubauer
Chairwoman of the Supervisory Board

Financial Information

SYZYGY AG, Bad Homburg v.d.H.

Group Management Report
for the 2021 financial year

1. General

The following Group Management Report provides information on the performance of the SYZYGY GROUP (hereinafter referred to as “SYZYGY”, the “Group”, the “SYZYGY GROUP” or the “Company”). It shows the SYZYGY GROUP’s results of operations, financial position and net assets in the 2021 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 published annually by the German Association for the Digital Economy (BVDW) (2021: 10th 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 540 people (previous year: 510) plus around 40 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.

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 have been absorbed into SYZYGY Performance Marketing GmbH with retroactive effect.

Clients include prestigious brands such Beiersdorf, BMW, Continental, Deutsche Bahn, Deliveroo, Deutsche Bank, Deutsche Telekom, eBay, Huawei, Kyocera, Lufthansa Group, Mazda, Miles & More, O_2, PayPal, Porsche, health insurer Techniker Krankenkasse, TUI, 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 on a monthly basis, while also highlighting key opportunities and risks.

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

Financial performance indicators

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

Non-financial performance indicators

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. SYZYGY received five national and international accolades in 2021 – in the ADC competition held by the Art Directors Club für Deutschland, the Spotlight Festival, Red Dot Design Award and The Drum's 2021 Award. Each year, the ADC competition recognises the most creative work. Ars Thanea won two Silver Nails for the 3D animated film "A Million Dreams" in the Animation category, a Red Dot Design Award in the Brands & Communication Design category, and picked up a Silver award at the Spotlight Festival in the Animation category for work on its Huawei account. In addition, Unique Digital Marketing won the The Drum's 2021 Award in the "Not for Profit Search" category for the Victoria and Albert Museum, London.

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

Following the outbreak of the COVID-19 pandemic at the start of 2020, global economic output shrank by 3.4 per cent in the full year 2020. Massive financial support from governments, low interest rates and the rapid roll-out of vaccines led to an unexpectedly strong upswing in 2021. Increased demand for commodities and components drove up prices for transporting goods, with the associated bottlenecks exacerbating this trend worldwide. This was compounded by record prices for fuel and energy, which pushed up inflation rates in the US and other leading industrialised countries, such as Germany.

Figures from data and information services provider IHS indicate that global gross domestic product (GDP) in the second quarter of 2021 exceeded that of the fourth quarter of 2019, i.e. the period before the outbreak of the pandemic. In other words, the global economy has recovered and is growing again. This growth is mainly attributable to the US, China and the EU. The US, the world's largest economy, grew strongly in the second quarter of 2021 as a result of huge stimulus packages and a faster pace of vaccination. The Organisation for Economic Cooperation and Development (OECD) predicts that the US economy will grow by 6 per cent in 2021. Forecasts suggest that the EU countries were also able to recover faster, generating economic growth of 5 per cent. With the COVID-19 epidemic well under control, economic growth of more than 6 per cent is forecast for China in 2021. Overall, the OECD expects the global economy to grow by 5.6 per cent in 2021.

Many Eurozone member states were affected by a worsening of infection rates at the beginning of 2021. An economic upswing was seen in Q2 2021, following an easing of the pandemic situation and the lifting of restrictions. Supply problems, rising prices and the emergence of the new Omicron coronavirus variant battered the economy again at the end of 2021. In 2021 as a whole, the Eurozone economy grew by 5.2 per cent, according to the statistical service of the European Union (Eurostat) and the International Monetary Fund (IMF). The 27 countries of the European Union (EU) grew at the same rate.

Despite the ongoing pandemic and increasing supply and materials bottlenecks, the German economy managed to recover after the slump of the previous year (-4.9 per cent). Economic output had nevertheless not yet returned to pre-crisis levels. According to calculations by the Federal Statistical Office (Destatis), gross domestic product (GDP) in 2021 was 2.7 per cent higher than in the previous year. Economic output increased across almost all sectors of the economy. While 2021 as a whole saw a rise, GDP fell between October and December by 0.7 per cent compared to the previous quarter, while output in Q3 2021 increased by 1.8 per cent over Q2. The recovery of the German economy thus continued in the summer, with GDP having already grown by 1.9 per cent in Q2 2021.

The ifo Business Climate Index reflects the state of the economy and showed a clear upward trend. Starting at its lowest level of 90.5 points in January 2021, it rose to 100.7 by July. It then fell slightly over the course of 2021, losing just under 6 points to close at 94.8 points in December. The economic barometer published by DIW Berlin started the first quarter at 101.5 points, showing that the COVID-19 pandemic restrictions were still holding back the German economy. The economy recovered significantly in the second and third quarters, rising to 107.6 and 106.9 points, respectively, well above the expansion threshold of 100 points, although the level went down to just 100.9 points at the end of 2021.

Figures from the Federal Statistical Office indicate that economic output in 2021 was generated by an average workforce of 44.9 million (previous year: 44.8 million) and remained robust despite the difficult environment. The unemployment rate in Germany averaged around 5.7 per cent in 2021 (previous year: 5.9 per cent), according to the Federal Employment Agency. The consequences of the COVID-19 crisis are mainly reflected in increased long-term unemployment.

According to the Federal Statistical Office (Destatis), consumer prices in Germany increased by 3.1 per cent on average in 2021 (previous year: +0.5 per cent) compared to 2020. In December, they reached their highest level of 2021, at +5.3 per cent. Base effects due to the COVID-related cut in VAT a year ago and the associated falling prices for many goods are among the factors responsible for the high inflation rates seen since July 2021 (+3.8 per cent). Compared to the previous year, prices for oil-based products and other energy-producing commodities have also risen sharply. The annual rate of inflation was higher in 2021 than at any time for 30 years (1993: +4.5 per cent).

The UK economy grew strongly in 2021 despite repeated waves of COVID infections and high inflation. Figures compiled by the Office for National Statistics (ONS) indicate that gross domestic product (GDP) increased by 7.5 per cent, the biggest rise since 1941. Performance at year-end was driven primarily by higher expenditure in the health and social services sectors. UK inflation rose to a 30-year high of 5.4 per cent in December 2021, due to rising energy costs, a resurgence in consumer demand and supply bottlenecks.

Poland is the biggest European Union (EU) economy in central and eastern Europe. The country's annual growth rate was above the EU average prior to the outbreak of the COVID pandemic. The Polish economy performed well in the second half of 2021, despite repeated waves of COVID-19 and supply chain disruption. GDP growth in real terms is set to come in at 5.7 per cent in 2021. Inflation increased noticeably in the second half of 2021 due to rising global commodity prices and supply shortages, reaching 5.2 per cent in 2021, the highest level in 20 years.

3.2 Advertising market performance

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

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

In line with trends in the global economy, marketing activities and advertising spend have also recovered in most markets.

Growth was particularly strong in countries where the roll-out of COVID vaccination was rapid and widespread, enabling full re-opening of businesses early in the year: US +6.0 per cent, UK +6.8 per cent, France +6.3 per cent. According to Magma, some other major markets staged a more modest economic recovery by comparison, due to slower vaccination progress and continued COVID restrictions and/or the manufacturing sector being crippled by supply chain issues, e.g. Japan at +2.4 per cent and Germany at +3.1 per cent. Recent figures from Magma forecast a 22 per cent rise in global advertising spend in 2021, to reach a new all-time high of USD 710 billion. GroupM puts the increase in global advertising spend in 2021 at 30.5 per cent.

The COVID-19 pandemic has changed shopping habits and accelerated the use of e-commerce. Companies have responded by investing in new technologies, infrastructure, organisational changes and advertising. This includes brand advertising to promote e-commerce platforms, performance marketing to drive traffic to these platforms, and advertising within these platforms (retail media advertising) to promote particular products, all of which have risen sharply. Zenith estimates that global digital advertising will have increased by 25 per cent year-on-year in 2021.

Sales of digital advertising rose by USD 105 billion (+31 per cent) to USD 442 billion, according to Magma. Digital formats now account for 62 per cent (previous year: 59 per cent) of total advertising sales worldwide. GroupM's projection indicates that digital media will account for around 64 per cent of all global advertising expenditure.

In Germany, advertising spend increased by 6.6 per cent to EUR 23 billion, according to Zenith's Advertising Expenditure Forecast. The restrictions that played such a role in daily life during the pandemic are having less and less impact on marketing and advertising investments, as consumers have adapted their habits.

This is also amply demonstrated by the growth of advertising spend on digital media of 10 per cent, or EUR 11 billion. Analysis and market research organisation Nielsen reported that companies invested EUR 38 billion gross in advertising in 2021. This represents an increase in advertising spend of 6.6 per cent compared to the previous year. Digital media posted 6.5 per cent higher advertising sales year-on-year.

Total advertising spend in the UK for 2021 will be GBP 29.7 billion, according to estimates from industry association AA/WARC. This corresponds to a record increase of 26.4 per cent compared with the previous year. GroupM's analysis found that the UK has the highest growth in advertising revenue in 2021 among the major markets, at 35.7 per cent. Growth was mainly concentrated in the digital sector.

Advertising spend in Poland increased again in 2021 across almost all media categories except daily newspapers and magazines, according to the Zenith Advertising Expenditure Forecast of December 2021. Expenditure in the digital advertising market is expected to reach EUR 1.2 billion in 2021, based on the Statista Digital Advertising Report 2021.

All in all, the SYZYGY GROUP was operating in a positive market environment, despite changes and uncertainty around some factors. The COVID-19 pandemic and the resulting changes continued to give additional impetus to 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 continued. Digital media provide confirmation that digital transformation, boosted by the pandemic, is helping to overcome economic and social challenges.

3.3 Employees

The headcount at the SYZYGY GROUP increased in the period covered by the report. As at December 31, 2021, the Group had a total of 535 permanent employees, 21 or 4 per cent more than at the reporting date in the previous year. The number of freelancers fell from 39 (in the previous year) to 37.

409 employees or 76 per cent of total staff (previous year: 405 employees) worked in the four German companies as at the reporting date; 58 people or 11 per cent (previous year: 48 people) were employed in the British agencies.

As at year-end, 63 people or 12 per cent (previous year: 58 people) worked for Ars Thanea, while the number of employees at SYZYGY Digital Marketing in New York increased to 5 (previous year: 3 employees).

In terms of employees by function, there were several changes during the period under review. Notably, the share accounted for by strategy consulting dropped by 5 percentage points to 19 per cent. Administration and technology also both saw a small decline as a proportion of the workforce, with falls of 1 percentage point to 13 and 17 per cent, respectively. In contrast, performance marketing, creative services and project management were up slightly, now representing 19, 15 and 17 per cent of total employees, respectively. The SYZYGY GROUP employed 515 people (previous year: 529) on average during the year. Including the average 40 freelancers (previous year: 33) also used, annualised sales per head were around kEUR 108 (previous year: kEUR 99).

3.4 Investments, research and development

Other intangible assets and fixed assets were down somewhat, at EUR 29.7 million (previous year: EUR 30.7 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 22.2 million (previous year: EUR 23.6 million) and leasehold improvements and operating and office equipment totalling EUR 7.1 million (previous year: EUR 4.4 million). Since January 1, 2019, SYZYGY as a lessee has dealt with all leases on the balance sheet as follows: it has recognised the rights of use to the leased assets as assets and the payment obligations entered into over the term of the lease as liabilities at present value.

In the 2021 financial year, depreciation and amortisation amounted to EUR 8.2 million (previous year: EUR 5.7 million).

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

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

3.5.1 Results of operations

In the 2020 Group Management Report for the financial year, the SYZYGY GROUP forecast that sales would increase by around 10 per cent in the 2021 financial year. With regard to profitability, an EBIT margin (i.e. the quotient of EBIT and sales revenue) in the high single-digit range was expected. That corresponded to EBIT for the SYZYGY GROUP of around EUR 5.3 million.

Group sales came in at EUR 60.1 million (8 per cent up on the previous year), narrowly missing the sales forecast. While the international companies outperformed the expected growth, a 6 per cent increase in sales was posted in Germany. EBIT, on the other hand, rose by 60 per cent to EUR 6.4 million, corresponding to an EBIT margin of just under 11 per cent. The profitability forecast for the SYZYGY GROUP was thus exceeded. Earnings per share of EUR 0.30 are up sharply compared to the previous year, due to significantly higher operating income (EBIT) and a lower tax rate.

Overall, the Management Board of SYZYGY AG is satisfied with trading and the performance of the SYZYGY GROUP's net assets, financial position and results of operations in 2021.

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

In kEUR	2017	2018	2019	2020	**2021**
Sales	60,669	65,816	64,243	55,521	60,124
EBIT	4,096	6,067	5,497	3,999	6,379
EBIT margin	7%	9%	9%	7%	11%
Financial income	1,440	470	-303	-697	-985
EBT	5,536	6,537	5,194	3,302	5,394
Earnings per share (in EUR)	0.39	0.35	0.26	0.15	0.30

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 8 per cent to EUR 60.1 million.

Although the Germany segment is the strongest in the Group, it recorded a slight decline as a proportion of overall sales from 80 to 78 per cent due to the sharp rise in the international segments. The UK segment accounted for a 13 per cent (previous year: 12 per cent) share of sales in the reporting year, marking a slight increase. The United States and Poland are reported together under the “Other” segment, as in the previous year. The agencies in Poland and the US accounted for 9 per cent (previous year: 8 per cent) of sales. This represents a stabilisation of the international business, consolidating its importance within the SYZYGY GROUP. These figures reflect results before consolidation.

SYZYGY generated 31 per cent of its sales from clients in the automotive industry, a rise of 1 percentage point. Consumer goods accounted for around 14 per cent of sales (previous year: 12 per cent). The share of companies from the financial industry rose to 21 per cent (previous year: 19 per cent). There was a decline in the proportion of sales attributable to clients from the IT and telecommunication sectors, which fell from 10 to 7 per cent. A total of 18 per cent (previous year: 19 per cent) of sales was generated with clients from the services sector. A rounded 9 per cent of sales (previous year: 10 per cent) came from companies that cannot be assigned to any of these five key areas.

45 per cent of SYZYGY's sales were generated from its ten largest clients, a figure that is 1 percentage point below the previous year's level.

3.5.3 Operating expenses and depreciation

The cost of sales totalled EUR 41.2 million. This represents an increase of 6 per cent compared to the previous year. Since sales and the cost of sales rose largely in parallel, the gross margin remained constant at 32 per cent, as in the previous year.

Sales and marketing costs fell by 2 per cent to EUR 4.2 million (previous year: EUR 4.3 million). The decline in costs is due to a lower staffing level in sales and marketing.

General administrative expenses increased by just 2 per cent to EUR 10.7 million.

Depreciation of fixed assets and amortisation of other intangible assets fell by EUR 0.3 million to EUR 5.3 million, of which EUR 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) increased disproportionately relative to sales by 60 per cent, climbing from EUR 4.0 million in the prior year to EUR 6.4 million in the reporting year. As a consequence, the Group's profitability also improved, with the EBIT margin up from 7.2 per cent in the previous year to 10.6 per cent in the 2021 financial year. The rise in profitability is attributable to the fact that the cost of sales increased at a lower rate than sales, and that there was a decrease in sales and marketing expenses. While sales recovered from the impact of the COVID-19 pandemic, a range of general costs, including travel and sales expenses, remained at low levels. In addition, structural cost items were reduced with lasting effect.

In contrast to the previous year, the international segments achieved very positive results in 2021. In London, the business was radically restructured in 2019. Despite the pandemic, it posted an operating profit in the previous year and recovered strongly in the 2021 financial year. Restructuring in the UK is thus fully complete, with the turnaround bearing fruit.

SYZYGY Digital Marketing is operating on a smaller scale following the restructuring carried out in 2020. As announced in the previous year, it is now led by the English management team from their base in London. By reducing substantial overheads and adopting joint management, the company posted a profit of EUR 0.3 million, after recording operating income of EUR -0.6 million in the previous year.

The Polish company was also able to again increase its income significantly compared to the previous year. This was mainly due to new client wins in the Polish market, leading to considerable sales growth, while costs increased at a much lower rate.

All in all, the SYZYGY GROUP closed the 2021 financial year with operating income (EBIT) of EUR 6.4 million, equivalent to an EBIT margin of 11 per cent. This is above the forecasts made in March 2021, when the Company predicted EBIT of around EUR 5.3 million and an EBIT margin in the high single-digit range.

3.5.5 Financial income

At SYZYGY, financial income arises in two main areas: firstly, interest expenses in connection with IFRS 16, and secondly, income and expenses associated with investment in securities and with the financing of the SYZYGY GROUP. Overall, financial income declined by EUR 0.3 million: it came in at EUR -1.0 million in the 2021 financial year, compared to EUR -0.7 million in the previous year.

Interest expenses due to the IFRS 16 accounting standard fell slightly to EUR 0.6 million (previous year: EUR 0.7 million). In the case of long-term leases and other leases with a term of more than one year, interest expenses are calculated on the basis of the liabilities disclosed. In practice, rental payments are divided into amortisation of rights of use and interest payments over the entire term of the leases.

As in previous years, financial income also includes interest income and expenses from the management of cash and cash equivalents and from corporate financing. Expenses totalling EUR 0.4 million were recorded for this item in the reporting period. Income of EUR 0.1 million from the securities portfolio (previous year: EUR 0.4 million) was significantly lower due to the smaller size of the portfolio. It was unable to compensate for the interest expenses of EUR 0.5 million (previous year: EUR 0.4 million) incurred through corporate financing.

3.5.6 Income taxes, net income, earnings per share

While pre-tax income rose by 63 per cent to EUR 5.4 million (previous year: EUR 3.3 million) in the reporting period, net income after taxes increased by 98 per cent to EUR 4.1 million (previous year: EUR 2.1). The tax rate fell to 23 per cent (previous year: 37 per cent) in the 2021 financial year. There are several reasons for the lower tax rate, which cannot be expected to remain at this level. On the one hand, SYZYGY Performance Marketing was able to make use of a loss carry-forward of EUR 1.4 million, while on the other hand the international companies accounted for considerable portions of net income, which are subject to lower tax rates than in Germany.

Undiluted earnings per share were EUR 0.30, based on the average available 13,500,000 shares qualifying for participation in the profits and after deducting non-controlling shares of EUR 0.11 million, and were thus EUR 0.15 above 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 0.30 (previous year: EUR 0.15).

3.5.7 Segment reporting

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

The international segments all reported growth in sales and earnings in the reporting year. Sales increased by around 13 per cent in the UK segment, while in Poland and the US (Other segment), sales were up by around 21 per cent. The core market, Germany, posted sales growth of 6 per cent in the reporting period. The German companies generated sales of EUR 48.1 million (previous year: EUR 45.5 million), and EBIT of EUR 6.7 million excluding impairment of goodwill of EU 2.8 million, equivalent to an EBIT margin of 14 per cent. Taking impairment of goodwill into account, EBIT was EUR 3.9 million (previous year: EUR 6.6 million) and thus 40 per cent lower, with an EBIT margin of 8 per cent (previous year: 14 per cent).

The UK companies generated sales revenues of EUR 7.8 million, with operating income (EBIT) of EUR 0.9 million (previous year: EUR -0.4 million). Accordingly, the EBIT margin was 12 per cent (previous year: -5 per cent).

The Other segment recorded particularly strong sales growth in the reporting period. In 2021, the two companies generated sales of EUR 5.5 million (previous year: EUR 4.6 million), an increase of 21 per cent. EBIT performed well due to the rise in sales and a strong EBIT margin, coming in at EUR 1.0 million (previous year: EUR -0.4 million). This corresponds to an EBIT margin of 18 per cent (previous year: -8 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: 80 per cent), around 13 per cent from the UK (previous year: 12 per cent) and 9 per cent from the Other 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 3.7 million as at December 31, 2021. This represents a decrease of 35 per cent on the previous year's figure of EUR 5.8 million. This change is due in particular to negative cash flow from financing activities, including the repayment of money market loans and bank loans in the net amount of EUR 1.6 million, and the profit distribution to SYZYGY AG shareholders of EUR 2.0 million.

At EUR 2.1 million (previous year: EUR 5.6 million), cash and cash equivalents represented around 56 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 increased to EUR 20.8 million (previous year: 15.2 million). This had a negative impact on cash and cash equivalents. The proportion of securities rose to 44 per cent of total liquidity because the portfolio was increased to EUR 1.6 million in the reporting period. The average weighted residual maturity of the bonds was 14.6 years (previous year: 3.9 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 -3.5 million as at year-end (previous year: EUR 4.5 million), after taking exchange rate changes into account. This amount comprises positive operating cash flow of EUR 8.1 million, negative cash flow from investment operations of EUR -4.5 million and negative cash flow from financing activities of EUR -7.1 million.

The high level of operating cash flow was mainly attributable to positive net income of EUR 4.1 million, depreciation on non-current assets of EUR 8.2 million, higher accounts payable of EUR 3.8 million, and a rise in advance payments received of EUR 1.7 million. This contrasts with negative effects from significantly higher accounts receivable in the amount of EUR 5.1 million and a reduction in liabilities for the acquisition of shares in companies in the amount of EUR 3.0 million.

Cash flow from investment operations was negative at EUR -4.5 million (previous year: EUR -3.6 million). In particular, expansion of the securities portfolio and Ars Thanea's move to new rental space led to investment in non-current assets.

Cash flow from financing activities was affected by the fall in lease obligations of EUR -3.4 million (previous year: EUR -3.4 million), the repayment of loans from banks amounting to EUR 3.9 million (previous year: EUR 1.0 million) and the profit distribution to SYZYGY AG shareholders of EUR 2.0 million.

The Company also has a credit line of EUR 9.0 million (previous year: EUR 7.0 million) with Commerzbank AG, of which around EUR 3.4 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 2021 financial year and all payment obligations could be met.

3.5.9 Asset situation

Total assets were only slighter higher than in the previous year, at EUR 113.3 million (previous year: EUR 112.6).

Non-current assets fell during the reporting period by 4 per cent to EUR 86.9 million. Cash and cash equivalents decreased in 2021 from EUR 5.6 million to EUR 2.1 million, while securities held as current assets increased to EUR 1.6 million. Accounts receivable and contract assets also rose due to sales growth to EUR 20.8 million (previous year: EUR 15.2 million).

Other current assets increased slightly in the 2021 financial year to EUR 1.9 million (previous year: EUR 1.3 million). As a result, current assets increased by a total of EUR 4.1 million to EUR 26.4 million.

On the liabilities side of the balance sheet, equity increased slightly by 5 per cent compared to the previous year to reach EUR 56.2 million, equivalent to 50 per cent (previous year: 48 per cent) of total assets. The rise is due to higher retained earnings of EUR 17.6 million (previous year: EUR 15.7 million). Subscribed capital and additional paid-in capital remained unchanged, as in the previous year.

Non-current liabilities posted a fall of EUR 7.5 million to EUR 24.7 million. This is due in particular to reclassification of non-current liabilities as current liabilities and further repayment of bank loans. As a result, the assessment of when minority interests in companies are acquired and the amount of liabilities have both changed. In consequence, non-current liabilities from outstanding options fell from EUR 7.2 million to EUR 1.9 million. In addition, the repayment of bank loans reduced the amount by EUR 1.0 million.

Current liabilities increased by EUR 5.5 million overall to EUR 32.4 million. This was mainly due to a rise in contract liabilities, up EUR 1.7 million to EUR 5.2 million. Accounts payable also rose from EUR 8.0 million in the previous year to EUR 9.7 million. In addition, current liabilities from outstanding options increased to EUR 2.3 million due to reclassification from non-current liabilities.

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

A number of factors continue to pose a risk to global economic growth and dampen its recovery: the pandemic, logistics and supply bottlenecks, commodity shortages and higher energy prices, which have driven inflation in the Eurozone and the US to a multi-year high. Geopolitical risks also play a role. Alongside the Ukraine crisis, there are tensions between China and the rest of the world, which could escalate.

The International Monetary Fund (IMF) states in its World Economic Outlook, published in January 2022, that the global economy is expected to grow by 4.4 per cent. According to this forecast, emerging markets and developing countries will be the main contributors to this rise, with growth of 5.1 per cent expected. The IMF forecasts that the leading industrial nations will remain significantly below this level at 4.5 per cent; it expects an average inflation rate of 3.9 per cent.

The German Council of Economic Experts is likewise forecasting growth of 4.4 per cent in 2022. Inflationary pressure is likely to ease as pandemic-related shifts in demand for goods and services increasingly revert to normal and supply-side bottlenecks are progressively reduced. The latter have been the key factor hindering production and driving up prices.

According to the European Commission's Winter Forecast 2022, the Eurozone economy is set to grow by 4 per cent in 2022 and 2.8 per cent in 2023. All member states are also expected to reach their pre-pandemic GDP levels by the end of 2022.

Economic activity is expected to pick up again as supply-side conditions return to normal and inflationary pressures ease. Inflation will peak at 4.8 per cent in the first quarter of 2022 and remain above 3 per cent until the third quarter, falling to 2.1 per cent in the fourth quarter, dependent on an easing of the pressure caused by supply bottlenecks and high energy prices.

In Germany, economic performance will also be largely determined by global economic risk factors. The German government expects gross domestic product (GDP) to grow by 3.6 per cent in 2022 as a whole, according to its 2022 annual economic report. Economic output in the first quarter will probably still be impacted by the COVID-19 pandemic and is set to recover in the course of the year. The unemployment rate is likely to fall by 0.6 percentage points to 5.1 per cent in 2022. Similarly, the International Monetary Fund (IMF) is forecasting growth of 3.8 per cent for Germany in the current year.

The International Monetary Fund (IMF) expects the UK economy to grow by 4.7 per cent in 2022, weighed down by rising inflation, high energy prices and higher taxes on consumers and businesses. Economists expect the inflation rate to rise above the 7 per cent mark in the months ahead. The Brexit effect is an additional factor. According to the Office for Budget Responsibility (OBR), this will have a much greater negative impact on the British economy than COVID and will reduce the UK's gross domestic product (GDP) by around four per cent in the long term.

The outlook for Poland's economy remains positive. Although the rise in new COVID-19 infections at the start of 2022 will put pressure on economic growth, especially in the services sector, a rebound is expected from the second quarter onwards. All in all, GDP growth in real terms will reach 5.5 per cent in 2022, according to the projections in the European Commission's 2022 Winter Forecast. Despite the government's new package of measures to cut VAT on fuel from 23 per cent to 8 per cent, inflation will hit 6.8 per cent.

The above comments and forecasts are based on information available before the start of the recent conflict and subsequent events in Ukraine. As a result, many of these statements are no longer completely accurate. There are no reliable forecasts or forecast adjustments available from economic research institutes at the time of preparing this management report concerning the conflict and its possible consequences. It can be assumed that pressure on energy and commodity prices will remain high, pushing inflation up even further and reducing economic growth.

4.3 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, can have a major impact on the economy and consequently on the advertising market. New advertising options, especially in digital media, may also affect the allocation of advertising spend. Forecastsarecontinuouslyadjusted,basedonestimates of advertising investment. The pandemic triggered an acceleration of the trend towards digital media.

According to Dentsu, the global advertising market will recover in 2022 due to drivers of growth such as the Winter Olympics and Paralympics in Beijing, the FIFA World Cup in Qatar in December, and spending on the US mid-term elections. Globally, net advertising investment is accordingly expected to increase by 9.2 per cent in 2022.

Zenith's Advertising Expenditure Forecasts 2021 predicts global digital advertising spend will grow by 14 per cent in 2022, up from the previous forecast of 10 per cent, and will exceed 60 per cent of worldwide advertising spend for the first time.

Zenith believes that social media will be the fastest growing communication channel between 2021 and 2024, with an average annual growth rate of 14.8 per cent, closely followed by online video at 14.0 per cent. Paid search will grow by 9.8 per cent per year, driven mainly by retail. Radio and television will edge up by 2.2 per cent and 1.4 per cent, respectively, while print media will decline by 4.7 per cent. Media agencies also forecast strong reallocation of advertising investments towards Google, Facebook and Amazon in 2022.

Despite negative news regarding the shortage of skilled workers and rising inflation, experts such as Dentsu, in its Global Ad Spend Forecast, see the outlook for the German advertising market as an increase in net advertising investment of 5 per cent, while media agency association OMG puts it at just under 7 per cent, to reach around EUR 25 billion in 2022. The driver of growth behind higher advertising investments will be digital media, which will amount to 60 per cent of spending according to Dentsu. Digital media will thus continue to expand their position as the number one advertising channel in Germany. Following huge growth in 2021 (+18.4 per cent), this channel is expected to post an increase of 8.5 per cent in 2022.

In the UK, the digital advertising market will see a growth rate of 9.6 per cent to reach EUR 24.5 billion in 2022, according to the Statista Digital Advertising Report 2021. The largest segment of the market will be search engine advertising, worth EUR 10.6 billion. In the case of Poland, the report forecasts digital advertising spend of around EUR 1.3 billion, representing growth of some 9.5 per cent. The largest segment of the market in Poland is banner advertising, accounting for EUR 0.5 billion of the market in 2022.

These figures are likewise based on forecasts made before the outbreak of war in Ukraine. As a result, they do not take account of the associated risks to the economy and growth.

4.4 Expected performance of the SYZYGY GROUP

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

At the time of preparing this management report, it is difficult to give precise estimates of future developments, as they are still subject to considerable uncertainty. Notably, the war in Ukraine and its possible consequences for global economic relations and economic growth pose special risks.

Based on the information available to date, SYZYGY AG expects sales to grow by around 10 per cent in the 2022 financial year. We anticipate an EBIT margin of 10 per cent. The EBIT margin is defined as the ratio of operating profit before interest and taxes (EBIT) to sales revenue. This corresponds to EBIT of around EUR 6.7 million for the SYZYGY GROUP. The forecast EBIT figure does not include possible write-downs of goodwill or changes in option liabilities; they are estimated to be neutral in 2022. The results of the SYZYGY GROUP will be determined by the performance of the operating units, while the future interest income of SYZYGY AG will be of subordinate significance.

5. Risks and opportunities of future business development

The gross risks and opportunities of SYZYGY GROUP's future performance are closely linked to the economic activities of the Group's operating companies.

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

From our current perspective, it is not possible to make a definitive assessment of the war in Ukraine and the associated risks for the global economy, business activity, and energy and commodity prices. The SYZYGY GROUP does a small amount of business with service providers from the crisis-hit areas. These services could be seriously disrupted by the war.

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. Overall, the COVID-19 pandemic did have negative repercussions on some client segments such as travel and tourism businesses; on the other hand, the pandemic has accelerated the trend towards digital transformation, opening up future opportunities. The net effect is that the risks and opportunities balanced each other out.

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

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

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

5.1 Material risks – Risks arising from the Ukraine crisis

At present, it is not possible to definitively assess the impact of the war in Ukraine. It can be assumed that the global economy and economic growth will be weakened, with higher inflation due to additional increases in energy and commodity prices. 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 other service providers.

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 5 per cent of sales and of earnings to net income.

The risk of material impairment of performance, or a material impact on the business in Poland, is 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 decreased slightly by 1 per cent compared to the previous year. The largest single client accounted for 7 per cent of sales. While the top three clients accounted for 20 per cent of the Group's sales in the previous year, this figure saw a slight decline to 18 per cent in 2021.

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 half of client contracts for SYZYGY units involve fixed price projects, while around 50 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 four of its top 10 clients for more than 15 years, and with three others for more than 5 years.

Investment risk

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

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

Economic risk

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

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

Currency risk

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

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

Risk arising from currency fluctuations is assessed as low overall.

Personnel risk

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

The risk is assessed as low.

Risks from acquisitions

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

The risk is assessed as low.

5.2 Opportunities

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

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

6. Internal control system

The risk early warning systems used are based on monthly reporting. In addition to financial reporting (budget and actual figures), this reporting includes the new business activities of the subsidiaries and HR metrics. A business review, forecast or budget meeting is also held once every quarter. At these meetings the Management Board 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 the accounting has been conducted correctly. For these purposes the consolidated financial statements and the Group Management Report of the SYZYGY GROUP are prepared in accordance with IFRS (International Financial Reporting Standards), as they are to be applied in the European Union, and in line with the supplementary provisions of Article 315e [1] of the Handelsgesetzbuch (HGB – German Commercial Code).

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

In keeping with Article 315 [4] of the German Commercial Code, one of the ways the accounting requirements of SYZYGY AG are implemented in the subsidiaries is that a largely standard bookkeeping system with a standard chart of accounts is used across the SYZYGY GROUP. All subsidiaries are subject to a review once a quarter by the Central Finance Department of SYZYGY AG. This involves analysing, checking and ensuring compliance with accounting requirements and scrutinising the procedures for processing data.

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

7. 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, 2021 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.

8. 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.

9. 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, 2021 the Management Board and Supervisory Board issued and published an updated declaration relating to the Corporate Governance Code. Operation of the Management Board and Supervisory Board is also described in the declaration on corporate governance.

Both declarations can be viewed on our company website under Corporate Governance at https://syzygy-group.net/Corporate-Governance/.

10. Non-financial Group Declaration in accordance with Article 315c of the Handelsgesetzbuch (HGB – German Commercial Code)[1]

10.1 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. SYZYGY's services should not only benefit clients, employees and stakeholders, but also have a positive social and ecological impact. SYZYGY firmly believes that sustainability is crucial to long-term business performance.

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, context and future development.

1 – unaudited

In accordance with Article 315b (1) sentence 3 of the Handelsgesetzbuch (HGB – 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 it to the WPP Group. SYZYGY also addresses the requirements of the capital market.

Special emphasis is placed on the following goals:

- Good health and well-being (SDG 3)
- Quality education (SDG 4)
- Gender equality (SDG 5)
- Decent work and economic growth (SDG 8)
- Climate action (SDG 13)

Business model

The SYZYGY GROUP's business model within the meaning of Article 315c (1) in conjunction with Article 289c (1) 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 risk and opportunities is therefore an important element of a sustainable management approach.

Potential non-financial risks are identified and assessed at Group level as part of 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 could be expected to have, or will have, a negative impact on the non-financial aspects or business activities of the SYZYGY GROUP. We report on our opportunities and risks in section 5 of this Group Management Report.

Materiality

Sustainability is a highly important aspect of our business activities. Growing awareness of sustainability issues 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 critical topics when assessing key sustainability aspects.

Materiality analysis

In the 2021 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 HGB. These issues are ones that are relevant to the business process, the Company's earnings and also 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

To date, SYZYGY AG has been exempt from preparing a non-financial declaration in accordance with Article 315b (2) sentence 2, HGB. In order to nevertheless document the SYZYGY GROUP's focus on sustainability, a non-financial declaration was issued for the reporting years from 2016 to 2018 in the form of German Sustainability Code (DNK) declarations of conformity. These were formally reviewed and given the DNK user signet. The 2019 and 2020 declarations are under review and will be finalised shortly.

These declarations of conformity already included a definition of action areas and goals that we continue to observe and pursue, which were derived from the materiality analysis:

- Environmental protection
- Employees
- Client relationships
- Growth and development of the Group, economic viability
- Corporate governance

In line with its five strategic action areas, the SYZYGY GROUP pursues the following prioritised non-financial goals, which are based on the UN SDGs.

- No distinction is currently made with regard to their specific priority:
- Reducing our environmental footprint (energy, waste) and pursuing scientifically sound emission targets to make business operations more environmentally friendly. This contributes towards achieving SDG 13 (Climate action).
- Increasing our attractiveness as a responsible employer by creating a working environment featuring staff participation and fair cooperation. Promoting diversity and supporting employees through flexible and participatory work models. Developing skills to overcome current and future challenges. In addition, ensuring occupational safety and promoting health at work as a responsible employer plays a major role.
- This contributes towards achieving the following SDGs: 5 (Gender equality), 8 (Decent work and economic growth), 10 (Reduced inequalities) and 3 (Good health and well-being). It also has a positive impact on collaboration within the company.
- Boosting client satisfaction and appreciation, and diversification of long-term client relationships. This contributes towards achieving SDG 9 (Industry, innovation and infrastructure).
- Pursuing strategic goals, maintaining strong finances, increasing sales through both organic and inorganic growth, and optimising services. This contributes towards achieving SDG 8 (Decent work and economic growth).

Sustainability management

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

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.

10.2 Environmental matters

Responsible use of natural resources is an important goal, even though it is not as imperative for a service provider compared to manufacturing companies. The main focus is on reducing energy consumption and emissions.

Nonetheless, the SYZYGY GROUP is committed to the responsible use of natural resources as follows:

- Improving energy efficiency in buildings and IT
- Using electricity from renewable energy sources
- Reducing and recycling waste
- Making increasing use of video conferencing technology
- Reducing the number of flights
- Using paper from responsible sources (recycled and/or certified paper)

The greatest potential for savings is in energy efficiency of buildings, with regard to fuel consumption and in the avoidance and separation of waste.

To minimise further environmental impact, there is a focus on reducing the total number of offices at each location, using office space that meets recognised green building standards, and sourcing electricity from renewable energy sources. Each operating unit implements environmental protection measures independently to support the Group-wide goals and make SYZYGY a climate-friendly company, reduce the amount of waste and ensure that resources are used efficiently.

Business travel is an area that has a negative impact on the environment. The SYZYGY GROUP's travel expenses policy states that air travel is only to be used if business reasons make it necessary, or the length of the business trip is significantly shortened by flying. In addition, flying should generally be avoided unless it is absolutely necessary, or if the issue can be dealt with via video conferencing.

In our business processes, we aim to use environmental paper (recycled, FSC) and to avoid printing documents wherever possible.

Our climate strategy focuses on the following targets:

- Energy consumption and emissions: climate neutral Scope 2 by 2022, and Scope 3 by 2028
- Mobility: reduce air miles by 50 per cent by 2025 (base year 2019: 1,121,389 miles) by encouraging video conferencing
- Using renewable energy: obtain electricity from renewable energy sources (100 per cent by 2025)
- Use recycled paper and/or paper from certified sources (100 per cent by 2025)

Energy consumption and emissions

The main focus of the SYZYGY GROUP is on reducing energy consumption and emissions. This means minimising carbon emissions and maximising the efficient use of resources.

On its path to zero carbon, the SYZYGY GROUP worked with Planetly to offset the equivalent of 500 tonnes of CO_2 in 2021 through various climate protection projects. For the 2022 financial year, SYZYGY is developing a holistic CO_2 reduction strategy with the aim of achieving zero carbon with regard to Scope 2 by 2025 and Scope 3 by 2028.

SYZYGY reports its CO_2 footprint in line with the international Greenhouse Gas Protocol standard, taking into account Scope 1, Scope 2 and Scope 3 emissions.

A total of 354 tonnes of CO_2 (previous year: 433 tonnes of CO_2) were emitted, corresponding to an 18 per cent reduction in emissions. CO_2 emissions per head amounted to 0.7 tonnes of CO_2 in 2021 (previous year: 0.8 tonnes of CO_2).

Tonnes of CO_2	2021	2020	Change
CO_2 emissions in tonnes per head – total	0.69	0.82	-16%
Absolute CO_2 emissions in tonnes – total*	354.2	432.5	-18%
Business travel by air (in miles)	219,332	212,706	+3%

* GHG Protocol

Due to pandemic-related travel restrictions in 2021 and 2020, air travel dropped by approximately 80 per cent within the Group compared to 2019 (1,121,389 miles) in each of the two years.

Direct climate-related emissions (Scope 1)*

Tonnes of CO_2	2021	2020	Change
CO_2 emissions (Scope 1) in tCO_2eq – market-based	193	145	33%

* GHG Protocol

Indirect climate-related emissions (Scope 2)*

Tonnes of CO_2	2021	2020	Change
CO_2 emissions (Scope 2) in tCO_2eq green electricity, electricity from renewable sources – market-based	0	0	–
CO_2 emissions (Scope 2) in tCO_2eq – heating and steam	94	58	+62%

* GHG Protocol

Due to Renewable Energy Certificates (RECs) that we purchase through the WPP Group, SYZYGY has been greenhouse gas neutral in electricity CO_2 emissions (Scope 2) across the Group since 2020.

Further indirect climate-related emissions (Scope 3)*

Tonnes of CO_2	2021	2020	Change
CO_2 emissions (Scope 3, from business air travel) in tCO_2eq	68	70	-3%

* GHG Protocol

In 2021, CO_2 emissions per head were 0.56 tonnes (Scope 1 and 2) – previous year: 0.68 tCO_2eq (down 18 per cent), while CO_2 emissions per head (Scope 3) remained unchanged from 2020, at 0.13 tonnes of CO_2 emissions per head.

By working with ClimatePartner, our diffferent subsidiary was able to offset its greenhouse gas emissions totalling 539 tonnes of CO_2 equivalents through various climate protection projects in 2021 and 2020. It has been a climate-neutral company since 2019.

These initiatives support the strategy of achieving Scope 2 climate neutrality by 2025.

Electricity and heat

As the total number of offices within the SYZYGY GROUP has been reduced, less electricity and heat was consumed compared to previous years. 2018 saw construction of the first SYZYGY Campus in Munich, to which three of the Group's companies have moved. Another campus followed in Berlin in 2021. The SYZYGY GROUP's headquarters building in Bad Homburg v.d.H. also contributes to cutting climate-related emissions. The property complies with the Green Building Standard and received Gold certification under the international LEED system due to meeting high ecological standards.

Energy consumption (in kWh)	2021	2020	Change
Heating	689,102	675,191	2%
Electricity	778,280	782,765	-1%

Use of renewable and non-renewable materials

Paper consumption decreased by 68 per cent compared to the previous year. The proportion of recycled paper from certified sources was 41 per cent in 2021 (-18 pp compared to previous year).

Paper consumption	**2021**	2020	Change
Total (in kg)	1,005	1,109	-9%
Proportion of recycled paper	41%	59%	-18pp

Reducing and recycling waste

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

Waste (in kg)	**2021**	2020	Change
Mobile phones	13	3	333%
Printer and toner cartridges	138	230	-40%
Paper and cardboard	3,473	3,323	5%
Computer equipment	1,070	486	120%
Yellow bin/Green Dot recycling and residual waste	7,265	7,290	0%

The increase in the quantity of waste (in kilograms) from computer equipment and mobile phones is due to the disposal of old and faulty devices, especially heavy items such as UPSs. 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 Caritas charity collection box, 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.

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 our control and cannot be predicted with certainty. The possible impact on earnings, assets, the financial position and on business relationships is classified as low. The risks associated with these environmental matters are 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), especially its delegated regulations, forms the basis for various future and ongoing EU initiatives around 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.

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

SYZYGY makes use of the relief provisions for the 2021 financial year. These allow it to initially report only on taxonomy-aligned economic activities in connection with the above-mentioned environmental targets. Reporting on taxonomy-compliant activities is not required. Undefined legal terms in the EU taxonomy are currently causing uncertainty in interpreting what is required.

Two of the economic activities currently listed in the EU taxonomy are material to the SYZYGY GROUP in the 2021 financial year:

- Office buildings
- Company vehicles

Disclosure of taxonomy metrics

In Mio. EUR	**Total**	Proportion of taxonomy-aligned economic activities	Proportion of non-taxonomy-aligned economic activities
Sales	60.1	0%	100%
Capital expenditure	4.6	39%	61%
Operating expenses	0.4	0%	100%

SYZYGY has not identified any material taxonomy-aligned sales revenue or operating expenses (OpEx). The sales revenue generated by SYZYGY is not covered by the taxonomy at present. The relevant operating expenses consist of direct costs for the maintenance and use of buildings, and short-term and small-ticket leased items. Capital expenditure relates to additions in the consolidated statement of changes in fixed assets in the reporting year (Notes to the consolidated financial statements, section 3.2). It amounted to EUR 4.6 million in the reporting year, of which 39 per cent is taxonomy-aligned. There were no additions in the financial year due to business combinations.

10.3 Employee issues

The 535 or so employees in Germany and abroad are crucial to the success of the Company. Their performance, abilities and commitment contribute to SYZYGY's success.

The focus is on the following targets:

- Increasing our attractiveness as a responsible employer by creating a working environment featuring staff participation and fair cooperation.
- Promoting diversity and supporting employees through flexible and participatory work models.
- Developing skills to overcome current and future challenges.
- Ensuring occupational safety and promoting health at work as a responsible employer.

The shared work ethos at SYZYGY is defined by teamwork, exchange, partnership, personal development, community, discovery and success. We experience all that when the interdisciplinary teams within the SYZYGY GROUP come together and pool their talent to find the best digital solutions for their clients. We have created a special and positive culture at the SYZYGY GROUP; we aim to inspire and support our employees through joint events and experiences, personal development workshops and flexible work models.

SYZYGY promotes the following key issues:

- Diversity and inclusion
- Flexible work models
- Employee development
- Occupational health and safety

To quantify the success of the initiatives and measures for our employees, an employee survey based on the eNPS (Employee Net Promoter Score) was used to measure employee satisfaction in 2019, 2020 and 2021. All employees in the Group had the opportunity to provide anonymous feedback and formulate ideas. The survey returned a score of +32 in 2019, +12 in 2020, and +29 in 2021, figures which are very high when compared to scores in the internet services industry. The results and feedback from this survey will be included in work on developing our corporate culture.

Various factors caused a deterioration in employee satisfaction in 2020. Firstly, the global pandemic impaired working life and resulted in stress, insecurity, e.g. through short-time working, and anxiety among many employees. Many companies registered a decline in eNPS in 2020.

Secondly, satisfaction declined significantly among the employees of a subsidiary that merged in 2020. Mergers are usually accompanied by a temporary downturn in satisfaction due to the disruption involved.

By introducing measures to improve employee satisfaction, such as investment in training, development and promotion opportunities, this disruption was overcome in 2021, resulting in a score of +29 again in the reporting year (previous year: +12).

Diversity and inclusion

Diversity and equal opportunities

The SYZYGY GROUP is committed to supporting equal opportunities for everyone and takes a clear stance against discrimination of any kind. As a company operating both within Germany and beyond, the cultural, social and legal diversity of all nations and societies is respected.

SYZYGY does not accept any discrimination on the grounds of national or ethnic origin, gender, gender identity, sexual orientation, marital status, religion, ideology, disability, age or social origin.

These values are set out in the SYZYGY Code of Conduct, which is binding on the entire workforce. It is the foundation for collaboration and for our corporate culture.

All operating units and the SYZYGY holding company attach importance to equal opportunities and diversity for all employees in the workplace, and in job application, selection and development procedures.

SYZYGY has taken steps to attract even more women to management positions, and has changed operating conditions to support this objective. An ongoing focus on developing and maintaining a family-friendly culture that offers equal opportunities is one of the factors that help to deliver business success.

The SYZYGY GROUP has set itself the goal of having a proportion of women in management positions by 2025 that approximately reflects the proportion of women in the company.

As at December 31, 2021, SYZYGY employed 260 women across the Group (previous year: 242 women). This corresponds to 49 per cent of the workforce. The proportion of female employees in management positions is 46 per cent (previous year: 41 per cent), i.e. currently 3 percentage points below target.

Gender	**2021**	2020	Change
Women	49%	47%	+2pp
Men	51%	53%	-2pp

The percentage of people with special needs or disabilities employed by SYZYGY is 1.1 per cent (previous year: 0.7 per cent). The SYZYGY GROUP will continue to provide these employees with equal career prospects going forward.

Experience suggests that employees in the creative, technology and media services sector tend to be young. 80 per cent of our employees are under 40 years old. We benefit from a healthy age mix that combines experience, creativity and energy.

Age structure	**2021**	2020	Change
19 and younger	–	–	–
20–29	40%	34%	6pp
30–39	40%	44%	-4pp
40–49	16%	18%	-2pp
50 to 59	4%	3%	1pp
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.

Flexible work models

The COVID-19 pandemic has changed the way our teams work on a day-to-day basis, both locally and globally. March 2020 saw a widespread shift to working from home, which continued in the 2021 financial year. SYZYGY put three flexible work models in place in 2021: homeworking, office, or hybrid working. The models were developed together with employees and established at our various company locations. These models are flexible, agile, robust and are being continually evolved.

At SYZYGY Techsolutions, for example, our people have the option of working remotely all the time. This provides a high degree of flexibility when recruiting staff, allowing specialists from other regions to be recruited, for example. Other companies have opted for a solution focusing on transparency and personal responsibility, or use the hybrid work model. All these working arrangements are applied appropriately to the specific 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. Each arrangement needs to be tailored appropriately to the specific workplace culture and business model.

	2021		2020	
Age of board members	Management Board	Supervisory Board	Management Board	Supervisory Board
Below 30	0	0	0	0
30-50	33.3%	0	66.7%	0
Over 50	66.7%	100%	33.3%	100%

Other flexible work model options provided by SYZYGY:

- Part-time contracts
- Flexible times for starting and finishing work each day
- Sabbatical arrangements

	2021	2020	Change
Part-time contracts	13%	15%	-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 development

At SYZYGY, it is also standard practice that every employee is free to contribute their ideas, regardless of position or hierarchical level. Collaboration between the locations is also being strengthened and talent supported. To do this, SYZYGY has developed two formats to promote personal and professional development, along with cooperation within the Group.

The SYZYGY GROUP previously organised a boot camp twice a year on Mallorca, designed to support the personal development and advancement of talented young employees within the GROUP. This had to be cancelled in 2020 due to the pandemic, but took place again in September 2021. 15 employees from across all units met for a week of workshops on strategy, digital well-being and personal development.

In October 2021, 15 SYZYGY GROUP directors met in Hamburg for the Director's Lodge with the Management Board to discuss strategy, collaboration, technology and client satisfaction through digital experiences.

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.

Since 2020, the LinkedIn Learning online training platform has been made 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 report the hours they spend on training when recording their working hours. Around 13 hours per employee (previous year: 9 hours/employee) were spent on training and education in 2021, representing an increase of 44 per cent.

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.

Our Human Resources department uses e-mails to employees or 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, COVID-19 vaccinations and a G37 eye examination.

For the well-being of employees, an Employee Assistance Programme (EAP) was set up by WPP at the end of 2020 due to increasing mental stress caused by the pandemic. This programme was also made available to SYZYGY employees. The EAP offers free confidential psychological counselling for all employees in the form of an in-person or virtual meeting.

As an international company with operations in Germany, the UK, Poland and the US, we are subject to the employment laws 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.

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

No incidents were recorded at the SYZYGY GROUP in the 2021 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 issues.

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. 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. The risks associated with these employee issues are therefore rated as low in the overall assessment.

10.4 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 key factor in the success of the SYZYGY GROUP's business activities and are an important goal. An open dialogue with clients is maintained in order to monitor the quality of the partnership at all times.

A survey-based system to collect data on client satisfaction is at the planning stage.

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 86 per cent (previous year: 93 per cent) of total sales revenue, were distributed as follows in 2021 compared to the previous year:

Length of relationship and share of sales	**2021**	2020	Change
Up to 5 years	41%	45%	-4pp
6-10 years	22%	11%	11pp
Longer than 10 years	37%	44%	-7pp

Information security and data protection have a high priority within SYZYGY. 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 review of compliance with standards conducted by WPP Audit, the Company can respond positively at any time 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 in 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 a wide range of projects on their own initiative.

The SYZYGY GROUP donated around EUR 30,800 (previous year: around EUR 33,600) to these causes in 2021, down 8 per cent compared to the previous year.

In EUR	**2021**	Percentage of total	2020	Change
Education	20,400	66%	19,220	-6%
Art	789	2%	200	295%
Community	3,649	12%	6,228	-41%
Health	–	–	418	n.a.
Environment	6,000	20%	1,820	230%
Human rights	-	–	1,700	n.a.
UN campaign	–	–	4,000	n.a.
Total	**30,838**	100%	**33,586**	**-8%**

Subsidiary SYZYGY Performance, for example, launched a campaign in 2021 where the donations were linked to an activity target. Through every Freeletics workout and every kilometre run or cycled, our colleagues raised EUR 6,000 for AMBATANA (an organisation which supports children in Kenya to secure their basic needs and enable access to education) and Sea Shepherd Global (protection of biodiversity and marine ecosystems).

Pro bono work

In the educational field, SYZYGY supported the German initiative Deutschstunde.eu in 2021 by donating EUR 14,300 (previous year: EUR 14,300).

Risks of social issues

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 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 remote. The possible impact of either factor on earnings, assets and the financial position is classified as low. The risks associated with these social issues are therefore rated as low in the overall assessment.

10.5 Respect for human rights

SYZYGY respects all fundamental human rights, including the right to fair working conditions, freedom of speech and protection against forced and child labour.

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 fundamental conventions on core labour standards. The Human Rights Policy Statement is part of the WPP Policy Book, the provisions of which all WPP companies including SYZYGY have adopted.

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 respect for 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
As no suspected cases of non-compliance with human rights have yet arisen, no material risks are identified as arising from business activities and relationships. 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 and the financial position and on business relationships is classified as low. The risks associated with these social issues are therefore rated as low in the overall assessment.

10.6 Combating corruption and bribery

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, gifts and hospitality, and 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 in this respect.

Employees are instructed to complete online training on data security, anti-bribery and anti-corruption, and on the Code of Conduct. Training courses are updated annually and are mandatory for all employees. All employees completed the above-mentioned training in 2021.

Our staff also have the option of raising concerns anonymously and confidentially via the free confidential Right to Speak helpline, which enables freedom of expression.

All legislative procedures relating to the capital market, employment law and the communications industry are relevant to the SYZYGY GROUP.

No significant fines and no non-monetary penalties for non-compliance with laws and regulations were imposed on SYZYGY in 2021.

In addition, the SYZYGY GROUP does not support any political parties, politicians or lobbyists, neither through services nor through donations. Consequently, it did not make any political donations in 2021 and no political influence is exerted by the Company.

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 decisions to be made after duly weighing up the risk. 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's Data Privacy and Security Charter was launched in 2018. This includes an educational campaign and 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 conducts regular training for all employees 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 could significantly impair earnings, assets and the financial position and 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 classified 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 29, 2022
SYZYGY AG

The Management Board

Franziska von Lewinski (CEO)

Frank Ladner (CTO)

Erwin Greiner (CFO)

Financial Information

SYZYGY AG, Bad Homburg v.d.H.

Consolidated balance sheet
as at December 31, 2021

Assets		**12/31/2021**	12/31/2020
	Notes	kEUR	kEUR
Non-current assets			
Goodwill	(3.1)	55,021	57,349
Intangibles	(3.2)	328	493
Tangible Assets	(3.2)	29,344	30,206
Non-current financial assets	(3.3)	380	200
Other non-current assets	(3.4)	287	364
Deferred tax assets	(3.5)	1,575	1,662
Total non-current assets		**86,935**	**90,274**
Current assets			
Cash and cash equivalents	(3.6)	2,115	5,631
Marketable securities	(3.6)	1,633	153
Accounts receivable, net and contract assets	(3.7)	20,757	15,229
Prepaid expenses and other current assets	(3.8)	1,892	1,325
Total current assets		**26,397**	**22,338**
Total assets		**113,332**	**112,612**

Equity and liabilities		**12/31/2021**	12/31/2020
		kEUR	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)	-2,191	-2,836
Retained earnings	(3.9.6)	17,605	15,675
Equity attributable to shareholders of SYZYGY AG		**55,972**	**53,397**
Minorities		277	190
Total Equity		**56,249**	**53,587**
Non-current liabilities			
Long-term liabilities	(3.13)	23,744	31,405
Other long-term Provisions	(3.11)	345	202
Deferred tax liabilities	(5.7)	615	588
Total non-current liabilities		**24,704**	**32,195**
Current liabilities			
Income tax accruals	(3.12)	470	1,788
Accrued expenses	(3.11)	4,580	4,306
Contract liabilities	(3.7)	5,218	3,493
Accounts payable	(3.11)	9,722	8,000
Other current liabilities	(3.13)	12,389	9,243
Total current liabilities		**32,379**	**26,830**
Total liabilities and equity		**113,332**	**112,612**

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

SYZYGY AG, Bad Homburg v.d.H.

Consolidated statement of comprehensive income
as at December 31, 2021

		January - December		
		2021	2020	Change
	Notes	kEUR	kEUR	
Sales	(5.1)	**60,124**	**55,521**	**8%**
Cost of revenues		-41,178	-39,028	6%
Sales and marketing expenses		-4,217	-4,312	-2%
General and administrative expenses		-10,658	-10,418	2%
Impairment losses, net of trade receivables and contract assets		-4	106	-104%
Other operating income/expense, net	(5.2)	2,312	2,130	9%
Operating profit (EBIT)		**6,379**	**3,999**	**60%**
Financial income	(5.6)	81	433	-81%
Financial expenses	(5.6)	-1,066	-1,130	-6%
Income before income taxes (EBT)		**5,394**	**3,302**	**63%**
Income taxes	(5.7)	-1,261	-1,219	3%
Total net income of the period		**4,133**	**2,083**	**98%**
thereof net income share to other shareholders		111	24	363%
thereof net income share to shareholders of SYZYGY AG		4,022	2,059	95%
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)	608	-1,120	n.a.
Net unrealized gains/ losses on marketable securities, net of tax		35	-204	n.a.
Other comprehensive income		**643**	**-1,324**	**n.a.**
Comprehensive income		**4,776**	**759**	**529%**
thereof income share to other shareholders		109	7	1,457%
thereof income share to shareholders of SYZYGY AG		4,667	752	521%
Earnings per share from total operations (basic in EUR)	(6.1)	0.30	0.15	100%

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, 2021

	Common stock	Additional paid-in capital	Own shares	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
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
01/01/2020	**13,500**	**27,069**	**-407**	**14,657**	**-1,719**	**190**	**53,290**	**-347**	**52,943**
Net income of the period				2,059			2,059	24	2,083
Other comprehensive income					-1,103	-204	-1,307	-17	-1,324
Comprehensive income				**2,059**	**-1,103**	**-204**	**752**	**7**	**759**
Payment to minorities				-446			-446	-66	-512
Sale of own shares		-11	407				396		396
Effects from changes in ownership interests				-595			-595	596	1
12/31/2020	**13,500**	**27,058**	**0**	**15,675**	**-2,822**	**-14**	**53,397**	**190**	**53,587**
01/01/2021	**13,500**	**27,058**	**0**	**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**	**0**	**17,605**	**-2,212**	**21**	**55,972**	**277**	**56,249**

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, 2021

	January - December	
	2021	2020
	kEUR	kEUR
Net income of the period	4,133	2,083
Adjustments to reconcile income from operations to net cash provided by operating activities		
– Depreciation on fixed assets	8,189	5,655
– Profit (-) and loss (+) on sale of securities	47	-11
– Profit (-) and loss (+) on sale of fixed assets	7	446
– changes in Earn-Out liablities	-3,004	-443
– Profit (-)/Loss(+) on sale of fixed asset investments	0	0
– Other non-cash income and expenses	137	42
Changes in operating assets and liabilities:		
– Accounts receivable and other assets	-5,086	3,953
– Customer advances	1,729	-2,046
– Accounts payable and other liabilities	3,755	-914
– Tax accruals and payables, deferred taxes	-1,767	1,245
Cash flows provided by operating activities	**8,140**	**10,010**
Changes in other non-current assets	75	-95
Investments in fixed assets	-2,083	-2,673
Purchases of marketable securities	-7,873	-5,105
Proceeds from sale of marketable securities	6,309	8,333
Changes from fixed asset investments	-340	-40
Acquisition of consolidated entities less liquid funds	0	-3,308
Interest expense on leasing liabilities	-600	-676
Cash flows used in investing activities	**-4,512**	**-3,564**
Change in bank loans	-1,592	1,951
Repayment of lease obligations	-3,383	-3,381
Dividend paid to minority shareholders	-89	-512
Dividend paid to shareholders of SYZYGY AG	-2,025	0
Cash flows from financing activities	**-7,089**	**-1,942**
Total	**-3,461**	**4,504**
Cash and cash equivalents at the beginning of the period	**5,631**	**944**
Exchange rate differences	-55	183
Cash and cash equivalents at the end of the period	**2,115**	**5,631**

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

SYZYGY AG, Bad Homburg v.d.H.

Notes to the consolidated financial Statements
for the 2021 fincancial Year

1. Accounting principles and methods

1.1 General

The consolidated financial statements of SYZYGY AG (“SYZYGY”, “SYZYGY GROUP”, “Group” or “Company” in the following) for the 2021 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, 2021, as they are to be applied in the European Union and in line with the supplementary provisions of Article 315e [1] of the Handelsgesetzbuch (HGB – German Commercial Code). The consolidated financial statements were prepared on the basis of historical cost of acquisition or production. This excludes certain financial instruments that are carried at fair value as at the reporting date. An explanation is provided when presenting the relevant accounting and valuation methods. The financial year corresponds to the calendar year.

The Company was entered in the Commercial Register at the District Court of Bad Homburg (HRB 6877) on May 1, 2000 under the company name SYZYGY AG. The Company’s registered office is located in Bad Homburg v. d. H., Germany. Its address is: SYZYGY AG, Horexstraße 28, 61352 Bad Homburg v. d. H. 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).

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, 2021, the following subsidiaries were included in the consolidated financial statements of SYZYGY AG as the top-level parent company and fully consolidated. In the case of these companies, SYZYGY AG can exercise the power of disposal, is exposed to fluctuating returns from the subsidiaries and can influence the level of returns due to its power of disposal:

- Ars Thanea S.A., Warsaw, Poland (Ars Thanea for short)
- diffferent GmbH, Berlin, Germany (diffferent for short)
- SYZYGY Performance Marketing GmbH, Bad Homburg v. d. H., Germany (SYZYGY Performance 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 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 contributed 100 per cent of the shares in both SYZYGY Media GmbH and SYZYGY Performance GmbH to SYZYGY Performance Marketing GmbH and merged the three companies.

The merger agreement was signed on April 15, 2021 and entered in the Commercial Register on May 7, 2021. The merger 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.

New information on the actual performance of diffferent led to adjustments in the forecast earnings both last year and in the current financial year. These form the basis for the price of the put/call options for the further acquisition of shares in the company. As a result, the expected payment obligations for diffferent decreased by kEUR 3,004 (previous year: kEUR 498). The change in the fair value of the financial liability was recognised in the year under review in the consolidated statement of comprehensive income under “Other operating income/expense, net”.

When carrying out the annual impairment tests, management identified impairment for diffferent of kEUR 2,843. 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 in "Other operating income/expense (net)".

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

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

Non-controlling shares are measured at the time of acquisition on the basis of their proportion of the identifiable net assets of the acquired company. Changes in the Group's shareholding in a subsidiary that do not lead to a loss of control are recognised as equity 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. In all other cases, any subsequent changes to the fair value of the contingent consideration are 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:

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

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

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

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

2021	Average rate of exchange	Exchange rate as at reporting date, Dec. 31
EUR/PLN	4.58	4.6

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

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, 2021:

1. Amendment to IFRS 16: COVID-19-Related Rent Concessions
2. Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2
3. mendments to IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9

1. Amendment to IFRS 16: COVID-19-Related Rent Concessions

On May 28, 2020, the IASB published the revised version of IFRS 16. The amendment provides temporary relief to lessees with regard to accounting for rent concessions. The relief permits lessees not to assess certain COVID-19-related rent concessions as lease modifications.

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

2. Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2

Phase 2 of the IASB's IBOR project introduces amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. It was published by the IASB on August 27, 2020.

The amendments to IFRS 9/IAS 39 provide temporary exemption from specific hedge accounting requirements for the period of potential uncertainty resulting from IBOR reform. Under these amendments, any change in the basis for determining contractual cash flows as a result of IBOR reform may constitute a modification, even if contractual conditions do not change. It is possible to continue hedge accounting relationships after transition to the new reference interest rates by making subsequent amendments to the documentation.

Additional qualitative disclosure requirements under IFRS 7 in the Notes provide users with an understanding of matters such as the nature and extent of the risks arising from IBOR reform, and present the company's control mechanisms transparently.

Consequential amendments to IFRS 16 address dealing with lease modifications as a direct consequence of IBOR reform. Consequential amendments to IFRS 4 enable insurance companies that do not yet apply IFRS 9 to apply the reliefs analogously in accounting for modifications of financial instruments under IAS 39.

These changes to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 do not have any impact on the Group's net assets, financial position or results of operations.

3. Amendments to IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9

The amendments to IFRS 4 are related to the amendments to IFRS 17 published at the same time. The version of IFRS 4 currently recognised by the European Commission, and therefore legally binding, provides for first-time application of IFRS 9 by certain insurance companies for financial years starting from January 1, 2021.

The amendments to IFRS 4 include an extension of the period for temporary exemption of certain insurance companies from the application of IFRS 9, as with IFRS 17. It thus remains permissible for the relevant insurance companies to apply IAS 39 to financial years that start before January 1, 2023.

These changes to IFRS 4 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, 2021 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	November 19, 2021	June 1, 2023
Annual Improvement to IFRS – 2018-2020 Cycle	May 14, 2020	June 28, 2021	January 1, 2022
Amendment to IFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021	March 31, 2021	August 30, 2021	April 1, 2021
Amendments to • IFRS 3: Reference to the Conceptual Framework • IAS 16: Proceeds before Intended Use • IAS 37: Cost of Fulfilling a Contract	May 14, 2020	June 28, 2021	January 1, 2022

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

** When annual cohorts are formed (application of IFRS 17.22), Article 2 of the EU regulation includes an optional exemption for EU users.

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, 2021 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 (EU)
Amendment to IAS 1: Classification of Liabilities as Current or Non-current plus Amendments to IAS 1: Deferral of Effective Date	January 23, 2020/ July 15, 2020		January 1, 2023**
Amendments to IAS 1: and IFRS Practice Statement 2: Disclosure of Accounting Policies	February 12, 2021		January 1, 2023
Amendments to IAS 8: Definition of Accounting Estimates	February 12, 2021		January 1, 2022
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	May 7, 2021		January 1, 2023
Amendments to IFRS 17: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	December 9, 2021		January 1, 2023

* Expected date

** The IASB published a new Exposure Draft ED/2021/9 on this topic on November 19, 2021.
One of its proposals is to postpone the mandatory date for its entry into force to January 1, 2024 (at the earliest).

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 comprehensive income.

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

2.3 Trade receivables and contract assets and liabilities

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

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

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

2.4 Treasury stock

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

2.5 Deferred taxes

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

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

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

2.6 Accounts payable and other provisions

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

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

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

2.7 Contingent liabilities

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

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

2.8 Other assets and liabilities

Other assets and liabilities are recognised at their nominal value or settlement amount. Any impairments of other assets are taken into account through individual 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 and the payment obligations entered into as liabilities at present value. The lease liabilities include the following lease payments:

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

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

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

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

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

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

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

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

2.10 Revenue recognition

SYZYGY generates sales from consulting and development services and from implementing advertising campaigns.

Sales from consulting services and from production of digital media content are recognised when the services are rendered in accordance with the terms of the contractual agreement (time and material), the payment is reasonably assured and the invoice amount is fixed or determinable.

Consulting services provided on a fixed-price basis are realised using an input-oriented method (cost-to-cost method) on a period-related basis. The percentage of completion of a project is calculated by the ratio of realised time units and other direct costs to all the time units and other direct costs planned for completion of the project. Regular adjustments are made, based on updated planning. 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 thereafter. The entire amount chargeable to clients is recognised as billings. The amount less transitory items and/or media costs is recognised as sales.

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

2.11 Advertising expenses

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

2.12 Income taxes

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

2.13 Earnings per share

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

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

2.14 Stock-based remuneration programmes

2013 stock option programme

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

Phantom stock programme

A phantom stock programme was 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 on a scheduled basis over the useful life of the asset.

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

3. Notes to the consolidated balance sheet

3.1 Goodwill

Reported goodwill of kEUR 55,021 (previous year: kEUR 57,349) 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.

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

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

An impairment test of individual goodwill was carried out as at December 31, 2021. 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, 2021. The forecasts are based on financial planning approved by the Supervisory Board and updated each year. Business planning is updated on a rolling basis over 5 years. It is developed by the management team together with the Management Board.

The most important assumptions underlying the determination of value in use include assumptions of growth rates, margin development and discount rate, as well as a growth rate of 1 per cent for the perpetuity/terminal value. This corresponds 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 0.10 per cent, a risk premium of 7.00 per cent and a sector beta of 1.08, a country-specific risk premium of 0.60 per cent and an inflation differential of 100.27 per cent were used as a basis, producing a WACC (Weighted Average Cost of Capital) of 8.5 per cent after tax, or 9.5 per cent before tax. An average tax rate of 19 per cent was applied (previous year: 19 per cent). In the case of Unique Digital UK, the business plans for 2022 are based on an expected increase in sales of 7 per cent (previous year: decline of 11 per cent) and sales growth of 10 per cent p.a. for 2023 to 2026 (previous year: 10 per cent in 2022 and 2023 and 5 per cent in 2024 and 2025), and a terminal value of 1 per cent (previous year: 1 per cent). For 2022, 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 10 per cent in 2022 (previous year: 12 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 8,450 is allocated.

In the case of SYZYGY Performance and diffferent in Germany, a risk-free interest rate of 0.10 per cent (previous year: 0.00 per cent), a risk premium of 7.00 per cent (previous year: 6.75 per cent) and a sector beta of 1.08 (previous year: 1.08) were used as a basis, producing a WACC (Weighted Average Cost of Capital) of 7.6 per cent after tax (previous year: 7.3 per cent) and 9.5 per cent (diffferent), and 9.7 per cent (SYZYGY Performance) before tax (previous year: 10.6 per cent in each case). An average tax rate of 30 per cent (previous year: 31 per cent) was applied.

The business plan for SYZYGY Performance envisages sales growth of 10 per cent for 2022 (previous year: 24 per cent) and sales growth of 10 per cent p.a. for the years 2022 to 2026 (previous year: 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 10 per cent for 2022 (previous year: 30 per cent) and sales growth of 7 per cent p.a. for the years 2023 to 2026 (previous year: 10 to 15 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 9 per cent in 2022 (previous year: 5 per cent). Based on the underlying information, management identified a need for impairment in the amount of kEUR 2,843 at diffferent in Germany in its updated analysis.

Diffferent is now allocated goodwill of kEUR 22,927 and SYZYGY Performance is allocated goodwill of kEUR 17,284.

In the case of Ars Thanea in Poland, a risk-free interest rate of 0.10 per cent (previous year: 0.00 per cent), a risk premium of 7.00 per cent (previous year: 6.75 per cent), a sector beta of 1.08 (previous year: 1.08), a country-specific risk premium of 0.84 per cent (previous year: 0.82 per cent) and an inflation differential of 101.30 per cent (previous year: 100.66 per cent) were assumed, producing a WACC (Weighted Average Cost of Capital) of 9.9 per cent after tax (previous year: 8.8 per cent), or 11.3 per cent before tax (previous year: 10.9 per cent). An unchanged average tax rate of 19 per cent was applied. The business plan envisages sales growth of 21 per cent for 2022 (previous year: 20 per cent) and 10 per cent p.a. for the years 2023 to 2026 (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 10 per cent in 2022 (previous year: 15 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 6,360 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 16 per cent in values in use (previous year: 13 per cent) due to the higher discount factor. The effect on values in use in the UK and Poland would be similar. This would not lead to any impairment at the Unique UK, Ars Thanea and SYZYGY Performance cash generating units. If the growth rates of the companies decline by 50 per cent from 2023 onwards, this would likewise not lead to impairment of any of the CGUs that need to be assessed. The estimated recoverable amounts of these CGUs exceed their carrying amounts by EUR 18.5 million.

3.2 Goodwill, other intangible assets and fixed assets

Changes are as follows in the financial year:

2021 (in kEUR)	Goodwill	Other intangible assets	Rights of use resulting from leases	Leasehold improve-ments	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**

Changes were as follows in the previous year:

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

Other intangible assets were tested for impairment as at December 31, 2021 using the same principles as for goodwill (3.1).

They include brand names worth kEUR 214 (previous year: kEUR 317) 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 130 (previous year: kEUR 121) and has an indeterminable useful life, since there is no foreseeable end to the economic life of these brands. Brand equity for diffferent amounting to kEUR 84 (previous year: kEUR 196) is also included. This was likewise added in the course of acquiring the company and will be amortised on a straight-line basis over a period of 5 years. This brand equity is allocated to the Germany segment.

Since January 1, 2019, intangible assets have also included rights of use resulting from leases. In 2021, application of IFRS 16 resulted in additions of kEUR 1,726 for rights of use relating to real estate (previous year: kEUR 4,216) and of kEUR 73 for company cars (previous year: kEUR 78).

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 1,515). Depreciation of rights of use for leasing assets was kEUR 3,563 (previous year: kEUR 3,695).

The carrying amounts of the rights of use for real estate amounted to kEUR 22,078 (previous year: kEUR 23,403) and for company cars to kEUR 125 (previous year: kEUR 214) as at the reporting date.

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

3.3 Non-current financial assets

In the 2017 financial year, SYZYGY took a stake in next media accelerator 2 Beteiligungsgesellschaft mbH & Co. KG, Hamburg, with a limited partner's capital contribution of kEUR 200, which currently represents 3 per cent of the limited liability capital. The purchase price commitment was repaid 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 is in liquidation, SYZYGY applied complete impairment to this financial asset in the past financial year. 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 380. 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 287 (previous year: kEUR 364). They mainly comprise rent deposits in the amount of kEUR 113, a still outstanding interest-bearing loan granted to third parties of kEUR 100, and an allocation of a rent-free period for sub-tenants of kEUR 72.

3.5 Deferred tax assets

Deferred tax assets of kEUR 1,575 (previous year: kEUR 1,662) were reported in the financial year.

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

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

Deferred tax assets of kEUR 6,745 (previous year: kEUR 7,198) were recognised for lease liabilities.

SYZYGY Performance has tax loss carry-forwards for corporation tax in the amount of kEUR 1,321 and for trade tax of kEUR 1,739, for which a total of kEUR 499 was recognised as tax assets. Deferred tax assets were not recorded in the previous year, as it was uncertain whether the loss carry-forwards would be used.

Diffferent has a loss carry-forward usable for trade tax purposes in the amount of kEUR 21, for which deferred tax assets of kEUR 3 are reported.

The companies in the UK are part of a tax group and have recognised a total of kEUR 278 (previous year: kEUR 1,631) as deferred tax assets for usable tax loss carry-forwards totalling kEUR 53 (previous year: kEUR 310).

SYZYGY US recognised a total of kEUR 300 (previous year: kEUR 537) as deferred tax assets for usable tax loss carry-forwards of kEUR 116 (previous year: kEUR 208).

In accounts receivable, deferred tax assets of kEUR 5 (previous year: kEUR 4) were recognised as a result of impairments in accordance with IFRS 9.

Deferred tax assets and liabilities were netted in the amount of kEUR 6,115 (previous year: 6,209). The netting provisions of IAS 12.71 ff. were applied.

In the previous year, the Group had tax loss carry-forwards that have not yet been used and are usable without restriction at SYZYGY PER for corporation tax (previous year: kEUR 2,703) and for trade tax (previous year: kEUR 3,137). No deferred tax assets have been recognised in this respect. These were used in the past financial year and the remainder recognised as deferred tax assets.

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

3.6 Cash and cash equivalents and securities

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

In kEUR	**12/31/2021**	12/31/2020
Cash and cash equivalents	2,115	5,631

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, 2021 was kEUR 41 below the acquisition cost (previous year: kEUR 3 above the acquisition cost). kEUR 0 (previous year: kEUR 3) was attributable to unrealised price gains and kEUR 41 (previous year: kEUR 0) to unrealised price losses. Security purchases and sales are recorded on the value date. Of the unrealised profits and losses as at December 31, 2020 that had previously been recorded in “Other comprehensive income”, kEUR 3 of valuation gains (previous year: kEUR 347) and kEUR 0 of valuation losses (previous year: kEUR 72) 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.

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 14.6 years (previous year: 3.9 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 14.6 per cent (previous year: 3.9 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.

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

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

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

December 31, 2021 (in kEUR)	< 1 year	1–5 years	5–10 years	> 10 years	Total
Securities (FVTOCI)	–	–	675	958	**1,633**

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

December 31, 2020 (in kEUR)	< 1 year	1–5 years	5–10 years	> 10 years	Total
Securities (FVTOCI)	–	153	–	–	**153**

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	**12/31/2021**	12/31/2020
Accounts receivable	17,145	13,287
Contract assets	3,612	1,942
Total assets	**20,757**	**15,229**
Contract liabilities	**5,218**	**3,493**

Contract assets and sales of kEUR 3,612 (previous year: kEUR 1,942) are disclosed using an input-oriented method (cost-to-cost method) on a period-related basis for services not yet billed. Costs of kEUR 3,228 (previous year: kEUR 1,801) were incurred for these services. This results in a margin of kEUR 384 (previous year: kEUR 141).

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

In accordance with IFRS 9.5.5.15 f., SYZYGY has applied a simplified version of the general impairment model since the 2018 financial year. This involves taking into account the cumulative probabilities of default over the remaining term. The 2021 financial year saw a write-down of receivables in the amount of kEUR 4 (previous year: reversal of kEUR 106). As a result, impairments of kEUR 18 (previous year: kEUR 14) were reported as at the balance sheet date.

The contract liabilities of kEUR 5,218 (previous year: kEUR 3,493) mainly relate to advance payments received of kEUR 5,139 (previous year: kEUR 3,465). The contract liabilities reported in the previous year were mainly recognised as revenue in the 2021 financial year.

In the case of performance marketing companies, the contract liabilities reported in the 2020 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, 2021 and 2020 consist of the following:

In kEUR	**12/31/2021**	12/31/2020
Prepaid expenses	1,095	1,059
Tax receivables	608	65
Deposits	36	58
Interest receivables	6	0
Other	147	143
Total	**1,892**	**1,325**

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 12/31/2021	**3**	**3**	**–**	**6**
As at 12/31/2020	–	–	–	–

3.9 Equity

3.9.1 Subscribed capital

As at December 31, 2021, 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 2021 financial year.

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

In thousands	Shares	Per cent
WPP plc., St. Helier, Jersey	6,795	50,33
Free float	4,787	35.46
Institutional investors	1,112	8.24
HANSAINVEST Hanseatische Investment GmbH, Hamburg	806	5.97
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. In accordance with previous authorisations, the Management Board and Supervisory Board carried out two capital increases against contributions in kind in the 2017 financial year. As a result, the remaining authorised capital amounted to EUR 5,328,424 in the previous year.

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, 2021, 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 such that earnings are not affected for the 2021 financial year amount to kEUR 645 (previous year: kEUR -1,307) and are due to unrealised gains on securities in the FVTOCI category after tax of kEUR 35 (previous year: losses of kEUR 204) and gains from currency translation in non-EUR business operations of kEUR 610 (previous year: losses of kEUR 1,103).

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 17,605 (previous year: kEUR 15,675) as of December 31, 2021. 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 4,022 (previous year: kEUR 2,059) less the distributed dividend of kEUR 2,025 (previous year: kEUR 0) and distributions to minority shareholders of subsidiaries which due to present ownership are 100 per cent consolidated, i.e. without showing non-controlling shares, in the amount of kEUR 67 (previous year: kEUR 446).

Dividend distributions are based on the distributable part of net earnings disclosed in the annual financial statements of SYZYGY AG according to HGB (German Commercial Code). On May 28, 2021, the Annual General Meeting of SYZYGY AG approved the proposal to distribute a dividend of EUR 0.15 (previous year: EUR 0.00) per eligible share, which was distributed from May 31, 2021 onwards.

As at December 31, 2021, the financial statements of SYZYGY AG showed net earnings of kEUR 10,015 (previous year: kEUR 4,823).

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 45,000 shares are outstanding, of which 15,000 from 2019, a further 15,000 from 2020 and 15,000 from 2021. 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 103 (previous year: kEUR 150) was recognised as at the key date. The allocation recognised in profit in the financial year was kEUR 97 (previous year: kEUR 74). The fair value as at the key date is largely dependent on the share price.

In kEUR	Number of options	Fair value
As at 12/31/2020	**65,000**	**377**
New allocation	15,000	95
Exercised	-25,000	-153
Expired	-10,000	-66
Change in value	0	32
As at 12/31/2021	**45,000**	**285**

2015 phantom stock programme

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 can be exercised on December 31, 2022 at the earliest.

In EUR	Number of options	Fair value
As at December 31, 2020	**225,000**	**0.00**
Exercised	0	0.00
Expired	-225,000	0.00
New allocation	450,000	0.62
As at December 31, 2021	**450,000**	**0.62**

The fair value of the phantom stocks on December 31, 2021 is calculated as the volume-weighted average of the difference between the exercise prices and the stock price as at December 31, 2021, 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, 2021 and 2020, accounts payable and other provisions consisted of:

In kEUR	**12/31/2021**	12/31/2020
Accounts payable	**9,722**	**8,000**
Other provisions:		
– Obligations towards other parties	2,273	2,735
– Personnel-related provisions	2,226	1,337
– Other	426	436
Total other provisions	**4,925**	**4,508**

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

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

3.12 Income tax liabilities

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

In kEUR	**12/31/2021**	12/31/2020
German income taxes	463	1,731
Polish income taxes	7	57
British income taxes	–	–
Total	**470**	**1,788**

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	**12/31/2021**	12/31/2020
Lease liabilities	24,776	25,921
Financial liabilities due to contingent purchase price payments	4,170	7,174
Liabilities to banks	3,418	5,010
VAT liability	2,133	1,181
Liabilities arising from future profit distributi-ons to minority shareholders	40	39
Social security, salary and church taxes	906	468
Other	690	855
Total	**36,133**	**40,648**

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**

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

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

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

4. Segment reporting

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

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

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

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

Segment investments comprise investments in intangible assets and fixed assets.

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

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

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

12/31/2021 (in kEUR)	Germany	United Kingdom	Other segments	Central functions	Consolidation	Total
Billings	82,268	24,066	10,993	228	-1,854	**115,701**
Media costs	-34,179	-16,299	-5,473	0	374	**-55,577**
Sales	48,089	7,767	5,520	228	-1,480	**60,124**
Of which internal sales	425	354	830	109	-1,718	**0**
Operating income (EBIT)	3,919	917	986	553	4	**6,379**
Financial income	-5,106	-205	-33	5,849	-1,490	**-985**
Income before income taxes (EBT)	-1,187	712	953	6,402	-1,486	**5,394**
Assets	78,572	22,457	10,289	85,023	-83,009	**113,332**
Of which non-current assets	56,752	14,388	8,081	5,254	218	**84,693**
Of which goodwill	40,211	8,450	6,360	0	0	**55,021**
Investments	934	150	1,627	1,926	0	**4,637**
Depreciation and amortisation	5,699	1,146	373	977	-6	**8,189**
Impairment loss for goodwill	2,843	0	0	0	0	**2,843**
Segment liabilities	35,163	12,446	2,612	18,341	-11,479	**57,083**
Employees at the balance sheet date	371	58	68	38	0	**535**

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

5. Notes on the statement of comprehensive income

5.1 Sales

The sales figures include sales revenue from the product areas performance marketing and design & build. The sales figures are arrived at by deducting media costs from billings. Media costs are incurred in the performance marketing companies as transitory items. Billings include all invoices to third parties, i.e. both our own (in the design & build product area) and those in our own name and for the account of a third party (performance marketing). In 2021, the SYZYGY GROUP generated sales of kEUR 45,487 from design & build (previous year: kEUR 43,933) and billings of kEUR 71,857 (previous year: kEUR 61,740) from performance marketing. Performance marketing includes media costs of kEUR 55,577 (previous year: kEUR 48,993), resulting in sales of kEUR 16,280 (previous year: kEUR 12,747). Internal sales of kEUR 1,188 (previous year: kEUR 792) were conducted between the product areas as well as sales to or from the parent company amounting to kEUR 454 (previous year: kEUR 368), which were completely eliminated in the consolidated financial statements.

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

In kEUR	Germany	United Kingdom	Other segments	Total
Design & build	39,783	100	3,960	**43,843**
Performance marketing	8,190	7,362	729	**16,281**
Total	**47,973**	**7,462**	**4,689**	**60,124**

5.2 Other operating income and expense

Other operating income and expense consist of the following:

In kEUR	**2021**	2020
Time value measurement of earn-out and options liabilities	3,004	443
Subletting	1,223	1,072
Exchange rate effects	348	136
Reversal of provisions	239	61
Refund from health insurance funds	172	133
Income from employee benefits	156	176
Refund of ancillary costs	6	15
Income from IFRS 16 derecognition	–	7
Amortisation of corporate assets	-107	-174
Impairment	-2,843	-16
Other	114	277
Total	**2,312**	**2,130**

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	**2021**	2020
Cost of purchased services	6,904	4,811

5.4 Personnel expenses

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

In kEUR	**2021**	2020
Salaries and wages	28,837	28,872
Social security	5,209	4,869
Total	**34,046**	**33,741**

SYZYGY spent kEUR 225 (previous year: kEUR 209) on retirement benefits in the 2021 financial year, kEUR 41 of which (previous year: kEUR 28) is attributable to defined contribution pension plans.

In 2021, the average number of full-time employees in the SYZYGY GROUP was 515 (previous year: 529 employees).

At the end of the 2021 financial year, the total number of SYZYGY employees had increased to 535 (previous year: 514 employees). The employees are distributed across the following functional areas within the Company:

Number of persons	**12/31/2021**	12/31/2020	Average in 2021	Average in 2020
Performance marketing	105	92	98	87
Strategy consulting	102	121	109	124
Technology	91	90	91	96
Project management	90	77	80	78
Creative services	78	61	67	69
Administration	69	73	70	75
Total	**535**	**514**	**515**	**529**

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	**2021**	2020
Amortisation of rights of use	3,563	3,695
Impairment of goodwill	2,843	16
Depreciation of fixed assets	1,520	1,571
Amortisation of other intangible assets	263	373
Total	**8,189**	**5,655**

The amortisation of rights of use includes amortisation of real estate rights of use totalling kEUR 3,402 (prior year: kEUR 3,542) and of kEUR 161 (prior year: kEUR 153) for company cars.

In the previous year, the USEEDS brand was fully impaired in the amount of kEUR 33 through the merger with diffferent.

5.6 Financial income

In kEUR	**2021**	2020
Income from the sale of securities	34	290
Interest and similar income	47	143
Total financial income	**81**	**433**
Interest expense and similar expenses	-778	-855
Impairment losses on non-current financial assets	-200	–
Expenses from the sale of securities	-81	-288
Impairment losses under IFRS 9, net	-7	13
Total financial expenses	**-1,066**	**-1,130**
Total financial income	**-985**	**-697**

Interest and similar income, interest expense and similar expenses and income from the sale of securities are mainly derived under IFRS 9 from the FVTOCI valuation category. The interest expense resulting from accounting for leases under IFRS amounts to kEUR 600 (previous year: kEUR 676). Interest expense includes interest expense as defined in section 233a of the German Fiscal Code (Abgabenordnung, AO).

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

Financial income includes impairment on securities in accordance with IFRS 9 amounting to kEUR 7 (prior year: reversal of kEUR 13). All the securities impaired in the previous year were sold in the 2021 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	**2021**	2020
Current domestic income taxes	898	1,850
Current foreign income taxes	255	127
Subtotal of current income taxes	**1,153**	**1,977**
Deferred taxes	108	-758
Total	**1,261**	**1,219**

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

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

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

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

SYZYGY paid income tax of kEUR 181 net in arrears in the 2021 financial year (previous year: payments in arrears of kEUR 240). Due to the use of loss carry-forwards, tax expense was reduced by kEUR 801 (previous year: kEUR 0). Deferred tax assets and liabilities can be summarised as follows:

In kEUR	**2021**	2020
Deferred taxes (assets)		
Lease liabilities	6,745	7,198
Loss carry-forwards	671	518
Other fixed assets	151	75
Provisions	70	62
Current assets (securities)	16	0
Accounts receivable	5	4
Other	32	14
Offset against deferred tax liabilities	-6,115	-6,209
Total	**1,575**	**1,662**

In kEUR	**2021**	2020
Deferred taxes (liabilities)		
Rights of use	6,427	6,688
Other fixed assets	225	0
diffferent brand	26	61
Unique Digital brand	25	23
Current assets (securities)	25	1
Accounts receivable	2	24
Offset against deferred tax assets	-6,115	-6,209
Total	**615**	**588**

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

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

Deferred tax assets of kEUR 6,745 (previous year: kEUR 7,198) were recognised for lease liabilities.

SYZYGY Performance has tax loss carry-forwards for corporation tax in the amount of kEUR 1,312 and for trade tax of kEUR 1,739, for which a total of kEUR 499 was recognised as tax assets. Deferred tax assets were not recorded in the previous year, as it was uncertain whether the loss carry-forwards would be used.

Diffferent has a loss carry-forward usable for trade tax purposes in the amount of kEUR 21, for which deferred tax assets of kEUR 3 are reported.

The companies in the UK are part of a tax group and have recognised a total of kEUR 278 (previous year: kEUR 1,631) as deferred tax assets for usable tax loss carry-forwards totalling kEUR 53 (previous year: kEUR 310).

SYZYGY US recognised a total of kEUR 300 (previous year: kEUR 537) as deferred tax assets for usable tax loss carry-forwards of kEUR 116 (previous year: kEUR 208).

In accounts receivable, deferred tax assets of kEUR 5 (previous year: kEUR 4) were recognised as a result of impairments in accordance with IFRS 9.

Deferred tax assets and liabilities were netted in the amount of kEUR 6,115 (previous year: 6,209). The netting provisions of IAS 12.71 ff. were applied.

In the previous year, the Group had tax loss carry-forwards that have not yet been used and are usable without restriction at SYZYGY Performance for corporation tax (previous year: kEUR 2,703) and for trade tax (previous year: kEUR 3,137). No deferred tax assets have been recognised in this respect. These were used in the past financial year and the remainder recognised as deferred tax assets. SYZYGY expects them to be fully used within the next two financial years.

Deferred tax liabilities of kEUR 6,427 (previous year: kEUR 6,688) 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 225; previous year: kEUR 0) and subsidiaries' intangible assets of EUR 51 (previous year: kEUR 84).

Different valuations of securities led to deferred tax liabilities of kEUR 25 (previous year: kEUR 1).

Due to different valuations of accounts receivable at Ars Thanea, deferred tax liabilities of kEUR 2 (previous year: kEUR 24) were recognised.

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

In kEUR	**2021**	2020
Income before taxes	5,394	3,302
Income tax expense at a tax rate of 31% (previous year: 31%)	1,672	1,024
Income not subject to tax/ non-deductible expenditure	54	-65
Differences in tax rates	-151	-23
Tax effect on loss carry-forwards for which no deferred tax assets were recognised	0	131
Tax arrears from previous years	193	240
Tax refunds from previous years	-12	0
Tax effects resulting from additions and deductions of local taxes	64	37
Use of tax loss carry-forwards and change in the valuation allowance for deferred tax assets	-951	0
Deferred taxes from previous years	361	0
Other	31	-125
Actual income tax	**1,261**	**1,219**

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

Deferred taxes were accounted for taking tax rates applicable in the future into consideration. Tax rate changes do not apply in the current financial year to the companies included in the SYZYGY GROUP. In the 2021 financial year, deferred tax assets of kEUR 15 (previous year: kEUR 0) and deferred tax liabilities of kEUR 19 (previous year: kEUR 7) were attributable to items that were offset directly against equity. The change in the valuation differences of kEUR -11 (previous year: kEUR 83) is recorded in other comprehensive income. These amounts resulted essentially from taking into account price gains and losses on securities held as current assets such that net income was not affected.

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

5.8 Notes on currency translation

In accordance with IAS 21.52, currency translation differences of kEUR 608 (previous year: kEUR -1,120) were recorded in other comprehensive income for the period such that earnings are not affected and aggregated in other comprehensive income.

6. Other notes

6.1 Earnings per share

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

	2021	2020
Weighted average number of shares (in thsd.), diluted and basic	13,500	13,463
Net income of SYZYGY AG shareholders (kEUR)	4,022	2,059
Earnings per share, diluted and basic (EUR)	0.30	0.15

A dividend of EUR 0.20 per eligible share will be proposed to the Annual General Meeting. The total amount distributed will thus be kEUR 2,700. 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 2021, operating cash flow amounted to kEUR 8,140, as compared with kEUR 10,010 in the previous year. Operating cashflow includes interest paid in the amount of kEUR 738 (prior year: kEUR 832), interest received in the amount of kEUR 41 (prior year: kEUR 189) as well as taxes received in the amount of kEUR 0 (prior year: kEUR 704) and taxes paid in the amount of kEUR 2,961 (prior year: kEUR 747).

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 2021 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 3,004 from changes in the option and forward contract liabilities for acquiring the outstanding shares in diffferent (previous year: kEUR 443).

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

		Liabilities to banks	Financial liabilities	Lease liabilities (IFRS 16)	Total
		kEUR	kEUR	kEUR	kEUR
12/31/2020		**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**
	Remeasurement of call options	0	-3,004	0	**-3,004**
Non-cash change	Net additions of lease liabilities	0	0	1,470	**1,470**
	Other measurement	0	10	768	**778**
	Income to be transferred to 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**

		Liabilities to banks	Financial liabilities	Lease liabilities (IFRS 16)	Total
		kEUR	kEUR	kEUR	kEUR
12/31/2019		**3,059**	**11,820**	**27,263**	**42,142**
Cash change	Cash inflow	3,000	0	0	**3,000**
	Cash outflow	-1,049	-4,164	-3,381	**-8,594**
	(Net) repayment of financial liabilities	1,951	-4,164	-3,381	**-5,594**
Non-cash change	(Net) effects from first-time consolidation	0	0	0	**0**
	Remeasurement of earn-outs	0	0	0	**0**
	Remeasurement of call options	0	-443	0	**-443**
	Net additions of lease liabilities	0	0	2,965	**2,965**
	Other measurement	0	0	-926	**-926**
	Income to be transferred to fully consolidated companies	0	31	0	**31**
12/31/2020		**5,010**	**7,244**	**25,921**	**38,175**
	Overall change	1,951	-4,576	-1,342	**-3,967**

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.

Unlike 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 18 (previous year: kEUR 0) 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 1.6 million (previous year: EUR 0.2 million) were invested in a securities portfolio with a duration of around 14.6 years (previous year: 3.9 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 14.6 per cent (previous year: 3.9 per cent). This would lead to a change in the fair value of around kEUR 238 (previous year: kEUR 6). 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 14.6 years (previous year: 3.9 years), if average credit spreads widen by 100 basis points the portfolio's value would fall by 14.6 per cent (previous year: 3.9 per cent). This would lead to a change in fair value of around kEUR 238 (previous year: kEUR 6) 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	**2021**	2020
EUR	1,450	153
USD	183	–
Total	**1,633**	**153**

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

In kEUR	**2021**	2020
As at January 1 as per IFRS 9	**1**	**14**
Net remeasurement of value adjustments	8	-13
As at December 31	**9**	**1**

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	United Kingdom	Other segments	Central functions	Total
12/31/2021	12,403	3,994	716	32	**17,145**
12/31/2020	9,175	2,626	1,472	14	**13,287**

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, 2021, and as at the same date in the previous year:

Accounts receivable as at **December 31, 2021**	Loss rate	Gross carrying value	Value adjustment	Impaired creditworthiness
Not due	0%	10,520	–	No
0-30 days	0%	4,846	–	No
31-60 days	0%	1,321	–	No
61-90 days	0%	197	–	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**	

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

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

In kEUR	2021		2020	
		Individual value adjustments		Individual value adjustments
As at: January 1	**14**	**378**	**120**	**135**
Net remeasurement of value adjustments	4	6	-106	243
As at: December 31	**18**	**384**	**14**	**378**

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 2021 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	2021	2020
Equity according to the balance sheet	56,249	53,587
Debt capital	57,083	59,025
Total capital	113,332	112,612
Equity ratio	50%	48%
Net income for the period	4,133	2,083
Return on equity	7%	4%

At the end of the 2021 financial year, SYZYGY only has liabilities to banks in the amount of kEUR 3,418 (previous year: kEUR 5,010); debt capital primarily comprises lease liabilities, accounts payable, future obligations arising from the acquisition of companies and tax liabilities.

6.3.6 Liquidity risk

SYZYGY has implemented a liquidity management system. In order to provide financial flexibility and ensure solvency at all times, SYZYGY holds a liquidity reserve in the form of cash and securities that can be converted into cash at any time.

6.4 Contingent liabilities

As at the balance sheet date, the Group's contingent liabilities requiring disclosure amounted to kEUR 1,012 (previous year: kEUR 1,012) 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	**12/31/2021**	12/31/2020
Within 1 year	54	42
1–5 years	93	72
More than 5 years	0	0
Total	**147**	**114**

Total expenses for rent in 2021 amounted to kEUR 4,300 (prior year: kEUR 4,590). Income of kEUR 1,223 was obtained from subletting in 2021 (previous year: kEUR 1,072).

A total of kEUR 47 (previous year: kEUR 42) was recognised directly as an expense in 2021 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 47 (prior year: kEUR 42) to expenses for low-value leased assets.

6.6 Recognised financial assets and liabilities by measurement level

The following table shows financial assets and liabilities recognised at fair value, broken down by measurement level. The measurement levels are defined as follows:

Level 1:
Financial instruments traded on active markets, whose quoted prices were adopted without change for measurement purposes.

Level 2:
Measurement is carried out on the basis of the relevant procedures, using factors that are derived directly or indirectly from observable market data.

Level 3:
Measurement is carried out on the basis of the relevant procedures, using factors that are not based exclusively on observable market data.

Securities are measured on the basis of observable quotation of the individual bonds. The valuation of contingent purchase price commitments is based on earnings forecasts for subsidiary diffferent over the relevant period. These commitments are valued in accordance with the purchase agreements, using the respective EBIT multiples for the periods prior to exercise of the option or forward contract. If the future cash flows of the subsidiary for which SYZYGY recognises a contingent purchase price obligation increase by 10 per cent, the liability resulting from the purchase price obligation also increases by 10 per cent or kEUR 417 (previous year: kEUR 717).

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, 2021 (in kEUR)	Level 1	Level 2	Level 3	Total
Non-current financial assets	380	–	–	380
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
December 31, 2020 (in kEUR)	Level 1	Level 2	Level 3	Total
Non-current financial assets	–	–	–	–
Securities	**153**	**–**	**–**	**153**
Total financial assets	153	–	–	153
Conditional purchase price commitment	**–**	**–**	**7,174**	**7,174**
Total financial liabilities	–	–	7,174	7,174

Fair value of financial assets and liabilities that are not measured at fair value, but for which the fair value must be stated:

	2021		2020	
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	287		364	
Cash and cash equivalents	2,115		5,631	
Accounts receivable and contract assets	20,757		15,229	
Interest receivables in other current assets	6		0	
Liabilities resulting from leases		24,776		25,921
Accounts payable		9,722		8,000
Liabilities to banks		3,418		5,010
Total	**23,165**	**37,916**	**21,224**	**38,931**

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	1,382	554
diffferent GmbH, Berlin, Germany	78	2,310	192
SYZYGY Performance Marketing GmbH, Bad Homburg v.d.H., Germany	100	516	1,572
SYZYGY Deutschland GmbH, Bad Homburg v.d.H., Germany[2]	100	97	-67
SYZYGY Digital Marketing Inc., New York City, USA	100	-202	193
SYZYGY UK Ltd., London, UK[1]	100	-42	107
Unique Digital Marketing Ltd., London, UK[1]	100	1,390	836

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 160 (previous year: kEUR 145) 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 2021, SYZYGY generated sales of kEUR 1,649 (previous year: kEUR 2,045) with the WPP Group for client projects. Of this amount, receivables of kEUR 746 (previous year: kEUR 723) 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 86 (previous year: kEUR 95). 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 2021 and 2020. In the 2021 financial year, SYZYGY recorded rental expenses of kEUR 6 (previous year: kEUR 0) 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)

SYZYGY Deutschland GmbH avails itself of the exemption according to Article 264 Section 3 of the HGB (German GAAP).

6.11 Events after the balance sheet date

It is not yet possible to assess the impact on the SYZYGY GROUP of Russia's invasion of Ukraine in February 2022, and the sanctions subsequently imposed on Russia by Western countries.

Apart from that, there were no further events of material importance for the consolidated financial statements in the period after December 31, 2021 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

Frank Ladner, Heusenstamm
Member of the Management Board (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 2021 financial year, total remuneration of the Management Board amounted to kEUR 878 (previous year: kEUR 808). Franziska von Lewinski received a basic salary of kEUR 300 (previous year: kEUR 0), fringe benefits of kEUR 12 (previous year: kEUR 0), pension and welfare benefits of kEUR 5 (previous year: kEUR 0) and a variable salary of kEUR 0 (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 33 (previous year: kEUR 44).

Erwin Greiner received a basic salary of kEUR 210 (previous year: kEUR 210), fringe benefits of kEUR 12 (previous year: kEUR 12), pension and welfare benefits of kEUR 21 (previous year: kEUR 21) and a variable salary of kEUR 32 (previous year: kEUR 42).

The pension and welfare expenses relate to payments for health, accident and pension insurance.

Lars Lehne was CEO of SYZYGY AG until March 31, 2020, and in the previous year he received a basic salary of kEUR 75, with fringe benefits of kEUR 4. In addition, Lars Lehne received kEUR 92 as compensation for non-competition.

Frank Ladner also received a cash payment from the 2013 stock option programme in the amount of kEUR 55 in the previous year. As at the balance sheet date, there were no commitments to the stock programme for members of the Management Board.

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 will be paid out. The share price on exercise is determined as the average value over the 10 trading days prior to the exercise date, using XETRA closing prices in each case, in order to eliminate short-term price fluctuations. Similarly, when phantom stocks are issued, the average of the 10 trading days prior to allocation is used to determine the base price.

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

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

As at December 31, 2021, 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:

2021 phantom stocks (number of shares)	Franziska von Lewinski	Frank Ladner	Erwin Greiner	Lars Lehne (up to 03/31/2020)	Total
As at: 12/31/2019	0	55,000	80,000	144,000	**279,000**
Additions	0	0	0	0	**0**
Disposals	0	-22,000	-32,000	0	**-54,000**
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**
Base price when granted (in EUR)	5.68	5.68	5.68		
Maturity date: Tranche 1 Tranche 2	 12/31/2023 12/31/2024	 12/31/2023 12/31/2024	 12/31/2023 12/31/2024		

6.12.2 Supervisory Board

Antje Neubauer
Chair of the Supervisory Board
(since September 7, 2021)
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
Supervisory Board
CEO, WPP Specialist Communication, London
CEO, WPP Sports Practice, London

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 60 for their work in the 2021 financial year. This comprises fixed remuneration of kEUR 20 each (previous year: kEUR 20). The remuneration for Ms Neubauer and Mr Beeck was paid pro rata temporis for the 2021 financial year. As in the previous year, the Supervisory Board members did not receive any variable remuneration. In 2021, Dominic Grainger waived his remuneration for the 2020 financial year. As a result, only a payment totalling kEUR 40 was made to Wilfried Beeck and Andrew Payne in 2021.

6.13 Directors’ dealings

Management Board: Shares [Number of shares]	Franziska von Lewinski	Frank Ladner	Erwin Greiner	Total
As at: December 31, 2020	0	0	0	0
Purchases	0	0	0	0
Sales	0	0	0	0
As at: December 31, 2021	**0**	**0**	**0**	**0**

Management Board: Shares [Number of shares]	Lars Lehne (up to 03/31/2020)	Frank Ladner	Erwin Greiner	Total
As at: December 31, 2019	10,000	0	0	10,000
Purchases	0	0	0	0
Sales	0	0	0	0
As at: December 31, 2020	**10,000**	**0**	**0**	**10,000**

Supervisory Board: Shares [Number of shares]	Antje Neubauer	Dominic Grainger	Andrew Payne	Wilfried Beeck (up to 06/30/2021)	Total
As at: December 31, 2020	0	0	0	15,000	15,000
Purchases	0	0	0	0	0
Sales	0	0	0	0	0
As at: December 31, 2021	**0**	**0**	**0**	**15,000**	**15,000**

Supervisory Board: Shares [Number of shares]	Wilfried Beeck	Dominic Grainger	Andrew Payne	Total
As at: December 31, 2019	10,000	0	0	10,000
Purchases	5,000	0	0	5,000
Sales	0	0	0	0
As at: December 31, 2020	**15,000**	**0**	**0**	**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)

Publication pursuant to Article 40 Section 1 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) with the aim of distribution throughout Europe

Publication of a voting rights announcement on November 3, 2021.

Disclosures relating to the issuer
SYZYGY AG, Horexstraße 28,
61352 Bad Homburg v.d.H., Germany

Reason for notification
Acquisition/sale of shares with voting rights

Disclosures relating to the party subject to notification requirements
HANSAINVEST Hanseatische Investment-GmbH, Hamburg, Germany

Date of breaching threshold
11/01/2021

Information on the party subject to notification requirements
Party subject to notification requirements is neither controlled nor controls party subject to notification requirements of other companies with reportable voting rights of the issuer.

Total percentages of voting rights

	Percentage of voting rights (total of 7.a.)	Percentage of instruments (total of 7.b.1. + 7.b.2.)	Total percentages (total of 7.a. + 7.b.)	Total number of issuer's voting rights
New	5.97%	0.00%	5.97%	13500026
Most recent notification	3.03%	0%	3.03%	–

Details of the voting right holdings
Voting rights (Articles 33, 34 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act)

	Absolute		Percentage	
ISIN	Direct (Article 33 WpHG)	Attributed (Article 34 WpHG)	Direct (Article 33 WpHG)	Attributed (Article 34 WpHG)
DE0005104806	0	805,941	0%	5.97%
Total	**805,941**		**5.97%**	

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, 2021 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 consolidated financial statements for publication on March 28, 2022.

Bad Homburg v.d.H., March 29, 2022
SYZYGY AG

The Management Board

Franziska von Lewinski (CEO)

Frank Ladner (CTO)

Erwin Greiner (CFO)

Independent Auditors' Report

This is a convenience translation of the German original. Solely the original text in German language is authoritative.

To the SYZYGY AG, Bad Homburg v. d. Höhe

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the consolidated financial statements of SYZYGY AG, Bad Homburg v. d. Höhe and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the comprehensive income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1, 2021 to December 31, 2021, 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, 2021 to December 31, 2021. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the 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, 2021, and of its financial performance for the financial year from January 1, 2021 to December 31, 2021, 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, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, 2021 to December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

We identified the following matter as key audit matter:
- Impairment of Goodwill

Impairment of Goodwill

Facts and circumstances

In the consolidated financial statement of SYZYGY AG, under the balance sheet item "Non-Current Assets", goodwill at an amount of EUR 55,0 million is reported, representing 48,5 % 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 of the notes to the consolidated financial statements.

Audit response

In the context of our audit we evaluated the appropriateness of the material assumptions and judgement-related parameters, as well as the method of calculation of the impairment test, also involving our valuation specialists. We gained an understanding of the planning system and planning processes of the executive directors as well as of the significant assumptions used by them. We reconciled the prognosis on future cash flows in the detailed planning period with the business planning prepared by the executive directors and approved by the supervisory board and determined reasonableness of the company's historical forecasting accuracy by means of an analysis of budget-to-actual variances in the past and for the financial year 2021. We examined the underlying budget assumptions and growth rates assumed for the expected cash flows beyond the detailed budget period by comparing past developments considering industry-specific market expectations and the company specific situation. Furthermore, we critically analysed the discount rates used on the basis of the average costs of capital of a peer group. Our audit also encompassed sensitivity analyses made by SYZYGY AG. Regarding the effects of possible changes in costs of capital and the growth rates assumed, we additionally performed our own sensitivity analyses.

Other Information

The executive directors or the supervisory board are responsible for the other information. The other information comprises:

- the non-financial group statement provided in section 10 of the group management report,
- the group statement on corporate governance provided in section 9 of the group management report and
- 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 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 controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group’s position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group’s financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal controls relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the group's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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 related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory Requirements

Report on the Assurance 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_KA_2021.zip“ (SHA256-Hashwert:5318599b54e3e290d8b86513bffd34274b99d1b119177578436abcad70eb63b2) 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 opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1, 2021 to December 31, 2021 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 (10.2021)). 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 applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents 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 opinions.
- obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- evaluate the technical validity of the ESEF documents, i.e. whether the 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 May 28, 2021. We were engaged by the supervisory board on December 3, 2021. We have been the group auditor of the SYZYGY AG without interruption since the financial year 2004.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other matter — use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report/combined management report as well as the assured ESEF documents. The consolidated financial statements and the group management report/combined management report converted to the ESEF format — including the versions to be published in the Federal Gazette — are merely electronic renderings of the audited consolidated financial statements and the audited group management report/combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents provided in electronic form.

German Public Auditor responsible for the Engagement

The German Public Auditor responsible for the engagement is Amelie Krauß.

Frankfurt am Main, March 29, 2022
BDO AG
Wirtschaftsprüfungsgesellschaft

Dirks Krauß

Wirtschaftsprüfer Wirtschaftsprüferin
(German Public Auditors)

Responsibility Statement
by the legal Representatives

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

Bad Homburg v.d.H., March 29, 2022
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 December 16, 2019.

The Management Board and Supervisory Board are committed to a style of corporate management based on sustainability. They identify with the purpose of the DCGK, i.e. to promote trust-based management for the benefit of shareholders, employees and customers.

The DCGK contains recommendations, which companies are not obliged to follow. However, they must then make a corresponding disclosure in the annual Declaration of Conformity required under section 161 of the German Stock Corporation Act (AktG) and explain the deviations.

The Declaration on Corporate Governance as defined in section 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;
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 December 16, 2019 since its publication on March 20, 2020, with the following exceptions, and will continue to comply accordingly:

(1) A.1: Provision A.1 states that the Management Board shall consider diversity when making appointments to managerial positions:
The Management Board has already engaged with the DCGK's requirements for greater diversity, in particular for an appropriate consideration of women in managerial positions. In the interests of the company, when filling managerial positions the management of SYZYGY AG selects the individual who matches the requirements profile most closely on the basis of his or her professional qualifications and personal aptitude. Gender is not a primary factor when making a decision. If several candidates, both male and female, all with equal qualifications, apply for the same vacant position, the Management Board will choose the person who adds to the diversity of the management team.

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

(3) B.5: Provision B.5 states that an age limit shall be specified for members of the Management Board and disclosed in the Declaration on Corporate Governance:

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

(4) C.1: Provision C.1 states that the Supervisory Board shall determine specific objectives regarding its composition and shall prepare a profile of skills and expertise for the entire Board while taking the principle of diversity into account. Proposals made by the Supervisory Board to the General Meeting shall take these objectives into account, while also seeking to fill the required profile of skills and expertise for the Supervisory Board as a whole. The implementation status shall be published in the Declaration on Corporate Governance. The Declaration shall also provide information about what the shareholder representatives on the Supervisory Board regard as the appropriate number of independent shareholder representatives, and the names of these members:

Since SYZYGY AG was established, the company has been committed to serving the interests of shareholders, employees and customers by having a Supervisory Board with the greatest possible professional expertise, both company-specific and industry-specific, regardless of attributes such as age or gender. A particular focus in this respect is in-depth knowledge of the communications and digital sector, an international outlook and an extensive skillset in accounting and internal control procedures. In its current composition, the Supervisory Board satisfies these requirements in full. Due to the small size of the Supervisory Board, the company does not produce a written specification of detailed requirements. Likewise, proposals for the election of Supervisory Board members are, in the company's interest, based primarily on the required knowledge, skills and professional experience. When making proposals in future, the Supervisory Board will take into account diversity aspects while giving due regard to the company-specific situation. Accordingly, no disclosures of this type are included in the Declaration on Corporate Governance.

(5) C.2: Provision C.2 states that an age limit shall be specified for members of the Supervisory Board and disclosed in the Declaration on Corporate Governance:

SYZYGY AG does not specify an age limit, since it does not consider this kind of specification to be useful in this professional context. Accordingly, no age limit for Supervisory Board members is specified in the Declaration on Corporate Governance.

(6) D.2, D.3, D.4 and D.5: Provisions D.2, D.3, D.4 and D.5 state that the Supervisory Board shall form committees which, in the case of relatively large companies, generally facilitate the effectiveness of the Supervisory Board's work. (Formation of committees with relevant specialist expertise by the Supervisory Board as set out in provision D.2, of an Audit Committee as set out in provisions D.3 and D.4 and of a Nomination Committee as set out in provision D.5):

Due to its current size of three members, the Supervisory Board of SYZYGY AG did not form any committees. This size has proved to be very effective, since both general strategic topics and detailed issues can be discussed intensively in the plenary Supervisory Board sessions and decisions taken.

(7) D.7: Provision D.7 states that the Supervisory Board shall also meet on a regular basis without the Management Board:

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

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

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

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

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

2. Corporate governance practices

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

3. Working methods of the Management Board and Supervisory Board

Dual management system

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

Composition and working methods of the Management Board

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

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

Each member of the Management Board is responsible for specific business areas, for which he 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 and working methods of the Supervisory Board

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

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

The Management Board reports to the Supervisory Board regularly in writing or verbally, providing up-to-date, comprehensive information about recent developments as well as the economic and financial situation of the Group and its subsidiaries. The Supervisory Board is directly involved in all important decisions affecting the SYZYGY GROUP.

Supervisory Board meetings are held regularly once a quarter and additionally as required. The ordinary meetings are set and scheduled before the beginning of the year when the financial calendar for the following year is being drawn up. Additional (extraordinary) meetings are convened in writing by the 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 Chair of the Supervisory Board 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 Annual General Meeting. More detailed information on the work of the Supervisory Board throughout 2021 can be found in the Report of the Supervisory Board in the SYZYGY GROUP's 2021 Annual Report, which will be available from March 31, 2022 on the Group's website at https://ir.syzygy.net/germany/de/investor-relations.

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

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

The German "Law on Equal Participation of Women and Men in Management Positions in the Private and Public Sector", which came into force on May 1, 2015, requires the definition of target figures for the female quota on the Supervisory Board, on the Management Board and in the two top management levels below the Management Board. The target figures for the Supervisory Board and Management Board are set by the Supervisory Board, while the figures for the two top management levels are defined by the Management Board. The targets were established for the first time for the period up to September 30, 2015.

At present, the Supervisory Board consists of three members, each with extensive experience in the marketing, communications and software sector, as well as international relationships with clients and agencies. Due to the resignation of the mandate of the previous Chair of the Supervisory Board as of June 30, 2021, a Supervisory Board election will be held in 2022 to confirm the court-appointed replacement member on the Supervisory Board. The two other members of the Supervisory Board are elected to serve until the General Meeting that discharges the members in relation to the 2023 financial year. If all the Supervisory Board members remain in office for the full term, the Supervisory Board will consist of one female and two male members. A target quota of at least 30 per cent will thus be achieved at the next Supervisory Board elections.

Since January 1, 2021 the Management Board of SYZYGY AG has consisted of a female Chief Executive Officer and two male members, the Chief Financial Officer and the Chief Technology Officer. 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 in the case of the Chief Executive Officer, the Chief Financial Officer and the Chief Technology Officer on December 31, 2023.

The nomination of a female Chair of the Management Board with effect from January 1, 2021 achieved the target quota of 30 per cent female members of the Management Board.

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

5. Diversity statement

Description and objectives of the diversity statement

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

Implementation of the diversity statements

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

Diversity-related recruitment objectives for the Management Board

The Supervisory Board works with the Management Board on succession planning for the Management Board. When appointments are made to the Management Board, as wide a range of knowledge, skills and professional experience as possible (diversity) should be represented in order to meet the following objectives of the diversity statement:

In relation to educational and professional background, particular emphasis is placed on extensive experience in the communications and IT/software sector and on many years of financial expertise. 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 targets of the diversity statement for the Management Board and Supervisory Board were met in fiscal 2021 with regard to the participation of women on the Management Board and Supervisory Board with effect from January 1, 2021 and September 7, 2021 respectively.

The Supervisory Board fully implemented the diversity statement when deciding on election proposals to the Annual General Meeting.

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

The Management Board and Supervisory Board

Remuneration Report

This remuneration report presents the remuneration granted and owed by SYZYGY AG to each individual current or former member of the Management Board or Supervisory Board in the 2021 financial year.

A. Remuneration system for the Management Board

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 December 16, 2019.

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 participation 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 participation 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 participation is paid for the relevant year on a pro rata basis, if and to the extent that the agreed annual targets have been met. The Company generally does not envisage clawing back variable components of remuneration.

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 participation.

In the 2020 financial year, the operational objectives as formulated uniformly for all Management Board members accounted for 75 per cent of the maximum achievable short-term profit participation, while individual strategic objectives were formulated for the other 25 per cent.

The 2021 financial year saw closer focus on the overall responsibility of the Management Board. Accordingly, short-term profit participation was formulated uniformly for all Management Board members. Achieving operating income (EBIT) in line with the approved business plan and meeting sales growth targets 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 participation 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 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 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	
	2021	%
Fixed remuneration	300	95%
Fringe benefits	17	5%
Total fixed remuneration components	**317**	**100%**
Short-term profit participation	0	0%
Long-term profit participation		
2021 phantom stocks (term 01.01.2021 – 12.31.2024)	0	0%
Total variable remuneration components	**0**	**0%**
Total remuneration	**317**	**100%**

Ms von Lewinski was appointed to the Management Board with effect from January 1, 2021. Prior to January 1, 2021, she did not receive any remuneration or other benefit. Any short-term or long-term profit participation was not yet owed in the 2021 financial year, nor was it paid.

The fixed remuneration including fringe benefits is within the scope of the remuneration system approved by the General Meeting on May 28, 2021.

In accordance with the remuneration system and in line with the business strategy for the 2021 financial year, the following was agreed with the Management Board member: as the operational objective for short-term profit participation, achieving operating profit as budgeted and sales growth of 10 per cent (in each case at Group level), and as the strategic objective, gaining new clients and the resulting future new business.

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.

This alignment of annual targets with the business strategy promotes both the short-term and long-term performance of the Company.

Remuneration is thus consistent in all its 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			
	2021	%	2020	%
Fixed remuneration	210	77%	210	73%
Fringe benefits	33	12%	33	12%
Total fixed remuneration components	**243**	**89%**	**243**	**85%**
Short-term profit participation	32	11%	42	15%
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	**0**	**0%**	**0**	**0%**
Total remuneration	**275**	**100%**	**285**	**100%**

The fixed remuneration including fringe benefits is within the scope of the remuneration system approved by the General Meeting on May 28, 2021.

In accordance with the remuneration system and in line with the business strategy for the 2020 financial year, the following was agreed with the Management Board member: as the operational objective for short-term profit participation, achieving operating profit as budgeted at Group level, and as the strategic objective, management of the SYZYGY GROUP and the achievement of integration targets. The figures for short-term profit participation reported above for 2021 relate to these objectives.

In accordance with the remuneration system and in line with the business strategy for the 2021 financial year, the following was agreed with the Management Board member: as the operational objective for short-term profit participation, achieving operating profit as budgeted and sales growth of 10 per cent (in each case at Group level), and as the strategic objective, gaining new clients and the resulting future new business.

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.

This alignment of the annual targets with the business strategy promotes both the short-term and long-term performance of the Company.

Remuneration is thus consistent in all its 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			
	2021	%	2020	%
Fixed remuneration	220	77%	220	74%
Fringe benefits	33	11%	33	11%
Total fixed remuneration components	**253**	**88%**	**253**	**85%**
Short-term profit participation	33	12%	44	15%
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	**0**	**0%**	**0**	**0%**
Total remuneration	**286**	**100%**	**297**	**100%**

Apart from the payments reported above, Mr Ladner received a payment of kEUR 55 in the 2020 financial year. This payment is unrelated to his work as a Management Board member; it results from his employment in the SYZYGY GROUP prior to being appointed to the Management Board.

The fixed remuneration including fringe benefits is within the scope of the remuneration system approved by the General Meeting on May 28, 2021.

In accordance with the remuneration system and in line with the business strategy for the 2020 financial year, the following was agreed with the Management Board member: as the operational objective for short-term profit participation, achieving operating profit as budgeted at Group level, and as the strategic objective, management of the SYZYGY GROUP and the achievement of targets for new business. The figures for short-term profit participation reported above for 2021 relate to these objectives.

In accordance with the remuneration system and in line with the business strategy, the following was agreed for the 2021 financial year: as the operational objective for short-term profit participation, achieving operating profit as budgeted and sales growth of 10 per cent (in each case at Group level), and as the strategic objective, gaining new clients and the resulting future new business.

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.

This alignment of the annual targets with the business strategy promotes both the short-term and long-term performance of the Company.

Remuneration is thus consistent in all its 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.

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. No amounts have been set aside for this type of compensation.

B. Remuneration system for the Supervisory Board

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 December 16, 2019.

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. 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

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.

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.

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.

Remuneration granted and owed (in kEUR)	Antje Neubauer*		Wilfried Beeck*		Dominic Grainger		Andrew Payne		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Fixed remuneration	0	0	20	20	0	0	20	0	40	20
Variable remuneration	0	0	0	0	0	0	0	0	0	0
Total remuneration	**0**	**0**	**20**	**20**	**0**	**0**	**20**	**0**	**40**	**20**

* Antje Neubauer was appointed to the Supervisory Board with effect from September 7, 2021, Wilfried Beeck stepped down from the Supervisory Board effective June 30, 2021.

In 2021 and 2020, Supervisory Board member Dominic Grainger waived his remuneration for the 2020 and 2019 financial years. In 2020, Mr Andrew Payne waived his remuneration for the 2019 financial year.

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 2017 to 2021; a variable component was not paid during this period.

In the period 2017 to 2021, 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

(in kEUR)

Financial year	2017	2018	Change	2019	Change	2020	Change	**2021**	Change
Sales (Group)	60,669	65,816	8%	64,243	-2%	55,521	-14%	60,124	8%
EBIT (Group)	4,096	6,067	48%	5,497	-9%	3,999	-27%	6,379	60%
Income before taxes SYZYGY AG	1,424	4,493	216%	3,296	-27%	2,636	-20%	8,049	205%

Average remuneration of employees in Germany

(in kEUR)

	2017	2018	Change	2019	Change	2020	Change	**2021**	Change
Average annual remuneration in kEUR	74	70	-5%	69	-1%	71	2%	74	4%

Management Board remuneration (current Management Board members)

(in kEUR)

	2017	2018	Change	2019	Change	2020	Change	**2021**	Change
Franziska von Lewinski	–	–	–	–	–	–	–	317	n.a.
Erwin Greiner	397	244	-39%	287	18%	285	-1%	275	-4%
Frank Ladner	–	255	n.a.	308	21%	297	-4%	286	-4%

Management Board remuneration (former Management Board members)

(in kEUR)

	2017	2018	Change	2019	Change	2020	Change	**2021**	Change
Lars Lehne (up to 03/31/2020)	409	374	-9%	507	36%	171	-66%	–	–
Andy Stevens (up to 06/30/2018)	410	213	-48%	–	–	–	–	–	–

Supervisory Board remuneration (current Supervisory Board members)
(in kEUR)

	2017	2018	Change	2019	Change	2020	Change	**2021**	Change
Antje Neubauer (since 09/07/2021)	–	–	–	–	–	–	–	–	–
Dominic Grainger (since 06/07/2019)	–	–	–	–	–	0	n.a.	0	n.a.
Andrew Payne (since 03/22/2018)	–	–	–	17	n.a.	0	-100%	20	100%

Supervisory Board remuneration (former Supervisory Board members)
(in kEUR)

	2017	2018	Change	2019	Change	2020	Change	**2021**	Change
Wilfried Beeck (up to 06/30/2021)	20	20	0%	20	0%	20	0%	20	0%
Rupert Day (up to 06/07/2019)	20	20	0%	20	0%	8	-60%	–	–
Ralf Hering (up to 02/15/2018)	20	23	15%	–	–	–	–	–	–

Report of the Independent Auditor
on the Audit of the Remuneration Report pursuant to § 162 Abs. 3 AktG

This is a convenience translation of the German original. Solely the original text in the German language is authoritative.

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, 2021 to December 31, 2021, 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 29, 2022
BDO AG
Wirtschaftsprüfungsgesellschaft

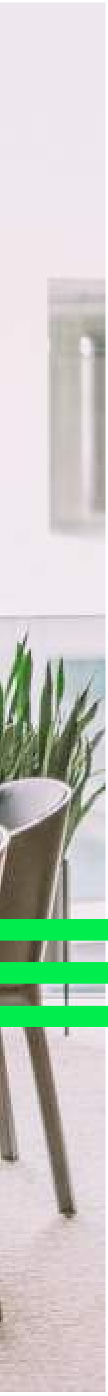
Dirks	Krauß
Wirtschaftsprüfer	Wirtschaftsprüferin

(German Public Auditors)

Ars Thanea / Warsaw

syzygy-group.net

Financial Calendar **2022**



3-Month-Report
as per March, 31
(englisch version: 05/06)

04/29

Half-Year-Report
as per June, 30
(english version: 08/05)

07/29

9-Month-Report
as per September, 30
(english version: 11/04)

10/28

General Annual
Meeting 2022
(virtually)

07/05

MKK – Munich Capital Market
Conference, Munich

11/15-16

German Equity Forum

11/28-30

Contact
Impress

SYZYGY AG
Horexstr. 28
61352 Bad Homburg v.d.H.

T +49 6172 9488-252
F +49 6172 9488-270
ir@syzygy.de
syzygy-group.net

Chairwoman of the Supervisory Board
Antje Neubauer

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

Editorial Department
SYZYGY GROUP

Photography
SYZYGY GROUP, Franziska Taffelt,
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Stefan Hönig, Martina van Kann,
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All dates are subjects to change.
For current information, see **syzygy-group.net**

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