

# **The Fundamentals.**

# **Our First Annual Report**

## **syzygy AG Annual Report 2000**

# 2000. The Fundamentals.

## Financial

- Revenue growth up 56% to 17.6m €. (11.3m € in 1999).
- EBITDA up 282% to 1,411 thousand € (369 thousand € in 1999).
- Cash-flow from operating activities of 1.451 thousand € (actual accounts).
- Turnaround of the French business. 4 consecutive months (Sept.-Dec.) of profitable trading. EBIT margins over 10%.

## Clients

- Blue-Chip client wins. Aventis, Commerzbank, DaimlerChrysler, Dixons Stores Group, UBS, Vivendi, and Warsteiner.
- Development of vertical market expertise. 74% of business in 4 key markets.
- 70% repeat business.

## Pan-European

- Mazda, VDO Dayton and DaimlerChrysler transformed into Pan-European projects.
- Over 40% of business is multinational.

## Service

- Increase in work covering the whole value chain. Business-to-Business and Business-to-Employee work providing new services for VDO Dayton, VDO Kienzle, UBS, Telewest, Vivendi and VIAG Interkom.
- Development of SyCOMAX, our content management product. Now on 2 platforms, Microsoft and Java, to extend its potential applications to a greater range of situations.

## IPO

- Successful flotation in spite of difficult market conditions, raising 55m €. IPO was oversubscribed by more than 16 times.

All Figures (Pro-Forma) in '000 €	1997	1998	1999	2000	2000-1999
Total Sales	4,237	6,454	11,304	17,639	+56%
EBITDA	549	724	369	1,411	+282%
Goodwill Amortisation	-825	-825	-825	-825	n/a
EBIT	-400	-369	-810	-857	-6%
Net Income	-560	-684	-1,425	-958	+33%
Total Cash Flow	810	105	-116	54,808	+47,348%
DVFA / SG Earnings per Share	n/a	n/a	n/a	-0.08	n/a
Employees at Year End	41	75	118	190	+61%

# First things first.

## **We believe in the fundamentals.**

Value. Profit. Basic virtues that are often overlooked in the virtual world. Our aim is to create value.

To us, profit is more critical than revenue. We want to transform Europe's leading 'bricks and mortar' organisations into profitable eBusinesses.

## **We deal in the fundamentals.**

Talking. Moving. Investing. Shopping. By focusing on people's basic needs we're building a strong business. 74% of our revenues come from these four core markets, the necessities of life. We let others attempt to make money from life's incidentals.

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Dear Shareholder

For a company involved in the wired world of eServices, we take a surprisingly old-fashioned approach. Last year, as usual, we embraced traditional qualities such as 'value-creation' and 'profitable growth'. The Fundamentals. While our sector continued its obsession with size, speed to market and topline growth at the expense of profit, we remained true to our principles. We delivered good operating profits as a company and secured significant business results for our clients. (Elsewhere in this report we describe how we achieved some of these results.)

As you may know, **syzygy** was established as a profitable Group (at an operating level) built out of proven businesses in Germany, the UK and France - the 3 largest eBusiness markets in Europe. These businesses had developed strong vertical market expertise and a genuinely high level of Pan-European and 'value-generating' client solutions.

During 2000 we focused on leveraging these strengths to create value. We increased our pro-forma EBITDA by more than 280% to 1,411 thousand €, we decreased our pro-forma pre-tax loss by 62% to 315 thousand € and we decreased our pro-forma net loss by 33% to 958 thousand €.

We achieved these results by focusing on 4 vertical markets and, as projected, transforming our French operation to profitability.

By delivering 4 consecutive months of profitability from September to December we cut the loss for the year in France from 1,299 thousand € in 1999 to 374 thousand € in 2000. In Germany, our 4th quarter saw an equally strong performance. Results for the quarter were only mired by a sharp downturn in the UK during November and December.

Organic revenue growth was also strong at 56% year on year. The UK grew by 73% and Germany by 60%, while revenue growth in France was only 7% due to its turnaround.

Let's focus on our 4 vertical markets. Our chosen key sectors are automotive, financial services, telecoms and retail. We expanded our business in these sectors to approximately 74% of Group turnover for the year.

New clients accounting for this expansion include Aventis, Commerzbank, Daimler Chrysler, Dixons Stores Group, Havas (part of Vivendi) UBS and Warsteiner. This impressive list boosted our existing portfolio of European blue-chip names.

Within these core sectors we accelerated our knowledge of the automotive sector. By building a deeper understanding of industry issues, opportunities and solutions we won automotive business accounting for a quarter of our 2000 revenue.

This success confirms that our vertical market strategy is well founded and that in an increasingly competitive environment a lack of sector focus can be dangerous. In parallel with our focus on key markets, we continued to concentrate our efforts on winning Pan-European as opposed to purely national business. Using our vertical market expertise we became the preferred European partner on a number of high-profile projects. These included the launch of DaimlerChrysler's Vaneo, a large CRM project for Mazda and a European roll-out of VDO Dayton. Over 40% of our business is now Pan-European, compared to the European industry average of just 20%-25%.

# Chief Executive Officer's Statement.



As technology enables organisations to expand across markets, we increasingly find that our European know-how gives us real competitive advantage.

Under-pinning our focus on key markets across Europe is our determination to create value for our clients. This means more than generating revenue. It means cutting out costs to boost profits. While many in our industry regard the Internet as merely a sales and marketing tool, we're keen to grab the opportunities it offers to root out inefficiencies and increase productivity. Strangely, while everyone knows that the Internet impacts across the whole value chain, not everyone uses this knowledge. We do.

That's how we made significant savings for clients such as Fleurop (500% increase in profit per transaction) and the South Bank Centre (the unit cost of each transaction has been cut by 39%). This approach led to a dramatic expansion in the level of business transformation work we carried out for our clients.

Looking ahead, we've put in place a strategic platform for focused and profitable European expansion. A key element of this strategy was our successful IPO, generating net proceeds of 55m € for acquisitions.

We also took various internal initiatives. We set up a centralised management information system and a series of HR programmes designed to speed our transition into a respected international company. We began a series of swaps that allow our people to spend 3 months in another **syzygy** office.

Returning to the fundamentals (not that we ever leave them) we believe that 2001 will see a critical refocus in our industry. The emphasis will shift from scale to value. The 'e' will drop out of eBusiness, eCommerce and eProcurement. It will be 'Back to basics' - the basics of building value through the use of new technology. This will apply to all enterprises, large or small, local or global, dotcom or bricks and mortar.

To create value in this way, we'll continue to hammer away at the fundamentals:

1. We'll build profitable growth.
2. We'll broaden our Blue-Chip client base as well as extending our relationships within these clients.
3. We'll maintain high levels of Pan-European business.
4. We'll expand the size and capabilities of our organisation within the largest markets in Europe, providing this can be achieved on a profitable basis.

At the same time, we'll pursue some new initiatives:

1. We'll develop integrated business platforms for our clients, with an increasing focus on enterprise-wide CRM.
2. We'll develop stronger technology partnerships.
3. We'll diversify our revenue streams.

Although these strategic initiatives will be crucial, the key driver of our future plans will be our team of people. Their creativity, dedication, endurance and smart thinking will continue to be the No 1 building block of our business. They're fundamental.

Thank you to all our staff. You have helped us to achieve significant results in 2000.

While we're saying thank you, we're more than grateful to all our clients and business partners. We rely on, and appreciate, your support...Thank you.

Our investors, too, are fundamental to our business success. Thank you for your continued belief in the quality of our strategies and people.

We value your support. And, as you know, 'value' is something we take very seriously.



Chris Robson, CEO



# Structure. Strong Foundations.

Our management and supervisory boards provide a powerful combination of different expertise in business, technology, finance and marketing. They also bring a wide range of international business and cultural experience. Our Management Board is responsible for group strategy, business development and integration, reporting regularly to our Supervisory Board. The boards take joint responsibility for major merger and acquisition and investment decisions.

**Chris Robson** Chief Executive Officer  
Appointed **syzygy** CEO in late 1999, Chris' responsibilities include corporate strategy, Group Development & International Expansion, Business Development and Strategy Consulting. Additionally, he is a director of Thirst Limited, UK and eSubstance Limited, UK.

Chris was **syzygy** Managing Director from 1996 to 1999. After joining in 1996, he managed its evolution from a small start-up to a profitable multi-discipline eServices business with over 60 staff, multi-million pound revenues and offices in the UK and Germany. Under his leadership **syzygy** won Best Agency of the Year in the 1998 BT/Yell Awards.

Before joining **syzygy**, Chris was Board member and New Business Director of advertising agency DMB&B, where he helped win over £25 million in billings. He led strategic, creative and account teams on various blue chip accounts. Before DMB&B, Chris worked for Hanson plc on assignments including project management within their EverReady subsidiary.

He graduated in Modern History at Oxford University, and holds an MSc in Management from the London Business School.



# The Management Board.





## Management and Supervisory Boards

**Sven-Roger von Schilling** Chief Financial Officer  
Sven joined **syzygy** as CFO in April 2000, bringing significant experience in corporate planning, M&A, finance, strategy and re-engineering consulting. At **syzygy**, his responsibilities include: Financial Planning, Systems and Infrastructure, Mergers and Acquisitions and Investor Relations.

Prior to **syzygy**, he was the youngest Vice President of Lafarge Braas, the world leader in roofing materials, where his responsibilities included corporate planning, M&A and global implementation of EVA. Before Lafarge Braas, Sven spent several years in strategy consulting for CSC Index and McKinsey in both Europe and the US.

He graduated in Business Administration/Finance at Berufsakademie Mannheim, and holds a Master of Management from the J.L. Kellogg Graduate School of Management.

**Frank Wolfram** Chief Technical Officer  
Frank has been the Technical Director of **syzygy AG** since November 2000. Prior to this, Frank was technical director of eBusiness company, United Media.

Before that, Frank spent more than five years as an independent software consultant, specialising in distributed software systems for various different vertical markets in Germany, Austria and Switzerland. His clients included Digital / Compaq, Microsoft, Parexel, Schering, Siemens, Volkswagen and Volvo IT.

Together with Microsoft Deutschland, Frank developed and led workshops devoted to Microsoft's eCommerce and component-based platform. He is a regular speaker at Microsoft developer conferences, such as the TechEd 98.

1998 also saw Frank go on to be the software architect and developer in charge of the results service at the Kieler Woche regatta, the world's largest sailing event. Frank studied at Berlin's Technical University and holds a degree in IT for Engineering.

**Marco Seiler** Director (Germany)  
Marco is responsible for the German operations

In 1995, he founded United Media in Germany and developed a highly profitable eServices firm with over 40 employees and multi-million DeM revenues. During this period he developed relationships with various blue chip clients.

He merged United Media with **syzygy** early in 2000. Before United Media he was Managing Director of 1&1 Holding GmbH, one of Germany's largest multimedia companies.

From 1987 to 1994, Marco was with the US software company WordPerfect Corporation, where he eventually became Managing Director for Germany, Austria & Switzerland. He looked after 150 people and DM 50m of revenues.

Chris, Sven, Frank and Marco at **syzygy UK limited**, London, Thursday 15 March 2001.



**Michael Mädel** Chairman

Michael is the President and CEO of J. Walter Thompson Europe, Middle East & Africa, having joined the company in 1990 as CEO of Thompson Germany. He began his career in advertising in 1972 when he joined Y&R Frankfurt as a Trainee. Michael has a degree in Economics from the University of Vienna.

**Eric Salama** Deputy Chairman

Eric is Group Director of Strategy of the leading global marketing services company WPP Group plc, and CEO of wpp.com, parent company of WPP's digital activities. He is an adviser to the UK Government and recent Prime Ministerial appointee to the Board of the British Museum.

**Daniel W. Campbell**

Daniel has been a Managing General partner of EsNet, Ltd. since 1994. His experience includes being a partner with Price Waterhouse and serving on the firm's Software Services Committee until 1992. He served as Senior Vice President and Chief Financial Officer of WordPerfect Corporation from 1992-1994.

**R. Duff Thompson**

Duff is a Managing General Partner at EsNet, Ltd. He brings significant expertise in technology, having been General Counsel and an Executive Vice President at WordPerfect Corporation from 1986-94, and a Senior Vice President of Novell Inc. from 1994-96. Duff holds an MBA and a Juris Doctorate degree from Brigham Young University and lives in Utah with his wife and seven sons.

**John Hunt**

John is CEO of transaction software company Obongo, Inc. and was the founder and CEO of **syzygy** until 1999. Prior to his entrepreneurial career, John was the youngest Marketing Director at Kraft General Foods and was Procter & Gamble's first European Brand Manager. John has written extensively, including for Wired Magazine and presented at industry conferences worldwide.

**Frédéric Chévalier**

Frédéric is CEO of French marketing services group HighCo, which he founded in 1990. Frédéric graduated from the École Supérieure de Commerce de Marseilles. A keen sportsman, he was world windsurfing champion in 1986.

# The Supervisory Board.

John, Eric, Michael, Daniel and Duff at **syzygy UK limited**, London, Thursday 15th March 2001.



# Bye bye 'e'.

In the mid 90's, there was the Internet. The Web. Then came eCommerce, followed by eBusiness. Now it's back to the fundamentals. It's back to good old-fashioned 'business'. As IT now has a critical influence on all strategic decisions, the 'e' bit is taken for granted. The web industry is no longer seen as a separate channel or business area, it's part of all IT and all business. It's mainstream. And so are we.

The market for eServices must now be seen as a direct part of the wider market for IT services. The latter is forecast by a number of investment banks to grow by approximately 15% 2001 on 2000. This reflects strong signs of growth. Within this market environment, expenditure on eServices is forecast by IDC to continue to grow even more significantly, at 60% this year although several investment banks have subsequently revised their forecasts to 30-40%.

#### **What is driving this continuing growth?**

In spite of tremendous investment in the web, and in particular on pureplay Internet ventures, very few of the world's largest organisations have truly exploited the potential of this new environment. However, enough organisations have invested in re-engineering their business processes through the Internet and gained significant financial returns to signal the call for the others to follow. Pioneering organisations have built their business off different thinking, putting much greater focus on the "demand chain" as opposed to the manufacturer driven supply chain, looking at customers and what services they are demanding rather than what the company wants to sell. Others have built networked environments with their partners and suppliers like Dell. These are intercompany "value-webs" as opposed to single company "value chains".

The opportunity now exists to create an enterprise with 360-degree seamless transparency between its customers, suppliers, partners and employees, where value is added to all parties. Now with less hype around in the market and a greater commitment from everyone to dig value out of the Internet, the big Blue-Chip organisations are investing heavily.

For the eServices industry, the difference from the past is that the investment is increasingly being channeled into complex supply chain management and customer relationship management projects, requiring significant skills in back-end integration. This is as a result of three particular client demands; the need for integration and simplification of their business processes, the need for better customer visibility and control and the need for more efficient networked environments.

This change is again altering the landscape of competition. Previously competition was blurred, with eBusiness architects rivalling the systems integrators, the management consultancies, marketing companies and IT vendors, as all of them appeared to be converging on one place. However, 2001 will see the market increasingly split into two, between the business and technology integrators on the one hand and the marketing and creative agencies on the other. The best eBusiness architects will continue to be able to straddle this functional divide if they build up strong vertical market expertise, and retain deep relationships with clients. However, most will also increase their level of functional focus.

#### **Where is this growth to be found?**

Growth in IT spending will remain strong across Europe, but there will be certain key markets, namely Germany, the UK, and France. These 3 markets will together account for 61% of eBusiness spending in 2004 according to IDC.

# We're Business Architects. We build value.

"Stick to the fundamentals. That's how IBM and Hilton were built." To us, this advice from one of the 'elder-statesmen' brokers in the movie Wall Street makes total sense. We're focussed on building value for our clients. Our strategy is to concentrate on four core vertical markets, focusing on Pan-European blue-chip clients.

We provide consulting and development services to Europe's leading blue-chip clients. Our mission is to build profitable eBusiness for our clients across Europe. We'll achieve this through a 100% focus on building added-value relationships (both information and transactions) between an enterprise and its partners, whether suppliers, customers or employees. Our strategy is to build stronger or more profitable relationships with these different parties or to introduce efficiencies into business processes within organisations.

We have 3 key advantages over our competitors:

## **1. Focus on Pan-European business.**

We are well positioned in the 3 largest eBusiness markets in Europe: Germany, the UK and France. We have over 10 of the Eurotop 100 clients in our portfolio, and one of the strongest blue-chip client lists in the eServices sector. Over 40% of our business is now Pan-European, with strategies and solutions across 2 or more countries. This compares with a European industry average of between 20% and 25%.

## **2. Focus on providing services in 4 vertical markets.**

74% of our business is in 4 vertical market sectors: automotive, financial services, telecoms and retail. The largest part of our revenues, 24%, is earned from the automotive sector, where we have in-depth expertise, working with clients like DaimlerChrysler, Mazda, Fiat, Alfa Romeo, Lancia, VDO Dayton, Continental and Siemens VDO Automotive.

## **3. Focus on value creation for clients.**

We have a strong track record in accelerating top- and bottom-line growth and in building process efficiencies for our clients.

## **Our strategy in 2001 will focus on the following key actions:**

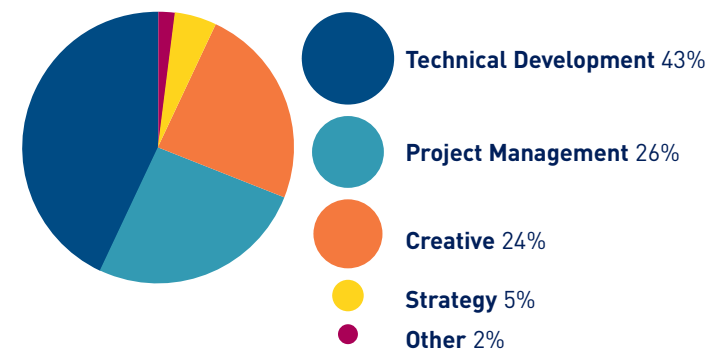
1. We'll continue to strengthen our competitive positioning in our home markets of France, the UK and Germany. This will include a further build-up of staff and their training as well as acquisitions.
2. We are intending to further strengthen our vertical market expertise in automotive, financial services, retail and telecommunication.
3. We intend to round off our service portfolio through the acquisition of CRM and ERP integration skills as well as building our business strategy expertise.
4. We'll leverage our SyCOMAX content management product into product-based revenue streams rather than solution-based revenues.

# Strategy. Technology. Creativity. Aligned.

We believe that to engineer added-value relationships between organisations and their stakeholders, we must focus on the relationship between strategy, technology and creativity. Our service offering is based on the delivery of these fundamental skills in harmony. This requires complex choreography of business insight, imagination, flair and technical know-how.

We offer core skills in four key functional areas: strategic consulting, creative development, technical development and systems integration, and operations management. Of these, technical development contributes by far the most to the group's revenues - approximately 45%. In a typical client engagement all four services are combined to deliver the solution.

Typically we are asked to start with a strategy / business analysis, which can cover a market and competitor analysis and benchmarking. We then conduct an assessment of currently-applied business processes, a customer behaviour analysis often based on WPP-backed market research and an IT audit. This initial part of a client engagement ends with an eBusiness strategy – an identification of strategic eBusiness options and a plan to realise them.





# Expertise.

We then move into the second phase, which consists of the parallel running of the technical and creative development. The identified eBusiness strategy is primarily implemented through the deployment of the most appropriate technical platform and infrastructure as well as through the development of client-specific web applications and their integration into third party software and ERP systems. We work closely with technology partners such as Microsoft, BroadVision and BEA Systems Weblogic and we regularly integrate our applications into SAP, Navision and ORACLE. For some clients we also host the web applications in order to deliver the complete service from one source.

The technical development is supported by creative input. This includes the development of brand visions and concepts for the virtual world and the development of web applications with a high degree of usability (user interface design). We frequently provide our clients with copywriting to aid communication. Occasionally, clients also ask us to manage the editorial and content management, which we either produce ourselves or co-ordinate through third parties.

These work streams are co-coordinated and managed by our project managers. These skilled people are responsible for the detailed planning and specification of projects, including their functionality, timing and budgets.

The complex technical projects that we handle require highly trained and experienced project managers. Some of our clients have compared the complexity of their eBusiness projects to the building of nuclear submarines. Although perhaps an exaggeration, these statements make us proud of the quality of our project managers. The project manager works in tandem with and reports to the account director who is ultimately responsible to the client. The account director is the first point of contact and has responsibility for ensuring that both our client and ourselves benefit from the business relationship.

## Expertise.

### Areas of Service Expertise.

We have 3 specialist areas of expertise enabling us to build strong and integrated eBusiness platforms for our clients. These include content management, end to end eCommerce and Customer Relationship Management. These are the key building blocks of solutions for large organisations seeking to re-engineer their businesses around different stakeholders across their value chain.

### Content Management.

We have several years of consulting and development experience with all the leading content management platforms such as BroadVision, Vignette, Mediasurface and BEA Weblogic. We're familiar with the advantages and disadvantages of many of the available systems and have undertaken head to head analysis of competing products. We have significant experience of rolling out solutions rapidly and of customising the functionality available from different platforms.

In addition to 3rd party solutions we have also developed our own proprietary Content Management System, called SyCOMAX. This product is available on both a Microsoft and a Java platform.

- SyCOMAX for Windows 2000MS uses ASP and COM+ components and MS Transaction Server, with data stored as XML structures in an SQL Server or ORACLE database.
- SyCOMAX for Java stores data as XML in a JDBC compliant database (for example, Oracle, Informix or SQL Server). This system is designed to allow the core Java classes and presentation tag library to be extended to suit the precise requirements of each client.

We've provided content management consulting and implementation development skills to Barclays, Boots, FirstMark, Mazda Motors Europe, Messer Group, SBC, Siemens Mannesmann VDO Automotive AG, Telewest, UUNET Deutschland, VDO Dayton, VIAG Interkom and WPP.

### End to End eCommerce.

In the past, the media has been guilty of an obsession with B2C eCommerce at the expense of any other form of transactional relationship. The reality for many organizations is that Internet transactional relationships with their suppliers and partners are often more valuable and bring greater business opportunities. We have experience of building transactional capabilities for clients for a range of different situations, whether between organisations and their business customers, their partners, their employees or with consumers. Clients such as Boots, Fleurop, La Redoute, Photoreflex, Royal Opera House, Rue du Commerce, SBC, Siemens, VDO Dayton and VDO Kienzle have benefited from this expertise. We have experience of delivering strategic and business process consulting on transactional solutions, as well as providing the technical, interface and marketing skills that are needed to make them work. Typically we integrate our solutions into an existing backend system such as SAP/R3, or Navision.

Additionally we focus on improving specific transactional capabilities for organisations to use.

For example in 2000 our German office developed a software component for a seamless integration of Cybercash's POSH service (point of sale dealer terminal) with Microsoft's DNA platform. Cybercash provides a fully web based service for electronic payment. Using the POSH service a merchant is able to fulfill all functions of the credit card payment process via a web interface. The **syzygy** component implemented as a COM component talks directly to the POSH service using a SSL (Secure Sockets Layer) connection. The component offers merchants the ability to integrate credit card payment functionality in an easy, secure and scalable manner with their eCommerce solution. The component utilises the Microsoft Transaction Server on the Windows NT 4.0 platform and the COM+ Services on Windows 2000 systems ensuring high scalability (number of concurrent transactions) of the solution.

### Customer Relationship Management

The advent of the Internet has now enabled organisations to build stronger and more efficient relationships with all their stakeholders across the value chain. For us the process of Customer Relationship Management is not solely about helping organisations establish personal relationships with their most valuable customers. It is also about extending these practices across their interactions with business partners, suppliers and employees. The goal for any company should be to change their business processes to engage more cost effectively and in a more satisfying manner with all of their stakeholders from the supply side right through to the demand side. This enables the organisation of the future to operate successfully in the world of 'demand chains', where their potential stakeholders have much clearer visibility of their offer versus competitors. This contrasts with yesterday's supply chains, where manufacturers and retailers dictated to their partners and customers. We provide expert consultants to help organisations map their 'stakeholders' and derive business insight across all the organisation's interfaces with these stakeholders. This insight can then be leveraged via changes in business process and systems. We have experience of providing these services for clients like Barclays, Boots, DaimlerChrysler, Disney, Telewest and VIAG Interkom.



# **Fundamentals, not incidentals.**

**Our clients deal in the basic necessities of modern life, not the fripperies. We focus on the four vertical markets of automotive, telecoms, retail and financial services. This hard-nosed focus allows us to develop valuable and in depth skills in a few industry sectors. As the eServices sector becomes more competitive we believe it's essential to have in-depth knowledge in key areas. We have it.**

What could be more fundamental than the need to get from A to B? And, given the choice, wouldn't most people prefer to get there by private motor car? We're driving our business forward by focusing on the automotive sector as one of our four key vertical markets. Already, we're in the fast lane, with major eBusiness projects from Alfa Romeo, DaimlerChrysler, Mazda, and Siemens VDO Automotive.

The automotive and automotive parts industry is a mature, slow-growth industry that is currently at the peak of a demand cycle. This sector suffers from excess capacity, too many players, high exit costs and heavy government regulations, all of which result in lower returns. To counteract this, manufacturers and suppliers are slashing costs, investing in innovative designs and new features and developing new and more efficient channels and media to attain and retain customers.

The automotive industry is an early adopter of eBusiness along the entire value chain. Major market places such as Covisint have reshaped supply chain management in the automotive industry. Industry analysts forecast potential supply chain savings of approximately 1,000 € per vehicle, or 7% of manufactured cost. On the other hand, several car manufacturers are investing heavily in winning and retaining customers (CRM/eCRM are frequently used buzzwords) and in rationalising their distribution networks. These measures are targeting the marketing and distribution costs, which account for approximately 30-40% of a vehicle's total cost.

Looking 2-4 years into the future, cars will be equipped with further sophisticated and advanced components which will allow the use of value-added services while driving the car.

We should expect to see Internet access as standard equipment. Companies like Siemens VDO Automotive are already working on the development of such 'components'. UBS Warburg predict that worldwide end-user telematics revenues could grow from about \$4bn at present to \$24bn by 2005. General Motors in America is already exploring this with its On Star brand which has nearly 800,000 subscribers and which is available in 35 vehicles. On Star services initially focused on emergency and roadside assistance but are being extended into hands-free calling and voice activated connectivity to Internet content.

We are working across all these market developments. We're involved in building efficiencies into the customer acquisition cycle and we've developed one of the first online Test Drive Scheduling applications, which was initially deployed for FIAT in Germany. It supported the launch of the FIAT Punto. Our application has subsequently been rolled out for Alfa Romeo, Lancia, and Mercedes Benz. We're also working with Mazda to build a more efficient marketing operation with its distributors across Europe. 24% of our business is now within the automotive sector. We've also redeveloped our internal structure to build international client teams around Pan-European clients like DaimlerChrysler and Mazda. Additionally we've significantly increased the number of automotive experts in the company.

# Moving.

# How Mazda signed-up for a single business currency.

## The business.

Mazda Corporation, based in Japan, is a global auto company with annual sales of around one million cars and commercial vehicles. It also has close links to Ford Motor Company through Ford's 33.4% equity holding. In Europe, Mazda's activities are coordinated by Mazda Motor Europe – based in Leverkusen, Germany.

Mazda's European arm serves 28 distributors managing strategic development and Mazda's activities in Europe. European sales during 2000 amounted to 210,000 units.

## The challenge.

The main focus was to develop a consistent brand representation for Mazda on the Internet in Europe, requiring a centrally developed yet locally managed solution. The solution needed to handle 24 languages and allow for local site-maintenance by Mazda managers. Another requirement was that each rolled-out site should incur a low marginal cost.

## The solution.

Using SyCOMAX, our own XML based content management system we delivered an intuitive, matrix-based site that provides relevant and useful information within 3 clicks.

Our web-based User Interface manages and updates the product features and specifications content, translating them into local languages.

While the initial objective has been to secure consistency across Europe and move the brand closer to the customer through enhanced functionality, Mazda now has the platform for the development of an integrated web strategy with built-in CRM functionality and the opportunities for greater cost savings.

## The results.

The Mazda brand now has an Internet solution that allows the various Mazda sales organisations across Europe to utilise a consistent yet flexible web representation. This is based on a central Web Content Management Platform with de-centralised maintenance of product data. The new site is up and running in Italy and Spain, with Germany, and Austria due to go live in the first half of 2001. Further European countries will follow during the rest of 2001 and 2002.

Duncan Rooke, Vice-President of Marketing and Sales, Mazda Motor Europe is optimistic:

**“Our partnership with syzygy is ensuring that Mazda remains at the forefront of the customer revolution across Europe.”**

In one area, at least, European unity is already a reality. see for yourself: [www.mazda-es.com](http://www.mazda-es.com)

# EU unity





## How Fiat and Alfa Romeo set up test-drives in cyberspace.



# Click and go.

## The business.

Alfa Romeo has an illustrious track record on track and road. And the classic Italian marque is still a winner. In Germany the Alfa 156 was voted 'the best import car in 2000' while the Alfa 147 won the 'golden driving wheel' and was voted car of the year.

## The challenge.

Six months after we successfully relaunched their German site, Alfa Romeo asked us to give their new model a push. The brief was to support the sales division with an integrated added-value offering for the Alfa 147. An important objective was to reduce fulfillment costs. This followed a similar project we successfully carried out for Fiat, promoting the new Fiat Punto.

## The solution.

We developed a full communications & customer acquisition programme to support the launch of the new Alfa 147. This included a 'pre-launch' site, which "whet visitor's appetites".

As the car was launched we developed a functional and stylish web site. It brought together product information, lifestyle and entertainment elements. A feature of the site was the functionality it offered to download PDF files with information about prices and technical specifications. To generate leads, the site also incorporated a semi-automatic test drive scheduler. This facility to book test drives online was a fundamental element of the site. It features an application we developed that can be implemented for many different vehicles.

## The results.

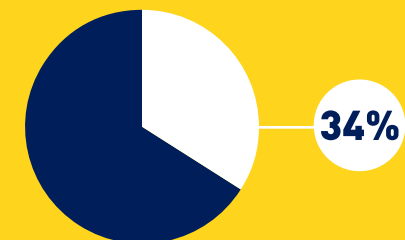
During the first few weeks over 15,000 visitors downloaded product information from the pre-launch site. Over 20,000 visitors ordered PDF files from the main site and there were 8,000 requests for Alfa 147 screensavers and wallpapers.

More importantly, over 700 potential buyers arranged test-drives using the online booking form. While it's too early to report how many test-drives turned into sales, the figures for the fiat Punto should give a clue. Our Punto site generated 1,500 test-drives with 34% of test drivers asking for a quote after the drive. Apart from increasing sales, our solution created value for Alfa Romeo by substantially cutting the cost of getting product information to interested buyers.

It seems that the screen is rivalling the showroom as the best place to get new cars moving.

see for yourself: [www.alfa147.de](http://www.alfa147.de)

34% of the 1,500 test-drivers requested a quote



# Talking.

Or should we say texting? Or eMailing. (Definitely not snail-mailing). The urge to communicate seems to multiply as fast as the opportunities. 'Exponential' is the term. We're tapping into this fundamental urge (across all ages) by focusing on telecoms as one of our four key vertical markets. Our focus is paying-off. We're working with FirstMark, Siemens, Telewest, and VIAG Interkom.

Telecommunication is one of today's most dynamic industries. It became a growth industry in the nineties by paving the path for interconnected businesses and people. Managing this growth requires significant investment, not only in the necessary infrastructure but also in the acquisition and retention of customers.

The wireless space is the focal point of apparently limitless opportunities. According to Zenith Media, 37% of all Internet connections in 2003 will be via mobile phone and PDAs. PCs will account for just 29%, declining from 98% in 1999.

These opportunities are linked to the availability of higher bandwidth for mobile Internet connections. The GSM based HSCD (High Speed Circuit Switched Data) and GPRS (General Packet Radio Service), also referred to as '2.5G', are two approaches to higher bandwidth before the emergence of UMTS (Universal Mobile Telecommunications System). These opportunities are also associated with huge investments in the 3G (3rd Generation Mobile Telecommunications). Billions of Euros had to be paid by the telcos to acquire 3G licences.

Analysts estimate that a comparable amount must be invested for the new infrastructure. Telcos will only leverage their investments if they are able to develop and deliver services attractive to a wide range of customers. The inflated expectations of WAP as a route to the mobile Internet, for instance, has distracted a broad customer base of mobile web solutions.

At **syzygy** we have a proven track record of delivering innovative solutions to mobile network operators. We help them reach and manage their customers as well as support their partners. We're now preparing to deliver the next generation of mobile solutions for two key targets: The private user and the road warrior (the salesman on the road, disconnected from any main systems) powered to do business anywhere any place anytime.





# "I do." "So do I."

## The business.

VIAG Interkom sells mobile phone airtime. To do this, of course, it has to sell mobile phones and SIM cards. In theory, the more phones and SIM cards it sells, the more airtime it sells.

## The challenge.

VIAG Interkom asked us to provide a single eBusiness platform incorporating a Partner and Business Customer Portal. The new portal needed to combine their Customer Management Tool and their Retail Partner Online System. They wanted to manage customers, contracts, campaigns, orders, sales and anything else we could bring together under one system.

## The solution.

We designed and built a new portal, incorporating an extranet with a database of 24 channels, 3 programmes and 33,000 dealers to handle all trade functions.

This was allied to a business customer extranet that looked after product and price information, special offers, SIM card orders, mobile phone orders, claims, contract management and invoicing. Effectively, we combined CRM and P (Partner) RM on one platform.

## The results.

Our integrated eBusiness Platform dramatically cut costs in both order management and contract management. By encouraging business users to order SIM cards and mobile phones online it achieved a considerable sales uplift. In fact, this system has proved so efficient that mobile phones can now only be ordered online. The fax machine has been switched off.

See for yourself: [www.businessstalk.viaginterkom.de](http://www.businessstalk.viaginterkom.de)



## How VIAG Interkom married their partners and customers.



## How Siemens shifted their hardware.



# Easyware.

## The business.

Communications kit. Siemens Communications Devices develops and makes analogue and digital products. GSM mobiles. DECT cordless phones. Corded phones. ISDN products. They're present in 110 mobile networks in over 60 countries.

## The challenge.

Siemens wanted to set up an eCommerce experiment. They asked us to help with a pilot project providing an online sales interface for their 'Gigaset' digital cordless products. Fulfilment would be handled by their existing distributors. The pilot would also act as a highly scalable and flexible framework to add more products and more country sites.

## The solution.

We proposed an online 'Gigastore', the first of a pan-European chain of virtual cordless phone department stores. In parallel, we planned a series of 'Mobilestores', selling mobile phones and other products. For us, the brand identity, interface design and sales process were crucial to the success of the pilot. We wanted to maximise sales per visit, minimise churn rates and give Siemens a more dynamic and consumer-focused image.

Following pre-testing in consumer focus groups, the Gigastore was launched. It's an information-rich, reassuring and logical online shopping environment in which visitors can explore products and process their orders. It also lets Siemens cross-sell products and accessories throughout the sales process. For maximum flexibility and Internet-time responsiveness we also provided a design and online banner campaign toolbox and highly flexible navigation.

## The results.

The Scandinavian pilot site easily beat its targets. A key factor was the high percentage of multiple purchases through product cross-overs. Within 11 months, Siemens expanded the trial to 11 further markets across Europe and the Middle East. They also expanded the product range.

It achieved a compound growth rate of 10% per week, for the first 18 months and succeeded in building customer loyalty and multiple purchases, with up to 30% of online visitors returning to buy an average of 1.6 products per transaction.

Using one of his devices, Martin Huber of Siemens sent us a welcome message:

**"Partnering with syzygy has been very rewarding. The chemistry has been right. The quality of their people, their knowledge in building pan-European solutions and insights into customer behaviour in different countries has consistently impressed us."**





Since the days of The Parables, saving and investing has been a fundamental human trait. We're investing time, effort and resources in the financial services sector to capitalise on this worthy habit. It's a habit that lends itself to eBusiness techniques. As one of our four key vertical markets, the sector is delivering impressive dividends. We're working amongst others with AXA, Commerzbank, Lloyds TSB and UBS.

**Three forces are creating turmoil in the European financial services sector:**

**Globalisation:** Borders are becoming increasingly irrelevant in financial markets, as globalisation becomes prominent

**Convergence:** Banking, insurance, life, investment and card-based products and services are increasingly appearing under one roof. Organisations are acquiring and building their businesses around discrete operations and brands

**New technologies:** All the major players have now adopted new technologies, but few have yet seen real financial returns. The techno-revolution is creating headaches and opportunities.

Although still to take off with consumers, the financial services sector has invested more into creating new technology links with their market place than any other. Rapid adoption in retail banking has been driven primarily by cost saving – replacing expensive branch networks and salesforces. In the commercial and investment banking sectors the focus has been on locking-in corporate clients with wider access to online banking and information services. These have now become the key competitive drivers.

# Investing.

So far, technology introductions have had mixed results. Internet services have been slow to take off, but may soon start to challenge the telephone as the leading remote access channel. In the US, around 30% of consumer Internet users access banking facilities online. It has unfortunately created a headache for the sector in co-ordinating customer services and creating a consistent customer experience across on and offline channels.

The significant limitations of WAP have resulted in a much slower than expected take-up, although it was originally considered that online banking would be a primary driver of demand for WAP. The telecoms industry is hoping that next generation wireless will provide the answer.

In the next 3 years it's estimated that an additional 5 million customers will take up internet banking in our three main markets\*, with Western Europe achieving potentially more than double the users in the US. By 2003, nearly 50% of the world's users of wireless financial services are expected to be in Europe.\*\*

The continued heavy level of investment is not confined to banking. Insurance, life, equity trading and investment companies have also invested heavily with a view to disintermediating their markets and reducing sales and distribution costs.

#### **So what are the prospects for financial services?**

Globalisation will continue, and as it does, distribution will become not only an issue of cost but also of reach. One of the ways that Citibank has extended its global reach is to deliver via a combination of phone services for its retail customers and online services for corporate users. Charles Schwab based its European market entry strategy exclusively on its online equity transaction service.

Technology will also have more fundamental impacts: 'Virtual wallet' smart cards have already been tested in various markets around Europe and have been billed as the end of cash as we know it – as soon as 2005.

And then there's iTV which all agree has the potential to deliver online retail financial services to the masses – of major importance when governments across Europe are grappling with the question of how people can make financial provision for themselves as populations age.

However, the greatest challenge to all financial services businesses in the future will be the dramatic increase in competition. Customer knowledge presently locked up on the legacy systems of the traditional players will have to be released. The sector winners will be those players who can use this, together with new product formats and low cost distribution channels, to drive relationship programmes with both consumers and businesses.

It wasn't until 1999 that banks started to put serious investment into electronic banking channels, and then spent around USD1million a day. By 2004, the expectation is that banks will spend up to 4 times that amount.\*\*\*

We are well-placed to support both traditional and new players in developing strategic approaches to this technology driven sector, with recent experience on some of Europe's leading FS players – AXA, Barclays, Commerzbank, Lloyds TSB, and UBS.

\*&\*\*\* Source: Datamonitor \*\* Source: Meridien Research



As shopping increasingly becomes part of the leisure industry, 'retail-therapy' is no longer an alternative treatment. It's now a fundamental pastime. Across Europe, people have a basic need to fill shopping baskets (actual or virtual). As one of our four key vertical markets, the retail sector is filling our own shopping basket, with work from Dixons Stores Group, Fleurop, Jewson and La Redoute.

Pure-Play vs Brick and Clicks. In 2000, the threat from pure eTailers subsided as companies like the original Boo.com, an online fashion retailer, went under. Although online shopping more than doubled in size to an estimated £1.4 billion, this still represented less than 1% of all retail sales. It became apparent that traditional shops with an online presence – 'Bricks and Clicks' retailers – will out-perform pure eTailers.

At **syzygy** we are focussing our retail efforts on Bricks and Clicks.

We believe there are three key issues:

### **Taking cues from Customer Needs.**

Online retail can draw a parallel with the London Millennium Dome – you can build it, but the customers will not necessarily come. Traditional retailers would be well served to recognise that a transactional web site alone will not win customers. Beyond web retail, this learning is also appropriate for the next emerging retail channel – mobile commerce – where a largely uninstalled technology base may make the challenges even more difficult.

The big risk to our retail clients is getting caught up in the technology and all the cool things that it can do as well as reacting to competitors (pure-play or otherwise) rather than their customers. Those retailers that have an open conduit to their customers will make the right decision regarding these types of multi-channel customer service issues.

# Shopping.



So our focus for retail is not on bleeding-edge technologies, channels and applications, but a critical look at customer needs.

#### **Identification of Customer Value.**

The web allows companies to draw a graph of a customer's lifetime value. Clients can learn how customers end up in their fold, which are the best, which are the worst and why some abandon their electronic shopping trolley before they make the final transaction. The effect is to teach companies much more about the relative costs of acquiring and keeping customers.

As a result, there has been a big shift from acquisition to retention. The reason is partly that a click of a mouse is the fastest way ever for customers to change providers. But companies now also have the tools to exploit what they know about their existing customers.

One obvious way companies could use that knowledge is to offer different customers different prices and levels of service. So far, most have hesitated to do so. But many companies are starting to understand that they cannot offer the same quality of service to everyone. They know that the true promise of customer data is to help them to discriminate, in service quality and perhaps in price, and to target their services so that they give priority to the most profitable of their products. They also know that this will not be easy.

#### **Deriving a valuable Customer Experience.**

Consumers initiate a shopping trip to either address a need or solve a problem. The need is often very specific, like looking for a specific item such as a recently published CD by a favourite artist. The problem is often much more complex, like planning a garden or hosting a dinner party.

The customer experience requirements for each of these situations are very different, requiring different knowledge and skills on the part of the retailer.

Converting a product or service into an 'experience' helps defeat commoditisation. This produces a higher margin, greater customer loyalty, and greater customer insight.

#### **Our role**

Experience from early in our history with Boots the Chemist, Fleurop and La Redoute, has reinforced the above lessons. We are in an ideal position to take these lessons, and apply them critically to a new client's business. It's happening currently with new retail clients such as Jewson where we are applying lessons to the business to help them achieve their critical business objectives. It will happen in the future where retail clients will continue to reach these same conclusions and wish to apply sensible lessons to their businesses moving forwards.



# On stage. Online.

## The business.

Facing London's River Thames, the South Bank Centre is the hub of the world's largest cultural centre. It incorporates three concert halls – the Royal Festival Hall, Queen Elizabeth Hall and Purcell Room – as well as the Hayward Art Gallery and the National Poetry Library. During 1998/99 the centre reported an income of £22.4 million. With featured artistes as varied as Mahler, Radiohead, Chuck Close and Martin Amis, selling tickets can be a bit of a performance.

## The challenge.

Our brief was to re-develop the South Bank Centre web presence to meet a number of specific objectives. Overall, we had to generate increased revenue from online ticket sales and provide cost savings across all the centre's internet activities. Alongside these aims we needed to increase visibility for all commercial activities, and change the way audiences, artistes, promoters and customers interact with each other and with the centre. All this had to be achieved in a way that maximised the South Bank Centre brand image while re-positioning it as a non-elitist arts provider. A wider objective was to provide public education and interactivity in the arts.

## The solution.

We re-positioned South Bank Centre online as London's living, breathing online arts centre that will ultimately enable 'virtual' interaction between audiences, performers and virtual visitors. At the site's core is a fully integrated online box office with an events calendar and seat chart for each venue. Users are also sent eMails with event details targeted to seven different user types. Audiences, performers and online visitors can submit reviews, as well as comment on architectural and other developments at the centre. We're currently working closely with the South Bank Centre to develop an eMarketing strategy to maximise the site's effectiveness.

## The results.

In its first year of operation the new site increasingly met all our varied objectives. Despite no online marketing effort and limited integration with offline marketing, the delivery of online ticket sales increased by 800% and the value of online sales by 700%. Crucially, the unit cost of each transaction has been cut by 39%. We've also increased sales and visibility of other commercial opportunities and encouraged a dynamic and interactive dialogue with customers. The quadrupled site traffic and repeat traffic suggests user loyalty has substantially increased, driven by significantly higher eMail subscriptions and other CRM activities.

With a performance like that, we received a glowing review:

**'The syzygy team have been dedicated, flexible, professional and good-humoured. They've been willing to listen, and to help find creative solutions for our needs. Their expertise, advice and support have been invaluable.'**

**Kevin Wilson** Marketing Director, South Bank Centre.

See for yourself: [www.sbc.org.uk](http://www.sbc.org.uk)

## How we inter-acted at the South Bank Centre.





## How Fleurop grew and grew. And grew.



# Blooming.

## The business.

'Love. Greetings. Congratulations. Sympathy. Thanks. Sorry.' Fleurop is the world's biggest flower ordering service. Last year, 50,000 florists in over 140 countries sent out around 30 million orders. In Germany, Fleurop's 7,000 retailers delivered 4 million assorted floral messages.

## The challenge.

Two years after we developed their first online store, Fleurop came back for more. They asked us to streamline the order process to cut costs and enhance the customer experience.

## The solution.

Three clicks. We integrated simplified arrival-to-transaction design and information architecture with leading-edge, real-time order processing technologies. The fully-automated eCommerce environment is now fully integrated with all its sales outlets. We also provided a design and online banner campaign toolbox and flexible navigational structure.

Our solution, built on MS Commerce Server 3.0, employs different payment types, a secure on-line credit card authorisation via Cybercash and a way to pay safely via mobile phone using Paybox. It integrates the site with Fleurop's SAP R/3 Enterprise Resource Planning system to boost their order processing and management system. This allows orders to be forwarded automatically to the relevant local florist who delivered the flowers the same day.

At the front end, the site offers users a 'Flower Assistant' to help customers choose blooms by colour, event or mood. More conservative online shoppers can use an automatic eFax tool. On future visits, customers just need to type in their password and eMail address to send an order.

Another application allows Fleurop to follow and manage its eMarketing initiatives. Using our custom-built AdTracker, they can track visits from their off-site banners and gather precise sales figures generated per click-through.

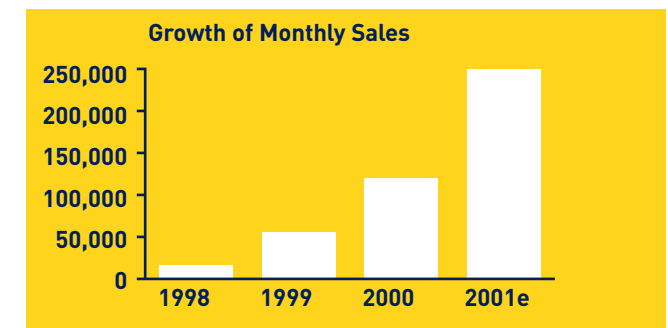
## The results.

Sales blossomed. Last year over 120,000 people ordered flowers online. In fact, fleurop.de is CyberCash's busiest German site, handling an average of 10,000 sales a month. During 2001, monthly sales are expected to grow to 20,000. Importantly, the streamlined site has also raised profits per transaction by 500%. Not surprisingly, the cost of internet orders is now much lower than Fleurop's telesales operation.

Dietrich Hubner, Fleurop's MD, didn't send us a bunch of flowers to say 'Thanks' or 'Congratulations' but he did send us this beautiful quote:

**"syzygy have substantially helped us in the development of the Fleurop online store and created the optimal conditions for effective eBusiness."**

see for yourself: [www.fleurop.de](http://www.fleurop.de)



## Employees

We employ well-rounded individuals who can see the big picture. Our people are cross-functional thinkers with an eye for the wider business environment. They speak English, German and French, not web jargon. In many ways, they embody the thinking behind our name. **syzygy** represents the alignment of technology, strategy and creativity. So do our people.

Our people have helped us grow at around 60% p. a. for the last 4 years. They realise that the Internet professional services environment is not a world for the fainthearted. It involves hard work and a rapid accumulation of knowledge on an ongoing basis.

We believe in providing career opportunities for our people. We encourage them to take on responsibilities, in the national and international arena, that they cannot find elsewhere. Our working environment is one of personal responsibility - but also high levels of teamwork. Accordingly, we've introduced a number of new people policies to continue to ensure that we provide high levels of career satisfaction.

In 2000 we hired HR teams in each office and a new Group HR Director, to ensure that we focus on providing strong people support. We also introduced an International employee exchange scheme that allows people in any one office to work in another country office for 3 months at a time. We provide apartments in each country to give our staff easy access to the respective city and our office location.

Crucially, we've also invested in building strong international management teams both at Group and country level. We believe that this is critical to ensuring that we maintain competitive advantage in operating across countries. These people have played a special part in helping us to achieve our goals.

# Smart People. Smarter team.



Our IPO has been a success. We were oversubscribed 16 times and we raised net proceeds of 55m €.

Our share price performance is positive relative to our peers. An important factor is the number of blue-chip names among our client list. These are 'old economy' names, reflecting our aim to transform Europe's leading 'bricks and mortar' organisations into profitable eBusinesses.

Without doubt, one of the highlights in 2000 was our IPO in early October. It took a lot of hard work to merge the British and German arms, integrate the French unit, and achieve the legalities associated with cross-border mergers. In the end our efforts were well received and rewarded by European investors, who oversubscribed our IPO by more than 16 times. This over subscription by both institutional and retail investors was a clear statement supporting the strength and attraction of the **syzygy** business model.

Almost 80% of the offered shares were placed with institutional investors throughout Europe, the remaining little over 20% being allocated to retail investors. Geographically, almost half of the offering was placed with German investors, a third in the UK and the rest in other European countries.

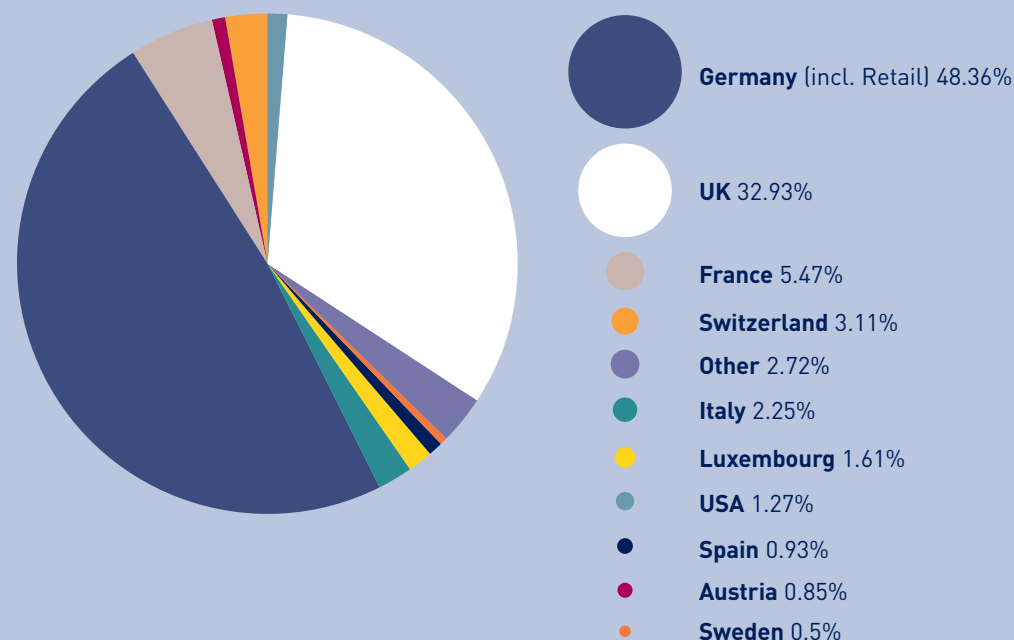
#### Share price development in a tough market environment.

We came to market during a difficult time. The Neuer Markt had already seen its 2000 peak and was declining. Naturally we're not satisfied with the development of our share price in absolute terms. From IPO on the 6th October until the end of 2000 our share price lost 59.2%. Considering the relative share price development vs our competitors, however, the picture is a little brighter.

Our closer Neuer Markt peers lost 63.4% on average while our wider Neuer Markt peer group lost 69.5. Other European competitors lost on average 65.5%. US competitors lost 60.9%. The Nemax Internet Index lost 50.0% and the Nemax Allshare Index lost 48.1% over the same time period.

# Neuer Markt. Old economy.

IPO Allocation (Geographical Breakdown)





## Share Price Performance

Of the more than 40 comparable stocks we track on a regular basis, only seven lost less than 50% of their market capitalization from 04.10. until the end of the year. Some European and US companies lost up to 90% of their share price during the period.

The share price development was primarily driven by negative high tech sentiment, supported by bad news released by our competitors. The night before our IPO one of our US competitors released a revenue and profit warning which had a significant effect on our sector in both the US and in Europe. Our share price quickly reached 22€ in the first hours of trading, but then declined like the entire sector to 17.50€.

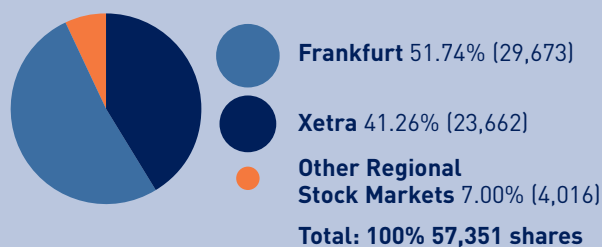
## Investor Relations.

Our investors' trust is very important to us and we aim to maintain this through transparent communication and information. During the pre-IPO road shows the Management Board ran more than 50 one-on-one and group meetings with institutional investors in Amsterdam, Cologne, Edinburgh, Frankfurt, Glasgow, London, Munich, Paris, Rotterdam and Zurich. Our retail investors are served by our internal IR team as well as a call centre, put in place for the IPO. One of the most frequently visited parts of our web site is the IR section.

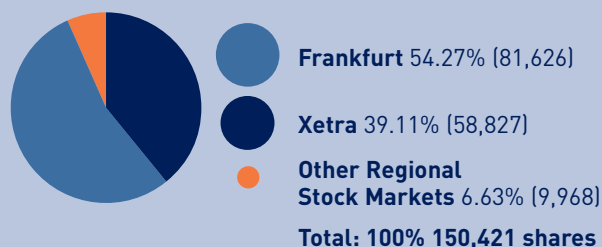
## Share Price and Volume

<b>High variable price:</b>	22.5 €
<b>Lowest variable price:</b>	6.3 €
<b>Price range:</b>	112.50%
<b>First stock price (06.10.00):</b>	21.2 €
<b>Closing price (30.12.00):</b>	7.4 €
<b>Performance:</b>	- 65.09%
<b>Average pricing:</b>	11.51 €

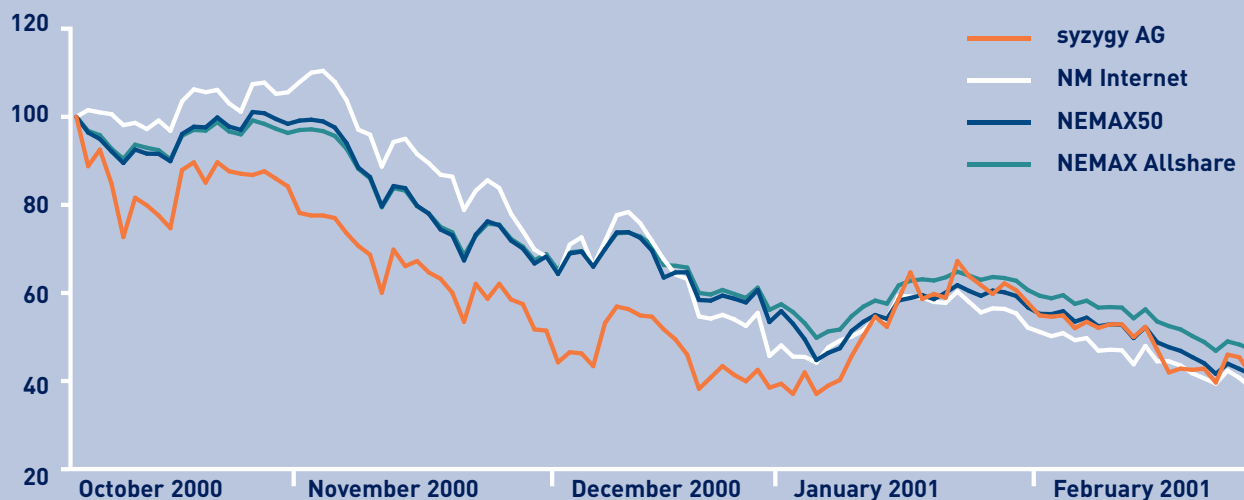
## Average Daily Turnover December 2000



## Average Daily Turnover Three Month Period (Q4)



## Share Price



**syzygy AG Share Facts**

- Internet-URL: [www.syzygy.net](http://www.syzygy.net)
- Number of shares: 12.000.000
- Market CAP: 89 Million €/closing price 7.4 € on 30.12.2000
- ISIN DE0005104806
- German Securities Code 510480 (freefloat)
- German Securities Code 510482 (locked shares)
- Abbreviation Symbol: SYZ
- Reuters Symbol: SYZG.DE
- Bloomberg Symbol: SYZ NM Equity
- Stock Exchange Centres: Neuer Markt, Frankfurt; Xetra-System, Frankfurt, Duesseldorf, Berlin, Stuttgart, Bremen, Hannover, Hamburg, Munich
- Dividend – no dividend payment. All profits will be reinvested into the company.
- DVFA / EPS: -0.08 €
- DVFA Adjusted Net Profit: 35 thousand €
- Sector Index: Nemax Internet

- CDAX-Sector: Software
- Designated Sponsors: HSBC Trinkaus&Burkhardt KgaA, WestLB Panmure
- First listing: 06.10.2000
- Start listing Nemax: 06.10.2000
- Greenshoe: not used
- Analysts: Peter Barkow, Ryan Bremner (HSBC) Sarah Paulke (WestLBPanmure)
- IPO Lead Manager: HSBC
- IPO Co-Lead: Westdeutsche Landesbank Girozentrale
- Bookbuilding: 17.00-20.00 €
- IPO-pricing: 20 €
- First stock price: 21.20 €
- Freefloat (without employees): 3,226,824 (non-value ordinary bearer shares)
- Share Price and Volume: (see chart)

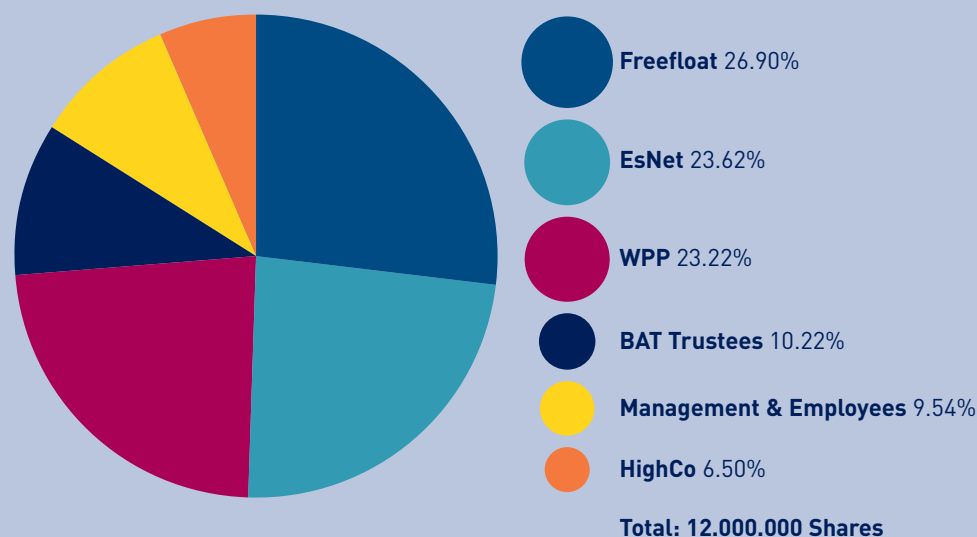
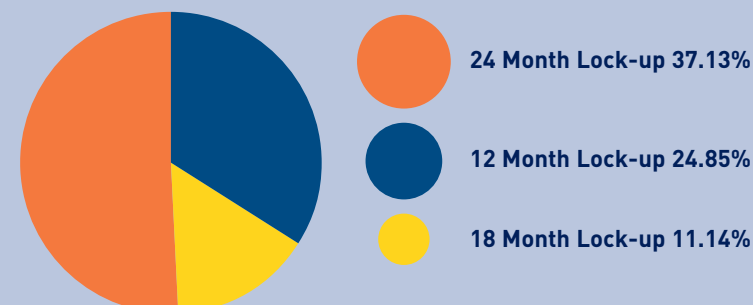
- **Contact for IR:** Joachim Sorg ([j.sorg@syzygy.net](mailto:j.sorg@syzygy.net))  
**syzygy AG**, Im Atzelnest 3, 61352 Bad Homburg v.d.H.  
telephone: +49 (0)6172 9488-100

- **Board of Directors:**  
Chris Robson (CEO)  
Sven-Roger von Schilling, (CFO)  
Marco Seiler (Member of the board)  
Frank Wolfram (CTO)

- **Supervisory Board**  
Michael Mädél, Chairman; Eric Salama, Deputy Chairman,  
John Hunt, Frederic Chevalier, Daniel W. Campbell,  
and R. Duff Thompson.

**Financial Dates:**

- **Analyst Presentation, London:** 04th April 2001
- **Release Q1-Results:** 10th May 2001
- **AGM:** 26th July 2001
- **Release Q2-Results:** 31th July 2001
- **Release Q3-Results:** 31th October 2001

**Shareholder Structure Post IPO****Shareholder Lock-up Overview**

We're not an upstart. We're not a hastily put together dotcom trying to ride the new economy wave. Our origins go back to 1995 (prehistoric, in eLanguage). That's when **syzygy** was formed in the UK and United Media started operations in Germany. The following year, Netforce was launched in France and **syzygy** embarked on its first Pan-European project. It was for Procter & Gamble, an historical fact that proves our blue-chip base is real, not virtual.

## Group Management Report 2000.

**syzygy AG** was created in 2000 through the merger of Mediopoly Ltd, United Media GmbH and Netforce S.A. The shareholders of the former organisations contributed their shares into **syzygy AG** from April to August 2000. The AG had a very successful financial year 2000. **syzygy UK** which is a 100% subsidiary of Mediopoly, United Media and Netforce significantly and profitably grew their businesses. As part of the formation process of the **syzygy Group**, the names of all operating subsidiaries were changed to **syzygy** and the country name in its native language, e.g. **syzygy France**. During the course of the year, **syzygy** also expanded into Ireland where **syzygy Ireland** was founded. **syzygy AG** will further extend and strengthen its European reach and service offering through organic growth as well as through acquisitions.

The combination of Mediopoly (and its 100% subsidiary **syzygy UK**) and **syzygy Deutschland** was accounted for as a pooling-of-interest. The inclusion of **syzygy France** on the other hand was accounted for under the purchase method and is effective as of 1st August 2000. Therefore, our actual financial statements only include the operations of **syzygy France** since August 2000. For purposes of better comparability references made below refer to pro-forma figures for which **syzygy France** was also fully included in 1999 and 2000.

### Some fundamentals:

Our revenues are derived primarily from providing professional services to clients who are creating eBusinesses or are rethinking or expanding their existing businesses to integrate eBusiness capabilities.

We expect that our revenues will be driven primarily by the number and scope of our client engagements, our professional services headcount, our ability to staff those engagements appropriately and the price of our services. In the year ended December 31, 2000, our five largest clients accounted for approximately 42% of our revenues. Although revenues from any given client will vary from period to period, we expect that significant client concentration will continue for the foreseeable future. To the extent that any significant client uses less of our services or terminates its relationship with us, our revenues could decline substantially. As a result, the loss of any significant client could harm our business and the results of the operations.

We generally provide our services on a time and materials basis. For the year ended December 31, 2000, approximately 2/3 of revenues were derived from time and material contracts that were appropriately recognized on a time and material basis. Revenues pursuant to time and material contracts are generally recognized as services are provided.

# History: we have one.

Revenues pursuant to fixed-fee contracts are recognized as services are rendered using the percentage-of-completion method of accounting. Revenues include reimbursable expenses charged to clients.

We anticipate that a larger percentage of revenues may be derived from contracts that may have fixed-fee components in the future. Substantially all clients were located within Europe and revenues were denominated in GBP or in currencies attached to the European Monetary Unit.

Cost of consultancy sold consists primarily of compensation and benefits of our colleagues engaged in the delivery of professional services. Professional services margins reflect revenues less the professional services expenses whether or not the employee's time is billed to a client. We expect that our per capita professional services expenses will increase over time due to wage increases and inflation. Our professional services margins are affected by the number of work days in a period and trends in client billability, defined as the percentage of professional services employees' time that is billed to clients, and, as such, will vary in the future.

Any significant decline in fees billed to clients or the loss of a significant client would materially adversely affect our professional services margins.

Client engagements currently average six to nine months' duration. If a client engagement ends earlier than we expect, we must redeploy professional services personnel. Any resulting unbillable time will adversely affect professional services margins.

Selling, general and administrative expenses consist of salaries, commissions, and related expenses for personnel engaged in sales; salaries and related expenses for executive recruiting, human resources, knowledge management, information technology, finance and administrative personnel; office facilities and information technology expenditures; professional fees; promotional expenses; and other general corporate expenses. We expect selling, general and administrative expenses to increase in absolute figures as we install a dedicated sales force, continue expenditures on knowledge management and information technology infrastructure, open new offices, increase our recruiting efforts and incur additional costs related to the growth of our business and operations as a public company.

#### **Slowing down overall economic development.**

During the first two quarters of 2000 the overall economic climate grew at the levels experienced in late 1999. GDP growth was less in Q3 and Q4 experienced a decline in quarterly growth rates. Overall, 2000 demonstrated a positive development despite of a severe downturn in Q4. Expenditure in the IT sector was affected similarly. Accordingly, many IT services organisations saw a decline in IT expenditures, especially during the last quarter of 2000.

However, eBusiness transformation work is developing favourably. More and more organisations see the benefits and feel the need to transform their operations into an eBusiness. Transforming a business into an eBusiness encompasses the full integration of web technologies into the business value chain in order to optimise business processes and to more effectively communicate and interact with business partners and customers. eBusiness transformation is fundamentally all about empowering the extended supply chain, which stretches from an organisation's customer to its suppliers' supplier. The sizes of the relevant markets and their forecasted evolution underline the lasting nature of this development.

#### **2000 a very successful year for syzygy.**

The 2000 financial year was a very successful year for the **syzygy Group**, which consists of the firms listed in the notes to the financial statements. The strategy of combining expertise in eBusiness consulting, design, application development and systems implementation on an European scale to assist clients in achieving monetary benefits from transforming their conventional business into an eBusiness proved to be extremely successful and a valid basis for future expansion.

### Revenues.

The increase in revenues in 2000 compared to 1999 was 56% and reflected the increase in the number of clients and wider scope of engagements during the year 2000. This was the result of our increased capacity due to additional investment in our professional services organizations. The split of revenues generated by **syzygy**'s operating entities (shown in the chart below) demonstrates how well balanced geographically the business portfolio of the Group is.

The British and the German operating units demonstrated impressive growth rates, while the French did not push sales growth strongly in order to concentrate fully on the turn around of its business.

Our Dublin office was opened in July and generated revenues of 33 thousand € during the remainder of the year.

### Operating Expenses.

The cost of consultancy sold increased in absolute terms in the year 2000 compared to 1999 primarily as a result of increases in the number of professional services personnel. The number of billable employees increased from 104 on December 31, 1999 to 165 on December 31, 2000; the total number of employees increased from 118 employees on December 31, 1999 to 190 employees on December 31, 2000.

### Selling, General and Administrative.

Selling, general and administrative expenses increased in absolute figures in the year 2000 compared to 1999. The increase was primarily due to expenses related to sales and marketing as well as the addition of recruitment, technology, finance and administration personnel, and the cost of leasing additional office space to support our growth.

Depreciation accounts for 599 thousand €, resulting in an EBITDA of 1,411 thousand € or 8.0% on sales.

### Goodwill amortisation.

The acquisition of Netforce (now **syzygy France**) resulted in a goodwill of 8,253 thousand € which is being amortised over a period of ten years.

### Interest Income and Other Income.

Net interest income increased in 2000 compared to 1999 from -10 thousand € to 542 thousand €. This increase was mainly due to the proceeds from our IPO in October 2000.

### Other Income / Expenses.

**syzygy** incurred other expenses of 844 thousand € in 2000. The largest part of these costs are non-operating IPO related costs, especially legal fees incurred for structuring our group as it stands at present.

### Net Income.

As a result of the above, net income was reduced from -1,425 thousand € in 1999 to -958 thousand € in 2000. Considering actual figures (**syzygy France** consolidated as of August 2000), **syzygy** achieved a net profit of 35 thousand €.

### Risk management at syzygy.

Apart from the usual overall economic risk, **syzygy**'s future success depends largely on our ability to hire, train and retain project and engagement managers, technical architects, strategists, engineers, design professionals, other technical personnel and sales and marketing professionals of various experience levels. Any inability to hire, train and retain a sufficient number of qualified employees could hinder the growth of our business.

Skilled personnel are in short supply, and this shortage is likely to continue for some time. The **syzygy Group** considered several ways to manage this risk in 2000.

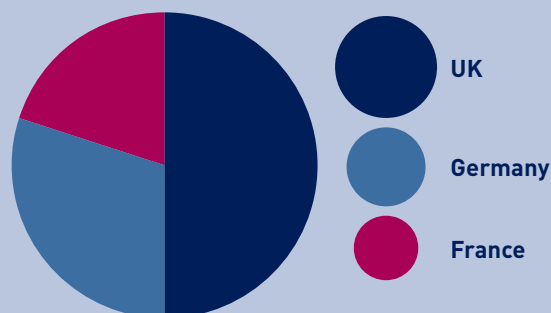
**syzygy AG** has a very attractive employee share option programme (ESOP) in which all employees of **syzygy AG** and its subsidiaries participate. The **syzygy Group** also addressed several aspects of the working environment to ensure a stimulating, empowering and satisfying enterprise culture. Flat hierarchies, motivated project teams, international assignments and exchange programs are just a few of the measures put in place.

As our average project size grows and clients opt more often for fixed-price contracts rather than time and material based contracts, the quality of project costing, management and controlling becomes more vital in order to take precautions against the risk of losing projects because of budget overruns. **syzygy** has a very precise customised project management system incorporating regular project reviews and controls.

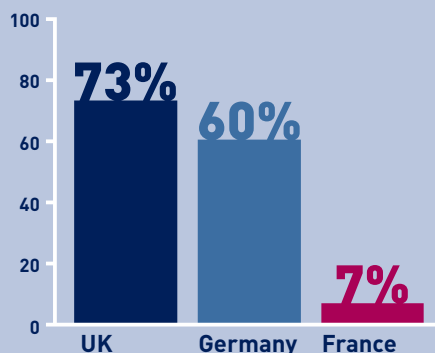
### Outlook – 2001.

We had a good 2000 but did see tougher economic conditions at the end of the year, particularly driven by the softening macro economic environment in the USA and Europe. This has continued into Q1 of 2001. We expect to see a turnaround of the IT services sector as the year progresses. Accordingly with our strong cash position, Blue-Chip client portfolio and focused strategy, we believe that we are well equipped for solid growth in 2001.

Geographic Split 2000



Growth per Country (yoy)





# Supervisory Board's Statement.

During the past financial year the supervisory board carried out the tasks required of it by law and by the articles of the association, supervised the executive board and provided it with advice. These activities were based on the executive board's detailed reports on the financial and operating position of the Group which were presented at 6 ordinary meetings of the supervisory board. In addition various members of the supervisory board held discussions with the management board regarding important strategic issues and business operations.

The supervisory board chartered two committees, the compensation committee and the audit committee. Both met once last year. The compensation committee discussed issues related to the Employee Stock Option Programme. The audit committee met with the auditors to define the focus areas for the audit of the financial year 2000.

The year end financial statements and the group financial statements were audited by Arthur Andersen Wirtschaftsprüfungsgesellschaft Steuerberatungs-gesellschaft GmbH, Eschborn / Frankfurt on behalf of the supervisory board and were given an unqualified audit certificate.

The supervisory board audited the year-end financial statements at the meeting of 15.03.2001 discussed and passed these together with the qualified auditors who were present and with the members of the executive board. The year end financial statements were approved.

At the general meeting on 27th August 2000 Frédéric Chevalier was elected member of the supervisory board.

The year 2000 was driven by the formation of the **syzygy Group**, the integration of **syzygy France** and the Initial Public Offering. We were pleased to see that **syzygy AG** did successfully achieve the above listed goals and that the **syzygy Group** again grew the business by more than 55% with increasing EBITDA on a pro forma basis by 280%.

The supervisory board continues to support the Executive Board's strategy in regard to growth and strengthening the Group's profitability. The supervisory board thanks the executive board and all the employees for their dedication and work in 2000.



**Michael Mädel** Chairman



**Eric Salama**



**Daniel W. Campbell**



**Frédéric Chevalier**



**John Hunt**



**R. Duff Thompson**



# The Numbers.

## **syzygy AG, Bad Homburg v.d.H.**

### **Report of Independent Public Accountants**

We have audited the consolidated balance sheets of **syzygy AG** and subsidiaries as of December 31, 2000 the related consolidated statements of income, cash flows, changes in shareholders' equity and notes for the year then ended. Company management is responsible for the preparation and content of the consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with professional standards prescribed by the German Institute of Certified Public Accountants (IDW) while also observing United States generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material mis-statements.

The determination of audit procedures considers the knowledge about the Company's business and legal environment as well as expectations about possible errors. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of **syzygy AG** and subsidiaries as of December 31, 2000, and the results of operations and cash flows for the year ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Our audit which also includes the management report for the fiscal period from January 1, to December 31, 2000 has not given rise to any reservations. In our opinion the management report in the consolidated financial statements conveys a suitable presentation of the situation of the Group taken as a whole and presents the risks to its future developments adequately. Additionally, we confirm that the consolidated financial statements and the group's management report for the fiscal period from January 1, to December 31, 2000 meet the requirements for an exemption to prepare consolidated financial statements and the group's management report in accordance with the rules and regulations of the German Commercial Code. An audit of the requirements for the consolidated financial statements to be in accordance with the 7th EC Directive in order to be exempted from German rules and regulations is based on the interpretation of the Directive by GAS 1 "Exempting Consolidated Financial Statements in accordance with § 292a of the German Commercial Code" issued by the German Accounting Standards Committee.

#### **Arthur Andersen**

Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft mbH

**Turowski**  
Wirtschaftsprüfer

**Zschockelt**  
Wirtschaftsprüfer

Eschborn/Frankfurt/M., February 28, 2001

# syzygy AG Consolidated Income Statements.

	Note	2000 €'000's	1999 €'000's
<b>Revenues</b>	(7)	<b>16,113</b>	<b>8,390</b>
Cost of consultancy sold		-9,706	-4,817
Sales and Marketing		-955	-320
General and Administration	(10)	-4,235	-1,998
Other operating income/expense, net		84	25
<b>Operating income</b>		<b>1,301</b>	<b>1,280</b>
Goodwill amortization	(11)	-344	0
Other income/expense, net	(12)	-844	0
Interest income/expense, net		565	39
<b>Income before taxes</b>	(13)	<b>678</b>	<b>1,319</b>
Income taxes		-643	-620
<b>Net income</b>	(14)	<b>35</b>	<b>699</b>
<b>Earnings per share (basic in EUR)</b>	(14)	<b>0.01</b>	<b>n/a</b>
<b>Earnings per share (diluted in EUR)</b>		<b>0.01</b>	<b>n/a</b>

The accompanying Notes are an integral part of the Financial Statements.

# syzygy AG Consolidated Balance Sheets.

Assets	Note	2000	1999
		€'000's	€'000's
<b>Current assets</b>			
Cash and cash equivalents	(16)	9,950	1,057
Marketable securities	(17)	45,986	0
Accounts receivable, net	(18)	4,902	2,462
Inventories		5	0
Prepaid expenses and other current assets	(19)	1,676	135
<b>Total current assets</b>		<b>62,519</b>	<b>3,654</b>
<b>Non-current assets</b>			
Intangible assets, net	(20)	8,134	0
Fixed assets, net	(21)	1,913	1,068
Other non-current assets	(22)	630	27
<b>Total non-current assets</b>		<b>10,677</b>	<b>1,095</b>
<b>Total assets</b>		<b>73,196</b>	<b>4,749</b>

Liabilities and shareholders' equity	Note	2000	1999
		€'000's	€'000's
<b>Current liabilities</b>	(23)	19	55
Bank liabilities			
Accounts payable and accrued expenses	(24)	3,044	611
Customer advances	(25)	483	19
Tax accruals and payables		979	753
Other current liabilities	(26)	1,243	18
<b>Total current liabilities</b>		<b>5,768</b>	<b>1,456</b>
<b>Non-current liabilities</b>			
Deferred taxes	(13)	0	76
Bank liabilities	(23)	0	74
<b>Total non-current liabilities</b>		<b>0</b>	<b>150</b>
<b>Shareholders' equity</b>			
Common stock*		12,000	387
Additional paid in capital		53,680	1,208
Retained earnings		1,497	1,462
Accumulated other comprehensive income		251	86
<b>Total shareholders' equity</b>	(27)	<b>67,428</b>	<b>3,143</b>
<b>Total liabilities and shareholders' equity</b>		<b>73,196</b>	<b>4,749</b>

\* Contingent Capital: TEUR 891

The accompanying Notes are an integral part of the Financial Statements.



# syzygy AG Consolidated Statements of Cash Flows.

	2000	1999
	€'000's	€'000's
Net income	35	699
Non-cash stock compensation expense	87	162
Depreciation and amortization	943	334
Changes in assets and liabilities, net of effects of acquisitions:		
- Accounts receivable	-1,529	-1,500
- Inventories	-5	0
- Prepaid expenses and other current assets	-1,299	-20
- Customer advances	464	19
- Accounts payable and accrued expenses	1,889	351
- Tax accruals and payables	-196	166
- Other current liabilities	1,216	2
- Deferred tax provision	-76	134
<b>Cash flows from operating activities</b>	<b>1,529</b>	<b>347</b>
Investments in intangible assets	-225	0
Investments in fixed assets	-1,444	-648
Increase in intangibles and other assets, net of cash		
- acquired in acquisitions	34	0
Changes in other non-current assets	-603	-1
<b>Cash flows used in investing activities</b>	<b>-2,238</b>	<b>-649</b>
Changes in bank liabilities	-110	55
Purchases of marketable securities	-45,834	0
Proceeds from IPO	61,800	0
Direct costs of IPO	-6,283	0
<b>Cash flows from financing activities</b>	<b>9,573</b>	<b>55</b>
Effect of exchange rate changes	29	120
<b>Total</b>	<b>8,893</b>	<b>-127</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,057</b>	<b>1,184</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>9,950</b>	<b>1,057</b>

The accompanying Notes are an integral part of the Financial Statements.

# syzygy AG Statements of Changes in Shareholders' Equity.

	No. of Shares Issued and Outstanding*	Common Stock*	Additional Paid in Capital	Compensation Account	Comprehensive Income	Accumulated Other Comprehensive Income	Retained Earnings	Total Equity
		€'000's	€'000's	€'000's	€'000's	€'000's	€'000's	€'000's
<b>January 1, 1999</b>	<b>387</b>	<b>387</b>	<b>1,444</b>	<b>-398</b>		<b>-34</b>	<b>763</b>	<b>2,162</b>
Net income					699		699	699
- Exchange rate differences					120			
- Other comprehensive income					120	120		120
Comprehensive Income					<b>819</b>			
Accumulated deferred compensation			-37	37				
Compensation expense for the period				162				162
<b>December 31, 1999</b>	<b>387</b>	<b>387</b>	<b>1,407</b>	<b>-199</b>		<b>86</b>	<b>1,462</b>	<b>3,143</b>
Net income					35		35	35
- Exchange rate differences					13			
- Unrealized gains on marketable - securities					152			
- Other comprehensive income					165	165		165
Comprehensive Income					<b>200</b>			
Accumulated deferred compensation			199	-199				
Compensation expense for the period				87				87
Capital increase through contribution of Mediopoly, <b>syzygy Deutschland</b> and <b>syzygy France</b>	8,523	8,523	-8,295					228
Goodwill <b>syzygy France</b>			8,253					8,253
Proceeds from IPO	3,090	3,090	58,710					61,800
Direct costs of IPO			-6,283					-6,283
<b>December 31, 2000</b>	<b>12,000</b>	<b>12,000</b>	<b>53,991</b>	<b>-311</b>		<b>251</b>	<b>1,497</b>	<b>67,428</b>

\*Not applicable for 1999 because limited liability company shares are included.

The accompanying Notes are an integral part of the Financial Statements.

# The Notes.

## Consolidated Financial Statements.

### 1 Basis for presentation.

The consolidated financial statements of the **syzygy AG**, together with its subsidiaries (collectively, “**syzygy**,” “**Group**” or “**Company**”), have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”).

### 2 Description of Company’s business.

**syzygy** primarily provides consultancy services around eBusiness solutions to large European organisations from its offices in the UK, Germany, France and Ireland. The combination of the four businesses represents a pan-European base for the continued provision of this service. **syzygy** develops and implements strategies and solutions that enable its clients to work together, and to engage and to transact with their business partners, employees and customers. Typically this involves eBusiness strategy development, solution development, specification and project planning, technical integration and the marketing and launch phase.

### 3 Consolidated Entities.

The consolidated financial statements of **syzygy** include all subsidiaries in which the parent Company holds a direct or indirect majority of voting rights.

Name of Company	Share %	Local Currency	Total Equity €'000's	Net income €'000's
Mediopoly Limited, UK	100	GBP	1,012	7
<b>syzygy UK Limited</b> , UK	100	GBP	1,659	450
<b>syzygy Deutschland GmbH</b> , Germany (formerly: United Media GmbH)	100	DEM	1,776	884
<b>syzygy France S.A.</b> , France* (formerly: Netforce S.A.)	100	FRF	407	-374
<b>syzygy Ireland Limited</b> , Ireland	100	IEP	-66	-66

\*Net income of **syzygy France** refers to the entire fiscal year 2000.

### 4 Principles of Combination.

In May 2000 the entire share capital of Mediopoly, the parent company of **syzygy UK**, and of **syzygy Deutschland** were contributed to **syzygy AG** by a share for share exchange which gave Mediopoly shareholders 60% (equals 4,758,420 shares) and **syzygy Deutschland** shareholders 40% (equals 3,166,030 shares) of **syzygy AG**. The total number of shares issued in that context was 7,924,450. In accordance with US-GAAP (APB Opinion No. 16 „Business Combinations”) this transaction was accounted for as a pooling of interest. Accordingly, the combination was recorded using the historical cost bases of Mediopoly and **syzygy Deutschland**, therefore, no recognition of goodwill was required. In addition, prior period financial statements have been retroactively restated to give effect to the merger as if it had occurred at the beginning of the earliest period presented.

As a result financial statements as of and for the year ended December 31, 1999 include the consolidated accounts of **syzygy AG**, **syzygy Deutschland**, Mediopoly and **syzygy UK**. Material intercompany transactions prior to the date the business combination was consummated did not occur.

In 1999 Mediopoly and **syzygy UK** together generated revenues of KEUR 5,164 and a net income of KEUR 393. **syzygy AG** and **syzygy Deutschland** together generated revenues of KEUR 3,226 and a net income of KEUR 336.

Legally effective in August 2000, **syzygy AG** acquired all of the 164,816 outstanding common shares of **syzygy France** for a consideration of 935,550 shares of **syzygy AG**. These had an equivalent transaction value of KEUR 8,481. This value was determined on basis of a valuation by an independent expert in May 2000 when the terms of the combination were agreed upon.

In accordance with US-GAAP (APB Opinion No. 16 „Business Combinations”) this transaction was accounted for under the purchase method, which resulted in a goodwill of KEUR 8.253. The related goodwill acquired will be amortized on a straight-line basis over a period of ten years. The results of operations of **syzygy France** are included in the consolidated financial statements since August 1, 2000.

### 5 Pro-forma information.

For information purposes a pro-forma consolidated income statement is disclosed for the years 1999 and 2000. This is done under the pro-forma assumption that the acquisition of **syzygy France** had been carried out as of January 1, 1999.

In accordance with SFAS 38 “Accounting for Preacquisition Contingencies of Purchased Enterprises (an Amendment of APB Opinion No. 16)” due to more current information the goodwill resulting from the acquisition of **syzygy France** was restated from KEUR 7,888 as disclosed in the Company’s offering prospectus as of October 6, 2000, to KEUR 8,253. The resulting effect on goodwill amortization and pro-forma net income is KEUR -37 in 1999 and 2000.

Further to that in 2000 **syzygy** changed its internal cost accounting system and its cost allocation to Cost of consultancy sold, Sales & Marketing and General & Administration. For purposes of better comparison the allocations for 1999 have been restated accordingly.

	2000	1999
	€'000's	€'000's
<b>Revenues</b>	<b>17,639</b>	<b>11,304</b>
Cost of consultancy sold	-11,295	-6,762
Sales & Marketing	-1,098	-320
General & Administration	-4,502	-4,232
Other operating income/expense, net	68	25
<b>Operating income</b>	<b>812</b>	<b>15</b>
Goodwill amortization	-825	-825
Other income/expense, net	-844	0
Interest income/expense, net	542	-10
<b>Income before taxes</b>	<b>-315</b>	<b>-820</b>
Income taxes	-643	-605
<b>Net income</b>	<b>-958</b>	<b>-1,425</b>
Earnings per share (basic in EUR)	-0.22	n/a
Earnings per share (diluted in EUR)	-0.22	n/a

## 6 Significant Accounting Policies.

### (a) Use of Estimates.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### (b) Foreign Currency Translation.

The financial statements of the fully consolidated subsidiaries foreign are translated according to the functional currency method. Since these subsidiaries are economically independent, and thus their functional currency is the local currency, their balance sheets are translated into the Group's reporting currency at median rates on the balance sheet date ("closing rate") and their income statements are translated at annual average rates.

Differences from the prior year's translation of assets and liabilities and translation differences between the balance sheet and the income statement do not affect income. The effects of foreign currency translation are included in other comprehensive income in the consolidated statements of changes in shareholders' equity.

Assets and liabilities denominated in foreign currencies are translated at the closing rate with resulting gains and losses reflected in other income/expense, net.

### (c) Revenue Recognition.

Substantially all revenues are derived from fees for manpower and production of content for digital media. Revenue is realized when the service is performed, in accordance with the terms of the contractual agreement and collection is reasonably assured. Under fixed fee consulting arrangements revenues are generally recognized in accordance with SOP 81-1 („Accounting for Performance of Construction-Type and certain Construction-Type Contracts”) using the percentage of completion method. Provisions for estimated losses on uncompleted contracts are made in the period such losses are determined.

In limited instances the Company is compensated only when a project has been completed. In such cases, the Company recognizes revenue when it has performed substantially all of its duties in relation to the project. Some of these projects specify milestones during the life of the project and assign a portion of the total project revenue to those milestones. In such instances, revenue attached to a particular milestone is recognized when the Company has performed substantially all of its duties in relation to the milestone and the client has accepted the deliverable.

### (d) Advertising.

Advertising costs are expensed as incurred. Advertising expenditure was KEUR 189, KEUR 129 for the years ended December 31, 2000 and 1999 respectively.

### (e) Current Assets.

Cash equivalents include highly liquid investments with original maturities of three months or less.

Inventories consist of merchandise for resale and are stated at cost or market value, whichever is lower.

Accounts receivable are stated at their nominal value, which approximates fair market value. Included in accounts receivable are unbilled receivables related to fixed fee consulting arrangements. Allowances are provided when deemed necessary to reduce accounts receivables to their estimated net realizable value after giving consideration to specific customer and regional economic risks.

Other current assets are shown at their nominal value, which approximates fair value. Prepaid expenses are determined by allocating expenses to the periods to which they are attributable.

Marketable securities are considered available-for-sale. Accordingly these securities are valued at fair market value at the balance sheet date with unrealized gains/losses included in other comprehensive income.

### (f) Accruals and Liabilities.

Accrued liabilities are recorded when an obligation to a third party has been incurred, payment is probable and reasonably estimable. In determining accrued liabilities, all applicable costs are taken into consideration.

Liabilities are shown at the amounts payable, which approximate fair market value.

#### **(g) Web site Development Costs and Other Intangible Assets.**

Internal and external costs incurred in the planning or conceptual development of the Company's web site are expensed as incurred. Once the planning of conceptual development of a web site enhancement project has been achieved, and the project has reached that application or development stage, the following costs are capitalized as intangible assets:

- External direct costs of materials and services used in the project,
- Payroll and payroll related costs for employees who are directly associated with and who devote time to the project (to the extent of the time spent directly on the project)

Other than that intangible assets include purchased software.

All intangibles are amortized on a straight-line basis over their estimated useful lives, which normally is 3 years.

#### **(h) Fixed Assets.**

Fixed assets include leasehold improvements and other equipment and are recorded at historical cost and are depreciated for financial reporting purposes over their estimated useful lives on a straight-line or reducing balance basis. Maintenance and minor repairs are charged to operations as incurred. Leasehold improvements are depreciated on a straight-line basis over their estimated useful lives or the term of the lease, whichever is shorter. Operational and office equipment is depreciated on a straight-line basis, normally over a period of 3 or 4 years.

#### **(i) Accounting for Long-Lived Assets.**

The Company periodically evaluates the recoverability of the carrying amount of its long-lived assets in accordance with Statement of Financial Accounting Standard No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to be disposed of" ("SFAS 121").

Whenever events or changes in circumstances indicate that the carrying amounts of those assets may not be recoverable over the remaining amortization period, the Company will compare undiscounted net cash flows estimated to be generated by those assets to the carrying amounts of those assets. To the extent that these cash flows are less than the carrying amounts of the assets, the Company will record impairment losses to write the asset down to fair value. During the years ended December 31, 1999 and 2000, management believes that no such impairment exists.

#### **(j) Accounting for Stock-Based Compensation.**

As permitted by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), the Company applies the intrinsic value-based method in accordance with Accounting Principles Board Opinion 25 ("APB 25") for its employee stock-based compensation plans. Under APB 25, the Company records expenses relating to its stock-based compensation plans over the vesting period based upon the stock options' intrinsic value on the reporting date. See Note (15) for a description of the Company's plan and for a summary of the pro-forma effects on reported net income and earnings per share based on the fair value of stock options as prescribed by SFAS 123.

#### **(k) Deferred Taxes.**

Deferred taxes are accounted for under the asset and liability method of accounting in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period of enactment.

Net operating loss carryforwards that are available to reduce future taxes are recognized as deferred tax assets. Such amounts are reduced by a valuation allowance to the extent that it is more likely than not that some portion or all of the deferred tax assets will not be realized.

#### **(l) Comprehensive Income.**

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"), requires companies to separately report the components of comprehensive income which is comprised of net income and other comprehensive income. Other comprehensive income comprises the change in equity from transactions and other events not affecting net income except those resulting from investments by owners and distributions to owners.

Both other comprehensive income and comprehensive income are disclosed in the consolidated statements of changes in shareholders' equity. Other comprehensive income includes currency translation differences and unrecognized gains and losses from marketable securities considered available for sale.

#### **(m) Cash Flows.**

The consolidated statements of cash flows show the effect of inflows and outflows during the course of the fiscal year on the Group's cash and cash equivalents, and has been prepared in accordance with Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows" ("SFAS 95"). The statement distinguishes between cash flows from operating activities, investing activities, and financing activities.

The only material non-cash investing activity in 2000 relates to the acquisition of **syzygy France** in 2000 for a consideration in shares of **syzygy AG** as described under note (4).

Cash payments made in 2000 for taxes amounted to KEUR 692 (1999: KEUR 599) and for interest KEUR 20 (1999: KEUR 12).



#### (n) New Accounting Pronouncements.

- SFAS 133, SFAS 137 and SFAS 138 - "Accounting for Derivative Instruments and Hedging Activities"

In June 1998, the FASB issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 establishes principles requiring that all derivative financial instruments (including those incorporated in other contracts) be reported at their market values as assets or liabilities in the balance sheet. The standard requires that changes in market values of derivatives be considered as affecting the operating results, unless specific criteria have been fulfilled for treating these changes as "hedges". In this case, gains/losses from changes in the fair value of derivatives can be offset against the corresponding counter-item in the profit and loss statement (for fair value hedges) or recorded as a component of other comprehensive income (for cash flow hedges). In order to achieve hedge accounting, it is necessary that the Company formally documents the hedging relationships and demonstrates initial and on-going evaluation of their effectiveness.

SFAS 133 was originally intended to come into effect for fiscal years beginning after June 15, 1999. SFAS 137 postponed the introduction to fiscal years beginning after June 15, 2000. With SFAS 138 several changes to SFAS 133 were introduced.

The Company expects that this new guideline will have no material effects on its results of operations, financial position or cash flows.

- SFAS 134, 135, 136 and 139

These statements introduced between October 1998 and June 2000 are not relevant for the Company.

- SFAS 140 - "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities"

In September 2000, the Financial Accounting Standards Board issued SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", which replaces SFAS No. 125. SFAS 140 provides the accounting and reporting standards for securitizations and other transfers of financial assets and collateral. These standards are based on consistent application of a financial-components approach that focuses on control. This Statement also provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. SFAS 140 is effective for transfers after March 31, 2001 and is effective for disclosures about securitizations and collateral for fiscal years ending after December 15, 2000. The Company does not anticipate that this standard will have a material impact on its results of operations, financial position or cash flows.

#### 7 Revenues and Segment Reporting.

The Company's wholly-owned businesses operate within the pan-European market. These business provide a variety of consultancy services around eBusiness solutions to large European organizations.

The group is managed by geographical area. Accordingly, segments refer to the four operating companies in the UK, Germany, France and Ireland. These companies are managed locally and, to a major extent, operate in their local markets independently. The holding companies (syzygy AG and Mediopoly) serve all operating entities and therefore are segregated. The different segments follow the same accounting principles as the group. Transactions between segments have been eliminated.

A summary of the Company's operation and allocation of assets by geographic area as of December 31, 2000 and 1999 and for the years then ended is presented below:

	2000	1999
	€'000's	€'000's
<b>Revenues:</b>		
UK	8,957	5,164
Germany	5,184	3,226
France	1,939	0
Ireland	33	0
Holding companies in Germany and UK	0	0
	<b>16,113</b>	<b>8,390</b>
<b>Operating income:</b>		
UK	779	635
Germany	1,242	654
France	179	0
Ireland	-66	0
Holding companies in Germany and UK	-833	-9
	<b>1,301</b>	<b>1,280</b>
<b>Depreciation included in operating income:</b>		
UK	335	203
Germany	174	131
France	44	0
Ireland	3	0
Holding companies in Germany and UK	13	0
	<b>569</b>	<b>334</b>

	2000	1999
	€'000's	€'000's
<b>Current Assets:</b>		
UK	2,188	2,062
Germany	2,139	1,220
France	1,977	0
Ireland	39	0
Holding companies in Germany and UK	56,176	372
	<b>62,519</b>	<b>3,654</b>
<b>Fixed assets:</b>		
UK	1,252	938
Germany	582	130
France	57	0
Ireland	18	0
Holding companies in Germany and UK	4	0
	<b>1,913</b>	<b>1,068</b>

In 2000, three customers each accounted for more than 10% of total revenues. These were Telewest (KEUR 1.704), Mazda (KEUR 1.680) and Boots (KEUR 1.643). In 1999, no customers accounted for more than 10% of total revenues.

### 8 Cost of Purchased Services and Materials.

Cost of services and materials, which is included in various operating expenses in the consolidated income statements for the years ended December 31, are as follows:

	2000 €'000's	1999 €'000's
Cost of purchased services	5,303	777

### 9 Personnel Expenses / Number of Employees.

Personnel expenses, which are included in various operating expenses in the consolidated income statements for the years ended December 31, are as follows:

	2000 €'000's	1999 €'000's
Salaries and wages	7,178	4,855
Social security	1,078	834
	<b>8,256</b>	<b>5,689</b>

The average number of employees was as follows:

	2000 €'000's	1999 €'000's
	<b>140</b>	<b>96</b>

### 10 Other Operating Income / Expense, net.

	2000 €'000's	1999 €'000's
Employee usage of company cars	28	28
Reversal of accruals	13	0
Other	43	11
	<b>84</b>	<b>25</b>

### 11 Other Income / Expense, net.

Almost the entire amount of KEUR 844 is comprised of legal and consultant fees relating to the structuring of **syzygy** Group prior to the IPO.

### 12 Interest Income / Expense, net.

	2000 €'000's	1999 €'000's
Interest and similar income	585	51
Interest expense	-20	-12
	<b>565</b>	<b>39</b>

### 13 Income Taxes.

	2000 €'000's	1999 €'000's
Domestic income taxes	384	362
Foreign income taxes	259	258
	<b>643</b>	<b>620</b>

In 2000, deferred taxes of KEUR 0 (1999: KEUR 60) are included.

German corporate tax law applies a split-rate with regard to the taxation of the income of a corporation and its shareholders. In accordance with the tax law in effect for 1999 and 2000, retained corporate income is initially subject to a federal corporate tax rate of 40% plus surcharges of 5.5% on corporate income taxes payable.

Including the impact of the surcharges the federal corporate tax rate amounts to 42.2%.

The tax rate for municipal trade taxes was 14.9%. Since municipal trade taxes are deductible from the corporate income tax base this leads to a combined statutory rate of 50.8% in 1999 and 2000.

The effective tax rate of **syzygy** Group for the years ended December 31, 2000 and 1999, was 94.8% and 47.0%, respectively. The table below shows the reconciliation of the current German statutory retained earnings corporate income tax rate of 40% and the effective tax rate:

	2000 €'000's	1999 €'000's
Income before taxes	690	1,319
Non-deductible expenses:		
- Goodwill amortization	344	0
- Compensation expense	87	162
Taxable income	1,109	1,481
German trade tax on income	165	221
Income after German trade tax	944	1,260
Corporate income tax	378	504
German trade tax on income	165	221
Solidarity surcharge	21	28
Tax effect on current year losses	444	0
Foreign tax rate differential	-105	-133
Tax refund from dividend distribution	-260	0
	<b>643</b>	<b>620</b>

Changes to German tax laws, effective in 2001, were enacted in October 2000. The new laws reduce the existing German corporate tax rates from 30% for distributed earnings and 40% for undistributed earnings to 25% for both, effective 2001. Additionally, capital gains and losses realized on the sale of securities of German corporations are exempt beginning on January 1, 2002. Capital gains and losses realized on the sale of securities of foreign corporations are most likely exempt effective in 2001 (certainly exempt in 2002).

As described in Note (6) deferred taxes arising from temporary differences have been computed based on the tax rates enacted for the years in which such differences are expected to reverse.

Deferred tax assets and liabilities are summarized as follows:

[+] Assets / [-] Liabilities	Term	2000	1999
		€'000's	€'000's
Accounts receivable	short	6	0
Loss carryforwards <b>syzygy AG</b>	short and long	530	0
Loss carryforwards <b>syzygy France</b>	short and long	180	0
Intangibles	short	-48	0
Marketable securities	short	-57	0
Intangibles	long	-42	-76
Deferred taxes, net		570	-76
Allowance		-570	0
		<b>0</b>	<b>-76</b>

The loss carryforwards of **syzygy AG** do not expire, those of **syzygy France** expire within the next five years.

#### 14. Earnings per Share.

Earnings per share have been calculated in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"). In arriving at earnings per share, the total allocated earnings is divided by the weighted average number of shares outstanding to which the earnings are allocated. The Company's stock options are considered for the diluted earnings per share calculations to the extent they have a dilutive effect.

No calculation of EPS for 1999 is presented, since the combined share capital disclosed mostly includes shares of **syzygy Deutschland**, which was a limited liability company and therefore, had no shares outstanding.

Before May 2000 the companies' share capital still included shares in limited liability companies. The average number of shares was calculated on basis of **syzygy AG**'s shares only:

	Thsd.	Month Outstanding	Weighted Thsd.
<b>syzygy AG</b>	50	12	50
Capital increase from contribution of Mediopoly, <b>syzygy Deutschland</b> and <b>syzygy France</b> , net	8,523	5	3,551
Capital increase from IPO	3,090	3	773
<b>Average number of shares, basic</b>			<b>4,374</b>
Net income in €'000's			35
Basic EPS in €			<b>0.01</b>
Maximum Dilution			493
<b>Diluted EPS (in €)</b>			<b>0.01</b>

#### 15 Stock Based Compensation.

**syzygy** has issued two different stock based compensation plans for its employees. The objectives of both plans include attracting and retaining personnel and promoting the success of the Company by providing employees the opportunity to acquire shares.

Under Accounting Principles Board Opinion No. 25, the Company recognized a total compensation expense of KEUR 87 and KEUR 162 in the periods ended December 31, 2000 and 1999 respectively.

##### (a) Employee Share Scheme.

On September 23, 1998, Mediopoly introduced a stock based compensation plan which consisted of the allocation of a second class of equity term "A shares".

The shares were allocated in 3 tranches. The first tranche of shares were granted to senior management. When this offer was made Mediopoly and its 100% subsidiary **syzygy UK** were considered an immature business, valued by management at £2.0 m. (£17.03 per ordinary share). The second and third tranches were made to other employees.

By this time, based on management's estimate of the fair market value, the companies was valued significantly in excess of that at January 1, 1997, at £ 8.0m. (£68.11 per ordinary share) on December 31, 1998 and £12.0 m. (£102.17 per ordinary share) at September 30, 1999. The A shares granted had no expiration date as to their conversion into ordinary shares.

The A shares were allocated as follows:

Date of Resolution	Number	Alloted
January 1, 1997	6,000	September 23, 1998
December 31, 1998	3,221	April 14, 1999
June 30, 1999	408	June 30, 1999

30% of the A shares were convertible into ordinary shares 1 year after date of grant, 30% after 2 years and 40% after 3 years. At December 31, 2000, none of the shares granted had been converted into ordinary shares and 1,002 have been forfeited.

In the course of the merger with **syzygy AG** and **syzygy Deutschland** the conditions of this program were changed. Instead of conversion into shares of Mediopoly, the A-Shares were converted into shares of **syzygy AG**. Nevertheless employees who were granted such shares have restrictions with regards to selling these shares that correspond to the original vesting conditions of the former A shares.

As these shares have been granted to the employees without charge the resulting total compensation expense to be spread over the vesting period (KEUR 361) reflects the full fair market value of the shares granted based on the valuations as described above. Compensation expenses for this plan were KEUR 68 in 2000 (KEUR 162 in 1999). As there are no variable components or performance criteria, the expenses resulting from this plan are fixed.

### (b) Employee Stock Option Plan.

On September 13, 2000, the Company's shareholders approved an employee stock option plan. Under this plan, each stock option may be exercised in exchange for one share of **syzygy AG** over a maximum of 7 years subject to vesting requirements. So far three tranches have been issued:

	Issued	Exercise Price
October 6, 2000	910	22.00
October 12, 2000	363,309	12.00
November 6, 2000	128,412	14.00
<b>Total issues</b>	<b>492,631</b>	
Weighted average exercise price		12.54

30% of the A shares are convertible into ordinary shares 1 year after date of grant, 30% after 2 years and 40% after 3 years. At December 31, 2000, none of the shares granted had been converted into ordinary shares and 1002 have been forfeited.

For the options granted on October 6, 2000, and November 6, 2000, exercise prices were above the fair market value of **syzygy AG**'s shares at the date of grant. The fair market value of **syzygy AG**'s shares on October 12, 2000, was EUR 12.65, resulting in a total compensation expense to be spread over the vesting period of KEUR 236. Compensation expenses for this plan were KEUR 19 in 2000. As there are no variable components or performance criteria, the expenses resulting from this plan are fixed.

As of December 31, 2000, none of the outstanding stock options were exercisable and none forfeited.

### (c) Pro-forma Information.

SFAS 123 requires disclosure of pro forma information regarding net income and earnings per share as if the Company had accounted for its stock-based awards granted to employees using the fair value method. The fair value of the Company's stock based awards was estimated as of the date of grant using the Black-Scholes option-pricing model.

The fair value of the Company's stock-based awards described above was calculated using the following weighted average assumptions:

Expected Life	6 Years
Riskfree interest rate	5.40 %
Expected Volatility	70.00 %
Expected dividends	0.00 %

For pro forma purposes, the estimated fair value of the Company's stock-based awards is amortized over the vesting period. The Company's pro forma information for the year ended December 31, 2000 is as follows:

Net income in €'000's:	
Net Income as reported	35
Net income pro-forma	-30
Earnings per share in €:	
Basic as reported	0.01
Diluted as reported	0.01
Basic – pro-forma	-0.01
Diluted – pro-forma	-0.01

The weighted-average fair value of all stock options granted during 2000 was EUR 4.21.

The effects of applying SFAS 123 on pro forma disclosures of net income and earnings per share for 2000 are not likely to be representative of the pro forma effects on net income and earnings per share in the future since the assumptions used to determine fair value can vary significantly.

### 16 Cash and Cash Equivalents.

	2000	1999
	€'000's	€'000's
	<b>9,950</b>	<b>1,057</b>

Cash and cash equivalents include cash, current bank accounts and interest bearing time-deposits with maturities under 3 month.

### 17 Marketable Securities.

	2000	1999
	€'000's	€'000's
	<b>45,986</b>	<b>0</b>

Marketable securities include interest bearing bonds (KEUR 31,707) of different maturities and investment certificates (KEUR 14,279). All securities are classified as "available-for-sale" and therefore, are disclosed at market value. At December 31, 2000 market value was KEUR 152 higher than acquisition cost. The resulting unrealized gains are recorded under other comprehensive income.

### 18 Trade Accounts Receivable.

	2000	1999
	€'000's	€'000's
Accounts receivable, trade, gross	4,963	2,488
Unbilled receivables	0	54
	<b>4,963</b>	<b>2,542</b>
Less:		
Allowance for bad debt	-61	-80
<b>Accounts receivable, trade, net</b>	<b>4,902</b>	<b>2,462</b>

Receivables with recognizable risks are provided for by adequate allowances, while uncollectible receivables are written off.

## 19 Prepaid Expenses and Other Current Assets.

Prepaid expenses and other current assets for the years ended December 31, 2000 and 1999 consist of the following:

	2000 €'000's	1999 €'000's
Tax receivables	925	41
Interest receivables	400	0
Prepaid expenses	237	82
Other	114	12
	<b>1,676</b>	<b>135</b>

Tax receivables mostly relate to VAT. Prepaid expenses include advance payments for rent and insurance.

## 20 Intangible Assets.

	Goodwill €'000's	Web site development cost & Software €'000's	Total €'000's
Acquisition cost Jan. 1, 2000	0	24	24
Additions	8,253	263	8,516
Acquisition cost Dec. 31, 2000	8,253	287	8,540
Accumulated amortization Jan. 1, 2000	0	24	24
Amortization of the period	344	38	382
Accumulated amortization Dec. 31, 2000	344	62	406
<b>Net book value Dec. 31, 2000</b>	<b>7,909</b>	<b>225</b>	<b>8,134</b>
<b>Net book value Dec. 31, 1999</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 21 Fixed Assets.

	Leasehold improvements €'000's	Office equipment €'000's	Total €'000's
Acquisition cost Jan. 1, 2000	364	1,493	1,857
Additions	279	1,097	1,376
Disposals	0	63	63
Acquisition cost Dec. 31, 2000	643	2,527	3,170
Accumulated depreciation Jan. 1, 2000	65	724	789
Depreciation of the period	40	491	531
Disposals	0	63	63
Accumulated depreciation Dec. 31, 2000	105	1,152	1,257
<b>Net book value Dec. 31, 2000</b>	<b>538</b>	<b>1,375</b>	<b>1,913</b>
<b>Net book value Dec. 31, 1999</b>	<b>299</b>	<b>769</b>	<b>1,068</b>

## 22 Other Non-Current Assets.

	Share %	2000 €'000's	1999 €'000's
Rue de Commerce S.A., France	5.88	512	0
Eurecrate S.A., France	9.67	7	7
Investments		519	7
Rental deposits		111	20
		<b>630</b>	<b>27</b>

The Company's investments are accounted for under the cost method of accounting. The cost method is used when the Company has an ownership of less than 20% and does not exercise significant influence over the operating and financial policies of the company. The shares have been recorded at acquisition cost which do not materially differ from their estimated fair values.

## 23 Bank Liabilities and Lines of Credit.

	2000 €'000's	1999 €'000's
<b>Overdraft</b>	<b>19</b>	<b>55</b>
<b>Long-term bank debt</b>	<b>0</b>	<b>74</b>

As of December 31, 2000, no lines of credit were available. The carrying value of all bank liabilities approximates their fair value.

## 24 Accounts Payable and Accrued Expenses.

	2000 €'000's	1999 €'000's
Accounts payable	2,145	515
Accruals:		
- Outstanding invoices	439	48
- Financial statement preparation and audit	164	13
- Vacation days outstanding	83	31
- Legal and consulting fees	49	0
- Employee bonuses	40	0
Other	124	4
	<b>3,044</b>	<b>611</b>

## 25 Customer Advances.

	2000 €'000's	1999 €'000's
	<b>483</b>	<b>19</b>

These mainly relate to cash advances made by customers in France and Germany.



## 26 Other Current Liabilities.

	2000 €'000's	1999 €'000's
Loans from shareholders	414	0
Salaries	288	0
Social Security	264	15
Other	277	3
	<b>1,243</b>	<b>18</b>

The loans from shareholders reflect a non-interest bearing short term loan of KEUR 414 that was given by HighCo S.A., France, in 2000.

## 27 Shareholders' Equity.

Refer to the statement of changes in shareholders' equity in the consolidated financial statements.

### (a) Common Stock.

At December 31, 2000, common stock was comprised of 12,000,000 no-par ordinary bearer-shares. However, such shares have a stated value of EUR 1.00 per share. All of these are issued and outstanding.

The shareholders of the Company as of December 31, 2000 were as follows:

	Shares in '000's	%
WPP Group (UK) Ltd. (directly and through subsidiaries)	2,786	23.2
EsNet, Ltd.	1,563	13.0
E-Net Two LLC	1,273	10.6
BAT Trustees	1,227	10.2
Marco Seiler	798	6.7
HighCo S.A.	775	6.5
Christopher Robson	228	1.9
Freefloat	3,350	27.9
	<b>12,000</b>	<b>100</b>

Because of the presentation requirements resulting from accounting for the business combination as described under note (4) as a "pooling of interest" prior years value includes the combined share capital of **syzygy AG**, Mediopoly, **syzygy UK** and **syzygy Deutschland**. The share capital of **syzygy AG** as of December 31, 1999 was KEUR 50.

With a shareholders resolution as of June 7, 2000, the share capital of **syzygy AG** was increased from KEUR 50 by KEUR 8,860 through contributions of the shares in Mediopoly (KEUR 4,758), **syzygy Deutschland** (KEUR 3,166) and **syzygy France** (KEUR 936). This capital increase was legally effective as of August 3, 2000.

With a shareholders resolution as of September 13, 2000, the share capital of **syzygy AG** was increased by KEUR 3,090 through contribution in cash.

### (b) Authorized and Contingent Capital.

With a shareholders resolution as of September 13, 2000, the executive board was authorized, subject to the approval of the supervisory board, to issue additional no-par bearer-shares which may be issued through the period ending September, 2005. The issuance of all of these additional shares would increase subscribed capital by KEUR 4,455 (authorized capital). No such additional shares were issued during the fiscal year.

Additionally, the executive board was authorized to issue a maximum of 891,000 additional shares (contingent capital) in conjunction with the employee stock option program as described under note (15 (b)). Contingent capital represents shares that are not yet issued or outstanding. As of December 31, 2000 a total of 492,631 of stock options to purchase the same number of **syzygy** common shares had been granted to employees of the group.

### (c) Additional Paid in Capital.

The change of additional paid in capital of KEUR 52,472 is primarily related the proceeds (KEUR 58,710) from the IPO on October 6, 2000, less direct cost of the IPO (KEUR 6,283).

## 28 Commitments and Contingencies.

### (a) Litigation.

The Company is subject to occasional lawsuits, investigations and claims arising out of the normal conduct of business. Management does not believe that the outcome of any claims, asserted or unasserted, will have a material adverse impact on the Company's financial position or results of operations.

### (b) Operating Leases.

The group companies have entered into lease rental agreements for various facilities and vehicles. The future annual minimum payments from these agreements amount to

Year	€'000's
2001	1,077
2002	864
2003	864
2004	344
2005 and thereafter	1,119

Total rental expense under operating leases amounted to KEUR 903 for the year 2000 and KEUR 633 for the year 1999.

### (c) Contingent Liabilities.

Company had no contingent liabilities as of December 31, 2000 and 1999.

### 29 Related Party Transactions.

HighCo S.A., France, being one of the major shareholders of **syzygy AG** and the former 100% shareholder of **syzygy France**, gave **syzygy France** a non-interest bearing short term loan of KEUR 414.

Other than that in the years ended December 31, 2000 and 1999 no material related party transactions occurred.

### 30 Subsequent Events.

There were no significant subsequent events after yearend to be reported.

### 31 Significant Differences Between German and U.S. Accounting Principles

#### (a) Introduction.

Being a holding corporation that owns the majority of shares in other companies, **syzygy AG** is generally obliged to prepare consolidated financial statements in accordance with the accounting regulations set out in the German Commercial Code ("Handelsgesetzbuch-HGB"). Section 292a HGB offers an exemption from this obligation if consolidated financial statements are prepared and published in accordance with internationally accepted accounting principles (e.g. US-GAAP). Nevertheless, when using this exemption rule it is required to describe the significant differences between the accounting methods applied and German accounting methods.

#### (b) Fundamental Differences.

German HGB accounting rules and U.S. GAAP are based on fundamentally different perspectives. While accounting under the German HGB emphasizes the principle of caution and creditor protection, the availability of relevant information for shareholder decision-making is the chief objective of US-GAAP. The comparability of the financial statements – both from year to year and from company to company – and the determination of performance on an accrual basis therefore are more strongly emphasized under US-GAAP than under HGB.

#### (c) Accounting for Business Combinations.

Because of the presentation requirements resulting from accounting for the business combination as described under note (4) as a "pooling of interest" prior year's balance sheet as well as the statements of income, cash-flow and changes in shareholders' equity include the combined figures of **syzygy AG**, Mediopoly, **syzygy UK** and **syzygy Deutschland**. According to German GAAP such a retroactive presentation of a business combination is not permitted. Therefore prior year's figures to be disclosed according to German GAAP would only refer to **syzygy AG**.

The balance sheet and income statement of **syzygy AG** for the year ended December 31, 1999, were as follows:

	1999 €'000's
<b>Balance Sheet</b>	
<b>Assets</b>	
Other Assets	1
Cash and cash equivalents	48
<b>Total</b>	<b>49</b>
<b>Liabilities and shareholders' equity</b>	50
Common stock	-1
Loss of the year	49
<b>Total</b>	<b>49</b>
<b>Income Statement</b>	
Other operating expense	1
<b>Loss of the year</b>	<b>-1</b>

#### (d) IPO-Costs.

According to US-GAAP direct cost related to an IPO are offset net of tax effects from the proceeds from the IPO. According to German GAAP such expenses are to be recorded in earnings.

#### (e) Web site Development Cost.

According to German GAAP it is generally not permissible to capitalize internal cost for developing intangible assets. Under US-GAAP certain direct cost for developing the companies web site must be capitalized.

#### (f) Deferred Taxes.

Under German GAAP, deferred tax assets are not recorded for net operating losses. Under US-GAAP, deferred tax assets are recorded for net operating losses and a valuation allowance is established when it is more likely than not that deferred tax assets will not be realized.

### **(g) Marketable Securities.**

Under German GAAP, marketable debt and equity securities are valued at the lower of acquisition cost or market value at the balance sheet date. Unrealized losses are included in earnings. Under US-GAAP, marketable debt and equity securities are categorized as either trading, available for sale or held to maturity. The Company's securities are considered to be available for sale and, therefore, are valued under US-GAAP at fair market value as of the balance sheet date. Unrealized gains and losses for available for sale securities are reported net of tax, in other comprehensive income.

### **32 Board of Directors.**

**Chris Robson** (CEO)

Management **syzygy UK**

Director, Thirst Limited, UK

Director, eSubstance Limited, UK

**Sven-Roger von Schilling** (CFO)

**Marco Seiler**

Management **syzygy Deutschland**

**Frank Wolfram** (CTO)

Management **syzygy Deutschland**

Other than those named above, the members of the board of directors do not hold any supervisory board or similar positions. Total remuneration of the board of directors was KEUR 408. During 2000, a total number of 151,128 stock options with an average exercise price of EUR 12.23 were granted to the board of directors.

### **33 Supervisory Board.**

**Michael Mädel** (Chairman)

President J. Walter Thompson

Europe, Middle East and Africa

**Eric Salama** (Deputy Chairman)

CEO wpp.com

WPP Director of Strategy

Director of The Grass Roots Group plc

Director of Metapack Ltd.

Trustee of the British Museum

**Dan Campbell**

General Managing Partner, EsNet, Ltd.

Board of Trustees, Utah Valley State

Board of Directors, of NuSkin Enterprises Inc.

**Frédéric Chévalier**

CEO HighCo S.A.

Supervisory Board, Kiosque Eco S.A.

Supervisory Board, Scan Coupon S.A.

Supervisory Board, Kenya S.A.

Supervisory Board, Editum S.A.

Supervisory Board, Jeune 2000 S.A.

**John Hunt**

CEO Obongo Inc.

**R. Duff Thompson**

General Managing Partner, EsNet, Ltd.

The supervisory board received no remuneration.

February 28, 2001

### **Executive Board**

Chris Robson

Sven-Roger von Schilling

Marco Seiler

Frank Wolfram

# The Glossary.

**ASP** (Application Service Provider) is a company that offers individuals or enterprises access over the Internet to application programmes and related services that would otherwise have to be located in their own personal or enterprise computers.

**Content Management** provides the platform for the client to manage and share content internally and amongst its partners and suppliers.

**COM+** is an application Server facilitating a runtime environment for components under Windows 2000

**CRM** (Customer Relationship Management) is an information technology and marketing industry term for methodologies, software and organisational models that help an enterprise to manage customer relationships across multiple customer touch points, e.g. CallCenters, Outlets and the Web sites.

**DECT** (Digital Enhanced Cordless Telecommunications) is a digital wireless telephone technology that is designed particularly for small areas with large numbers of users, such as in cities and corporate complexes.

**Digital Medium** describes new physical and non-physical communications media, such as satellite, wireless and fibre optic transmission, which use digital as opposed to analogue technologies.

**Digital fast track** is an accelerated development process of **syzygy** that seeks to deliver high quality solutions within a short time-frame, typically on a fixed-time, fixed-cost basis.

**eBanking** is the provision of retail and wholesale banking and related financial services via the Internet and other digital channels.

**eBusiness** is the electronic process-oriented structuring of business processes within or between companies.

## **eCommerce**

The term eCommerce applies to electronically processed transactions between suppliers and buyers.

**End-to-End eCommerce** is a one-stop series of electronically processed transactions which travel from customer request through payment, order, warehouse and shipping processing with electronic tracking throughout.

**eMail** is electronic mail.

**ERP** (Enterprise Resource Planning) software integrates all manufacturing and related applications for an enterprise, including: financial, human resources, sales automation, data warehousing, document management, after-sales service and support.

**IC Verify** is a payment processing software product and system.

**Interactive TV** allows the viewer to interact with a television set in ways other than simply controlling the channel and the volume and handling videotapes. Typical interactive TV uses are selecting a video film to view from a central bank of films, playing games, voting or providing other immediate feedback through the television connection, banking from home, and shopping from home.

## **Internet**

A worldwide computer network consisting of interconnected networks running a common family of network protocols called TCP/IP.

## **mCommerce**

mCommerce or Mobile Commerce is eCommerce transacted via such mobile terminals as mobile telephones.

### **Personalisation**

Personalisation is the process of enhancing customer loyalty and value. It involves customising some feature of a product or service so that the customer enjoys more convenience, lower cost, or some other benefit.

### **PDF**

PDF (Portable Document Format) is a file format that has captured all the elements of a printed document as an electronic image that you can view, navigate, print, or forward to someone else. PDF files are created using Adobe Acrobat, or similar products. PDF files are especially useful for documents such as magazine articles, product brochures, or flyers in which you want to preserve the original graphic appearance online.

**Platform** is a virtual basis for various interest groups to input and download information and services.

**Portal** is a Web site providing access to the Internet.

The term portal refers to a Web site serving as a “portal to the Internet”, a frequently used start address for surfing in the World Wide Web. Portal operators often provide their users with the technical capability of accessing the Internet.

**Protocol** is a definition of a language determining the communication between technical terminals.

**SyCOMAX** is a **syzygy**-designed and built content management product. XML-based, SyCOMAX allows business and communications professionals to use the Internet as part of their daily activities, and is especially relevant to firms using the Internet as a key media, investor, recruitment and supplier communications channel.

**WAP** stands for wireless application protocol, a transmission standard for wireless communications.

**XML** is an abbreviation which stands for extensible mark-up language. This is more or less a standard for the generation of structured documents on the World Wide Web. XML extends the capabilities of its predecessor language SGML.





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