

S/Z/G/

A black and white photograph showing a person's hand pointing at a tablet. The tablet screen displays various financial data visualizations, including a line graph with an upward trend, a bar chart, and a smaller line graph. The background is blurred, suggesting an office or meeting environment.

**Interim report
as per March 31, 2017**

Key financial figures

Sales

(in kEUR)

| | |
|------|--------|
| 2013 | 7,978 |
| 2014 | 11,063 |
| 2015 | 13,659 |
| 2016 | 14,425 |
| 2017 | 14,795 |

3M 2017

14,795

Operating income

(in kEUR)

| | |
|------|-------|
| 2013 | 705 |
| 2014 | 1,116 |
| 2015 | 1,338 |
| 2016 | 1,475 |
| 2017 | 1,004 |

3M 2017

1,004

Financial income

(in kEUR)

| | |
|------|-----|
| 2013 | 356 |
| 2014 | 587 |
| 2015 | 556 |
| 2016 | 396 |
| 2017 | 503 |

3M 2017

503

Income before taxes

(in kEUR)

| | |
|------|-------|
| 2013 | 1,061 |
| 2014 | 2,353 |
| 2015 | 1,894 |
| 2016 | 1,871 |
| 2017 | 1,507 |

3M 2017

1,507

Net income

(in kEUR)

| | |
|------|-------|
| 2013 | 769 |
| 2014 | 1,865 |
| 2015 | 1,394 |
| 2016 | 1,374 |
| 2017 | 1,071 |

3M 2017

1,071

Earnings per share (undiluted)

(in EUR)

| | |
|------|------|
| 2013 | 0.06 |
| 2014 | 0.14 |
| 2015 | 0.10 |
| 2016 | 0.10 |
| 2017 | 0.09 |

3M 2017

0.09

Operating cash flow

(in kEUR)

| | |
|------|--------|
| 2013 | -2,049 |
| 2014 | 2,941 |
| 2015 | -1,162 |
| 2016 | 141 |
| 2017 | -2,106 |

3M 2017

-2,106

Sales by employee

annualised (in kEUR)

| | |
|------|-----|
| 2013 | 101 |
| 2014 | 107 |
| 2015 | 110 |
| 2016 | 111 |
| 2017 | 100 |

2017

100

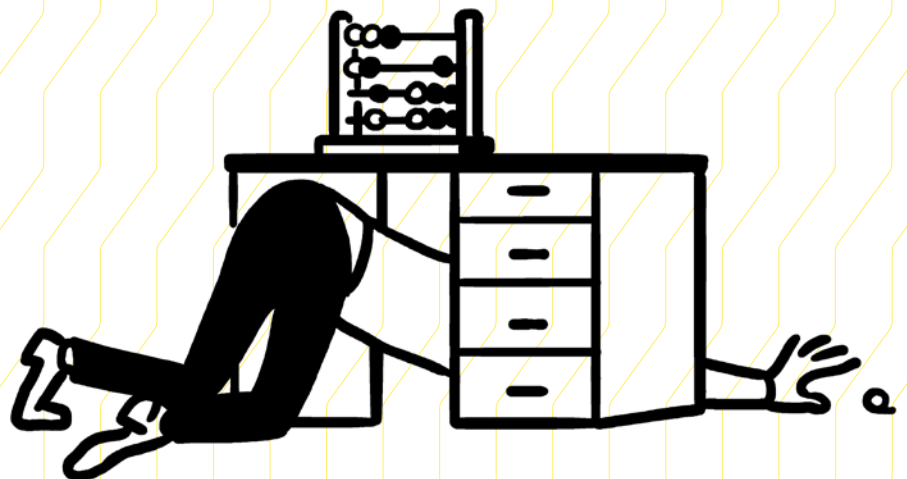
Balance sheet structure

| | |
|--------------------|-----|
| Current assets | 52% |
| Non current assets | 48% |
| Equity | 64% |
| Liabilities | 36% |

Equity

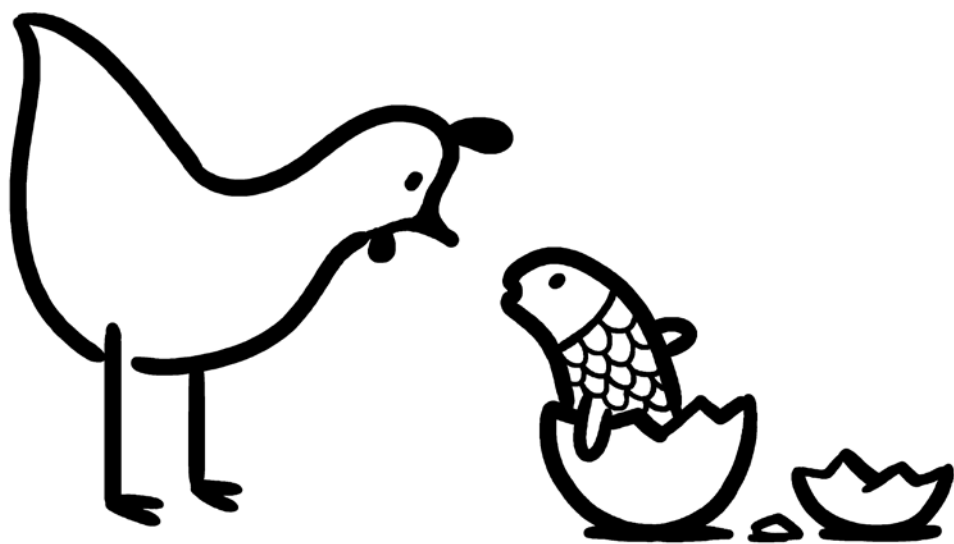
64%

| | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--------------------------------|-----|----------------|-----|---|------------|--------|--------|---|--------------|-----|--------------------|-----|---------------------|-----|--|------------|--|----------------|--------|--------------------|-------|-----------------------|--------|--------|-----|
| <p>Sales by segments</p> <table border="0"> <tr> <td>Germany</td> <td>62%</td> </tr> <tr> <td>United Kingdom</td> <td>23%</td> </tr> <tr> <td>USA</td> <td>10%</td> </tr> <tr> <td>Others</td> <td>5%</td> </tr> </table> <p>Germany 62%</p> | Germany | 62% | United Kingdom | 23% | USA | 10% | Others | 5% | <p>Sales by clients' volume</p> <table border="0"> <tr> <td>Top 5</td> <td>38%</td> </tr> <tr> <td>Top 6-10</td> <td>17%</td> </tr> <tr> <td>Others</td> <td>45%</td> </tr> </table> <p>Top 5 38%</p> | Top 5 | 38% | Top 6-10 | 17% | Others | 45% | <p>Sales allocation by vertical markets</p> <table border="0"> <tr> <td>Automotive</td> <td>33%</td> </tr> <tr> <td>Consumer goods</td> <td>18%</td> </tr> <tr> <td>Financial services</td> <td>11%</td> </tr> <tr> <td>Telecommunications/IT</td> <td>10%</td> </tr> <tr> <td>Others</td> <td>28%</td> </tr> </table> <p>Automotive 33%</p> | Automotive | 33% | Consumer goods | 18% | Financial services | 11% | Telecommunications/IT | 10% | Others | 28% |
| Germany | 62% | | | | | | | | | | | | | | | | | | | | | | | | | |
| United Kingdom | 23% | | | | | | | | | | | | | | | | | | | | | | | | | |
| USA | 10% | | | | | | | | | | | | | | | | | | | | | | | | | |
| Others | 5% | | | | | | | | | | | | | | | | | | | | | | | | | |
| Top 5 | 38% | | | | | | | | | | | | | | | | | | | | | | | | | |
| Top 6-10 | 17% | | | | | | | | | | | | | | | | | | | | | | | | | |
| Others | 45% | | | | | | | | | | | | | | | | | | | | | | | | | |
| Automotive | 33% | | | | | | | | | | | | | | | | | | | | | | | | | |
| Consumer goods | 18% | | | | | | | | | | | | | | | | | | | | | | | | | |
| Financial services | 11% | | | | | | | | | | | | | | | | | | | | | | | | | |
| Telecommunications/IT | 10% | | | | | | | | | | | | | | | | | | | | | | | | | |
| Others | 28% | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Portfolio structure of cash and marketable securities</p> <table border="0"> <tr> <td>Corporate and government bonds</td> <td>82%</td> </tr> <tr> <td>Bank deposit</td> <td>18%</td> </tr> </table> <p>Corporate and government bonds 82%</p> | Corporate and government bonds | 82% | Bank deposit | 18% | <p>Employees by function</p> <table border="0"> <tr> <td>Technology</td> <td>21%</td> </tr> <tr> <td>Design</td> <td>20%</td> </tr> <tr> <td>Online media</td> <td>20%</td> </tr> <tr> <td>Project management</td> <td>17%</td> </tr> <tr> <td>Strategy/consulting</td> <td>11%</td> </tr> <tr> <td>Administration</td> <td>11%</td> </tr> </table> <p>Technology 21%</p> | Technology | 21% | Design | 20% | Online media | 20% | Project management | 17% | Strategy/consulting | 11% | Administration | 11% | <p>Shareholder structure</p> <table border="0"> <tr> <td>WPP plc.</td> <td>51.78%</td> </tr> <tr> <td>Treasury stocks</td> <td>0.62%</td> </tr> <tr> <td>Free float</td> <td>47.60%</td> </tr> </table> <p>WPP plc. 51.78%</p> | WPP plc. | 51.78% | Treasury stocks | 0.62% | Free float | 47.60% | | |
| Corporate and government bonds | 82% | | | | | | | | | | | | | | | | | | | | | | | | | |
| Bank deposit | 18% | | | | | | | | | | | | | | | | | | | | | | | | | |
| Technology | 21% | | | | | | | | | | | | | | | | | | | | | | | | | |
| Design | 20% | | | | | | | | | | | | | | | | | | | | | | | | | |
| Online media | 20% | | | | | | | | | | | | | | | | | | | | | | | | | |
| Project management | 17% | | | | | | | | | | | | | | | | | | | | | | | | | |
| Strategy/consulting | 11% | | | | | | | | | | | | | | | | | | | | | | | | | |
| Administration | 11% | | | | | | | | | | | | | | | | | | | | | | | | | |
| WPP plc. | 51.78% | | | | | | | | | | | | | | | | | | | | | | | | | |
| Treasury stocks | 0.62% | | | | | | | | | | | | | | | | | | | | | | | | | |
| Free float | 47.60% | | | | | | | | | | | | | | | | | | | | | | | | | |



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Business development and management report

| | January – March | | Change |
|-----------------------------|-----------------|--------|--------|
| | 2017 | 2016 | |
| | kEUR | kEUR | |
| Sales | 14,795 | 14,425 | 3% |
| EBITDA | 1,374 | 1,794 | -23% |
| EBITDA margin | 9% | 12% | -3pp |
| EBIT | 1,004 | 1,475 | -32% |
| EBIT margin | 7% | 10% | -3pp |
| Financial income | 503 | 396 | 27% |
| Net income | 1,071 | 1,347 | -20% |
| Earnings per share (EUR) | 0.09 | 0.10 | -10% |
| Employees incl. freelancers | 565 | 475 | 19% |
| Liquid assets | 19,568 | 25,780 | -24% |
| Operating cash flow | -2,106 | 141 | 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.

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 2016 Annual Report.

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 590 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 nine subsidiaries:

- Ars Thanea S.A.
- Hi-ReS! Berlin GmbH
- Hi-ReS! London Ltd
- SYZYGY Deutschland GmbH
- SYZYGY Digital Marketing Inc.
- SYZYGY Media GmbH
- SYZYGY UK Ltd
- Unique Digital Marketing Ltd
- USEEDS° GmbH

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 financial and corporate objectives (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. These include in particular performance indicators relating to employees and customers, innovative ability and awards.

2.3. Employees

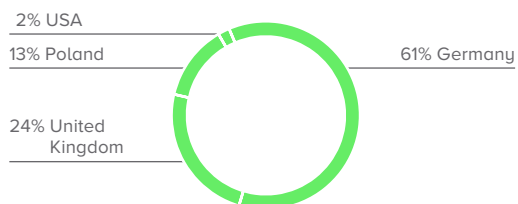
The headcount of the SYZGY Group fell slightly in the period covered by the report. The SYZGY Group had a total of 565 permanent employees as at March 30, 2017. This represents 87 more than at the end of the corresponding quarter of the previous year, but 13 employees fewer than as at December 31, 2016. The increase compared with the same quarter of the previous year can be partly attributed to the integration of 42 USEEDS[®] employees into the Group in April 2016. The loss of the BMW platform account by Hi-ReS! Berlin was the main factor responsible for the fall in employee numbers compared to December 31, 2016.

The number of freelancers also decreased and was around 30 (based on FTEs) as at the reporting date, 2 fewer than in the same period of 2016.

The following table shows the distribution of permanent employees by country:

| Employees | 03/31/2017 | 03/31/2016 |
|----------------|------------|------------|
| Germany | 344 | 286 |
| United Kingdom | 133 | 106 |
| Poland | 74 | 70 |
| USA | 14 | 16 |
| Total | 565 | 478 |

Employees by country



The proportion of employees in each functional/work area has not changed significantly and breaks down as follows:

| in Persons | 03/31/2017 | 03/31/2016 |
|---------------------|------------|------------|
| Technology | 120 | 100 |
| Creative services | 115 | 103 |
| Project management | 112 | 90 |
| Administration | 92 | 90 |
| Strategy consulting | 64 | 50 |
| Online marketing | 62 | 45 |
| Total | 565 | 478 |

Employees by function



On average over the period, 590 people – including around 30 freelancers – worked for the SYZYG Group. Annualised sales per employee were therefore EUR 100,000 (prior-year quarter: EUR 111,000, with an average headcount of 519).

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

2.4.1. Results of operations

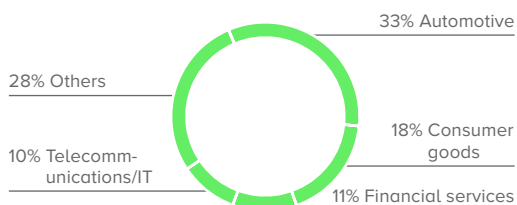
The SYZYGY Group reports billings and sales. The sales figures are arrived at by deducting media costs from billings. Media costs are incurred in the online marketing subsidiaries as transitory items on the revenue and expenses side.

Compared to the same quarter of the previous year, sales increased by 3 per cent from EUR 14.4 million to EUR 14.8 million.

Growth was supported by the addition of new services and solid performance of existing clients.

The breakdown of sales by customer segment/industry shows minor changes compared to the same quarter of the previous year:

Sales allocation by vertical markets



55 per cent of SYZYGY's total sales were generated from its ten largest clients, a drop of 4 percentage points compared to the same period in the prior year.

2.4.2. Operating expenses and depreciation

The cost of sales rose by 8 per cent from EUR 10.2 million to EUR 11.0 million, thereby increasing at a higher rate than sales. Gross margin fell accordingly to 26 per cent from 29 per cent in the same period of the prior year. Restructuring costs and additional expenditure relating to the handover of the BMW platform account adversely impacted the gross margin.

At EUR 1.5 million, general administrative costs were down 6 per cent compared to the previous year's figure.

Sales and marketing costs remained unchanged at EUR 1.4 million compared with the first quarter of the previous year.

Depreciation of fixed assets amounted to EUR 0.4 million, a disproportionate increase compared with sales growth (previous year: EUR 0.3 million).

2.4.3. Operating income and EBIT margin

At EUR 1.0 million, the SYZYGY Group's operating income was 32 per cent or EUR 0.5 million down on the figure for the same period of the previous year. The EBIT margin thus fell to 6.8 per cent (previous year: 10.2 per cent).

2.4.4. Financial income

SYZYG generated financial income of EUR 0.5 million in the first quarter through active management of available liquid funds, exceeding the figure for the same period of the previous year (EUR 0.4 million). This corresponds to an annualised return of 9.6 per cent on average available liquidity reserves and an annualised return of 13 per cent on the market value of the securities portfolio. Financial income primarily comprises interest income from corporate bonds and gains realised on securities. Foreign currency bonds account for 43 per cent of the total value of the portfolio.

2.4.5. Income taxes, net income, earnings per share

At EUR 1.5 million, the SYZYG Group's pre-tax income was EUR 0.4 million below the figure for the same quarter of the previous year as a result of subdued sales growth and the higher cost of sales. This corresponds to a decrease in pre-tax income of 19 per cent. After income taxes of EUR 0.4 million, net income was EUR 1.1 million.

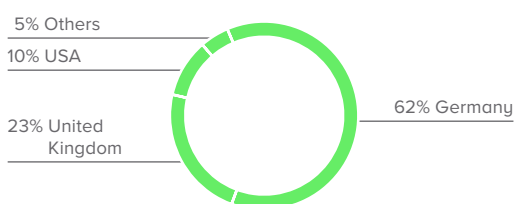
Undiluted earnings per share were EUR 0.09, based on the average available 12,754,000 shares qualifying for participation in the profits and after a proportional loss allocation to the minority shares of EUR 0.1 million. Earnings per share were thus down slightly on the same period of the prior year (EUR 0.10).

2.4.6. Segment reporting

In accordance with IFRS 8, which is based on the management approach, SYZYGY uses geographical criteria to report segments and thus distinguishes between Germany, the UK, 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.

Compared to the prior-year period, the individual segments contributed to earnings in the first quarter of 2017 as follows:

Share of Group sales (consolidated)



| Q1 in kEUR | Germany | | United Kingdom | | USA | | Others | |
|-------------------------------------|---------|-------|----------------|-------|-------|-------|--------|------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Sales (not consolidated) | 9,107 | 8,408 | 3,391 | 3,367 | 1,823 | 1,607 | 767 | 856 |
| Operating income (EBIT) | 618 | 1,438 | 202 | 322 | 625 | 269 | -7 | 212 |
| Operating income (EBIT) | 7% | 17% | 6% | 10% | 34% | 17% | -1% | 25% |
| Share of Group sales (consolidated) | 62% | 58% | 23% | 24% | 10% | 11% | 5% | 7% |

2.4.7. Financial position

SYZYGY had liquidity reserves totalling EUR 19.6 million as at the balance sheet date, corresponding to a decrease of EUR 2.6 million or 12 per cent compared with December 31, 2016. Liquid funds decreased by EUR 3.1 million to EUR 3.4 million, while securities holdings increased slightly by 4 per cent to EUR 16.1 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 EUR -3.1 million in the first quarter.

Operating cash flow was also negative, at EUR -2.1 million. The positive net income of EUR 1.1 million and depreciation and amortisation of EUR 0.3 million contrast with higher capital accumulation through accounts receivable of EUR -1.4 million and a fall in liabilities of EUR -1.7 million. Cash flow from investment operations was also negative in the first quarter of 2017, at EUR -1.0 million, and includes the sale (EUR 4.8 million) and purchase (EUR -5.0 million) of securities, and investments in intangible assets (EUR -0.8 million).

2.4.8. Asset situation

The SYZYGY Group's total assets declined slightly to EUR 80.4 million as at the reporting date. The decrease of EUR 0.4 million compared with December 31, 2016 represents a small 1 per cent drop.

Non-current assets increased slightly by around 2 per cent to EUR 38.8 million.

Current assets fell by EUR 1.1 million, or 3 per cent, to EUR 41.6 million. This was mainly due to the reduction of EUR 3.1 million in liquid funds to EUR 3.4 million and a rise in trade receivables by 7 per cent or EUR 1.3 million to EUR 19.8 million.

At EUR 51.2 million, equity was EUR 1.4 million or 3 per cent above the figure as at December 31, 2016, corresponding to an equity ratio of 64 per cent.

Other net income was EUR -1.2 million, EUR 0.3 million above the figure as at December 31, 2016. This item mainly comprises unrealised exchange rate changes and unrealised price changes on securities.

At EUR 22.2 million, current liabilities were 8 per cent below the level as at year-end 2016 (EUR 24.0 million). This includes the reduction of EUR -2.7 million to EUR 4.7 million in accounts payable, while other provisions rose from EUR 8.7 million to EUR 11.1 million. Other liabilities halved from EUR 3.0 million to EUR 1.5 million as VAT liabilities were paid.

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 Germany and the UK, and the ongoing shift of marketing budgets to the digital channel.

The Management Board of SYZYGY AG expects to be able to increase sales again in the current 2017 financial year. SYZYGY is forecasting only a modest rise in sales in the lower single-digit range due to the uncertainty in the UK arising from the current lack of clarity around the outcome of Brexit, and political and economic uncertainty in the US. Operating income (EBIT) will rise slightly ahead of sales.

The Management Board of SYZYGY AG thus confirms the forecast published in the 2016 Annual Report.

Bad Homburg v. d. H., May 5, 2017

The Management Board

Consolidated balance sheet

| Assets | 03/31/2017 | 03/31/2016 | 12/31/2016 |
|--|---------------|---------------|---------------|
| | kEUR | kEUR | kEUR |
| Non-current assets | | | |
| Goodwill | 34,072 | 24,447 | 33,797 |
| Other Fixed assets, net | 3,643 | 3,292 | 3,231 |
| Other assets | 625 | 633 | 625 |
| Deferred tax assets | 504 | 1,259 | 469 |
| Total non-current assets | 38,844 | 29,631 | 38,122 |
| Current assets | | | |
| Cash and cash equivalents | 3,436 | 5,908 | 6,571 |
| Marketable securities | 16,132 | 19,872 | 15,581 |
| Accounts receivable, net | 19,841 | 17,634 | 18,525 |
| Prepaid expenses and other current assets | 2,195 | 5,836 | 2,062 |
| Total current assets | 41,604 | 49,250 | 42,739 |
| Total assets | 80,448 | 78,881 | 80,861 |
| Equity and Liabilities | | | |
| | 03/31/2017 | 03/31/2016 | 12/31/2016 |
| | kEUR | kEUR | kEUR |
| Equity | | | |
| Common stock* | 12,828 | 12,828 | 12,828 |
| Additional paid-in capital | 20,537 | 20,306 | 20,537 |
| Own shares | -407 | -739 | -407 |
| Accumulated other comprehensive income | -1,234 | -643 | -1,537 |
| Retained earnings | 19,219 | 19,065 | 18,071 |
| Equity attributable to shareholders of SYZGY AG | 50,943 | 50,817 | 49,492 |
| Minorities | 227 | 401 | 293 |
| Total Equity | 51,170 | 51,218 | 49,785 |
| Non-current liabilities | | | |
| Long term liability | 6,884 | 2,342 | 6,879 |
| Deferred tax liabilities | 232 | 194 | 238 |
| Total non-current liabilities | 7,116 | 2,536 | 7,117 |
| Current liabilities | | | |
| Tax accruals | 327 | 716 | 203 |
| Accrued expenses | 11,109 | 6,812 | 8,668 |
| Customer advances | 4,469 | 7,492 | 4,632 |
| Accounts payable | 4,732 | 8,214 | 7,434 |
| Other current liabilities | 1,525 | 1,893 | 3,022 |
| Total current liabilities | 22,162 | 25,127 | 23,959 |
| Total liabilities and equity | 80,448 | 78,881 | 80,861 |

* 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

| | January – March | | | Change |
|---|-----------------|---------------|----------------|-------------|
| | 2017 | 2016 | 12/31/2016 | |
| | kEUR | kEUR | kEUR | |
| Billings | 34,390 | 34,600 | 142,804 | -1% |
| Media costs | -19,595 | -20,175 | -78,531 | -3% |
| Sales | 14,795 | 14,425 | 64,273 | 3% |
| Cost of revenues | -10,998 | -10,189 | -47,434 | 8% |
| Sales and marketing expenses | -1,391 | -1,397 | -6,341 | 0% |
| General and administrative expenses | -1,468 | -1,555 | -6,787 | -6% |
| Other operating income/expense, net | 66 | 191 | 1,885 | -65% |
| Operating profit (EBIT) | 1,004 | 1,475 | 5,596 | -32% |
| Financial income, net | 503 | 396 | 1,336 | 27% |
| Income before taxes (EBT) | 1,507 | 1,871 | 6,932 | -19% |
| Income taxes | -436 | -524 | -1,835 | -17% |
| Total net income of the period | 1,071 | 1,347 | 5,097 | -20% |
| thereof net income share to other shareholders | -77 | 88 | 115 | n.a. |
| thereof net income share to shareholders of SYZGY AG | 1,148 | 1,259 | 4,982 | -9% |
| Items that will not be reclassified to profit and loss: | 0 | 0 | 0 | n.a. |
| Items that will or may be reclassified to profit and loss: | | | | |
| Currency translation adjustment from foreign business operations | 303 | -1,121 | -2,412 | n.a. |
| Net unrealized gains/ losses on mark. sec., net of tax | 0 | -196 | 207 | n.a. |
| Other comprehensive income | 303 | -1,317 | -2,205 | |
| Comprehensive income | 1,374 | 30 | 2,892 | n.a. |
| thereof income share to other shareholders | -66 | 89 | 121 | n.a. |
| thereof income share to shareholders of SYZGY AG | 1,440 | -59 | 2,771 | n.a. |
| Earnings per share from total operations (basic in EUR) | 0.09 | 0.1 | 0.39 | -10% |

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

Statement of changes in equity

| | 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, 2016 | 12,828 | 12,828 | 20,306 | -739 | 17,806 | 591 | 83 | 50,875 | 312 | 51,187 |
| Net income of the period | | | | | 4,982 | | | 4,982 | 115 | 5,097 |
| Other comprehensive income | | | | | | -2,418 | 207 | -2,211 | 6 | -2,205 |
| Comprehensive income | | | | | 4,982 | -2,418 | 207 | 2,771 | 121 | 2,892 |
| Dividend | | | | | -4,717 | | | -4,717 | 0 | -4,717 |
| Sale of own shares | | | 231 | 332 | | | | 563 | | 563 |
| Payment to minorities | | | | | | | | 0 | -140 | -140 |
| December 31, 2016 | 12,828 | 12,828 | 20,537 | -407 | 18,071 | -1,827 | 290 | 49,492 | 293 | 49,785 |
| January 1, 2017 | 12,828 | 12,828 | 20,537 | -407 | 18,071 | -1,827 | 290 | 49,492 | 293 | 49,785 |
| Net income of the period | | | | | 1,148 | | | 1,148 | -77 | 1,071 |
| Other comprehensive income | | | | | | 303 | 0 | 303 | 11 | 314 |
| Comprehensive income | | | | | 1,148 | 303 | 0 | 1,451 | -66 | 1,385 |
| March 31, 2017 | 12,828 | 12,828 | 20,537 | -407 | 19,219 | -1,524 | 290 | 50,943 | 227 | 51,170 |

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

Consolidated statement of cash flows

| | January – March | | |
|--|-----------------|--------------|---------------|
| | 2017 | 2016 | 2016 |
| | kEUR | kEUR | kEUR |
| Period net income | 1,071 | 1,347 | 5,097 |
| Adjustments to reconcile income from operations to net cash provided by operating activities | | | |
| – Depreciation on fixed assets | 370 | 319 | 1,778 |
| – Profit (-) and loss (+) on sale of securities | -318 | -122 | -504 |
| – Profit (-) / loss (+) on sale of fixed assets | 0 | 41 | 8 |
| – Changes in Earn-Out liabilities | 0 | 0 | -1,011 |
| – Other non-cash income and expenses | 0 | 350 | 458 |
| Changes in operating assets and liabilities: | | | |
| – Accounts receivable and other assets | -1,407 | -3,825 | -440 |
| – Customer advances | -166 | 2,183 | -792 |
| – Accounts payable and other liabilities | -1,704 | 215 | 1,892 |
| – Tax accruals and payables, deferred taxes | 48 | -367 | -556 |
| Cash flows provided by operating activities | -2,106 | 141 | 5,930 |
| Changes in other non-current assets | -1 | -294 | -16 |
| Investments in fixed assets | -764 | -343 | -1,167 |
| Purchases of marketable securities | -5,049 | -3,135 | -12,151 |
| Proceeds from sale of marketable securities | 4,816 | 5,711 | 20,110 |
| Acquisition of consolidated entities less liquid funds | 0 | 0 | -4,655 |
| Cash flows used in investing activities | -998 | 1,939 | 2,121 |
| dividend paid to minority shareholders | 0 | 0 | -140 |
| dividend paid to shareholders of SYZYGY AG | 0 | 0 | -4,717 |
| Cash flows from financing activities | 0 | 0 | -4,857 |
| Total | -3,104 | 2,080 | 3,194 |
| Cash and cash equivalents at the beginning of the period | 6,571 | 3,841 | 3,841 |
| Exchange rate differences | -31 | -13 | -464 |
| Cash and cash equivalents at the end of the period | 3,436 | 5,908 | 6,571 |

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

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 x para. 2 WpHG, the financial report of SYZYGY AG for the first three months of 2017 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, 2016. 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 2016 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 2016. The financial figures and associated information must therefore be read in conjunction with the annual report on the consolidated financial statements for 2016.

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 that provides its subsidiaries with 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 v. d. H., Berlin, Frankfurt/Main, Hamburg, London, Munich, New York and Warsaw, they offer large corporations an integrated portfolio of solutions, from strategic consulting to project planning, concepts and design to technical realisation of brand platforms, business applications, websites, hosting, online campaigns and mobile apps. Online media services such as media planning, search engine marketing/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 March 31, 2017, the following subsidiaries were included in the consolidated financial statements of SYZYGY AG and fully consolidated:

- Ars Thanea S.A., Warsaw, Poland
(Ars Thanea for short)
- Hi-ReS! Berlin GmbH, Berlin, Germany
(Hi-ReS! BER for short)
- Hi-ReS! London Ltd, London, United Kingdom
(Hi-ReS! LON for short)
- SYZYGY Deutschland GmbH,
Bad Homburg v. d. H., Germany
(SYZYGY Deutschland for short)
- SYZYGY Digital Marketing Inc.,
New York City, United States of America
(SYZYGY NY for short)
- SYZYGY Media GmbH, Hamburg, Germany
(SYZYGY Media DE for short,
formerly uniquedigital GmbH)
- SYZYGY UK Ltd, London, United Kingdom
(SYZYGY UK for short)
- Unique Digital Marketing Ltd,
London, United Kingdom
(Unique Digital UK for short)
- USEEDS° GmbH, Berlin, Germany
(USEEDS for short)

Information on general consolidation principles is provided in the 2016 annual report from page 62 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-ReS! LON. The Germany segment comprises Hi-ReS! BER, SYZYGY Deutschland, SYZYGY Media DE and USEEDS. SYZYGY NY has formed a separate United States segment since 2015. 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 corporations 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. Information about the geographical areas in relation to segment sales and non-current assets is provided in the segment summary below. 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.

| March 31, 2017 | Germany | UK | US | Other segments | Central functions | Consolidation | Total |
|-------------------------------------|---------|--------|--------|----------------|-------------------|---------------|----------------|
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Billings | 14,683 | 8,845 | 10,388 | 767 | 325 | -618 | 34,390 |
| Media costs | -5,576 | -5,454 | -8,565 | 0 | 0 | 0 | -19,595 |
| Sales | 9,107 | 3,391 | 1,823 | 767 | 325 | -618 | 14,795 |
| of which internal sales | 279 | 49 | 1 | 289 | 0 | -618 | 0 |
| Operating income (EBIT) | 618 | 202 | 625 | -7 | -434 | 0 | 1,004 |
| Financial income | 3 | 0 | 0 | -1 | 501 | 0 | 503 |
| Earnings before tax (EBT) | 621 | 202 | 625 | -8 | 67 | 0 | 1,507 |
| Assets | 32,512 | 19,824 | 6,894 | 7,828 | 61,521 | -48,131 | 80,448 |
| of which non-current assets | 21,847 | 8,677 | 330 | 6,819 | 42 | 0 | 37,715 |
| of which goodwill | 19,131 | 8,308 | 0 | 6,633 | 0 | 0 | 34,072 |
| Investments | 700 | 26 | 0 | 32 | 6 | 0 | 764 |
| Depreciation and amortisation | 260 | 58 | 26 | 22 | 4 | 0 | 370 |
| Impairment on goodwill | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Segment liabilities | 8,333 | 6,467 | 5,489 | 261 | 10,253 | -1,525 | 29,278 |
| Employees as per balance sheet date | 321 | 133 | 14 | 74 | 23 | 0 | 565 |

| March 31, 2016 | Germany | UK | US | Other segments | Central functions | Consolidation | Total |
|-------------------------------------|---------|--------|--------|----------------|-------------------|---------------|----------------|
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Billings | 17,161 | 7,236 | 9,160 | 856 | 570 | -383 | 34,600 |
| Media costs | -8,753 | -3,869 | -7,553 | 0 | 0 | 0 | -20,175 |
| Sales | 8,408 | 3,367 | 1,607 | 856 | 570 | -383 | 14,425 |
| of which internal sales | 209 | 51 | 98 | 25 | 0 | -383 | 0 |
| Operating income (EBIT) | 1,438 | 322 | 269 | 212 | -766 | 0 | 1,475 |
| Financial income | 0 | 0 | 0 | 1 | 395 | 0 | 396 |
| Earnings before tax (EBT) | 1,438 | 322 | 269 | 213 | -371 | 0 | 1,871 |
| Assets | 24,291 | 19,594 | 8,520 | 8,154 | 60,327 | -42,005 | 78,881 |
| of which non-current assets | 11,105 | 9,405 | 381 | 6,810 | 38 | 0 | 27,739 |
| of which goodwill | 8,841 | 9,019 | 0 | 6,587 | 0 | 0 | 24,447 |
| Investments | 286 | 21 | 24 | 28 | 7 | 0 | 366 |
| Depreciation and amortisation | 211 | 53 | 24 | 27 | 4 | 0 | 319 |
| Impairment on goodwill | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Segment liabilities | 12,945 | 5,377 | 7,427 | 827 | 10,762 | -9,675 | 27,663 |
| Employees as per balance sheet date | 264 | 106 | 16 | 70 | 19 | 0 | 475 |

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. As at March 31, 2017, SYZGY held 73,528 treasury shares at an average acquisition cost of EUR 5.54.

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 | Total |
|-----------------------------|---------------|-------------------|---------------|---------------|
| As at December 31, 2016 | 10,000 | 0 | 0 | 10,000 |
| Purchases | 0 | 0 | 0 | 0 |
| Sales | 0 | 0 | 0 | 0 |
| As at March 31, 2017 | 10,000 | 0 | 0 | 10,000 |

Supervisory Board: Shares

| [Number of shares] | Ralf Hering | Wilfried Beeck | Rupert Day | Total |
|-----------------------------|-------------|----------------|------------|---------------|
| As at December 31, 2016 | 0 | 10,000 | 0 | 10,000 |
| Purchases | 0 | 0 | 0 | 0 |
| Sales | 0 | 0 | 0 | 0 |
| As at March 31, 2017 | 0 | 10,000 | 0 | 10,000 |

Management Board: Options

| [Number of shares] | Lars Lehne | Andrew P. Stevens | Erwin Greiner | Total |
|-----------------------------|------------|-------------------|---------------|---------------|
| As at December 31, 2016 | 0 | 0 | 10,000 | 10,000 |
| Additions | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 |
| As at March 31, 2017 | 0 | 0 | 10,000 | 10,000 |

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.

Management Board: Phantom stocks

| [Number of shares] | Lars Lehne | Andrew P. Stevens | Erwin Greiner | Total |
|-----------------------------|----------------|-------------------|---------------|----------------|
| As at December 31, 2016 | 240,000 | 120,000 | 75,000 | 435,000 |
| Additions | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 |
| As at March 31, 2017 | 240,000 | 120,000 | 75,000 | 435,000 |

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

The base price for the phantom stocks of Andrew P. Stevens and Erwin Greiner was set at EUR 9.00, for Lars Lehne at EUR 9.13.

Additional information is provided in the 2016 annual report from page 61 onwards.

Shareholder structure

As at March 31, 2017, the shareholders' structure has not changed compared to December 31, 2016. 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, St. Helier | 6,643 | 51.79 |
| Free Float | 6,111 | 47.63 |
| Treasury Stock | 74 | 0,58 |
| Total | 12,828 | 100.0 |

Bad Homburg v. d. H., May 5, 2017
SYZYG AG

The Management Board

Financial calendar 2017

| | | |
|---|---|---|
| Annual General Meeting, Frankfurt 06/30 | Half-Year-Report (English version: 08/15) 08/08 | Zurich Capital Market Conference 09/06 |
| 9-Month-Report (English version: 11/09) 11/02 | German Equity Forum, Frankfurt 11/27 | |

All dates are subjects to change.

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MANAGEMENT BOARD: LARS LEHNE, ANDREW P. STEVENS, ERWIN GREINER