

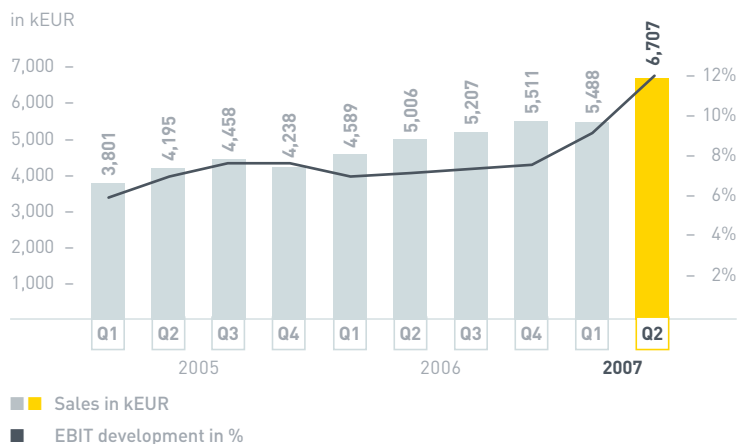


**Interim Report** per June 30, 2007

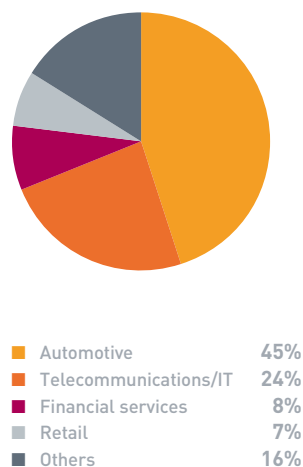
# H107

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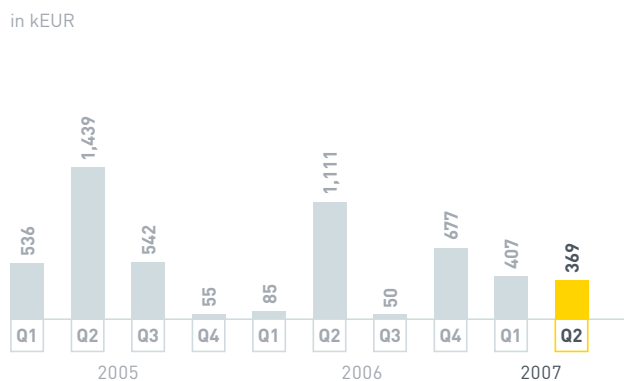
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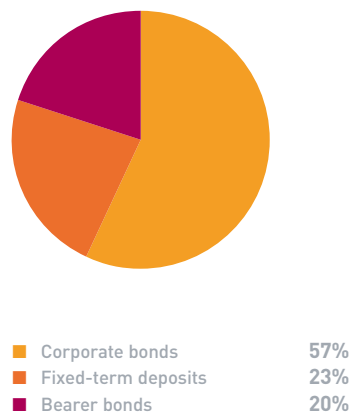
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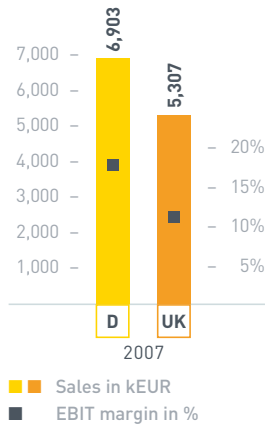
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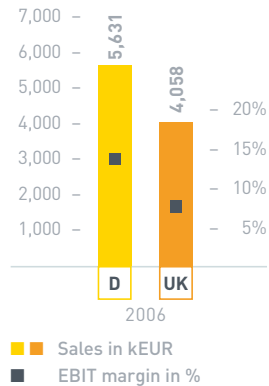
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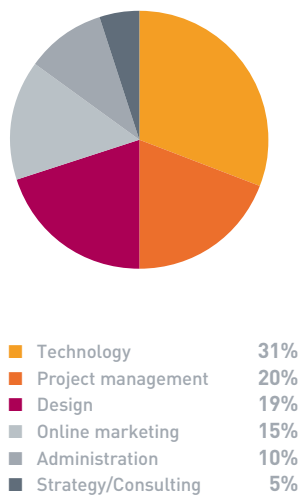
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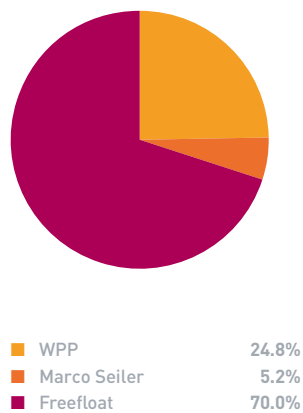
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# Business Development

in kEUR	2nd quarter		Δ prev. year	January-June		Δ prev. year
	2007	2006		2007	2006	
Sales	<b>6,707</b>	5,006	34.0%	12,195	9,595	27.1%
EBITDA	<b>996</b>	558	78.5%	1,681	1,066	57.7%
EBIT	<b>801</b>	357	124.4%	1,306	680	92.1%
Financial income	<b>301</b>	576	-47.7%	845	1,292	-34.6%
Net income	<b>695</b>	566	22.8%	1,374	1,236	11.2%
EBITDA margin	<b>14.9%</b>	11.1%	3.8 pp	13.8%	11.1%	2.7 pp
EBIT margin	<b>11.9%</b>	7.1%	4.8 pp	10.7%	7.1%	3.6 pp
Earnings per share (in EUR)	<b>0.05</b>	0.05	0.0%	0.10	0.11	-9.1%
Number of employees (end of June)	<b>213</b>	147	44.9%	213	147	44.9%
Liquid funds and securities	<b>23,377</b>	44,085	-47.0%	23,377	44,085	-47.0%
Cash flow from operating activities	<b>369</b>	1,111	-66.8%	776	1,196	-35.1%

## 34 per cent sales growth

In the second quarter of 2007, Syzygy once more generated a considerable sales growth with kEUR 6,707, reaching a growth rate of 34 per cent as compared to the same period of the previous year. In the first half year, total sales amounted to kEUR 12,195 (previous year: kEUR 9,595), which corresponds to a 27 per cent increase.

Fig. 1

## Regional development

Regarding the first six months, sales increased by 23 per cent from kEUR 5,631 to kEUR 6,903 in Germany. In the UK, sales growth was even stronger with 31 per cent from kEUR 4,058 up to kEUR 5,307. The German segment now accounts for 56 per cent of sales within the Syzygy Group, whereas the British segment generated 44 per cent of Group sales.

Fig. 3+4

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

Clients from the automotive sector still account for the largest part of total sales of the Syzygy Group, reaching 45 per cent as compared to 60 per cent last year. However, sales of other sectors increased significantly as expected. Sales generated by telecommunication/IT increased from 17 to 24 per cent. Sales in financial services grew as well, amounting to 8 per cent after 6 per cent in the previous year. The retail industry accounted for 7 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 grew slightly from 15 to 16 per cent.

Fig. 2

The 10 largest clients are responsible for 71 per cent of total sales (previous year: 78 per cent).

### Operating income more than doubled

Operating income for the second quarter amounted to kEUR 801. Thus, last year's result of kEUR 357 was more than doubled. Due to this considerable growth rate of 124 per cent, the EBIT margin for the first six month equalled 11 per cent as compared to 7 per cent last year.

Fig. 1

In Germany, the EBIT margin amounted to 17 per cent, in the UK this figure stood at 12 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. Mediopoly Ltd. is an interim holding company that has held shares in Syzygy UK Ltd. since 1996.

### Operating expenses and fixed-asset depreciation

In the first half year, cost of consultancy sold as a percentage of sales remained with 65 per cent on last year's level. Sales and marketing expenses and general administrative costs each slightly decreased by one percentage point down to 9 per cent and 17 per cent respectively. Fixed-asset depreciation decreased by kEUR 11 and amounted to kEUR 375 for the first half year.

### Financial income

In the period under review, at kEUR 845, financial income was kEUR 447 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. The return on average available liquid assets reached about 5.8 per cent.

The average residual maturity for all securities is around 7 years. As at the end of the period, the portfolio consisted of 57 per cent corporate bonds, 23 per cent fixed-term deposits and 20 per cent bearer bonds.

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 1,306 and the financial income of kEUR 845 resulted in an income before taxes of kEUR 2,151. After income taxes of kEUR 777, net income amounted to kEUR 1,374 (previous year: kEUR 1,236), thereof kEUR 213 are attributable to minority shareholders. Based on 12,047 thousand shares, earnings per share equalled EUR 0.10.

### Operating cash flow

In the first half year, the operating cash flow amounted to kEUR 776. The key influencing factors were the net income for the period of kEUR 1,374, accounts payable and accrued expenses that increased by kEUR 460 and depreciation of kEUR 386. On the other hand, capital employed increased due to higher accounts receivable (kEUR 1,077) and reduced client prepayments (kEUR 171). Furthermore, payments of tax liabilities had a negative impact on the cash flow as well.

Fig. 6

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

In the first six months, total investments increased by kEUR 185 to kEUR 473. 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 213 employees and thus, 66 more people than at the same time of the previous year and 39 additional employees since the beginning of the year. Taking about 15 freelance employees into account, revenue per employee amounted to kEUR 117 and thus, remaining on last year's level.

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 creative department, 15 per cent in online marketing, 10 per cent in administration and 5 per cent in strategy consulting. During peak periods, up to 25 freelance employees were brought into the operating companies in order to optimise utilisation. Furthermore, Syzygy Deutschland GmbH employed 4 apprentices.

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 common 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.

### **Outlook**

The order backlog for the coming quarter exceeds the level of last year's period considerably. Syzygy continues to anticipate a significant growth in sales. Further, Syzygy confirms the anticipated target of doubling its operating income in 2007.

# Consolidated Balance Sheets

in kEUR	30 June		31 December
	2007	2006	2006
<b>Non-current assets</b>			
Goodwill	7,012	0	3,243
Intangible and fixed assets	1,106	1,181	976
Other non-current assets	737	125	128
<b>Total non-current assets</b>	<b>8,855</b>	<b>1,306</b>	<b>4,347</b>
<b>Deferred tax assets</b>	<b>289</b>	<b>64</b>	<b>70</b>
<b>Current assets</b>			
Cash and cash equivalents	5,446	635	5,982
Marketable securities	17,931	43,450	37,673
Accounts receivable, net	6,846	3,873	4,547
Prepaid expenses and other current assets	1,861	1,828	1,912
<b>Total current assets</b>	<b>32,084</b>	<b>49,786</b>	<b>50,114</b>
<b>Total assets</b>	<b>41,228</b>	<b>51,156</b>	<b>54,531</b>

in kEUR	30 June		31 December
	2007	2006	2006
<b>Equity</b>			
Common stock*	12,078	12,059	12,060
Additional paid-in capital	18,039	37,131	17,994
Treasury stock	-116	-1,603	-858
Accumulated other comprehensive income	-361	-142	-121
Retained earnings	3,083	-149	1,922
Minority interest	213	0	60
<b>Total equity</b>	<b>32,936</b>	<b>47,296</b>	<b>31,057</b>
<b>Deferred tax liabilities</b>	<b>0</b>	<b>0</b>	<b>60</b>
<b>Current liabilities</b>			
Accounts payable and accrued expenses	6,598	1,945	4,090
Customer advances	73	39	238
Tax accruals and liabilities	1,018	1,584	637
Other current liabilities	603	292	18,449
<b>Total current liabilities</b>	<b>8,292</b>	<b>3,860</b>	<b>23,414</b>
<b>Total equity and liabilities</b>	<b>41,228</b>	<b>51,156</b>	<b>54,531</b>

\* Contingent capital kEUR 1,121 (prior year: kEUR 1,140)



## Consolidated Income Statements

in kEUR	2nd quarter		Δ prev. year	January-June		Δ prev. year
	2007	2006		2007	2006	
<b>Revenues</b>	<b>6,707</b>	<b>5,006</b>	<b>34.0%</b>	<b>12,195</b>	<b>9,595</b>	<b>27.1%</b>
Cost of revenues	-4,310	-3,277	31.5%	-7,869	-6,230	26.3%
Sales and marketing expenses	-574	-524	9.5%	-1,051	-979	7.4%
General and administrative expenses	-1,051	-865	21.5%	-2,020	-1,741	16.0%
Other operating income, net	29	17	70.6%	51	35	45.7%
<b>Operating income</b>	<b>801</b>	<b>357</b>	<b>124.4%</b>	<b>1,306</b>	<b>680</b>	<b>92.1%</b>
Financial income, net	301	576	-47.7%	845	1,292	-34.6%
<b>Income before taxes</b>	<b>1,102</b>	<b>933</b>	<b>18.1%</b>	<b>2,151</b>	<b>1,972</b>	<b>9.1%</b>
Income taxes	-407	-367	10.9%	-777	-736	5.6%
<b>Net income</b>	<b>695</b>	<b>566</b>	<b>22.8%</b>	<b>1,374</b>	<b>1,236</b>	<b>11.2%</b>
Income share to other shareholders	123	0	n.a.	213	0	n.a.
<b>Income share to shareholders of Syzygy AG</b>	<b>572</b>	<b>566</b>	<b>1.1%</b>	<b>1,161</b>	<b>1,236</b>	<b>-6.1%</b>
<b>Earnings per share (basic in EUR)</b>	<b>0.05</b>	<b>0.05</b>	<b>0.0%</b>	<b>0.10</b>	<b>0.11</b>	<b>-9.1%</b>
<b>Earnings per share (diluted in EUR)*</b>	<b>0.05</b>	<b>0.05</b>	<b>0.0%</b>	<b>0.10</b>	<b>0.10</b>	<b>0.0%</b>

\* As at the end of the reporting period, there is no diluted effect.

# Consolidated Statements of Cash Flows

in kEUR	30 June		31 December
	2007	2006	2006
Income from continuing operations	1,374	1,236	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	375	386	789
Changes in operating assets and liabilities			
– Accounts receivable	-1,077	-640	-616
– Prepaid expenses and other current assets	96	116	46
– Customer advances	-171	-350	-324
– Accounts payable and accrued expenses	460	450	1,238
– Tax accruals and payables, deferred taxes	-397	96	-991
– Other current liabilities	116	-98	-501
<b>Cash flows provided by operating activities</b>	<b>776</b>	<b>1,196</b>	<b>1,923</b>
Investments in fixed assets	-473	-288	-446
Investments in financial assets	-2,281	0	-1,034
Changes in other non-current assets	-609	0	-3
Purchases of marketable securities	783	-4,200	-16,298
Proceeds from sales of marketable securities	18,316	5,080	23,053
<b>Cash flows used in investing activities</b>	<b>15,736</b>	<b>592</b>	<b>5,272</b>
Capital increase from employee stock option plan	63	135	136
Dividend	0	-2,803	-2,803
Treasury stock	742	0	0
Capital reduction	-18,052	0	0
<b>Cash flows from financing activities</b>	<b>-17,247</b>	<b>-2,668</b>	<b>-2,667</b>
Exchange rate differences	199	-45	-106
<b>Total</b>	<b>-536</b>	<b>-925</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>5,446</b>	<b>635</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>01 January 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>31 December 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>01 January 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				1,161		1,161		1,161
Foreign currency translation adjustment				199				
Unrealised gains on marketable securities				-439				
Other comprehensive income				-240	-240			-240
Comprehensive income				921				
Treasury stock			742					742
Minority interest	18	45						63
Minderheitenanteile							153	153
<b>30 June 2007</b>	<b>12,078</b>	<b>18,039</b>	<b>-116</b>		<b>-361</b>	<b>3,083</b>	<b>213</b>	<b>32,936</b>

# Notes to the Consolidated Financial Statements as per June 30, 2007

## **Principles of the interim report**

The unaudited consolidated financial statements of Syzygy AG for the first half year 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 necessary processes up to market launch. Furthermore, services also include search engine marketing and online media planning as well as affiliate marketing. The Group 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 June 30, 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 mbH (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 06/30/2007

in kEUR	Germany	United Kingdom	Central functions and consolidation	Total
Sales	6,903	5,307	-15	12,195
Operating income (EBIT)	1,188	608	-490	1,306
Financial income	36	79	730	845
Net income	708	486	180	1,374
Fixed assets	534	552	20	1,106
Capital expenditures	185	284	4	473
Depreciation	214	157	4	375
Current assets	6,326	7,649	18,109	32,084

### Segment information as per 06/30/2006

in kEUR	Germany	United Kingdom	Central functions and consolidation	Total
Sales	5,631	4,058	-94	9,595
Operating income (EBIT)	790	280	-390	680
Financial income	3	4	1,285	1,292
Net income	793	284	159	1,236
Fixed assets	762	396	23	1,181
Capital expenditures	188	88	12	288
Depreciation	238	143	5	386
Current assets	2,421	2,839	44,526	49,786

### Treasury stock

As per June 30, 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 12,000 shares were bought and 7,000 shares were sold by management board members.

### Options

In the period under review, no additional options were granted. Moreover, 18,550 options were exercised, 24,832 expired as a result of employees leaving the Company. Thus, the number of options held by employees reduced to 231,219, thereof 98,000 are held by one board member.

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

### Management Board

Number of shares	Marco Seiler	Frank Wolfram	Total
as per December 31, 2006	611,779	11,000	622,779
Purchases	10,500	1,500	12,000
Sales	0	-7,000	-7,000
<b>as per June 30, 2007</b>	<b>622,279</b>	<b>5,500</b>	<b>627,779</b>

### Management Board

Number of options	Marco Seiler	Frank Wolfram	Total
as per December 31, 2006	10,500	112,000	122,500
Options granted	0	0	0
Options exercised	-10,500	-1,500	-12,000
Options expired	0	-12,500	-12,500
<b>as per June 30, 2007</b>	<b>0</b>	<b>98,000</b>	<b>98,000</b>

### Supervisory Board

Number of shares	Michael Mädél	Adriaan Rietveld	Wilfried Beeck	Total
as per December 31, 2006	0	10,000	0	10,000
Purchases	0	0	0	0
Sales	0	0	0	0
<b>as per June 30, 2007</b>	<b>0</b>	<b>10,000</b>	<b>0</b>	<b>10,000</b>

On July 13, 2007, after record date, Wilfried Beeck bought 66,607 Syzygy shares at an average share price of EUR 3.50.

### **Shareholders' structure**

The shareholders' structure changed marginally as compared to last year. The WPP group holds 24.8 per cent and Marco Seiler 5.2 per cent of Syzygy shares. Consequently, the free float amounts to 70.0 per cent. As per June 30, 2007, the total number of shares amounts to 12,078,450.

**Fig. 8**

### **Responsibility statement according to § 37y WpHG i.c.w. § 37w(2) no. 3 WpHG**

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

Bad Homburg v.d.H., July 30, 2007

Syzygy AG

The Management Board

# Financial Calendar 2007

August 21, 2007

**Analysts Conference:  
Stock Day 2007, Frankfurt**

October 31, 2007

**Interim Report per 9M-07**

November 12, 2007

**Analysts Conference:  
Deutsches Eigenkapital-  
forum, Frankfurt**

## Contact

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