

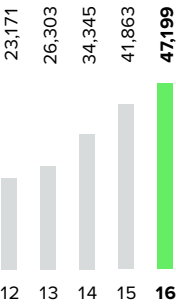
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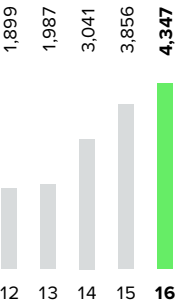
**Interim report
as per September 30, 2016**

Key figures

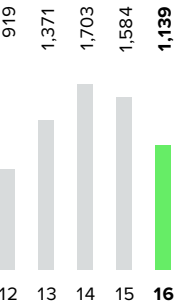
Sales
in kEUR



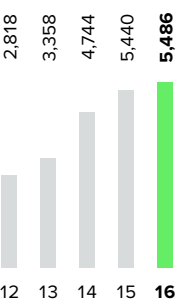
Operating income
in kEUR



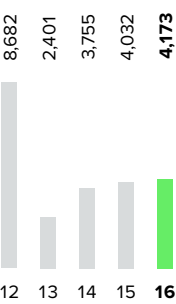
Financial income
in kEUR



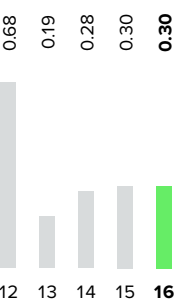
Income before taxes
in kEUR



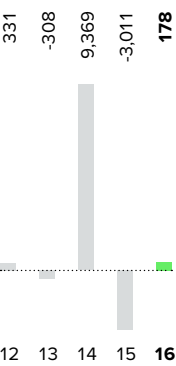
Net income
in kEUR



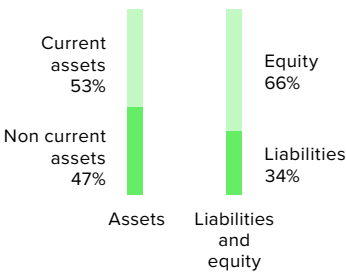
Earnings per share
(undiluted)
in kEUR



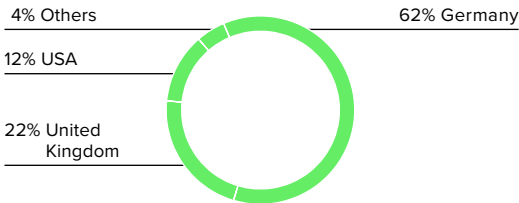
Operating cash flow
in kEUR



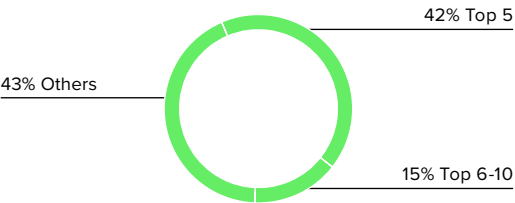
Balance sheet structure



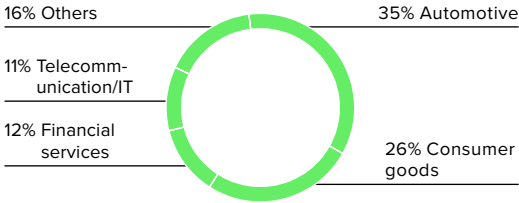
Sales by segments



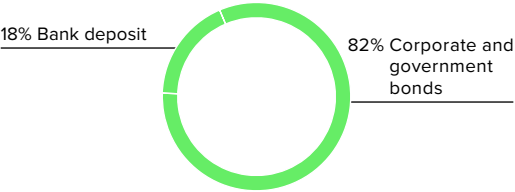
Sales by clients' volume



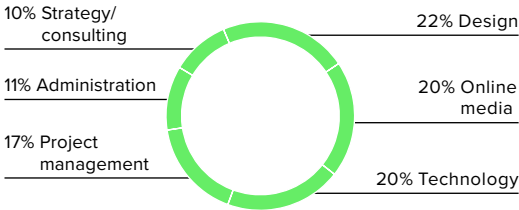
Sales by vertical markets



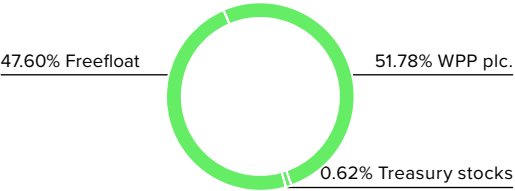
Portfolio structure of cash and marketable securities



Employees by function

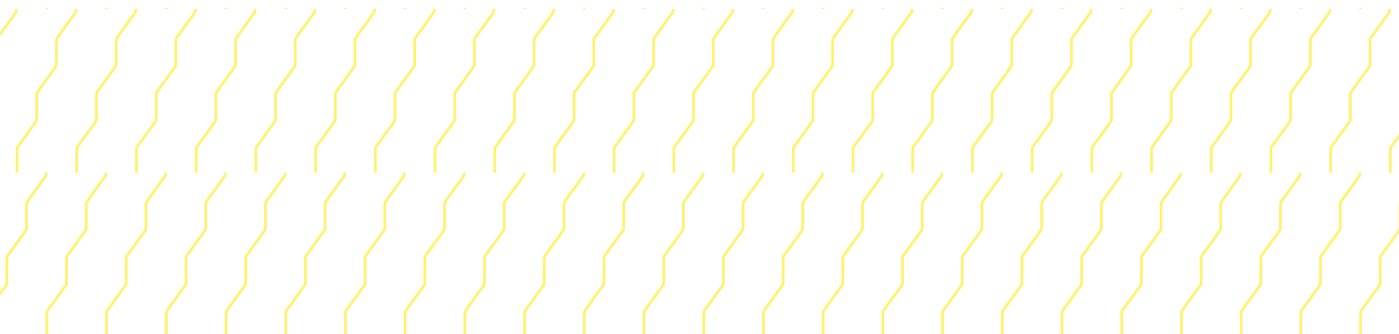


Shareholder structure



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Business development and management report

	3. Quarter			January-September		
	2016	2015	Change	2016	2015	Change
	kEUR	kEUR		kEUR	kEUR	
Sales	16,369	14,230	15%	47,199	41,863	13%
EBITDA	1,761	1,592	11%	5,454	4,682	16%
EBITDA margin	10.8%	11.2%	-0.4pp	11.6%	11.2%	0.4pp
EBIT	1,393	1,310	6%	4,347	3,856	13%
EBIT margin	8.5%	9.2%	0.7pp	9.2%	9.2%	0.0pp
Financial income	339	504	-33%	1,139	1,584	-28%
Net income	1,450	1,323	10%	4,173	4,032	3%
Earnings per share (EUR)	0.10	0.10	0%	0.30	0.30	0%
Employees incl. freelancers	632	536	18%	632	536	18%
Liquid assets	16,198	25,735	-37%	16,198	25,735	-37%
Operating cash flow	-1,033	51	n.a.	178	-3,011	n.a.

1. General

The following Group Management Report provides information on the performance of the SYZGY Group (hereinafter referred to as "SYZGY", 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.

This short version of the Group Management Report is an optional quarterly financial report, focusing on company-related information. It does not include any comments on general trends in the economy and in the advertising market. Since these trends are not subject to short-term changes, please see the relevant information in the report for the first six months of 2016.

2. Group profile

2.1. Business activities and structure

The SYZGY 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 SYZGY AG as the holding company and nine subsidiaries: Ars Thanea Rozbicki s.k.a., Hi-ReS! Berlin GmbH, Hi-ReS! London Ltd, SYZGY Deutschland GmbH, SYZGY Digital Marketing Inc., SYZGY UK Ltd, uniquedigital GmbH, Unique Digital Marketing Ltd and USEEDS GmbH. SYZGY München GmbH was retroactively merged with SYZGY Deutschland GmbH during the period covered by the report at the expiry of January 1, 2016.

The SYZGY 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/optimisation and affiliate programmes are also a major business area. In addition, SYZGY 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.

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. For its work on behalf of BMW Motorrad, SYZGY has received several awards at national level, including the Client award in the Online category, Winner with two projects in the Motorcycle Brand Contest 2016 and, not least, Silver at the Annual Multimedia awards. SYZGY gained Bronze in the German Digital Award with a project for its client Daimler AG. At international level, Avis in particular achieved very good results; the Digital Trading Award US 2016 saw the firm pick up awards in no fewer than three categories.

2.3. Employees

The headcount at the SYZGY Group increased further in the period covered by the report. The SYZGY Group had a total of 571 permanent employees as at September 30, 2016. This represents a rise of 25 people compared with the first half of 2016. The figure is also up 79 on the same quarter of the previous year, although this can be partly attributed to the integration of 42 USEEDS employees 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 61 (based on FTEs) as at the reporting date, 17 more than in the same period of 2015. 357 people (63 per cent) worked in the German companies and 125 (22 per cent) in the UK agencies. Ars Thanea employed 75 people (13 per cent) as at the end of the quarter, while SYZGY Digital Marketing in New York had a staff of 14.

In terms of employees by function, there were no significant changes during the period under review. The technology section still comprises 20 per cent of employees. The proportion of staff in the design section (22 per cent) increased slightly by one percentage point. The online marketing section comprised 20 per cent of employees as at the reporting date, while 17 per cent worked in project management. A slight fall from 11 to 10 per cent was seen in strategy/consulting. 63 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 in the previous quarter.

On average over the period, 563 people – including around 60 freelancers – worked for the SYZGY Group. Annualised sales per head were therefore EUR 112,000 (previous year: EUR 104,000, with an average headcount of 536).

2.4. Net assets, financial position and results of operations of the SYZYGY Group

2.4.1. Results of operations

The SYZYGY 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.

Sales were up significantly by 15 per cent compared with the same quarter of the previous year, rising from EUR 14.2 million to EUR 16.4 million.

Expanding the business into new markets and the solid performance of existing clients boosted growth, with the closer relationship with WPP also having a noticeably positive impact, although the effects have been limited to date.

With 35 per cent of sales (-6 percentage points compared to the same quarter of the previous year), the automotive industry continues to be of dominant importance to the Group. The consumer goods sector accounted for around 26 per cent of sales, representing a slight decline of 1 per cent, while 11 per cent was generated from companies in the IT and telecommunications industry (unchanged over the previous year). The proportion of sales attributable to clients from the financial sector increased to 12 per cent, up from 7 per cent in the same period of the prior year. Some 16 per cent of sales came from firms that cannot be assigned to any of these four key areas.

57 per cent of SYZYGY's total sales were generated from its ten largest clients, a drop of 6 percentage points compared to the same period in the prior year.

2.4.2. Operating expenses and depreciation

The cost of sales rose by 10 per cent to EUR 33.7 million, thus increasing at a slightly slower rate than sales. Gross margin increased accordingly by 2 percentage points to 29 per cent.

At EUR 4.8 million, general administrative costs rose by 20 per cent compared with the previous year's figure. The growth of the SYZYGY 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 4.8 million in the first three quarters of 2016, representing a rise of 24 per cent and thus exceeding sales growth. Business development initiatives, marketing activities and the holding of the Digital Innovation Day were key factors in this regard.

Depreciation of fixed assets amounted to EUR 1.1 million, a slightly disproportionate increase compared with sales growth (previous year: EUR 0.8 million).

2.4.3. Operating income and EBIT margin

The SYZYGY Group's operating profit rose by 13 per cent, increasing from EUR 3.9 million to EUR 4.3 million compared with the same period of the previous year. The EBIT margin remained constant at 9.2 per cent.

2.4.4. Financial income

SYZYGY generated financial income of EUR 0.3 million in the third quarter, and EUR 1.1 million in the nine-month period, through active management of available liquid funds. This figure is below the previous year's level and corresponds to an annualised return of 6.7 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.

2.4.5. Income taxes, net income, earnings per share

Buoyant business performance at the SYZGY Group is reflected in pre-tax income of EUR 5.5 million. In the same period of the previous year, the figure was EUR 5.4 million, meaning that pre-tax income increased by 1 per cent. After income taxes of EUR 1.3 million, net income was EUR 4.2 million.

Undiluted earnings per share were EUR 0.30, based on the average available 12,728 thousand shares qualifying for participation in the profits and after deducting minority shares of EUR 0.4 million. This corresponds to the level in the same period of the prior year.

2.4.6. 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 Germany 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, a shift in sales from the UK segment to the US, and also new Ars Thanea business in the American market, contributed to this growth. As a result, the American agency's sales increased from EUR 3.8 million in the same period of the previous year to EUR 5.8 million in the first three quarters of 2016.

In the period January to September 2016, the German agencies boosted their sales considerably by 24 per cent to EUR 30.3 million compared with the same period of the previous year. Operating income rose by 19 per cent to EUR 4.5 million.

The UK segment generated sales of EUR 10.8 million, thus remaining 12 per cent or EUR 1.5 million below the previous year's level. In contrast, operating income climbed 15 per cent to EUR 1.4 million, with an EBIT margin of 13 per cent still representing strong profitability. At around EUR -1.2 million, foreign currency effects had a significant impact on sales within the segment. However, the EBIT margin was barely affected by the weaker British pound, with operating income being EUR 0.2 million lower due to translation risk.

Sales of EUR 2.3 million were generated in "Other segments", representing growth of 5 per cent. Operating income amounted to EUR 0.4 million, corresponding to an EBIT margin of 18 per cent.

The breakdown of sales by segment was as follows in the first three quarters: 62 per cent of revenue was generated by the German companies, 22 per cent by the UK agencies, 12 per cent by the US segment and 4 per cent by Ars Thanea. With regard to EBIT, 65 per cent came from the Germany segment, 20 per cent from the UK segment, 9 per cent from the US segment and 6 per cent from other segments.

2.4.7. Financial position

SYZYGY had liquidity reserves totalling EUR 16.2 million as at the balance sheet date, corresponding to a decrease of EUR 10.6 million or 40 per cent compared with December 31, 2015. Both components were down: liquid funds decreased by EUR 0.9 million to EUR 2.9 million, while securities holdings fell by 42 per cent to EUR 13.3 million.

82 per cent of funds were invested in corporate bonds, while 18 per cent were accounted for by bank deposits. The average residual maturity of the bonds was around 6 years.

Total cash flow of the SYZYGY Group was slightly negative as at the reporting date, at EUR -0.2 million.

Operating cash flow was positive at EUR 0.2 million. The positive net income of EUR 4.2 million and depreciation and amortisation of EUR 1.1 million contrast with higher capital accumulation through accounts receivable of EUR -4.3 million and advance payments of EUR -0.8 million received from clients. Positive cash flow from investment operations of EUR 4.5 million includes the sale (EUR 20.2 million) and purchase (EUR -10.0 million) of securities, and the acquisition of consolidated companies (EUR -4.7 million). Cash flow from financing activities was negative at EUR -4.9 million due to the payment of dividends (EUR -0.1 million to minority shareholders and EUR -4.8 million to shareholders).

2.4.8. Asset situation

The SYZYGY Group's total assets declined to EUR 74.4 million as at the reporting date. The decrease of EUR 3.1 million compared with December 31, 2015 represents a small 4 per cent drop.

Non-current assets increased by around 15 per cent to EUR 34.9 million. This increase is attributable to the acquisition of a stake in USEEDS.

Current assets fell by EUR 7.6 million, or 16 per cent, to EUR 39.6 million. This was due to both a reduction in securities and in liquid funds of EUR 10.6 million (-40 per cent) to EUR 16.2 million and a rise in trade receivables by 14 per cent to EUR 21.2 million.

At EUR 48.9 million, equity was EUR 2.3 million or 4 per cent below the figure as at December 31, 2015, corresponding to an equity ratio of 66 per cent.

Other accumulated net income was EUR -1.5 million, EUR 2.2 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 22.9 million, current liabilities and provisions were 4 per cent below the level as at year-end 2015 (EUR 23.9 million). This mainly includes the reduction of EUR -2.4 million to EUR 5.3 million in accounts payable, while other provisions rose from EUR 7.1 million to EUR 9.5 million. The fall in current liabilities is primarily due to lower advance payments received.

2.5. Expected performance of the SYZYGY Group

Two factors provide the SYZYGY Group with a very favourable backdrop for further growth: the generally positive macroeconomic outlook for the markets relevant to SYZYGY, and the ongoing shift of marketing budgets to digital channels.

Acquisitions can have a positive or negative effect on the future growth of the Group.

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

The SYZYGY Group is maintaining the forecast given in the six-monthly report to June 30, 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.

Bad Homburg v. d. H., October 28, 2016
The Management Board

Consolidated balance sheet

Assets	09/30/2016	09/30/2015	12/31/2015
	kEUR	kEUR	kEUR
Non-current assets			
Goodwill	29,437	26,011	25,080
Other Fixed assets, net	3,553	3,477	3,345
Other assets	616	671	674
Deferred tax assets	1,260	1,236	1,259
Total non-current assets	34,866	31,395	30,358
Current assets			
Cash and cash equivalents	2,923	5,238	3,841
Marketable securities	13,275	20,497	22,946
Accounts receivable, net	21,222	20,716	18,632
Prepaid expenses and other current assets	2,137	1,485	1,762
Total current assets	39,557	47,936	47,181
Total assets	74,423	79,331	77,539

Equity and liabilities	09/30/2016	09/30/2015	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	-1,488	-343	674
Retained earnings	16,855	16,936	17,806
Equity attributable to shareholders of SYZYGY AG	48,264	48,988	50,875
Minorities	630	356	312
Total Equity	48,894	49,344	51,187
Non-current liabilities			
Long term liability	2,422	3,373	2,342
Deferred tax liabilities	185	151	146
Total non-current liabilities	2,607	3,524	2,488
Current liabilities			
Tax accruals	875	983	1,127
Accrued expenses	9,517	10,384	7,125
Customer advances	4,540	7,214	5,430
Accounts payable	5,354	6,103	7,797
Other current liabilities	2,636	1,779	2,385
Total current liabilities	22,922	26,463	23,864
Total liabilities and equity	74,423	79,331	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

	3. Quarter			January-September			
	2016	2015	Change	2016	2015	12/31/2015	Change
	kEUR	kEUR		kEUR	kEUR	kEUR	
Billings	33,448	39,604	-16%	107,684	108,127	143,919	0%
Media costs	-17,079	-25,374	-33%	-60,485	-66,264	-86,608	-9%
Sales	16,369	14,230	15%	47,199	41,863	57,311	13%
Cost of revenues	-11,931	-10,534	13%	-33,685	-30,601	-40,615	10%
Sales and marketing expenses	-1,690	-1,354	25%	-4,754	-3,849	-6,151	24%
General and administrative expenses	-1,577	-1,478	7%	-4,750	-3,967	-6,205	20%
Other operating income/expense, net	222	446	-50%	337	410	928	-18%
Operating profit	1,393	1,310	6%	4,347	3,856	5,268	13%
Financial income, net	339	504	-33%	1,139	1,584	1,975	-28%
Income before taxes	1,732	1,814	-5%	5,486	5,440	7,243	1%
Income taxes	-282	-491	-43%	-1,313	-1,408	-2,379	-7%
Total net income of the period	1,450	1,323	10%	4,173	4,032	4,864	3%
thereof net income share to other shareholders	165	37	346%	407	263	225	55%
thereof net income share to shareholders of SYZGY AG	1,285	1,286	0%	3,766	3,769	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	-1,531	-993	54%	-2,530	968	1,029	-361%
Net unrealized gains/losses on marketable securities, net of tax	154	-1,200	n.a.	354	-2,351	-1,401	n.a.
Other comprehensive income	-1,377	-2,193	-37%	-2,176	-1,383	-372	n.a.
Comprehensive income	73	-870	-108%	1,997	2,649	4,492	-25%
thereof income share to other shareholders	261	35	646%	393	265	221	48%
thereof income share to shareholders of SYZGY AG	-188	-905	-79%	1,604	2,384	4,271	-33%
Earnings per share from total operations (basic in EUR)	0.10	0.10	0%	0.30	0.30	0.37	0%
Earnings per share from total operations (diluted in EUR)	0.10	0.10	0%	0.30	0.30	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 (in 1,000)	Common stock	Additional paid-in capital	Own shares	Retained earnings	Foreign exchange currency	Unrealised gains and losses	Equity attributable to shareholders of SYZGY AG	Minority interest	Total equity
	Shares	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 comprehen- sive 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
Sales 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					3,766			3,766	407	4,173
Other comprehen- sive income						-2,516	354	-2,162	-14	-2,176
Comprehensive income					3,766	-2,516	354	1,604	393	1,997
Dividend					-4,717			-4,717	0	-4,717
Changes from first consolidation and in shares								0	65	65
Sale of own shares			198	304				502		502
Payment to minorities								0	-140	-140
September 30, 2016	12,828	12,828	20,504	-435	16,855	-1,925	437	48,264	630	48,894

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

Consolidated statement of cash flows

	January-September		
	2016	2015	2015
	kEUR	kEUR	kEUR
Period net income	4,173	4,032	4,864
Adjustments to reconcile income from operations to net cash provided by operating activities			
– Depreciation on fixed assets	1,107	826	2,122
– Profit (-) and loss (+) on sale of securities	-504	-968	-848
– Profit (-)/loss (+) on sale of fixed assets	40	13	23
– Changes in Earn-Out liabilities	0	0	-1,031
– Other non-cash income and expenses	350	380	-47
Changes in operating assets and liabilities:			
– Accounts receivable and other assets	-4,253	-3,888	-1,812
– Customer advances	-809	73	-1,752
– Accounts payable and other liabilities	570	-4,336	-5,453
– Tax accruals and payables, deferred taxes	-496	857	1,513
Cash flows provided by operating activities	178	-3,011	-2,421
Changes in other non-current assets	-27	230	266
Investments in fixed assets	-1,039	-917	-1,105
Purchases of marketable securities	-10,010	-34,288	-40,792
Proceeds from sale of marketable securities	20,189	34,186	38,816
Acquisition of consolidated entities less liquid funds	-4,657	0	0
Cash flows used in investing activities	4,456	-789	-2,815
dividend paid to minority shareholders	-140	0	0
dividend paid to shareholders of SYZYGY AG	-4,717	-4,443	-4,443
Cash flows from financing activities	-4,857	-4,443	-4,443
Total	-223	-8,243	-9,679
Cash and cash equivalents at the beginning of the period	3,841	13,017	13,017
Exchange rate differences	-695	464	503
Cash and cash equivalents at the end of the period	2,923	5,238	3,841

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

Notes to the Consolidated Financial Statements

Pursuant to the provisions of section 37 y WpHG (German Securities Trading Act) in conjunction with Article 37 x para. 2 WpHG, the financial report of SYZYGY AG for the first nine 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 September 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-ReS! Berlin GmbH, Berlin, Germany (Hi-ReS! BER)
- / Hi-ReS! London Ltd, London, United Kingdom (Hi-ReS! 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-ReS! New York Inc.)
- / 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. SYZYGY München GmbH was retroactively merged with SYZYGY Deutschland GmbH as acquiring legal entity at the expiry of January 1, 2016. The merger application was made on August 23, 2016 and the merger was entered in the commercial register on September 20, 2016.

All assets and liabilities were transferred from SYZYGY München GmbH to SYZYGY Deutschland GmbH. The merger does not have any impact on the Group's net assets, financial position or results of operations.

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, 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.

September 30, 2016	Germany	UK	US	Other segments	Central functions	Consolidation	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Billings	51,365	27,031	29,029	2,254	316	-2,311	107,684
Media costs	-21,025	-16,260	-23,200	0	0	0	-60,485
Sales	30,340	10,771	5,829	2,254	316	-2,311	47,199
of which internal sales	861	480	0	970	0	-2,311	0
Operating income (EBIT)	4,503	1,406	624	414	-2,501	-99	4,347
Financial income	81	2	0	-9	4,089	-3,024	1,139
Earnings before tax (EBT)	4,584	1,408	624	405	1,588	-3,123	5,486
Assets	39,033	19,490	5,274	7,912	55,558	-52,844	74,423
of which goodwill	14,705	8,237	0	6,495	0	0	29,437
Investments	760	207	57	52	19	0	1,095
Depreciation and amortisation	771	169	74	80	13	0	1,107
Impairment on goodwill	0	0	0	0	0	0	0
Segment liabilities	8,487	7,574	4,515	471	7,843	-3,361	25,529
Employees as per balance sheet date	336	125	14	75	21	0	571

September 30, 2015	Germany	UK	US	Other segments	Central functions	Consolidation	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Billings	50,841	25,417	30,559	2,147	223	-1,060	108,127
Media costs	-26,406	-13,115	-26,743	0	0	0	-66,264
Sales	24,435	12,302	3,816	2,147	223	-1,060	41,863
of which internal sales	330	263	0	101	0	-694	0
Operating income (EBIT)	3,789	1,226	975	186	-2,304	-16	3,856
Financial income	97	12	-25	1	3,963	-2,464	1,584
Earnings before tax (EBT)	3,886	1,238	950	187	1,659	-2,480	5,440
Assets	26,308	22,344	10,001	1,125	59,097	-39,544	79,331
of which goodwill	8,841	10,552	0	0	0	6,618	26,011
Investments	754	67	24	38	14	0	897
Depreciation and amortisation	515	163	65	71	12	0	826
Impairment on goodwill	0	0	0	0	0	0	0
Segment liabilities	13,180	6,672	9,419	656	12,086	-12,026	29,987
Employees as per balance sheet date	265	127	7	74	19	0	492

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 September 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.

Current holdings of shares and transactions carried out in the period under review are disclosed in the following tables:

Management Board: Shares

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

Aufsichtsräte: Aktien

Number of shares	Ralf Hering	Wilfried Beeck	Rupert Day	Michael Mädel	Total
As at December 31, 2015	0	0	0	0	0
Purchases	0	10,000	0	0	10,000
Sales	0	0	0	0	0
As at September 30, 2016	0	10,000	0	0	10,000

Vorstände: Optionen

Number of shares	Lars Lehne	Andrew P. Stevens	Erwin Greiner	Marco Seiler	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 September 30, 2016	0	0	18,000	0	18,000

SYZYGY 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.

Lars Lehne has become member of the Management Board with effect of April 1, 2016.

On August 31, 2016 Marco Seiler has left the management board.

On July 8, 2016 after the annual shareholder meeting Michael Maedel has left the supervisory board and Rupert Day has been elected as a member of the supervisory board.

Shareholder structure

As at September 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:

in Tsd.	Shares	per cent
WPP plc. (directly or indirectly)	6,643	51.78
Free Float	6,126	47.60
Treasury Stock	79	0.62
Total	12,828	100.0

Bad Homburg v. d. H., October 28, 2016
SYZYGY AG

The Management Board

Financial calendar 2016/2017

German Equity Forum, Frankfurt	/	November 21-23, 2016	
MKK Munich Capital Market Conference	/	December 7, 2016	
Annual Report 2016	/	March 30, 2017	/ April 7, 2017 (English version)
3-Month-Report 2017	/	May 5, 2017	/ May 12, 2017 (English version)
Annual General Meeting, Frankfurt	/	June 30, 2017	

SYZYG / AG

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