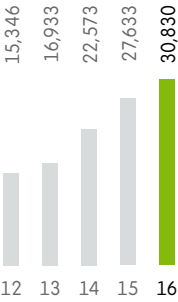


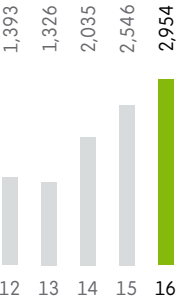
S/Z/G/

Key financial figures

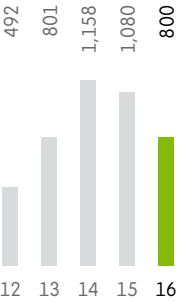
Sales
in kEUR



Operating income
in kEUR



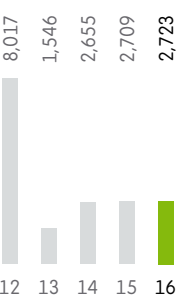
Financial income
in kEUR



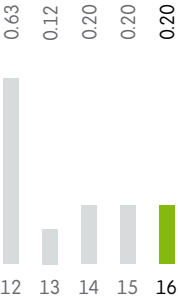
Income before taxes
in kEUR



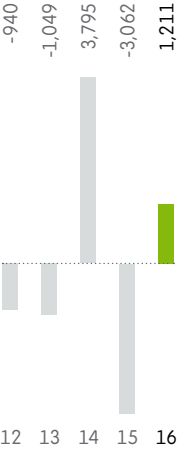
Net income
in kEUR



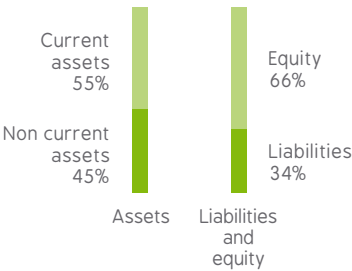
Earnings per share
(undiluted)
in kEUR



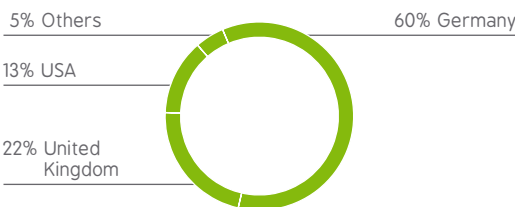
Operating cash flow
in kEUR



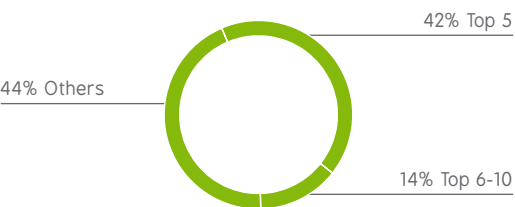
Balance sheet structure



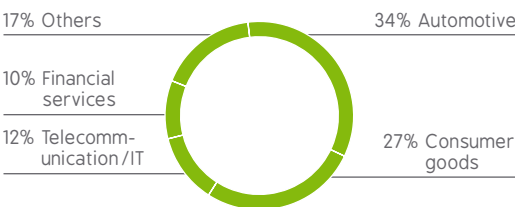
Sales by segments



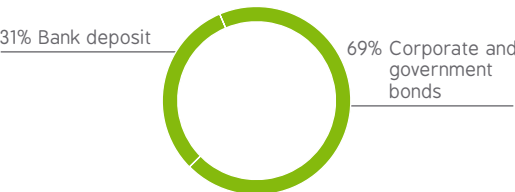
Sales by clients' volume



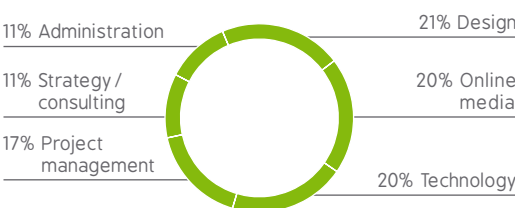
Sales allocation by vertical markets



Portofolio structure of cash and marketable securities



Employees by function



Shareholder structure



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Business development and management report

	2. Quarter			January-June		
	2016	2015	Change	2016	2015	Change
	kEUR	kEUR		kEUR	kEUR	
Sales	16,405	13,974	17%	30,830	27,633	12%
EBITDA	1,899	1,501	27%	3,698	3,090	20%
EBITDA margin	11.6%	10.7%	0.9pp	12.0%	11.2%	0.8pp
EBIT	1,479	1,208	22%	2,954	2,546	16%
EBIT margin	9.0%	8.6%	0.4pp	9.6%	9.2%	0.4pp
Financial income	404	524	-23%	800	1,080	-26%
Net income	1,376	1,315	5%	2,723	2,709	1%
Earnings per share (EUR)	0.10	0.10	0%	0.20	0.20	0%
Employees incl. freelancers	602	528	14%	602	528	14%
Liquid assets	21,772	26,987	-19%	21,772	26,987	-19%
Operating cash flow	1,070	-1,900	n.a.	1,211	-3,062	n.a.

1. General

The following Group Management Report provides information on the performance of the SYZYGY Group (hereinafter referred to as "SYZYGY", the "Group" or the "Company"). The consolidated financial statements on which the Group Management Report is based have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial year corresponds to the calendar year.

2. Group profile

2.1. Business activities and structure

The SYZYGY Group is an international provider of creative, technological and media services for digital marketing. Overall, the Group had around 600 employees, including freelancers, at locations in Germany, the UK, Poland and the US as at the balance sheet date.

The Group consists of SYZYGY AG as the holding company and ten subsidiaries: Ars Thanea Rozbicki s.k.a., Hi-ReS! Berlin GmbH, Hi-ReS! London Ltd, SYZYGY Deutschland GmbH, SYZYGY Digital Marketing Inc., SYZYGY München GmbH, SYZYGY UK Ltd, uniquedigital GmbH and Unique Digital Marketing Ltd.

In April 2016, the SYZYGY Group acquired 70 per cent of the shares in Berlin-based company USEEDS® GmbH. The stake in USEEDS® enables the Group to enhance its services around the customer experience.

The SYZYGY Group's operating units cover the entire digital marketing value chain: from strategic consulting to project planning, concepts and design to technical realisation of brand platforms, business applications, websites, hosting, digital campaigns and mobile apps. Online marketing services such as media planning, search engine marketing and optimisation and affiliate programmes are also a major business area. In addition, SYZYGY helps clients meet customer experience and usability requirements and assists them at every stage of the user-centred design process. Digital illustrations, animations and the development of games for smartphones and tablets round off the range of services.

The business focus is on the automotive, telecommunications/IT and consumer goods industries, as well as financial services.

2.2. Group management

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

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

Financial performance indicators

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

Non-financial performance indicators

SYZGY does not use any non-financial performance indicators for managing the Group or for management decision-making. In line with its style of corporate management, which is based on sustainable growth, SYZGY has nonetheless identified non-financial factors that are considered to be important for the long-term success of the Group. Some of these are listed below.

Employees

As a service provider, the Group's performance depends to a very significant extent on the skill and commitment of its employees. In order to retain them and gain new talent, SYZGY seeks to offer its staff an interesting, diverse and pleasant working environment. This includes regular internal and external training and development activities, attractive locations that provide an inspiring work environment and welcoming office space with room for creativity, interaction and personal contacts, an open and communicative management culture, flexible working hours, cooperation with universities to promote the next generation of talent, and corporate events. SYZGY has also introduced a standardised pension scheme in the form of direct insurance, which is subsidised by the company.

Management Board

Marco Seiler, founder of the SYZGY Group, will leave SYZGY at the end of August 2016 after more than 21 years with the company. Lars Lehne, who was appointed to the Management Board of the SYZGY Group in April this year, took over as CEO on July 7, 2016, after Marco Seiler stepped down from the post.

Capacity for innovation

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

With the aim of anticipating this change and playing an active role in shaping it, the SYZGY Group organises a Digital Innovation Day, at which international thought leaders and bestselling authors discuss innovation issues relating to digital marketing.

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

Awards

Winning prestigious awards for creative work and efficiency is an important indicator of the Group's performance. It also enhances the Group's attractiveness to (potential) clients and employees. SYZGY regularly participates in national and international competitions.

3. Economic report

3.1. General economic development

Buoyed by domestic economic activity, the Eurozone economy made a surprisingly positive and dynamic start to 2016. In the first three months of the year, the Eurozone's gross domestic product (GDP) increased by 0.5 per cent compared with the previous quarter. A number of special effects had a favourable impact and flattered the growth rate. They also limited opportunities for expansion in the second quarter of 2016. Consequently, ongoing subdued growth of only 0.3 per cent from April to June resulted in the weakest quarter since Q4 2014. The rate of growth in June remained unchanged from May due to the fact that the upturn in the industrial sector was more than compensated for by the slowdown in the service sector.

The European economy is affected not only by external risks, such as slower growth in emerging markets and geopolitical tensions, but also by internal EU factors including the Italian banking crisis, a continued weak economy in Greece, the debt crisis in Spain and Portugal, the influx of refugees and high volumes of distressed loans in parts of the European banking system. Brexit and its as yet unknown consequences have also led to an increase in uncertainty. Meanwhile, experts anticipate a recovery in oil prices, which could remove a source of support for the markets.

The continuing weakness of the euro is helping exports, while extremely loose monetary policy with easy and cheap access to funds is stimulating a revival of investment activity. This, coupled with a gradual improvement in the labour market, is generating positive momentum in the Eurozone. There are positive signs of convergence among the large member states of the Eurozone, which is crucial for the stability of the currency zone in the medium term. In 2016, the European Commission expects growth of 1.6 per cent in the Eurozone and 1.8 per cent in the EU.

The leading research institutes – ifo, INSEE and ISTAT – revised their forecasts slightly downward after the Brexit referendum and expect gross domestic product (GDP) to grow in real terms by 0.4 per cent in the third quarter and by only 0.3 per cent in the fourth quarter of 2016.

The German economy started the year with a strong first quarter and grew by 0.7 per cent compared with the previous quarter. State spending on integrating and accommodating refugees acted like a small stimulus package. After the buoyant start to the year, Germany is likely to have experienced a slight dip in the growth curve in the second quarter.

The ifo Business Climate Index for Germany's commercial sector fell surprisingly sharply to 105.8 points in February this year, before climbing back up to 108.7 points, the highest level of the year so far, by June 2016. Respondents were more satisfied with the current business situation, while the outlook for the next few months improved significantly. The ifo Business Survey for the service sector indicates an improvement in sentiment, with the business climate indicator rising to a healthy 27.2 balance points. Service providers are more optimistic about the coming months, but have once again slightly scaled back plans to expand their workforce. This data was collected before the outcome of the Brexit referendum was announced.

Berlin-based economic research institute DIW expects growth of around 0.3 per cent in the second quarter compared with the previous quarter and confirms that service sectors are driving growth at present.

Experts from the ifo Institute predict that the UK's decision to leave the EU will have only a slight dampening effect on the German economy this year and next year, with growth 0.1 per cent lower in 2016 and 0.1-0.2 per cent lower in 2017. Weaker exports and reduced investment will have only a minor impact and will not meaningfully endanger the recovery that the German economy has been experiencing for the last three years. By contrast, the DIW warns of a significant reduction in British imports affecting the automotive, chemical and pharmaceutical industries, and fears that growth of Germany's economy could be half a percentage point lower in the coming year. The significant decline in demand and associated impacts are likely to be exacerbated by the depreciation of sterling against the euro.

The UK economy started the new year with GDP growth of 0.4 per cent compared with the final quarter of 2015. This growth was driven by private households and the state; investment on the part of companies declined by 0.6 per cent and exports by 0.4 per cent. Economists expect the slowdown to continue in the course of the year, with some observers believing a recession is possible. The economic experts at Standard Life Investments predict growth of just 0.2 per cent in 2017, against an expectation of 2.1 per cent prior to the result of the Brexit referendum.

In the first three months of the year, the US economy expanded by 1.1 per cent, 0.3 per cent less than in the fourth quarter of 2015. For 2016 as a whole, IMF experts expect growth of 2.2 per cent, which could accelerate to 2.5 per cent in 2017, attesting to the good health of the world's largest economy.

In Poland, surprisingly weak economic growth put pressure on the currency. The Polish economy grew by only 2.4 per cent in the second quarter, which was around 1 per cent below analysts' expectations. Economists from the BRE Bank talk of a drastic slowdown and predict interest rate cuts.

3.2. Advertising market performance

Statistics for the performance of the advertising market in the second quarter of 2016 were largely unavailable when this report was being prepared. SYZYGY also accepts that the validity of advertising statistics is limited since different survey methods produce widely different results and forecasts. Given the generally robust economy in the first two quarters of 2016 and mostly positive forecasts for the year 2016 as a whole, it can nonetheless be assumed that companies have tended to increase their marketing budgets.

Uncertainty following the Brexit vote is also having a major impact on the advertising market. It is not yet clear what consequences the UK's decision to leave the EU will have for the digital and advertising sector.

Information provider Nielsen reports that the German advertising market performed well in the first quarter of the year compared with the same period of the previous year, thus continuing the trend of the previous year. The overall market grew by 5.6 per cent and gross expenditure of EUR 6.9 billion was recorded. If April 2016 is included in the analysis, the increase is actually 6.6 per cent, with a total of EUR 9.4 billion being spent. In view of the major sporting events that were still taking place in June, this growth trend is likely to have intensified in the first half of the year overall. In the mobile advertising segment, sales were up 42.5 per cent in the first quarter; however, spending fell by 3.7 per cent in the Internet segment.

According to the IPA Bellwether Report, uncertainty caused by the EU referendum became apparent in the UK advertising industry at the end of the first quarter of 2016. 21 per cent of respondents indicated that marketing budgets had increased in the first three months of the year, while 18 per cent reported a decrease. Growth was 3.0 per cent in total. The forecast for 2016 as a whole is 3.3 per cent, but this does not yet reflect the Brexit decision.

3.3. Employees

The headcount at the SYZGY Group increased further in the period covered by the report. The SYZGY Group had a total of 546 permanent employees as at June 30, 2016. This increase of 71 people compared with March 31, 2016, or 64 compared with the end of the same period of the previous year, was primarily due to the

integration of 42 employees from USEEDS[®] into the Group. Growth in the SYZGY Group's other operating companies also led to a corresponding expansion of the workforce.

The number of freelancers was around 56 (based on FTEs) as at the reporting date, 10 more than in the first half of 2015.

341 people (62 per cent) worked in the six German companies and 111 (20 per cent) in the UK agencies. Ars Thanea employed 75 people (14 per cent) as at the end of the quarter, while SYZGY Digital Marketing in New York had a staff of 19.

In terms of employees by function, there were no significant changes during the period under review compared with year-end 2015. The technology section now comprises 20 per cent of employees (Q4 2015: 23 per cent). The proportion of staff in the design section (21 per cent) and in online marketing (20 per cent) increased slightly by two and one percentage points respectively. 11 per cent of employees were employed in strategy/consulting as at the end of the first half of the year. A slight fall from 18 to 17 per cent was seen in project management. 62 people worked in administration as at the end of the reporting period. This corresponds to 11 per cent of the workforce, the same proportion as at the end of 2015.

On average over the period, 593 people – including around 60 freelancers – worked for the SYZGY Group. Annualised sales per head were therefore EUR 110,000 (previous year: EUR 104,000, with an average headcount of 534).

3.4. Investments, research and development

SYZYG Y invested around EUR 0.3 million in intangible assets and fixed assets in the first half of 2016. This consisted of investment in equipment for employees at the SYZYG Y Group's various locations.

3.5. Net assets, financial position and results of operations of the SYZYG Y Group

3.5.1. Results of operations

The SYZYG Y Group reports billings and sales. The sales figures are arrived at by deducting media costs from billings. Media costs are incurred in the online marketing subsidiaries as transitory items on the revenue and expenses side.

In the period under review, the SYZYG Y Group achieved significant growth with regard to both figures. Billings were up 8 per cent to EUR 74.2 million compared with the same period of the previous year, while sales advanced by 12 per cent to EUR 30.8 million. In both cases these were once again records for a half-year period.

The key factor contributing to this strong performance was the acquisition of new clients. The performance of existing clients was variable: car manufacturers in particular reduced their budgets in the first half of the year compared with the same period of the previous year, while other client segments grew. Overall, business with existing clients remained broadly unchanged. Expanding the business into new markets also boosted growth, with the closer relationship with WPP having a noticeably positive impact even though the effects have been limited to date.

SYZYG Y generated 34 per cent of its sales from clients in the automotive industry, 9 percentage points fewer than in the prior-year period. The consumer goods sector accounted for around 27 per cent of sales, an increase of 3 per

cent, while 12 per cent was generated from companies in the IT and telecommunications industry (previous year: 11 per cent). The proportion of sales attributable to clients from the financial sector increased to 10 per cent, up from 8 per cent in the same period of the prior year. Some 17 per cent of sales came from firms that cannot be assigned to any of these four key areas. Shifts resulted from the integration of USEEDS® and also from weaker investment spending in the automotive sector in the first half of 2016.

56 per cent of SYZYG Y's total sales were generated from its ten largest clients, a slight drop of 6 percentage points compared with the same period in the prior year.

Foreign currency effects had a negative impact on sales in the reporting period, holding back growth by around EUR 0.5 million or 2 per cent. In particular, sterling tended to be weak during the course of the year. The outcome of the Brexit referendum is expected to reinforce this trend. The average rate of exchange for sterling was EUR 1.36 in the prior-year period and EUR 1.29 in the reporting period. The Polish zloty also fell slightly in value, while the US dollar remained steady on average during the period.

3.5.2. Operating expenses and depreciation

The cost of sales rose by 8 per cent to EUR 21.8 million, thus increasing at a slightly slower rate than sales. Gross margin increased accordingly by 2 percentage points to 29 per cent.

At EUR 3.2 million, general administrative costs rose by 27 per cent compared with the previous year's figure. The growth of the SYZYG Y Group and in particular acquisition-related expenditure led to additional administrative expenses in the period covered by the report.

Sales and marketing costs totalled EUR 3.1 million in the first half of 2016, representing an above-average rise of 23 per cent. New business activities and marketing measures in the first half of the year and the holding of the Digital Innovation Day were key factors in this regard.

Depreciation of fixed assets amounted to EUR 0.7 million, which was slightly up on the corresponding period of the prior year (EUR 0.5 million).

3.5.3. Operating income and EBIT margin

The SYZGY Group's operating profit rose by 16 per cent, increasing from EUR 2.5 million to EUR 3.0 million or a 9.6 per cent EBIT margin compared with the same period of the previous year. A positive aspect to note is that all segments made a contribution to the strong results.

Foreign currency effects had little impact on operating income. The EBIT margin did not change, even though conversion of the profit and loss statement and thus of operating profit resulted in a lower absolute value due to the weaker British pound and weaker Polish zloty. The impact was also not significant in absolute terms, at under EUR 0.1 million.

3.5.4. Financial income

SYZGY generated financial income of EUR 0.8 million in the reporting period through active management of liquid funds. This figure is below the previous year's level and corresponds to an annualised return of 6.5 per cent on average available liquidity reserves. Financial income primarily comprises interest income from corporate bonds and gains realised on securities. Around one quarter of the securities held are now US dollar bonds, as the interest rate is higher in US dollars than for euro-denominated bonds with a comparable credit rating and the US dollar is relatively strong.

3.5.5. Income taxes, net income, earnings per share

Buoyant business performance at the SYZGY Group is reflected in pre-tax income of EUR 3.8 million. In the same period of the previous year, the figure was EUR 3.6 million, meaning that pre-tax income increased by 4 per cent. After taxes of EUR 1.0 million, net income was EUR 2.7 million.

Undiluted earnings per share were EUR 0.20 for the first half of 2016, based on the average available 12,717 thousand shares qualifying for participation in the profits and after deducting minority shares of EUR 0.2 million. This corresponds to the level of the same period in the prior year.

3.5.6. Segment reporting

In accordance with IFRS 8, which is based on the management approach, SYZGY uses geographical criteria to report segments and thus distinguishes between Germany, the UK, the United States and other segments. The latter category includes Ars Thanea. Under IFRS 8.13, this company is not big enough to be reported as a geographically independent segment.

Growth of the SYZGY Group was driven chiefly by the US and German segments.

Strong performance continued in the US. The fact that the Company is now doing more work for AVIS USA significantly boosted business at the US subsidiary. In addition, the shift in sales of approx. EUR 0.7 million from the UK segment to the US, and also Ars Thanea's new business in the American market, contributed to this growth. As a result, the American agency's sales increased from EUR 1.5 million in the same period of the previous year to EUR 4.0 million in the first half of 2016.

The German agencies were able to boost their sales significantly by 15 per cent to EUR 19.1 million in the first half of the year. Operating income rose by 10 per cent to EUR 3.0 million.

The UK segment generated sales of EUR 6.9 million, thus remaining 18 per cent or EUR 1.5 million below the previous year's level. At EUR 0.8 million, operating income was also down slightly, although an EBIT margin of 11 per cent still represented strong profitability. At around EUR -0.5 million, foreign currency effects had a significant impact on sales within the segment. The EBIT margin and operating income were barely affected by the weaker British pound, however.

Sales of EUR 1.5 million were generated in "Other segments", representing growth of 13 per cent. Operating income amounted to EUR 0.2 million, corresponding to an EBIT margin of 17 per cent.

The breakdown of sales by segment was as follows in the first half of 2016: 60 per cent of revenue was generated by the German companies, 22 per cent by the UK agencies, 13 per cent by the US segment and 5 per cent by Ars Thanea. With regard to EBIT, 65 per cent came from the Germany segment, 17 per cent from the UK segment, 13 per cent from the US segment and 5 per cent from other segments.

3.5.7. Financial position

SYZYGY had liquidity reserves totalling EUR 21.8 million as at the balance sheet date, corresponding to a decrease of EUR 5.0 million or 19 per cent compared with December 31, 2015. While liquid funds were up EUR 2.9 million to EUR 6.7 million, securities holdings declined to EUR 15.1 million.

69 per cent of funds were invested in corporate bonds, while 31 per cent were accounted for by bank deposits. The average residual maturity of the bonds was 6.6 years.

Total cash flow of the SYZYGY Group was positive as at the reporting date, at EUR 3.1 million. This performance is mainly due to positive cash flow from business operations of EUR 1.2 million and to positive cash flow from investment operations of EUR 2.1 million. This includes the sale (EUR 17.6 million) and purchase (EUR -9.8 million) of securities, and the acquisition of consolidated companies (EUR -4.7 million).

In particular, net income of EUR 2.7 million and depreciation of EUR 0.7 million contributed to positive operating cash flow. These effects were reduced by higher capital accumulation, whereby receivables increased by EUR 1.5 million in line with sales growth while short-term debt capital remained largely unchanged. At the balance sheet date, shifts had occurred between the provisions, advance payments and trade payables, which largely offset each other.

Cash flow from financing activities was negative due to the payment of dividends to minority shareholders of EUR -0.1 million.

3.5.8. Asset situation

The SYZYGY Group's total assets rose to EUR 78.5 million as at the reporting date. The increase of EUR 1.0 million compared with December 31, 2015 represents a small rise of 1 per cent.

Non-current assets increased by around 16 per cent to EUR 35.2 million. This increase is attributable to the acquisition of a stake in USEEDS°.

Current assets fell by EUR 3.8 million, or 8 per cent, to EUR 43.4 million. This was due to both a reduction in securities and in liquid funds of EUR 5.0 million (-19 per cent) to EUR 21.8 million and a rise in trade receivables by 8 per cent to EUR 20.1 million.

At EUR 52.2 million, equity was EUR 1.0 million or 2 per cent above the figure as at December 31, 2015, corresponding to an equity ratio of 66 per cent.

Other accumulated net income was EUR -1.4 million, EUR 2.1 million below the figure as at December 31, 2015. This item mainly comprises unrealised rate changes for foreign exchange positions and unrealised price changes on securities.

At EUR 23.7 million, current liabilities were at virtually the same level as at year-end 2015 (EUR 23.9 million). This mainly includes the reduction of EUR -2.6 million to EUR 5.2 million in accounts payable and a rise in other provisions from EUR 7.1 million to EUR 10.2 million.

4. Outlook

4.1. Forecasts

As with any private-sector business, the SYZYGY Group is subject to factors over which it has no control. Changes in the general economic environment and sentiment, both actual and perceived, can have a positive or negative impact on the group's growth. In particular, it is currently not possible to predict the direct and indirect consequences of the UK's departure from the EU. Uncertainty will remain elevated and have a dampening effect on the UK economy if the exit negotiations last for months, or even years, and details of future arrangements around trade, migration and the movement of capital between the UK and the EU stay unclear.

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

The SYZYGY Group draws up its forecasts on the basis of its organic development. Acquisitions can have a positive or negative effect on the future growth of the Group and are included in forecasts only after a transaction is completed.

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

4.2. General economic situation

SYZYGY currently expects moderate growth in the Group's core markets. Overall, factors that are likely to promote economic growth predominate.

It is expected that Germany will again grow more strongly than other European countries. Nevertheless, uncertainty and pessimism with regard to economic forecasts will also be felt here as a result of the Brexit vote and its consequences.

The ZEW Indicator of Economic Sentiment for Germany, published by the Centre for European Economic Research in Mannheim, fell sharply to its lowest level since November 2012. According to the experts, the outlook for economic activity in the Eurozone is also weak: the Indicator of Economic Sentiment for the Eurozone fell by more than 30 points to -14.7 points. In June, economists from the OECD, the Bundesbank, the DIW and the ifo Institute confirmed their forecasts of between 1.6 and 1.8 per cent for growth in Germany for the current year.

In July, the International Monetary Fund made a downward adjustment to its annual forecast for 2017 in the wake of the Brexit vote. In their updated forecast, the IMF experts estimate that the Eurozone will grow at a rate of 1.4 per cent; in Germany, the economy is expected to grow by only 1.2 per cent. Economists believe the outcome of the vote will hit the UK economy the hardest – they estimate growth of only 1.7 per cent in 2016 (-0.2 per cent) and 1.3 per cent in 2017, cut back from 2.2 per cent.

4.3. Advertising market

The general state of the economy is one of the main factors that determines companies' willingness to invest in marketing campaigns. All of the following estimates and forecasts were published in an uncertain economic environment before the outcome of the Brexit vote had been announced, so their relevance is limited. Nevertheless, in view of the mostly positive economic outlook at present, SYZYGY expects advertising budgets to rise in 2016. It is also to be expected that online advertising will continue to grow as a proportion of total budgets.

For the overall German market, media agency network Carat forecasts growth of 1.8 per cent in 2016 and 1.7 per cent in 2017. The main drivers of growth in 2016 continue to be online video advertising, with an increase of 21 per cent, and mobile advertising, with 44 per cent.

In the UK, which along with Germany is one of the top 5 advertising markets in the world, industry experts from ZenithOptimedia expect the overall market to grow by 9.2 per cent in 2016, and at an average of 6.1 per cent a year to 2018. Measured by growth, the UK is the largest mobile advertising market in the world after China, with mobile media accounting for more than half of Internet advertising (51 per cent).

This year, 28 per cent of the UK's total advertising spend will be allocated to mobile media, rising to an anticipated 39 per cent in 2018. A recent analysis by ZenithOptimedia examining the negative impact of Brexit on the UK advertising market concluded that leaving the EU could cost the UK market GBP 70 million a year in advertising growth.

The ZenithOptimedia study forecasts 3.6 per cent growth in advertising spend in North America in 2016, with an average of 3.1 per cent growth a year to 2018.

4.4. Expected performance of the SYZYGY Group

Although the macroeconomic outlook is marked by uncertainty, SYZYGY believes that conditions are very favourable for further growth. The continuing shift of marketing budgets to digital channels is an additional source of support and impetus. Having said that, purely online advertising, to which the above statistics refer, represents just one aspect of the complex digital marketing sector and only makes up part of the Group's portfolio of services.

The SYZYGY Group is maintaining the forecast given in the interim report of March 31, 2016, and expects to be able to increase its sales in the current financial year to approximately EUR 65.0 million. Operating income is expected to increase slightly ahead of sales. The Germany, US and Other segments will contribute to growth, while the UK segment will record a drop in sales.

The results of the SYZYGY Group will be determined by the performance of the operating units and the future interest income of SYZYGY AG.

*Responsibility statement by the legal
representatives in accordance with section
37y WpHG (German Securities Trading Act)
in conjunction with section 37w para. 2
No. 3 WpHG*

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

Bad Homburg v. d. H., July 29, 2016
The Management Board

Consolidated balance sheet

Assets	06/30/2016	06/30/2015	12/31/2015
	kEUR	kEUR	kEUR
Non-current assets			
Goodwill	29,578	26,643	25,080
Other Fixed assets, net	3,680	3,480	3,345
Other assets	638	702	674
Deferred tax assets	1,259	1,236	1,259
Total non-current assets	35,155	32,061	30,358
Current assets			
Cash and cash equivalents	6,721	6,737	3,841
Marketable securities	15,051	20,250	22,946
Accounts receivable, net	20,148	19,167	18,632
Prepaid expenses and other current assets	1,456	1,466	1,762
Total current assets	43,376	47,620	47,181
Total assets	78,531	79,681	77,539

Equity and Liabilities	06/30/2016	06/30/2015	12/31/2015
	kEUR	kEUR	kEUR
Equity			
Common stock*	12,828	12,828	12,828
Additional paid-in capital	20,504	20,306	20,306
Own shares	-435	-739	-739
Accumulated other comprehensive income	-1,421	1,852	674
Retained earnings	20,287	15,650	17,806
Equity attributable to shareholders of SYZYGY AG	51,763	49,897	50,875
Minorities	458	317	312
Total Equity	52,221	50,214	51,187
Non-current liabilities			
Long term liability	2,383	3,373	2,342
Deferred tax liabilities	194	144	146
Total non-current liabilities	2,577	3,517	2,488
Current liabilities			
Tax accruals	753	665	1,127
Accrued expenses	10,151	9,271	7,125
Customer advances	4,969	6,079	5,430
Accounts payable	5,164	8,402	7,797
Other current liabilities	2,696	1,533	2,385
Total current liabilities	23,733	25,950	23,864
Total liabilities and equity	78,531	79,681	77,539

* Contingent Capital kEUR 1,200 (prior year: kEUR 1,200).
The accompanying notes are an integral part of the financial statements.

Consolidated statement of comprehensive income

	2. Quarter			January-June			
	2016	2015	Change	2016	2015	12/31/2015	Change
	KEUR	KEUR		KEUR	KEUR	KEUR	
Billings	39,636	34,536	15%	74,236	68,523	143,919	8%
Media costs	-23,231	-20,562	13%	-43,406	-40,890	-86,608	6%
Sales	16,405	13,974	17%	30,830	27,633	57,311	12%
Cost of revenues	-11,565	-10,179	14%	-21,754	-20,067	-40,615	8%
Sales and marketing expenses	-1,667	-1,266	32%	-3,064	-2,495	-6,151	23%
General and administrative expenses	-1,618	-1,158	40%	-3,173	-2,489	-6,205	27%
Other operating income/expense, net	-76	-163	-53%	115	-36	928	-419%
Operating profit	1,479	1,208	22%	2,954	2,546	5,268	16%
Financial income, net	404	524	-23%	800	1,080	1,975	-26%
Income before taxes	1,883	1,732	9%	3,754	3,626	7,243	4%
Income taxes	-507	-417	22%	-1,031	-917	-2,379	12%
Total net income of the period	1,376	1,315	5%	2,723	2,709	4,864	1%
thereof net income share to other shareholders	154	97	59%	242	226	225	7%
thereof net income share to shareholders of SYZGY AG	1,222	1,218	0%	2,481	2,483	4,639	0%
Items that will not be reclassified to profit and loss:	0	0	n.a.	0	0	0	n.a.
Items that will or may be reclassified to profit and loss:							
Currency translation adjustment from foreign business operations	-999	388	-357%	-2,120	1,961	1,029	-208%
Net unrealized gains/losses on marketable securities, net of tax	200	-1,151	n.a.	4	-1,151	-1,401	n.a.
Other comprehensive income	-799	-763	5%	-2,116	810	-372	n.a.
Comprehensive income	577	552	5%	607	3,519	4,492	-83%
thereof income share to other shareholders	132	97	36%	221	226	221	-2%
thereof income share to shareholders of SYZGY AG	445	455	-2%	386	3,293	4,271	-88%
Earnings per share from total operations (basic in EUR)	0.10	0.10	0%	0.20	0.20	0.37	0%
Earnings per share from total operations (diluted in EUR)	0.10	0.10	0%	0.20	0.20	0.37	0%

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

Statement of changes in equity

						Accum. other comprehensive income				
	Number of shares	Common stock	Additional paid-in capital	Own shares	Retained earnings	Foreign exchange currency	Unrealised gains and losses	Equity attributable to shareholders of SYZYGY AG	Minority interest	Total equity
	in 1,000	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
January 1, 2015	12,828	12,828	20,294	-831	17,610	-442	1,484	50,943	91	51,034
Net income of the period					4,639			4,639	225	4,864
Other compre- hensive income						1,033	-1,401	-368	-4	-372
Comprehensive income					4,639	1,033	-1,401	4,271	221	4,492
Dividend					-4,443			-4,443		-4,443
Sale of own shares			12	92				104		104
December 31, 2015	12,828	12,828	20,306	-739	17,806	591	83	50,875	312	51,187
January 1, 2016	12,828	12,828	20,306	-739	17,806	591	83	50,875	312	51,187
Net income of the period					2,481			2,481	242	2,723
Other compre- hensive income						-2,099	4	-2,095	-21	-2,116
Comprehensive income					2,481	-2,099	4	386	221	607
Changes from first consolidation and in shares									65	65
Sale of own shares			198	304				502		502
Payment to minorities								0	-140	-140
June 30, 2016	12,828	12,828	20,504	-435	20,287	-1,508	87	51,763	458	52,221

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

Consolidated statement of cash flows

	January-June		
	2016	2015	2015
	kEUR	kEUR	kEUR
Period net income	2,723	2,709	4,864
Adjustments to reconcile income from operations to net cash provided by operating activities			
– Depreciation on fixed assets	739	544	2,122
– Profit (-) and loss (+) on sale of securities	-471	-520	-848
– Profit (-)/loss (+) on sale of fixed assets	40	35	23
– Changes in Earn-Out liabilities	0	0	-1,031
– Other non-cash income and expenses	490	260	-47
Changes in operating assets and liabilities:			
– Accounts receivable and other assets	-1,883	-1,836	-1,812
– Customer advances	-419	-1,089	-1,752
– Accounts payable and other liabilities	475	-3,790	-5,453
– Tax accruals and payables, deferred taxes	-483	625	1,513
Cash flows provided by operating activities	1,211	-3,062	-2,421
Changes in other non-current assets	-295	457	266
Investments in fixed assets	-798	-573	-1,105
Purchases of marketable securities	-9,789	-28,617	-40,792
Proceeds from sale of marketable securities	17,595	29,634	38,816
Acquisition of consolidated entities less liquid funds	-4,657	0	0
Cash flows used in investing activities	2,056	901	-2,815
Dividend paid to minority shareholders	-140	0	0
Dividend paid to shareholders of SYZYGY AG	0	-4,443	-4,443
Cash flows from financing activities	-140	-4,443	-4,443
Total	3,127	-6,604	-9,679
Cash and cash equivalents at the beginning of the period	3,841	13,017	13,017
Exchange rate differences	-247	324	503
Cash and cash equivalents at the end of the period	6,721	6,737	3,841

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

Operating cashflow includes paid interest in the amount of kEUR 8 (prior year: kEUR 1), received interest in the amount of kEUR 830 (prior year: kEUR 717) and paid taxes in the amount of kEUR 992 (prior year: kEUR 228).

Notes to the Consolidated Financial Statements

Accounting

Pursuant to the provisions of section 37 y WpHG (German Securities Trading Act) in conjunction with Article 37 w para. 2 WpHG, the financial report of SYZYGY AG for the first six months of 2016 comprises interim consolidated financial statements and an interim Group Management Report. The interim consolidated financial statements were prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) for interim financial reporting as applicable within the European Union. The unaudited interim financial statements were prepared in compliance with IAS 34 and in accordance with DRS 16. Accordingly, the company elected to produce a short-form report, compared with the consolidated financial statements as at December 31, 2015. The Management Report was prepared in accordance with the applicable requirements of the WpHG.

The same accounting and consolidation principles were applied as described in the notes to the financial statements in the 2015 annual report. Individual items in the balance sheet and consolidated statement of comprehensive income are likewise presented using the same valuation principles as described and applied in the annual report for 2015. The financial figures and associated information must therefore be read in conjunction with the annual report on the consolidated financial statements for 2015.

Business activities of the SYZYGY Group

The SYZYGY Group is an international provider of creative, technological and media services for digital marketing. SYZYGY AG acts as a management holding company by providing central services relating to strategy, design, planning, technology development, accounting, IT infrastructure and finance. SYZYGY AG also supports the subsidiaries in new business activities and generates sales from projects with third parties.

As operating entities, the subsidiaries are responsible for providing consultancy and other services. With branches in Bad Homburg, Berlin, Frankfurt/Main, Hamburg, London, Munich, Warsaw and New York, they offer large global companies an integrated portfolio of solutions, from strategic consulting to project planning, concepts and design to technical realisation of brand platforms, business applications, websites, online campaigns and mobile apps. Online media services such as media planning, search engine marketing and optimisation and affiliate programmes are also a major business area. In addition, SYZYGY helps clients meet customer experience and usability requirements and assists them at every stage of the user-centred design process. Digital illustrations, animations and gaming round off the range of services.

The Group's business focus is on the automotive, telecommunications/IT and consumer goods industries, as well as financial services.

Scope of consolidation and principles

As at June 30, 2016, the following subsidiaries were included in the consolidated financial statements of SYZYGY AG and fully consolidated:

- / Ars Thanea Rozbicki s.k.a., Warsaw, Poland (Ars Thanea)
- / Hi-ReSI Berlin GmbH, Berlin, Germany (Hi-ReSI BER)
- / Hi-ReSI London Ltd, London, United Kingdom (Hi-ReSI LON)
- / SYZYGY Deutschland GmbH, Bad Homburg v.d.H., Germany (SYZYGY Deutschland)
- / SYZYGY Digital Marketing Inc., New York City, United States of America (SYZYGY NY – formerly: Hi-ReSI New York Inc.)
- / SYZYGY München GmbH, Munich, Germany (SYZYGY Munich)
- / SYZYGY UK Ltd, London, United Kingdom (SYZYGY UK)
- / unquedigital GmbH, Hamburg, Germany (unquedigital)
- / Unique Digital Marketing Ltd, London, United Kingdom (Unique Digital UK)
- / USEEDS° GmbH, Berlin, Germany (USEEDS°)

In order to extend the range of services and strengthen especially the services in customer experience, SYZYGY AG acquired 70 per cent stake in USEEDS° in April. Control of financial and corporate policy was transferred on April 11, 2016. Specifically, under IFRS 3.62 the acquisition led to an increase in liquid assets of kEUR 224, the acquisition of current assets of kEUR 569 and of non-current assets of kEUR 144. Liabilities totalling kEUR 613 were also acquired which led to equity of kEUR 324.

Moreover, SYZYGY has agreed the acquisition of further ten per cent of shares of USEEDS° in the first quarter of 2019, so that present ownership is given for the additional shares as well. The purchase price for those additional shares is based on USEEDS° performance in the years 2016 to 2018.

A difference on the assets side of around kEUR 6,008 was allocated to a trademark right (kEUR 200), which was determined using a trademark valuation based on capitalised value with licence fee and the stated earnings after taxes for the order backlog (kEUR 75) and reverse deferred tax liabilities (kEUR 83). The residual difference is reported as goodwill of kEUR 5,816, denominated in EUR.

In line with IFRS 3, the final purchase price allocation must be concluded no later than one year after the transaction has been completed and will therefore be verified as at December 31, 2016.

Information on general consolidation principles is provided in the 2015 annual report from page 69 onwards.

Segment reporting

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

As the holding company, SYZYGY AG mainly delivers services to the operating units and therefore needs to be considered separately as a provider of central functions. The UK segment consists of SYZYGY UK, Unique Digital UK and Hi-ReSI LON. The Germany segment comprises Hi-ReSI BER, SYZYGY Deutschland, SYZYGY München, uniquedigital and USEEDS®. SYZYGY NY has formed a separate "United States" segment since 2015 and Ars Thanea does not fulfil the size criteria to qualify as an independent geographical segment. For this reason it is presented under "Other segments".

All segments offer large companies an integrated portfolio of corporate Internet solutions: from strategic consulting to project planning, concepts, design and technical realisation. SYZYGY's services are complemented by search engine marketing and online media planning.

The individual segments apply the same accounting principles as the consolidated entity.

The criteria primarily used by SYZYGY AG to assess the performance of the segments include sales and EBIT. Sales to third parties are allocated on the basis of the registered office of the company unit that makes the sale. Sales included in segment reporting consist of sales to external clients and intersegment sales. Transactions within segments, which are charged at market prices, were eliminated.

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

Segment investments comprise investments in intangible assets and fixed assets.

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

June 30, 2016	Germany	UK	US	Other segments	Central functions	Consolidation	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Billings	35,243	16,979	21,228	1,457	1,215	-1,886	74,236
Media costs	-16,136	-10,060	-17,210	0	0	0	-43,406
Sales	19,107	6,919	4,018	1,457	1,215	-1,886	30,830
of which internal sales	587	364	0	538	397	-1,886	0
Operating income (EBIT)	3,022	783	591	249	-1,608	-83	2,954
Financial income	51	-2	0	-6	968	-211	800
Earnings before tax (EBT)	3,073	781	591	243	-640	-294	3,754
Assets	38,220	19,924	7,402	7,858	59,257	-54,130	78,531
of which goodwill	14,666	8,592	0	6,320	0	0	29,578
Investments	582	157	49	47	11	0	846
Depreciation and amortisation	440	115	45	137	8	0	745
Impairment on goodwill	0	0	0	0	0	0	0
Segment liabilities	8,143	5,946	5,950	756	9,361	-3,846	26,310
Employees as per balance sheet date	319	111	19	75	22	0	546

June 30, 2015	Germany	UK	US	Other segments	Central functions	Consolidation	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Billings	34,626	14,423	18,415	1,291	702	-934	68,523
Media costs	-18,005	-5,954	-16,931	0	0	0	-40,890
Sales	16,621	8,469	1,484	1,291	702	-934	27,633
of which internal sales	93	220	0	72	598	-983	0
Operating income (EBIT)	2,736	903	194	193	-1,470	-10	2,546
Financial income	59	9	0	1	1,011	0	1,080
Earnings before tax (EBT)	2,795	912	194	194	-459	-10	3,626
Assets	24,399	24,648	9,710	7,729	58,619	-45,424	79,681
of which goodwill	8,841	11,095	0	6,707	0	0	26,643
Investments	472	41	25	27	8	0	573
Depreciation and amortisation	333	113	43	48	7	0	544
Impairment on goodwill	0	0	0	0	0	0	0
Segment liabilities	12,362	5,941	9,881	441	12,451	-11,609	29,467
Employees as per balance sheet date	253	131	8	72	18	0	482

Treasury stock

SYZGY is authorised to resell or call in treasury shares or to offer treasury shares to third parties in the course of acquiring companies.

Treasury shares do not entitle the Company to any dividend or voting rights. The extent of the share buyback is shown as a separate item to be deducted from equity.

On May 29, 2015, the Annual General Meeting authorised the Management Board to acquire a maximum of 10 per cent of the Company's outstanding shares until May 28, 2020. SYZGY is authorised to resell or call in treasury shares, to offer them to employees of the Company

as compensation, or to offer treasury shares to third parties in the course of acquiring companies.

54,910 of own shares has been transferred to the seller of USEEDS® on April 11, 2016, so that as at June 30, 2016, SYZGY held 78,528 treasury shares at an average acquisition cost of EUR 5.54.

Directors' dealings

Transactions in shares in their own organisation by board members of listed companies are called directors' dealings.

Management Board: Shares

Number of shares	Marco Seiler	Andrew P. Stevens	Erwin Greiner	Lars Lehne	Total
As at December 31, 2015	0	0	0	6,000	6,000
Purchases	0	0	0	0	0
Sales	0	0	0	0	0
As at June 30, 2016	0	0	0	6,000	6,000

Supervisory Board: Shares

Number of shares	Michael Mädler	Wilfried Beeck	Ralf Hering	Total
As at December 31, 2015	0	0	0	0
Purchases	0	10,000	0	10,000
Sales	0	0	0	0
As at June 30, 2016	0	10,000	0	10,000

Management Board: Options

Number of shares	Marco Seiler	Andrew P. Stevens	Erwin Greiner	Lars Lehne	Total
As at December 31, 2015	0	0	36,000	0	36,000
Additions	0	0	0	0	0
Disposals	0	0	-18,000	0	-18,000
As at June 30, 2016	0	0	18,000	0	18,000

Current holdings of shares and transactions carried out in the period under review are disclosed in the following tables: SYZGY AG pays the difference between the exercise price and share price at the exercise date in cash instead of issuing new shares. Accordingly, the liabilities are recorded as accruals on a pro rata basis.

The members of the Supervisory Board do not hold any options.

Shareholder structure

As at June 30, 2016, the shareholders’ structure has slightly changed compared to December 31, 2015. As at the reporting date, the total number of shares was 12,828,450.

The shareholders’ structure of the company at the reporting date was as follows:

<i>in Tsd.</i>	Shares	per cent
WPP plc, St. Helier (directly or indirectly)	6,476	50.48
Free Float	6,273	48.90
Treasury Stock	79	0.62
Total	12,828	100.00

Responsibility statement by the Legal Representatives in accordance with section 37y WpHG (German Security Trading Act) i.c.w. section 37w(2) no. 3 WpHG (Convenience translation)

“To the best of our knowledge, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the group’s development and performance of its position, together with a description of the principal opportunities and risks associated with the expected development of the group in the remaining months of the financial year, in accordance with German proper accounting principles of interim consolidated reporting.”

Bad Homburg v. d. H., July 29, 2016
SYZGY AG

The Management Board

Financial calendar 2016

9-Month-Report 2016 (English version)	/	November 4
German Equity Forum, Frankfurt	/	November 21
MKK Munich Capital Market Conference	/	December 7

SYZYG AG

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