

S/Z/G/

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

**Interim report
as per March 31, 2018**

Key financial figures

Sales

(in kEUR)

2014	11,063
2015	13,659
2016	14,425
2017	14,795
2018	15,424

3M 2018

15,424

Operating income

(in kEUR)

2014	1,116
2015	1,338
2016	1,475
2017	1,004
2018	1,104

3M 2018

1,104

Financial income

(in kEUR)

2014	587
2015	556
2016	396
2017	503
2018	151

3M 2018

151

Income before taxes

(in kEUR)

2014	2,353
2015	1,894
2016	1,871
2017	1,507
2018	1,255

3M 2018

1,255

Net income

(in kEUR)

2014	1,865
2015	1,394
2016	1,374
2017	1,071
2018	920

3M 2018

920

Earnings per share

undiluted (in EUR)

2014	0.14
2015	0.10
2016	0.10
2017	0.09
2018	0.07

3M 2018

0.07

Operating cash flow

(in kEUR)

2014	2,941
2015	-1,162
2016	141
2017	-2,106
2018	3,913

3M 2018

3,913

Sales by employee

annualised (in kEUR)

2014	103
2015	105
2016	111
2017	100
2018	96

2018

96

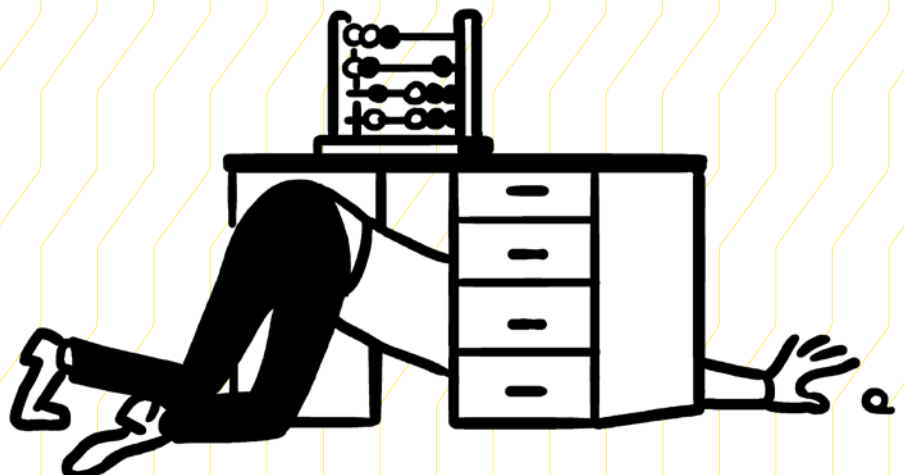
Balance sheet structure

Current assets	37%
Non current assets	63%
Equity	54%
Liabilities	46%

Equity

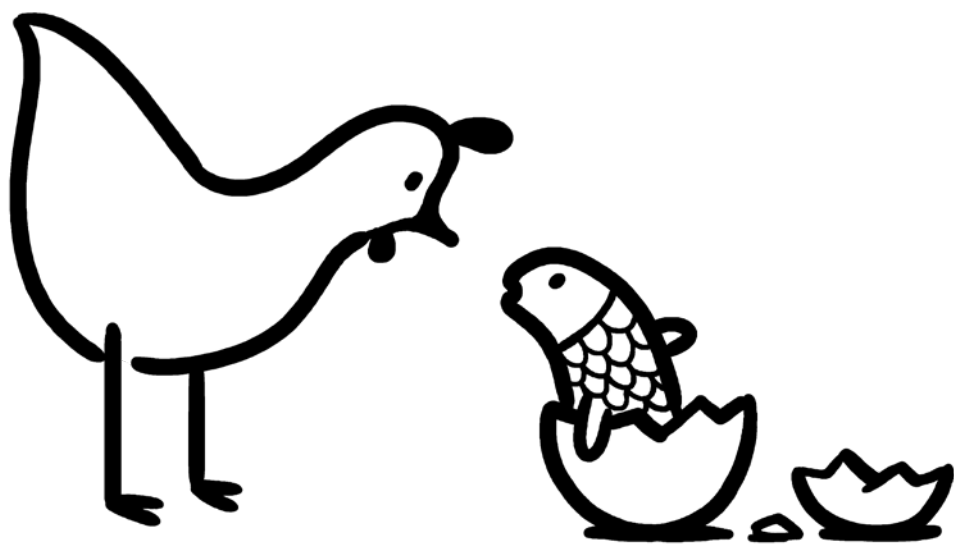
54%

<p>Sales by segments</p> <table border="0"> <tr> <td>Germany</td> <td>68%</td> </tr> <tr> <td>United Kingdom</td> <td>20%</td> </tr> <tr> <td>USA</td> <td>6%</td> </tr> <tr> <td>Others</td> <td>6%</td> </tr> </table> <p>Germany 68%</p>	Germany	68%	United Kingdom	20%	USA	6%	Others	6%	<p>Sales by clients' volume</p> <table border="0"> <tr> <td>Top 5</td> <td>26%</td> </tr> <tr> <td>Top 6-10</td> <td>14%</td> </tr> <tr> <td>Others</td> <td>60%</td> </tr> </table> <p>Top 5 26%</p>	Top 5	26%	Top 6-10	14%	Others	60%	<p>Sales allocation by vertical markets</p> <table border="0"> <tr> <td>Automotive</td> <td>31%</td> </tr> <tr> <td>Services</td> <td>22%</td> </tr> <tr> <td>Consumer goods</td> <td>20%</td> </tr> <tr> <td>Finance/Insurance</td> <td>16%</td> </tr> <tr> <td>Telekommunikation/IT</td> <td>9%</td> </tr> <tr> <td>Others</td> <td>2%</td> </tr> </table> <p>Automotive 31%</p>	Automotive	31%	Services	22%	Consumer goods	20%	Finance/Insurance	16%	Telekommunikation/IT	9%	Others	2%
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<p>Portfolio structure of cash and marketable securities</p> <table border="0"> <tr> <td>Bank deposit</td> <td>45%</td> </tr> <tr> <td>Corporate and government bonds</td> <td>55%</td> </tr> </table> <p>Corporate and government bonds 55%</p>	Bank deposit	45%	Corporate and government bonds	55%	<p>Employees by function</p> <table border="0"> <tr> <td>Media</td> <td>22%</td> </tr> <tr> <td>Strategy/consulting</td> <td>18%</td> </tr> <tr> <td>Technology</td> <td>17%</td> </tr> <tr> <td>Design</td> <td>15%</td> </tr> <tr> <td>Project management</td> <td>15%</td> </tr> <tr> <td>Administration</td> <td>13%</td> </tr> </table> <p>Media 22%</p>	Media	22%	Strategy/consulting	18%	Technology	17%	Design	15%	Project management	15%	Administration	13%	<p>Shareholder structure</p> <table border="0"> <tr> <td>WPP plc., St, Helier</td> <td>50.33%</td> </tr> <tr> <td>HANSAINVEST</td> <td>3.03%</td> </tr> <tr> <td>Treasury stocks</td> <td>0.54%</td> </tr> <tr> <td>Free float</td> <td>46.10%</td> </tr> </table> <p>WPP plc. 50.33%</p>	WPP plc., St, Helier	50.33%	HANSAINVEST	3.03%	Treasury stocks	0.54%	Free float	46.10%		
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Content

- [5 Management Report](#)
- [12 Consolidated balance sheet](#)
- [13 Consolidated statement of comprehensive income](#)
- [14 Statement of changes in equity](#)
- [15 Consolidated statement of cash flows](#)
- [16 Notes to the Consolidated financial statements](#)
- [23 Financial calendar and contact](#)



Business development and management report

	January-March		Change
	2018	2017	
	kEUR	kEUR	
Sales	15,424	14,795	4%
EBITDA	1,474	1,374	7%
EBITDA margin	9.6%	9.3%	0.3 pp
EBIT	1,104	1,004	10%
EBIT margin	7.2%	6.8%	0.4 pp
EBT	1,255	1,507	-17%
Financial income	151	503	-70%
Net income	920	1,071	-14%
Earnings per share (EUR)	0.07	0.09	-22%
Employees incl. freelancers	627	565	11%
Liquid assets	19,453	19,568	-1%
Operating cash flow	3,913	-2,106	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 2017 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 630 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 eleven subsidiaries:

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

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. Performance marketing and 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 and animations round off the range of services.

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

2.2. Group management

The organisational structure of the SYZYGY Group is decentralised. As the management holding company, SYZYGY AG manages the subsidiaries on the basis of 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 SYZYGY 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

As part of its reporting on sustainability, SYZYGY AG has issued a declaration of conformity that addresses the German Sustainability Code and its individual standards, while also assessing the relevance for the SYZYGY Group. The action areas with strategic importance for SYZYGY in this respect are

- client relationships,
- employees,
- growth and development of the Group,
- economic efficiency,
- environmental protection and
- corporate governance.

The SYZYGY Group pursues a style of corporate management based on sustainable growth. It adopts measures based on the above action areas that help drive the successful long-term performance of the SYZYGY Group. Further information on sustainability is available in the SYZYGY AG declaration of conformity under ir.syzygy.net and "Sustainability".

SYZYGY AG is exempt from preparing a non-financial declaration in accordance with Article 315b (2) sentence 2, HGB. The parent company, WPP plc., St. Helier, Jersey, publishes the non-financial declaration on its website at <http://www.wpp.com/wpp/sustainability/>.

2.3. Employees

The headcount at the SYZGY Group declined slightly in the period covered by the report. The SYZGY Group had a total of 582 permanent employees as at March 31, 2018. The decrease of 39 compared with December 31, 2017 is primarily due to job cuts at SYZGY Berlin as a consequence of losing a major account at the start of 2017. Compared with the end of the same quarter in the previous year, the headcount rose marginally by 17; this was primarily due to the integration into the Group of around 100 employees following the acquisition of Catbird Seat and different, but also the result of some 50 redundancies at SYZGY Berlin.

The number of freelancers was around 45 (based on FTEs) as at the reporting date, 1 person less than in March 2017.

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

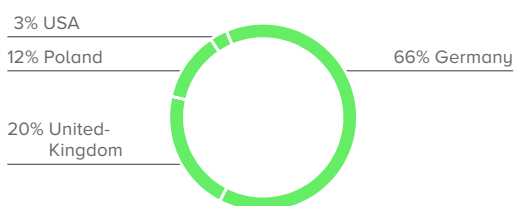
Employees	03/31/2018	03/31/2017
Germany	385	344
United Kingdom	115	133
Poland	67	74
United States	15	14
Total	582	565

The proportion of employees in each function/work area has changed particularly in the area of strategy consulting, as this is an essential part of different's service portfolio:

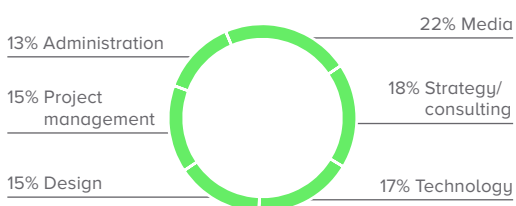
Employees	03/31/2018	03/31/2017
Media	127	114
Strategy consulting	107	62
Technology	99	120
Design	87	112
Project management	85	92
Administration	77	65
Total	582	565

On average over the period, 643 people – including around 45 freelancers – worked for the SYZGY Group. Annualised sales per head were therefore EUR 96,000 (previous year: EUR 100,000, with an average headcount of 590).

Employees by region



Employees by function



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

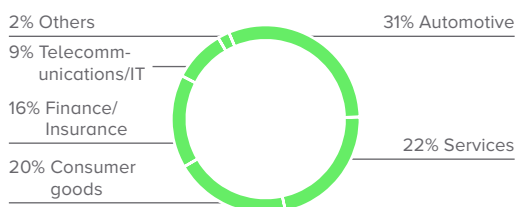
2.4.1. Results of operations

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

Billings were up 13 per cent compared with the same period of the previous year, reaching EUR 38.8 million, while sales also increased in the reporting period. Sales climbed 4 per cent to EUR 15.4 million in the first three months of the year.

The German companies in particular contributed to this development.

Sales allocation by vertical markets



As a result of changes in the client structure with regard to sectors, the breakdown has been adapted accordingly, with the services segment being added. Sales generated with insurance companies have been allocated to the financial sector for the first time.

This more granular view, combined with shifts in sales patterns, has given rise to a number of changes. Sales generated with clients in the consumer goods segment rose by three percentage points year-on-year. Two per cent more sales were generated with clients from the financial and insurance segment in the quarter under review, while sales derived from companies that cannot be assigned to any of these five key areas fell slightly from 3 to

2 per cent. Sales to clients in the automotive sector were down 2 per cent. The proportion of sales in the telecommunications/IT segment and services segment each decreased by one percentage point compared with the prior-year quarter.

40 per cent of SYZGY's total sales were generated from its ten largest clients, a drop of 15 percentage points compared with the same period in the prior year. This shows a reduction in dependency on major clients.

2.4.2. Operating expenses and depreciation

The cost of sales rose at a slightly faster rate than sales, increasing by 5 per cent to EUR 11.5 million but remaining comparable with the previous year (EUR 11.0 million). Gross margin decreased accordingly by one percentage point to 25 per cent.

General administrative expenses increased by 14 per cent to EUR 1.7 million (previous year: EUR 1.5 million).

Sales and marketing costs totalled EUR 1.4 million in the 2018 period under review, and were thus unchanged compared with the previous year.

At EUR 0.4 million, depreciation of fixed assets also remained practically unchanged over the corresponding period of the prior year.

2.4.3. Operating income and EBIT margin

The SYZGY Group's operating profit rose by 10 per cent, increasing from EUR 1.0 million to EUR 1.1 million compared with the same period of the previous year; the EBIT margin thus increased to 7.2 per cent (previous year: 6.8 per cent).

2.4.4. Financial income

SYZGY generated financial income of EUR 0.2 million in the first quarter of 2018 through active management of liquid funds. This figure is 70 per cent below the previous year's level and corresponds to an annualised return of 3.4 per cent on average available liquidity reserves. Financial income primarily comprises interest income from corporate bonds and gains realised on securities.

2.4.5. Income taxes, net income, earnings per share

Business performance at the SYZGY Group is reflected in pre-tax income of EUR 1.3 million. In the same period of the previous year, the figure was EUR 1.5 million, meaning that pre-tax income declined by 17 per cent. After income taxes of EUR 0.3 million, net income was EUR 0.9 million.

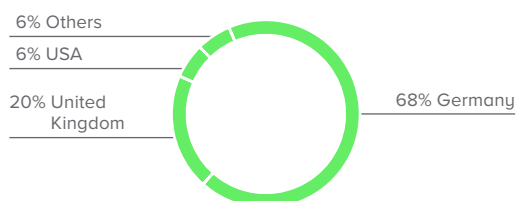
Undiluted earnings per share were EUR 0.07, based on the average available 13,421,000 shares qualifying for participation in the profits and after deducting minority shares of EUR -0.4 million. This figure is EUR 0.02 below the level achieved in the same period of the prior year (EUR 0.09).

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.

In the first three months of 2018, the individual segments contributed to earnings as follows, compared with the same period in the previous year:

Share of Group sales (consolidated)



3M in kEUR	Germany		United Kingdom		USA		Others (Poland)	
	2018	2017	2018	2017	2018	2017	2018	2017
Sales (not consolidated)	10,949	9,107	3,177	3,391	979	1,823	1,012	767
Operating income (EBIT)	1,197	618	-82	202	116	625	74	-7
Operating income (EBIT)	11%	7%	-3%	6%	12%	34%	7%	-1%
Share of Group sales (consolidated)	68%	62%	20%	23%	6%	10%	6%	5%

2.4.7. Financial position

SYZYGY had liquidity reserves totalling EUR 19.5 million as at the balance sheet date, corresponding to an increase of EUR 3.5 million or 22 per cent compared with December 31, 2017. Both components were up: liquid funds increased by EUR 1.8 million to EUR 8.8 million, while securities holdings rose from EUR 9.0 million to EUR 10.6 million. The main reason for the rise in liquidity reserves is the positive operating cash flow of EUR 3.9 million.

55 per cent of funds were invested in corporate bonds as at March 31, 2018, while 45 per cent were accounted for by bank deposits. The average residual maturity of the bonds was 6.3 years.

Total cash flow of the SYZYGY Group was positive as at the reporting date, at EUR 1.8 million. Cash flow from business operations was also positive, standing at EUR 3.9 million in the period under review. This was due to positive net income of EUR 0.9 million, depreciation and amortisation of EUR 0.4 million and the fall in accounts receivable and other assets to EUR 3.0 million, while liabilities remained almost unchanged.

Cash flow from investment operations was negative at EUR -2.1 million. This is chiefly due to the acquisition of securities in the amount of EUR -2.0 million and, to a lesser extent (EUR -0.2 million), to investments in assets and fixed assets.

With regard to cash flow from financing activities, there were no changes in loans in the quarter under review and no dividends were distributed.

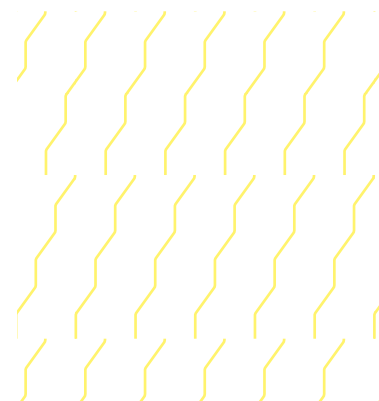
2.4.8. Asset situation

At EUR 104.9 million, the SYZYGY Group's total assets remained almost unchanged in the period under review compared with December 31, 2017 (previous quarter: EUR 104.6 million).

There were no significant changes either in non-current assets or in current assets. At EUR 66.5 million (previous quarter: EUR 66.5 million) and EUR 38.4 million (previous quarter: EUR 38.1 million), respectively, they were the same or virtually the same as at December 31, 2017.

Equity of EUR 56.7 million was up marginally by EUR 0.8 million compared with the figure as at December 31, 2017. This is due to a rise in profit reserves from EUR 18.0 million to EUR 18.9 million. Other net income fell from EUR -1.8 million to EUR -2.0 million. This item mainly comprises unrealised rate changes for foreign exchange positions. This corresponds to an unchanged equity ratio of 54 per cent.

Current liabilities also changed only slightly: at EUR 26.7 million, they were above the level as at year-end 2017 (EUR 26.4 million). This mainly includes a rise of EUR 2.0 million in accounts payable to EUR 9.7 million and a drop in advance payments received from EUR 6.4 million to EUR 5.3 million.



2.5. Expected performance of the SYZYGY Group

Based on the positive macroeconomic outlook, SYZYGY believes that conditions are favourable for further growth. The continuing shift of marketing budgets to digital channels is an additional source of support and impetus.

The results of the SYZYGY Group will be determined by the performance of the operating units and the future interest income of SYZYGY AG. The Management Board of SYZYGY AG expects double-digit sales growth in the current financial year, with a rise in the EBIT margin in the upper single-digit range. Growth is expected chiefly in Germany, while the performance of all other segments will be broadly unchanged.

The Management Board of SYZYGY AG is therefore confirming the forecast made in the 2017 annual report.

Bad Homburg v. d. H., May 4, 2018

SYZYGY AG
The Management Board

Consolidated balance sheet as at March 31, 2018

Assets	03/31/2018	03/31/2017	12/31/2017
	kEUR	kEUR	kEUR
Non-current assets			
Goodwill	58,326	34,072	58,165
Other Fixed assets, net	7,646	3,643	7,834
Fixed Asset Investments	200	0	200
Other assets	283	625	219
Deferred tax assets	57	504	35
Total non-current assets	66,512	38,844	66,453
Current assets			
Cash and cash equivalents	8,836	3,436	7,017
Marketable securities	10,617	16,132	8,964
Accounts receivable, net	17,140	19,841	20,279
Prepaid expenses and other current assets	1,783	2,195	1,865
Total current assets	38,376	41,604	38,125
Total assets	104,888	80,448	104,578
Equity and Liabilities			
	03/31/2018	03/31/2017	12/31/2017
	kEUR	kEUR	kEUR
Equity			
Common stock*	13,500	12,828	13,500
Additional paid-in capital	27,069	20,537	27,069
Own shares	-407	-407	-407
Accumulated other comprehensive income	-1,958	-1,234	-1,815
Retained earnings	18,933	19,219	18,033
Equity attributable to shareholders of SYZGY AG	57,137	50,943	56,380
Minorities	-429	227	-447
Total Equity	56,708	51,170	55,933
Non-current liabilities			
Long term liability	21,051	6,884	21,871
Deferred tax liabilities	429	232	411
Total non-current liabilities	21,480	7,116	22,282
Current liabilities			
Tax accruals	274	327	255
Accrued expenses	8,911	11,109	9,216
Customer advances	5,265	4,469	6,376
Accounts payable	9,738	4,732	7,754
Other current liabilities	2,512	1,525	2,762
Total current liabilities	26,700	22,162	26,363
Total liabilities and equity	104,888	80,448	104,578

* Contingent Capital kEUR 1,200 (prior year: kEUR 1,200).

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

SYZYG AG, Bad Homburg v.d.H.

Consolidated statement of comprehensive income as at March 31, 2018

	January-March			Change
	2018	2017	12/31/2017	
	kEUR	kEUR	kEUR	
Billings	38,795	34,390	152,165	13%
Media costs	-23,371	-19,595	-91,496	19%
Sales	15,424	14,795	60,669	4%
Cost of revenues	-11,547	-10,998	-46,150	5%
Sales and marketing expenses	-1,390	-1,391	-6,271	0%
General and administrative expenses	-1,667	-1,468	-7,389	14%
Other operating income/expense, net	284	66	3,237	330%
Operating profit (EBIT)	1,104	1,004	4,096	10%
Financial income, net	151	503	1,440	-70%
Income before income taxes (EBT)	1,255	1,507	5,536	-17%
Income taxes	-335	-436	-1,301	-23%
Total net income of the period	920	1,071	4,235	-14%
thereof net income share to other shareholders	20	-77	-754	n.a.
thereof net income share to shareholders of SYZYG AG	900	1,148	4,989	-22%
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	50	303	-149	n.a.
Net unrealized gains/losses on marketable securities, net of tax	-195	0	-115	n.a.
Other comprehensive income	-145	303	-264	-148%
Comprehensive income	775	1,374	3,971	-44%
thereof income share to other shareholders	18	-66	-740	n.a.
thereof income share to shareholders of SYZYG AG	757	1,440	4,711	-48%
Earnings per share from total operations (basic in EUR)	0.07	0.09	0.39	-22%

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

Statement of changes in equity as at March 31, 2018

	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 SYZYG AG	Minority interest	Total equity
	in 1,000	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
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					4,989			4,989	-754	4,235
Other comprehensive income						-163	-115	-278	14	-264
Comprehensive income					4,989	-163	-115	4,711	-740	3,971
Dividend	672	672	6,532					7,204	0	7,204
Sale of own shares					-4,847			-4,847	0	-4,847
Payment to minorities					-180			-180	0	-180
December 31, 2017	13,500	13,500	27,069	-407	18,033	-1,990	175	56,380	-447	55,933
January 1, 2018	13,500	13,500	27,069	-407	18,033	-1,990	175	56,380	-447	55,933
Net income of the period					900			900	20	920
Other comprehensive income						52	-195	-143	-2	-145
Comprehensive income					900	52	-195	757	18	775
Capital increase								0	0	0
Dividend								0	0	0
Payment to minorities								0	0	0
March 31, 2018	13,500	13,500	27,069	-407	18,933	-1,938	-20	57,137	-429	56,708

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

SYZYG AG, Bad Homburg v.d.H.

Consolidated statement of Cash Flows as at March 31, 2018

	January-March		
	2018	2017	2017
	kEUR	kEUR	kEUR
Period net income	920	1,071	4,235
Adjustments to reconcile income from operations to net cash provided by operating activities			
– Depreciation on fixed assets	425	370	2,083
– Profit (-) and loss (+) on sale of securities	4	-318	-1,254
– Profit (-) / loss (+) on sale of fixed assets	0	0	87
– Changes in Earn-Out liabilities	0	0	-3,175
– Profit (-)/loss(+) on sale of fixed asset investments	-27	0	-106
– Other non-cash income and expenses	-97	0	349
Changes in operating assets and liabilities:			
– Accounts receivable and other assets	2,972	-1,407	2,623
– Customer advances	-1,116	-166	1,547
– Accounts payable and other liabilities	459	-1,704	-1,512
– Tax accruals and payables, deferred taxes	373	48	-99
Cash flows provided by operating activities	3,913	-2,106	4,778
Changes in other non-current assets	-66	-1	468
Investments in fixed assets	-227	-764	-5,263
Purchases of marketable securities	-1,981	-5,049	-11,809
Proceeds from sale of marketable securities	128	4,816	19,256
Changes from fixed asset investments	27	0	80
Acquisition of consolidated entities less liquid funds	0	0	-6,598
Cash flows used in investing activities	-2,119	-998	-3,866
Change in bank loans	0	0	4,762
dividend paid to minority shareholders	0	0	-180
dividend paid to shareholders of SYZYG AG	0	0	-4,847
Cash flows from financing activities	0	0	-265
Total	1,794	-3,104	647
Cash and cash equivalents at the beginning of the period	7,017	6,571	6,571
Exchange rate differences	25	-31	-201
Cash and cash equivalents at the end of the period	8,836	3,436	7,017

The accompanying notes are an integral part of the financial statement

Selected Notes to the Consolidated Financial Statements

Accounting

Pursuant to the provisions of section 50 (6) of the BörsO (Stock Exchange Directive) in conjunction with Article 37 w WpHG (German Securities Trading Act), the financial report of SYZYGY AG for the first three months of 2018 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, 2017. The Management Report was prepared in accordance with the applicable requirements of the WpHG. The interim financial report has not been audited in accordance with section 37 (w) of the German Securities Trading Act (WpHG).

The same accounting and consolidation principles were applied as described in the notes to the financial statements in the 2017 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 2017. The financial figures and associated information must therefore be read in conjunction with the annual report on the consolidated financial statements for 2017.

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 their new business activities. As operating entities, the subsidiaries are responsible for providing consultancy and other services. With branches in Bad Homburg v. d. H., Berlin, Frankfurt/Main, Hamburg, London, Munich, New York and Warsaw, they offer 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, hosting, online campaigns and mobile apps. Performance marketing and 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 and animations round off the range of services. The Group's business focus is on the automotive, telecommunications/IT, services and consumer goods industries, as well as finance and insurances.

Scope of consolidation and principles

As at March 31, 2018, 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)
- Catbird Seat GmbH, Munich, Germany (Catbird Seat for short)
- Different GmbH, Berlin, Germany (different for short)
- Hi-ReS! London Ltd, London, United Kingdom (Hi-ReS! LON for short)
- SYZYGY Berlin GmbH, Berlin, Germany (SYZYGY BER 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)
- 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)

Effective January 1, 2018 SYZYGY has acquired a further 10 percent of the shares in USEEDS ° GmbH. The entry in the commercial register took place on March 12, 2018.

Information on general consolidation principles is provided in the 2017 annual report from page 67 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 Catbird Seat, different, SYZYGY Berlin, SYZYGY Deutschland, SYZYGY Media 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 and is thus presented under "Other segments".

All segments offer large companies an integrated spectrum of corporate Internet solutions, from strategic consulting to project planning, conception and design to 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 on the geographical regions in relation to segment sales and non-current assets can be derived from the segment disclosures summarised below. Sales included in segment reporting consist of sales to external clients and 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, 2018	Germany	UK	US	Other segments	Central functions	Consolidation	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Billings	22,503	7,828	8,145	1,012	28	-721	38,795
Media costs	-11,554	-4,651	-7,166	0	0	0	-23,371
Sales	10,949	3,177	979	1,012	28	-721	15,424
of which internal sales	346	10	0	365	0	-721	0
Operating income (EBIT)	1,197	-82	116	74	-201	0	1,104
Financial income	26	21	0	-3	107	0	151
Earnings before tax (EBT)	1,223	-61	116	71	-94	0	1,255
Assets	66,934	20,016	6,392	8,175	88,794	-85,423	104,888
of which non-current assets	47,678	10,112	199	6,856	1,127	0	65,972
of which goodwill	43,566	8,095	0	6,665	0	0	58,326
Investments	252	16	0	7	84	0	359
Depreciation and amortisation	252	97	21	29	26	0	425
Impairment on goodwill	0	0	0	0	0	0	0
Segment liabilities	18,966	7,011	5,695	642	30,071	-14,205	48,180
Employees as per balance sheet date	362	115	15	67	23	0	582

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

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, 2018, SYZGY held 73,528 treasury shares at an average acquisition cost of EUR 5.54.

Supervisory Board

Due to the unexpected death of Ralf Hering, the Management Board and Supervisory Board submitted an application to the District Court of Bad Homburg for Mr Andrew Payne to serve until the Annual General Meeting on June 15, 2018.

Mr Andrew Payne is a financial expert at WPP and has known the company for around ten years through working with it as an associated company. The District Court of Bad Homburg approved the proposal on March 22, 2018. On March 27, 2018, the Supervisory Board elected Mr Wilfried Beeck as Chairman of the Supervisory Board and Mr Rupert Day as his deputy.



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	Erwin Greiner	Frank Ladner	Total
As at December 31, 2017	10,000	0	0	10,000
Purchases	0	0	0	0
Sales	0	0	0	0
As at March 31, 2018	10,000	0	0	10,000

Supervisory Board: Shares

[Number of shares]	Wilfried Beeck	Rupert Day	Andrew Payne	Ralf Hering	Total
As at December 31, 2017	10,000	0	0	0	10,000
Purchases	0	0	0	0	0
Sales	0	0	0	0	0
As at March 31, 2018	10,000	0	0	0	10,000

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

Management Board: Phantom stocks

[Number of shares]	Lars Lehne	Erwin Greiner	Frank Ladner	Total
As at December 31, 2017	240,000	45,000	0,000	285,000
Additions	0	80,000	55,000	135,000
Disposals	0	0	0	0
As at March 31, 2018	240,000	125,000	75,000	420,000

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 45,000 phantom stocks from Erwin Greiner is EUR 9.00, the base price at Lars Lehne EUR 9.13 and the additions for Erwin Greiner and Frank Ladner EUR 11.25. Further information can be found in the Annual Report 2017 starting on page 64.

Shareholder structure

As at March 31, 2018, the shareholders' structure has changed slightly compared to December 31, 2017.

The shareholders' structure of the Company at the reporting date was as follows:

in Thousand	Shares	per cent
WPP plc., St. Helier	6,795	50.33
HANSAINVEST	408	3.03
Free Float	6,223	46.10
Treasury Stock	74	0.54
Total	13,500	100.00

Bad Homburg v. d. H., May 4, 2018

SYZGY AG

The Management Board

Financial calendar 2018

Annual General Meeting, Frankfurt 06/15	Half-Year-Report (English version: 08/10) 08/03	9-Month-Report (English version: 11/09) 11/02
German Equity Forum, Frankfurt 11/26-28	MKK – Munich Capital Market Conference 11/11-12	

All dates are subjects to change.

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MANAGEMENT BOARD: LARS LEHNE, ERWIN GREINER, FRANK LADNER