

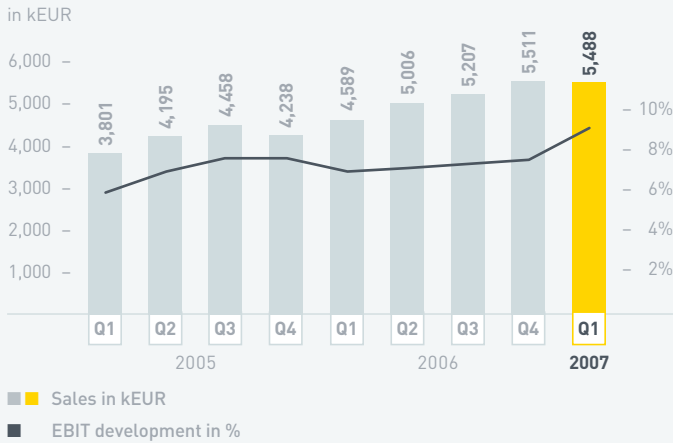


**Interim Report** per March 31, 2007

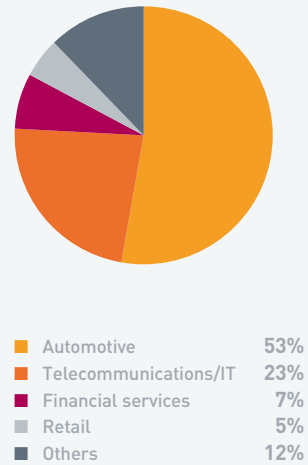
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# Financial Figures

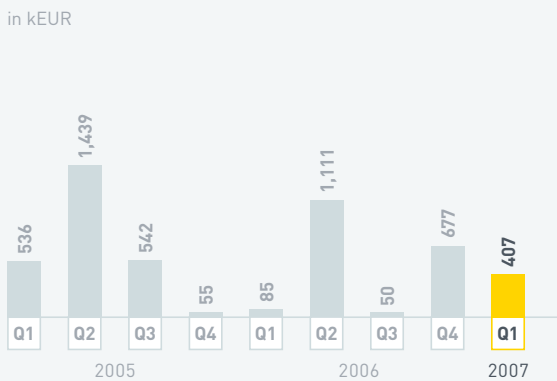
**Fig. 1, page 1**  
Sales and EBIT development on a quarterly basis (2005-2007)



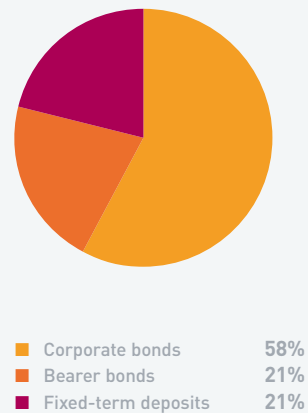
**Fig. 2, page 1**  
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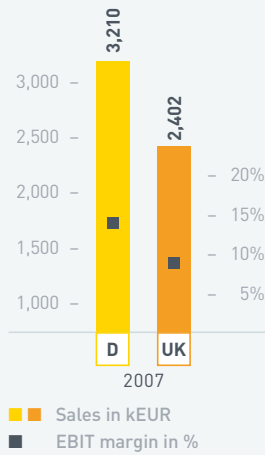
**Fig. 5, page 2**  
Development of operating cash flows on a quarterly basis (2005-2007)



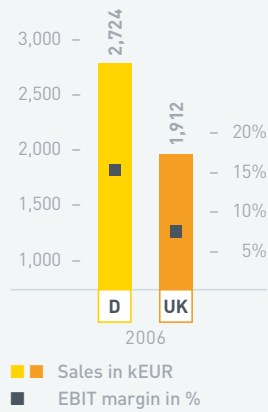
**Fig. 6, page 2**  
Portfolio structure of cash and marketable securities as of 03/31/2007



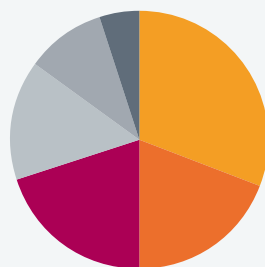
**Fig. 3, page 1+2**  
Sales and EBIT margin  
by region (3M-2007)



**Fig. 4, page 1+2**  
Sales and EBIT margin  
by region (3M-2006)

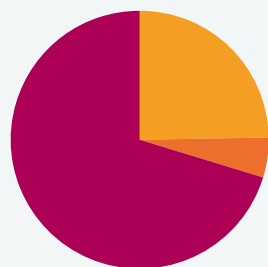


**Fig. 7, page 3**  
Employees by function  
(3M-2007)



Technology	31%
Project management	20%
Design	19%
Online marketing	15%
Administration	10%
Strategy/Consulting	5%

**Fig. 8, page 10**  
Shareholders' structure  
as of 03/31/2007



WPP	24.8%
Marco Seiler	5.1%
Freefloat	70.1%

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# Business Development

in kEUR	1st quarter		
	2007	2006	Δ prev. year
Sales	5,488	4,589	19.6%
EBITDA	685	508	34.8%
EBIT	505	323	56.3%
Financial income	544	716	-24.0%
Net income	679	670	1.3%
EBITDA margin	12.5%	11.1%	1.4 pp
EBIT margin	9.2%	7.0%	2.2 pp
Earnings per share (in EUR)	0.05	0.06	-16.7%
Number of employees (end of March)	200	140	42.9%
Liquid funds and securities	23,840	46,527	-48.8%
Cash flow from operating activities	407	85	378.8%

## Sales growth of 20 per cent

Syzygy was able to get on with the successful development and generated a considerable sales growth in the first quarter of 2007. Total sales amounted to kEUR 5,488 (previous year: kEUR 4,589), which corresponds to a 20 per cent increase.

Fig. 1

## Regional development

In Germany, sales increased by 18 per cent from kEUR 2,724 to kEUR 3,210. In Great Britain, sales growth was even stronger with 26 per cent from kEUR 1,912 up to kEUR 2,402.

Fig. 3+4

The German segment now accounts for 58 per cent of sales within the Syzygy Group, whereas the English segment generated 42 per cent of Group sales.

Further details on segment reporting can be found in the notes on page 9.

For Syzygy, the automotive sector is still the client focus. However, other sectors grew even faster, whereas business in the automotive sector remained stable. Here, around 53 per cent of sales were generated (previous year: 62 per cent). Sales in the telecommunication/IT sector increased from 20 per cent to 23 per cent. At 7 per cent, financial services were about 3 percentage points above last year's figure. The retail industry accounted for 5 per cent of total sales as compared to 2 per cent last year. Sales that could not be attributed to any of these four core areas remained unchanged with around 12 per cent.

Fig. 2

The 10 largest clients are responsible for 84 per cent of total sales (previous year: 85 per cent).

### **Operating income increased significantly by 56 per cent**

Operating income for the first quarter amounted to kEUR 505 and was therefore significantly higher than in the previous year (kEUR 323).

Due to a considerable growth rate of 56 per cent, the EBIT margin for the period was 9.2 per cent compared to 7.0 per cent in the previous year's quarter.

Fig. 1

In Germany, a return on sales of 14 per cent was generated, while in Great Britain the EBIT margin amounted to around 10 per cent.

Fig. 3+4

### **Syzygy holding companies**

Syzygy AG acts as a service provider for its subsidiaries in the strategy, controlling, accounting, investor and public relations and personnel management areas. Mediopolis Ltd. is an interim holding company that has held shares in Syzygy UK Ltd. since 1996.

### **Operating expenses and depreciation**

In the reporting period, cost of consultancy sold as a percentage of sales remained with 65 per cent nearly on last year's level (64 per cent). Sales and marketing expenses decreased slightly from 10 down to 9 per cent. General administrative costs went down from 19 to 18 per cent. Depreciation amounted to kEUR 180 and thus kEUR 5 below last year's figure.

### **Financial income – long-term investment strategy**

In the period under review, at kEUR 544, financial income was kEUR 172 below the figure of the previous year, due to lower on average available capital resources, which itself is due to the special distribution in February and the acquisition of Unique Digital Marketing Ltd. in March. At around 6.5 per cent, the return on average available liquid assets was slightly above last year's margin.

The average residual maturity for all securities is around 7 years. As at the end of the period, the portfolio consisted of 58 per cent corporate bonds, 21 per cent bearer bonds and 21 per cent fixed-term deposits.

Fig. 5

Generally, a rise in long-term interest rates has a negative effect, while a decline has a positive impact on the price performance of securities. Syzygy minimises such default risks by selecting investments with an excellent credit rating and counters interest rate risks by investing in varying maturities.

### **Net income, income taxes, earnings per share**

The operating income of kEUR 505 and the financial income of kEUR 544 resulted in an income before taxes of kEUR 1,049. After income taxes of kEUR 370, net income amounted to kEUR 679 (previous year: kEUR 670), thereof kEUR 90 are attributable to minority shareholders. Based on 11,981 thousand shares, earnings per share equal EUR 0.05.

### **Operating cash flow**

In the first quarter, the operating cash flow amounted to kEUR 407. The key influencing factors were the net income for the period of kEUR 679, lower other non-current assets and depreciation of kEUR 180. On the other hand, capital employed increased due to higher accounts receivable (kEUR 199) and reduced client prepayments (kEUR 178). Furthermore, payments of tax liabilities had a negative impact on the cash flow.

**Fig. 6**

### **Investments, research & development**

In the first quarter, total investments decreased by kEUR 22 to kEUR 90. Investments primarily related to software and hardware for the optimisation of the Company's internal infrastructure and expenses for providing equipment to employees.

As a service provider that does not offer its own products, Syzygy reports no expenses for research and development.

### **Employees**

As of the end of the period, Syzygy had 200 employees and thus, 60 more people than at the same time of the previous year and 26 additional employees since the beginning of the year. Revenue per employee amounted to kEUR 119 (previous year: kEUR 131)

The focus of activities was on the technology segment, employing 31 per cent of all staff. Project management accounted for 20 per cent of all employees. Around 19 per cent of employees were employed at the design department, 15 per cent in online marketing, 10 per cent in administration and 5 per cent in strategy consulting. During peak periods, up to 15 freelance employees were brought in the operating companies in order to optimise utilisation.

**Fig. 7**

### **Risk management**

The identification of individual risks is subdivided into various risk categories. Risks are identified, quantified and qualitatively evaluated throughout the entire Group using a uniform management, planning and reporting system.

The information currently available shows no indications of risks that would jeopardise the further existence of Syzygy AG and its subsidiaries as a going concern. Risk factors relate to overall economic trends, the nature of the service sector as well as to the speed with which the market for internet services is changing.

More detailed notes on the individual risk factors can be found in the 2006 Annual Report from page 31 onwards.

### **Outlook**

The order backlog for the coming quarter exceeds the level of last year's period considerably. For the next quarter, Syzygy anticipates a significant growth in sales and for the first time a double-digit return on sales. Further, Syzygy confirms the anticipated target of doubling its operating income.

# Consolidated Balance Sheets

in kEUR	31 March		31 December
	2007	2006	2006
<b>Non-current assets</b>			
Goodwill	6,780	0	3,243
Intangible and fixed assets	918	1,206	976
Other non-current assets	737	125	128
<b>Total non-current assets</b>	<b>8,435</b>	<b>1,331</b>	<b>4,347</b>
<b>Deferred tax assets</b>	<b>70</b>	<b>64</b>	<b>70</b>
<b>Current assets</b>			
Cash and cash equivalents	4,871	2,226	5,982
Marketable securities	18,969	44,301	37,673
Accounts receivable, net	5,968	3,235	4,547
Prepaid expenses and other current assets	1,715	2,211	1,912
<b>Total current assets</b>	<b>31,523</b>	<b>51,973</b>	<b>50,114</b>
<b>Total assets</b>	<b>40,028</b>	<b>53,368</b>	<b>54,531</b>

in kEUR	31 March		31 December
	2007	2006	2006
<b>Equity</b>			
Common stock*	12,060	12,021	12,060
Additional paid-in capital	17,994	37,034	17,994
Treasury stock	-116	-1,603	-858
Accumulated other comprehensive income	-141	567	-121
Retained earnings	2,511	2,088	1,922
Minority interest	150	0	60
<b>Total equity</b>	<b>32,458</b>	<b>50,107</b>	<b>31,057</b>
<b>Deferred tax liabilities</b>	<b>51</b>	<b>139</b>	<b>60</b>
<b>Current liabilities</b>			
Accounts payable and accrued expenses	5,840	2,048	4,090
Customer advances	66	31	238
Tax accruals and liabilities	976	692	637
Other current liabilities	637	351	18,449
<b>Total current liabilities</b>	<b>7,519</b>	<b>3,122</b>	<b>23,414</b>
<b>Total equity and liabilities</b>	<b>40,028</b>	<b>53,368</b>	<b>54,531</b>

\* Contingent capital kEUR 1,140 (prior year: kEUR 1,178)



## Consolidated Income Statements

in kEUR	1st quarter		Δ prev. year
	2007	2006	
<b>Revenues</b>	<b>5,488</b>	<b>4,589</b>	<b>19.6%</b>
Cost of revenues	-3,559	-2,953	20.5%
Sales and marketing expenses	-477	-455	4.8%
General and administrative expenses	-969	-876	10.6%
Other operating income, net	22	18	22.2%
<b>Operating income</b>	<b>505</b>	<b>323</b>	<b>56.3%</b>
Financial income, net	544	716	-24.0%
<b>Income before taxes</b>	<b>1,049</b>	<b>1,039</b>	<b>1.0%</b>
Income taxes	-370	-369	0.3%
<b>Net income</b>	<b>679</b>	<b>670</b>	<b>1.3%</b>
Income share to other shareholders	90	0	n.a.
<b>Income share to shareholders of Syzygy AG</b>	<b>589</b>	<b>670</b>	<b>-12.1%</b>
<b>Earnings per share (basic in EUR)</b>	<b>0.05</b>	<b>0.06</b>	<b>-16.7%</b>
<b>Earnings per share (diluted in EUR)*</b>	<b>0.05</b>	<b>0.05</b>	<b>0.0%</b>

\* Earnings per share – fully diluted – correspond to a total number of shares of 11,747 thsd. (previous year: 11,949 shares).

# Consolidated Statements of Cash Flows

in kEUR	31 March		31 December
	2007	2006	2006
Income from continuing operations	679	670	2,327
Adjustments to reconcile income from continuing operations to net cash provided by operating activities			
– Stock-based compensation expense	0	0	-45
– Depreciation and amortisation	180	185	789
Changes in operating assets and liabilities			
– Accounts receivable	-199	-2	-616
– Prepaid expenses and other current assets	242	-267	46
– Customer advances	-178	-358	-324
– Accounts payable and accrued expenses	-298	553	1,238
– Tax accruals and payables, deferred taxes	-169	-657	-991
– Other current liabilities	150	-39	-501
<b>Cash flows provided by operating activities</b>	<b>407</b>	<b>85</b>	<b>1,923</b>
Investments in fixed assets	-90	-112	-446
Investments in financial assets	-2,193	0	-1,034
Changes in other non-current assets	-609	0	-3
Purchases of marketable securities	0	-4,200	-16,298
Proceeds from sales of marketable securities	18,690	4,727	23,053
<b>Cash flows used in investing activities</b>	<b>15,798</b>	<b>415</b>	<b>5,272</b>
Capital increase from employee stock option plan	0	0	136
Dividend	0	0	-2,803
Treasury stock	742	0	0
Capital reduction	-18,052	0	0
<b>Cash flows from financing activities</b>	<b>-17,310</b>	<b>0</b>	<b>-2,667</b>
Exchange rate differences	-6	166	-106
<b>Total</b>	<b>-1,111</b>	<b>666</b>	<b>4,422</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>5,982</b>	<b>1,560</b>	<b>1,560</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4,871</b>	<b>2,226</b>	<b>5,982</b>

## Statements of Changes in Equity

in kEUR	Common stock	Additional paid-in capital	Treasury stocks	Comprehensive income	Accumulated other comprehensive income	Retained earnings	Minority interest	Total equity
<b>January 1, 2006</b>	<b>12,021</b>	<b>35,994</b>	<b>-1,603</b>		<b>410</b>	<b>2,458</b>	<b>0</b>	<b>49,280</b>
Net income				2,267		2,267		2,267
Foreign currency translation adjustment				-106				
Unrealised gains on marketable securities				-425				
Other comprehensive income				-531	-531			-531
Comprehensive income				1,736				
Stock-based compensation expense for the period		-45						-45
Capital reduction		-18,052						-18,052
Treasury stock			745					745
Dividend						-2,803		-2,803
Capital increase from employee stock option plan	39	97						136
Minority interest							60	60
<b>December 31, 2006</b>	<b>12,060</b>	<b>17,994</b>	<b>-858</b>		<b>-121</b>	<b>1,922</b>	<b>60</b>	<b>31,057</b>
<b>January 1, 2007</b>	<b>12,060</b>	<b>17,994</b>	<b>-858</b>		<b>-121</b>	<b>1,922</b>	<b>60</b>	<b>31,057</b>
Net income				589		589		589
Foreign currency translation adjustment				-6				
Unrealised gains on marketable securities				-14				
Other comprehensive income				-20	-20			-20
Comprehensive income				569				
Treasury stock			742					742
Minority interest							90	90
<b>March 31, 2007</b>	<b>12,060</b>	<b>17,994</b>	<b>-116</b>		<b>-141</b>	<b>2,511</b>	<b>150</b>	<b>32,458</b>

# Notes to the Consolidated Financial Statements as per March 31, 2007

## **Principles of the interim report**

The unaudited consolidated financial statements of Syzygy AG for the first quarter of 2007 have been prepared in accordance with the principles of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The financial figures at hand shall be analysed together with the 2006 Annual Report.

## **Business activity**

Syzygy consists of four operating subsidiaries and provides comprehensive consultancy services from its offices in Germany and the United Kingdom. The range of services pertaining to interactive marketing measures involves consultancy, project planning, design and technical implementation including the necessary processes up to market launch. Furthermore, services also include search engine marketing and online media planning as well as affiliate marketing. The Company develops and implements strategies and solutions that enable its clients to communicate and interact with their business partners, employees and customers over the Internet.

## **Scope and principles of consolidation**

As per March 31, 2007, besides Syzygy AG the following companies were included in the consolidated financial statements of Syzygy AG and fully consolidated:

- (1) Gesellschaft für elektronischen Handel bmH (GFEH), Germany
- (2) Mediopoly Ltd., United Kingdom
- (3) Syzygy Deutschland GmbH, Germany
- (4) Syzygy UK Ltd., United Kingdom
- (5) Unique Digital Marketing Ltd., United Kingdom

Syzygy acquired 100 per cent of the shares in the company named under (5) Unique Digital Marketing Ltd. Control of the financial and corporate policy passed to Syzygy on March 22, 2007. This company is incorporated into the consolidated financial statements and fully consolidated as per March 1, 2007. Further details on principles of consolidation can be found in the 2006 Annual Report starting on page 38.

### Segment reporting

The Company's businesses operate in the European market. These companies are managed locally and, to a major extent, operate in their local markets independently. Consequently, the Syzygy Group's segment reporting in accordance with IFRS 14 follows geographical criteria. The holding company (Syzygy AG) serves all operating entities and is therefore segregated.

The tables below show important key figures of both regions. Germany consists of Syzygy Deutschland GmbH as well as GFEH. United Kingdom consolidates Syzygy UK Ltd. and Mediopoly Ltd., as these two companies are to be viewed as one entity, and furthermore Unique Digital Marketing Ltd. The different segments apply the same accounting principles as the consolidated entity. Transactions between segments have been eliminated.

### Segment information as per 03/31/2007

in kEUR	Germany	United Kingdom	Central functions and consolidation	Total
Sales	3,210	2,402	-124	5,488
Operating income (EBIT)	459	238	-192	505
Financial income	18	-1	527	544
Net income	319	177	183	679
Fixed assets	526	372	20	918
Capital expenditures	57	31	2	90
Depreciation	108	69	3	180
Current assets	4,414	6,955	20,154	31,523

### Segment information as per 03/31/2006

in kEUR	Germany	United Kingdom	Central functions and consolidation	Total
Sales	2,724	1,912	-47	4,589
Operating income (EBIT)	410	141	-228	323
Financial income	1	3	712	716
Net income	441	109	120	670
Fixed assets	729	452	25	1,206
Capital expenditures	79	28	5	112
Depreciation	112	71	2	185
Current assets	2,991	2,692	46,290	51,973

**Treasury stock**

As per March 31, 2007, Syzygy had 25,000 treasury stock shares. The company is authorised to resell or call in treasury stock or to offer treasury stock to third parties in the course of acquiring companies. The treasury stock does 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.

**Directors' Dealings**

Transactions in securities by board members of listed companies with securities of the own organisation are called Directors' Dealings. In the period under review 6,000 shares were sold by one management board member.

**Options**

In the period under review no additional options were granted or exercised. Moreover, 10,000 options expired as a result of employees leaving the Company. Thus, the number of options held by employees reduced to 300,151, thereof 122,500 are held by the management board.

Current holdings of shares and options by board members are shown in the tables on the next page.

**Shareholders' structure**

The shareholders' structure remained nearly unchanged compared to the previous year. The WPP group holds 24.8 per cent and Marco Seiler 5.1 per cent of the outstanding shares. Consequently, the free float amounts to 70.1 per cent.

Fig. 8

**Management Board**

<b>Number of shares</b>	<b>Marco Seiler</b>	<b>Frank Wolfram</b>	<b>Total</b>
as per December 31, 2006	611,779	11,000	622,779
Purchases	0	0	0
Sales	0	-6,000	-6,000
<b>as per March 31, 2007</b>	<b>611,779</b>	<b>5,000</b>	<b>616,779</b>

**Management Board**

<b>Number of options</b>	<b>Marco Seiler</b>	<b>Frank Wolfram</b>	<b>Total</b>
as per December 31, 2006	10,500	112,000	122,500
Additions	0	0	0
Disposals	0	0	0
<b>as per March 31, 2007</b>	<b>10,500</b>	<b>112,000</b>	<b>122,500</b>

**Supervisory Board**

<b>Number of shares</b>	<b>Michael Mädler</b>	<b>Adriaan Rietveld</b>	<b>Wilfried Beek</b>	<b>Total</b>
as per December 31, 2006	0	10,000	0	10,000
Purchases	0	0	0	0
Sales	0	0	0	0
<b>as per March 31, 2007</b>	<b>0</b>	<b>10,000</b>	<b>0</b>	<b>10,000</b>

## Financial Calendar 2007

June 28, 2007  
July 31, 2007  
October 31, 2007

**Annual General Meeting, Frankfurt**  
**Interim Report per H1-2007**  
**Interim Report per 9M-2007**

## Contact

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