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I. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in EUR '000	Note	31 Dec. 2017	31 Dec. 2016
ASSETS			
Intangible assets (excluding goodwill)	F.1	81,222	32,637
Goodwill	F.1	70,245	28,270
Property, plant and equipment	F.2	49,198	2,050
Investment property	F.3	1,379	0
Investments accounted for using the equity method	F.4	14,973	63,371
Equity investments	F.5	569	240
Other non-current financial assets	F.6	11,456	9,574
Non-current trade and other receivables	F.12	598	0
Deferred tax assets	F.7	13,995	4,663
Other non-current non-financial assets	F.8	1,367	35
Total non-current assets		**245,003**	**140,840**
Inventories	F.9	42,435	3,791
Gross amount due from customers for contract work	F.10	82,788	0
Current tax assets	F.11	1,558	1,482
Current trade and other receivables	F.12	61,648	5,098
Other current financial assets	F.13	14,978	18,161
Other current non-financial assets	F.14	8,010	1,074
Cash and cash equivalents	F.15	53,441	33,911
Total current assets		**264,858**	**63,517**
Total assets		**509,861**	**204,357**

in EUR '000		**31 Dec. 2017**	**31 Dec. 2016**
EQUITY AND LIABILITIES			
Issued capital	F.16	123	123
Capital reserve	F.16	19,830	19,830
Other components of equity	F.16	-1,083	-1,296
Retained earnings	F.16	108,158	93,511
Equity attributable to the owners of the parent		**127,028**	**112,168**
Non-controlling interests	F.16	107,301	26,489
Total equity		**234,329**	**138,657**
Provisions for employee benefits	F.17	4,135	3,554
Other non-current provisions	F.18	3,296	1,586
Deferred tax liabilities	F.8	22,542	0
Other non-current financial liabilities	F.19	102,299	5,640
Other non-current non-financial liabilities		22	0
Total non-current liabilities		**132,294**	**10,780**
Other current provisions	F.18	5,970	2,370
Current tax liabilities	F.20	4,988	226
Gross amount due to customers for contract work	F.10	14,470	0
Trade payables	F.21	35,040	3,417
Other current financial liabilities	F.19	45,444	45,678
Other current non-financial liabilities	F.22	37,326	3,229
Total current liabilities		**143,238**	**54,920**
Total equity and liabilities		**509,861**	**204,357**

II. CONSOLIDATED INCOME STATEMENT

in EUR '000	Note	1 Jan. 2017- 31 Dec. 2017	1 Jan. 2016- 31 Dec. 2016
Revenue	G.1	157,072	51,741
Change in inventory		-5,657	294
Other services rendered and recognised by the Company		1,092	0
Other income	G.2	5,428	1,642
Gross revenue for the period		**157,935**	**53,677**
Cost of materials	G.3	-63,517	-11,861
Gross result		**94,418**	**41,816**
Expenses for employee benefits	G.4	-48,893	-18,059
Depreciation and amortisation	G.5	-3,555	-2,011
Impairment losses and reversals	G.5	18	0
Other expenses	G.6	-38,066	-26,183
Income from associates accounted for using the equity method	F.4	20,961	5,276
Operating result (EBIT)		**24,883**	**839**
Amortisation of purchase price allocation	G.5	-5,018	-2,672
Operating result after amortisation of purchase price allocation		**19,865**	**-1,833**
Finance income	G.7	488	453
Finance costs	G.7	-3,631	-1,422
Profit/loss before taxes		**16,722**	**-2,802**
Income taxes	G.8	1,482	2,825
Profit/loss		**18,204**	**23**
Of which attributable to			
the owners of the parent		15,511	2,106
non-controlling interests		2,693	-2,083

III. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR '000	1 Jan. 2017-31 Dec. 2017	1 Jan. 2016-31 Dec. 2016
Profit/loss	**18,204**	**23**
Revaluations of defined benefit plans, before taxes	194	-581
Share in other comprehensive income attributable to associates accounted for using the equity method, before taxes	0	7
Total other comprehensive income not reclassified to profit or loss, before taxes	**194**	**-574**
Currency translation differences, before taxes	-98	0
Revaluation of available-for-sale financial assets, before taxes	-72	74
Share in other comprehensive income attributable to associates accounted for using the equity method, before taxes	-225	78
Reclassification of share in other comprehensive income attributable to associates accounted for using the equity method, before taxes	-80	0
Total other comprehensive income which may subsequently be reclassified to profit or loss, before taxes	**-475**	**152**
Total other comprehensive income, before taxes	**-281**	**-422**

in EUR '000	**1 Jan. 2017- 31 Dec. 2017**	**1 Jan. 2016- 31 Dec. 2016**
Income taxes in connection with the revaluation of defined benefit plans	-56	170
Total income taxes on other comprehensive income not reclassified to profit or loss	**-56**	**170**
Income taxes on the share of other comprehensive income attributable to associates accounted for using the equity method which are not reclassified to profit or loss	**0**	**-2**
Income taxes in connection with available-for-sale financial assets	-3	-24
Total income taxes in connection with components of other comprehensive income which may subsequently be reclassified to profit or loss	**-3**	**-24**
Total other comprehensive income	**-340**	**-278**
Total comprehensive income	**17,864**	**-255**
Of which attributable to		
the owners of the parent	15,295	1,838
non-controlling interests	2,569	-2,093

IV. CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR '000	2017	2016
Cash flows from operating activities		
Operating result after amortisation of purchase price allocation	**19,864**	**-1,833**
Adjustments for reconciliation of profit (loss)		
Changes due to		
Decrease (increase) in inventories	5,834	-329
Decrease (increase) in trade receivables	-2,544	-44
Decrease (increase) in gross amount due from customers for contract work	8,564	0
Decrease (increase) in other operating receivables	3,960	-5,555
Increase (decrease) in trade payables	7,630	308
Decrease (increase) in gross amount due to customers for contract work	3,090	0
Decrease (increase) in other operating liabilities	-4,598	5,894
Adjustments for		
Provisions	-4,002	-3,854
Undistributed profits from associates	-20,736	-5,359
Other non-cash items	2,965	2,119
Gains (losses) on disposal of non-current assets	-500	0
Gains (losses) on disposal of property, plant and equipment	-36	-2
Write-downs (reversals) of property, plant and equipment	2,022	825
Write-downs (reversals) of intangible assets	6,533	3,857
Total adjustments for reconciliation of profit (loss)	8,182	-2,140
Net cash flows from operating activities	28,047	-3,973
Dividends received	2,121	3,664
Interest paid	-1,494	-599
Interest received	26	89
Income taxes paid (refunded)	-232	305
Net cash flows from operating activities	**28,467**	**-514**

in EUR '000	2017	2016
Cash flows from investing activities		
Cash flows used in obtaining control of subsidiaries	22,915	0
Other cash receipts from sales of equity or debt instruments of other entities	26	0
Receipts (payments) for acquisition of equity in other entities	-355	-197
Proceeds from sales of property, plant and equipment	120	7
Purchase of property, plant and equipment	-2,340	-407
Proceeds from sales of intangible assets	46	0
Purchase of intangible assets	-1,962	-764
Payments for the acquisition of shares in associates	-13,350	0
Payments for advances and loans made to other parties	0	-80
Net cash flows from investing activities	**5,101**	**-1,441**
Cash flows from financing activities		
Proceeds from changes in ownership shares in subsidiaries which did not result in a loss of control	226	0
Proceeds from issuance of shares	22	0
Proceeds from borrowings	27,309	39
Repayments of borrowings	-40,870	-7,750
Payments for liabilities from finance leases	-59	0
Dividends paid	-637	-300
Net cash flows from financing activities	**-14,009**	**-8,011**
Net increase (decrease) in cash and cash equivalents before effect of exchange rate changes	**19,559**	**-9,966**
Effect of exchange rate changes on cash and cash equivalents	**-28**	**0**
Net increase (decrease) in cash and cash equivalents	**19,531**	**-9,966**
Cash and cash equivalents at the beginning of the period	33,911	43,877
Cash and cash equivalents at the end of the period	53,441	33,911

V. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR '000	Issued capital	Capital reserve	Reserve for revaluations of defined benefit plans	Currency translation reserve	Reserve for revaluations of available-for-sale financial assets	Reserve from accounting using the equity method	Retained earnings	Total majority shareholders	Non-controlling interests	Total
As at 1 Jan. 2016	**123**	**19,830**	**-875**	**0**	**9**	**-270**	**87,873**	**106,690**	**32,522**	**139,212**
Dividend payments	0	0	0	0	0	0	-300	-300	0	-300
Change in non-controlling interests	0	0	112	0	0	-4	3,833	3,941	-3,941	0
Subtotal before profit/loss in current period	**0**	**0**	**112**	**0**	**0**	**-4**	**3,533**	**3,641**	**-3,941**	**-300**
Net profit for the year	0	0	0	0	0	0	2,105	2,105	-2,082	23
Other comprehensive income	0	0	-359	0	18	73	0	-268	-10	-278
Total incl. profit/loss in current period	**0**	**0**	**-247**	**0**	**18**	**69**	**5,638**	**5,478**	**-6,033**	**-555**
As at 31 Dec. 2016	**123**	**19,830**	**-1,122**	**0**	**27**	**-201**	**93,511**	**112,168**	**26,489**	**138,657**

in EUR '000	Issued capital	Capital reserve	Reserve for revaluations of defined benefit plans	Currency translation reserve	Reserve for revaluations of available-for-sale financial assets	Reserve from accounting using the equity method	Retained earnings	Total majority shareholders	Non-controlling interests	Total
As at 1 Jan. 2017	**123**	**19,830**	**-1,122**	**0**	**27**	**-201**	**93,511**	**112,168**	**26,489**	**138,657**
Change in basis of consolidation	0	0	0	0	0	429	-429	0	78,425	78,425
Capital increase	0	0	0	0	0	0	5	5	14	19
Dividend payments	0	0	0	0	0	0	-440	-440	-196	-636
Subtotal before profit/loss in current period	**0**	**0**	**0**	**0**	**0**	**429**	**-864**	**-435**	**78,243**	**77,808**
Net profit for the year	0	0	0	0	0	0	15,511	15,511	2,693	18,204
Other comprehensive income	0	0	107	-30	-27	-266	0	-216	-124	-340
Total incl. profit/loss in current period	**0**	**0**	**107**	**-30**	**-27**	**163**	**14,647**	**14,860**	**80,812**	**95,672**
As at 31 Dec. 2017	**123**	**19,830**	**-1,015**	**-30**	**0**	**-38**	**108,158**	**127,028**	**107,301**	**234,329**

VI. NOTES TO THE FINANCIAL STATEMENTS

A. GENERAL DISCLOSURES

1. General disclosures regarding the Company

In 2017, the business of the Günther SE Group, Bamberg, (hereinafter also referred to as the "Günther Group", "Günther" or the "Group") comprised the Lotteries, Ventures, Languages, Industrial Automation and Environmental Technology divisions. Furthermore, the Group generated income from property management. The Group primarily conducts its business in Europe and the United States via its subsidiaries.

Günther SE is entered in the commercial register of the Local Court (*Amtsgericht*) of Bamberg, Germany, under number HR B 8601. The Company's business address is: Steinhöft 11, 20459 Hamburg. By virtue of the entry into the commercial register on 16 July 2016, Günther GmbH was transformed into Günther AG, followed by a change in legal form from Günther AG into Günther SE as at 3 August 2016.

These consolidated financial statements have been prepared by Günther SE for the financial year ended on 31 December 2017 and were approved for publication by the management on 17 May 2018.

2. Basis of preparation of the financial statements

Pursuant to section 315e (3) of the German Commercial Code (*Handelsgesetzbuch* – HGB) in conjunction with section 315e (1) HGB, the 2017 consolidated financial statements of Günther SE – comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes – have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as applicable in the European Union. The term "IFRSs" comprises all still-valid International Accounting Standards (IASs) and all interpretations and amendments by the International Financial Reporting Standards Interpretations Committee (IFRS IC) – formerly the International Financial Reporting Interpretations Committee (IFRIC) – and the former Standing Interpretations Committee (SIC).

In preparing the 2017 consolidated financial statements, Günther SE exercised the option as set out in section 315e (3) HGB of preparing exempting consolidated financial statements in accordance with IFRSs.

The consolidated financial statements were prepared in accordance with the historical cost principle. Exceptions to this principle were made for derivative financial instruments, available-for-sale financial assets, obligations from share-based payments which are settled in cash although their amount depends on an equity instrument issued by the company and compensation claims against minority interests in partnerships, which are measured at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date regardless of whether that price is directly observable or estimated using another valuation technique.

If the fair value is determined using a valuation technique, this technique must be classified into one of the three following categories depending on the available observable inputs and their significance for the valuation overall:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3: Unobservable inputs for the asset or liability.

The Group generally classifies assets and liabilities as current if it is expected that they will be realised or settled within twelve months after the reporting date. If assets and liabilities comprise both a current and a non-current component, these are presented separately in the statement of financial position as current and non-current assets and liabilities.

The consolidated income statement has been prepared using the nature of expense method. Günther prepares and publishes its consolidated financial statements in euros (EUR). Unless otherwise indicated, all figures are rounded to the nearest thousand euros (EUR '000). Deviations by up to one unit (EUR '000, %) represent computational rounding differences.

All applicable International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) and all Interpretations by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) as approved and adopted by the European Union as at 31 December 2017 have been applied.

3. Effects of new financial reporting standards

The first-time application of the following amended financial reporting standards had no or no material impact on the presentation of the financial position and financial performance of the Group.

First-time application of amendments to IFRSs as adopted by the EU

Standard	Title	Mandatory application for financial years beginning on
Amendments to IAS 7	Statement of Cash Flows – Disclosure Initiative	01/01/2017
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	01/01/2017

The following new and amended standards/interpretations have already been adopted by the IASG but are not yet mandatory. The Company has not applied the standards/interpretations early.

Amendments to IFRSs adopted by the EU for financial years beginning after 1 January 2018

Standard	Title	Mandatory application for financial years beginning on
Amendments to IFRS 4	Applying IFRS 9 'Financial Instruments' to IFRS 4 'Insurance Contracts'	01/01/2018
IFRS 9	Financial Instruments	01/01/2018
IFRS 15	Revenue from Contracts with Customers	01/01/2018
Clarifications to IFRS 15	Clarifications to Revenue from Contracts with Customers	01/01/2018
IFRS 16	Leases	01/01/2019
Improvements to IFRS (2014-2016)	Annual Improvements 2014-2016	01/01/2018

IFRS 15 Revenue from Contracts with Customers

IFRS 15 represents a comprehensive cross-sectoral overhaul of the recognition of revenue from contracts with customers. In a five-step model, detailed guidance is provided on identifying separate performance obligations, the amount of the expected consideration taking into account variable price components, and the allocation of the expected consideration to the identified performance obligations. In addition, the standard now requires that performance obligations be classified according to uniform criteria as to whether they are to be satisfied at a point of time or over a specified period. The new standard replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31. The Group is currently examining what impacts the amendments to the new standards will have on the financial statements.

The Group has not yet concluded its analyses in relation to the introduction of IFRS 15. Previously, the following effects were expected to arise as a result of initial application, particularly in the Industrial Automation division:

Performance obligations with periods longer than the customary or statutory periods for the relevant sector, commitments in relation to certain long-term maintenance quotas, assembly services, training, installation and storage may need to be treated as separate performance obligations going forward.

Moreover, revenue for certain customer contracts previously accounted for in accordance with the percentage of completion method under IAS 11 will be recognised subject to deferment since the requirements for recognition over a specific period set out in IFRS 15 have not been met.

The transition in accordance with the modified retrospective method will result in a reduction in retained earnings in the opening statement of financial position by approximately EUR 4,000-5,000 thousand, while work in progress will increase by approximately EUR 29-34 million to approximately EUR 41-46 million.

IFRS 9 Financial Instruments

The standard provides comprehensive guidance on accounting for financial instruments. The new classification requirements for financial assets, which have been revised in the latest version of IFRS 9, are particularly noteworthy as compared to the predecessor standard IAS 39. These requirements are based on the reporting entity's business model and on contractual cash flows from financial assets. The requirements for recognising impairment losses have also been fundamentally revised and are now based on an expected loss model. IFRS 9 also revises the rules for hedge accounting, which are

aimed at more accurately presenting an entity's risk management activities. The Group has not yet concluded its analyses in relation to the introduction of IFRS 9. It generally does not expect any material effects.

The Group is currently examining the impacts of the additional new and amended standards and interpretations on its financial position and financial performance.

The following standards entering into force in the coming years have not yet been adopted by the EU:

Standards which have not yet been adopted by the EU

Standard	Title	Mandatory application for financial years beginning on
IFRIC 22	IFRS Interpretation on Foreign Currency Transactions and Advance Consideration	01/01/2018
IFRIC 23	Uncertainty over Income Tax Treatments	01/01/2019
Amendments to IFRS 2	Clarification of Classification and Measurement of Share-based Payment Transactions	01/01/2018
Amendments to IFRS 9	Financial Instruments – Prepayment Features with Negative Compensation	01/01/2019
IFRS 17	Insurance Contracts	01/01/2021
Amendments to IAS 28	Shares in associates – Long-term Interests in Associates and Joint Ventures	01/01/2018
Amendments to IAS 40	Transfers of Investment Property	01/01/2018
Improvements to IFRS (2015-2017)	Annual Improvements 2015-2017	01/01/2019

B. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with uniform accounting policies. The annual financial statements of the companies included in the consolidated financial statements are prepared as at the reporting date used for the consolidated financial statements.

The significant accounting policies are discussed below.

1. Consolidation principles

Subsidiaries are entities which are controlled by Günther SE. The Group obtains control if it is able to exercise power over the investee, is exposed to variable returns from its involvement with the investee and is able to use its power over the investee to affect the amount of the returns.

Even in instances where Günther does not hold a majority of voting rights, it may still control the investee if the Group is able to unilaterally direct its relevant activities. All facts and circumstances are considered when assessing whether the Group controls an investee. These include in particular the purpose and design of the investee, what the relevant activities are and how decisions about those activities are made, the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders, potential voting rights and rights from other contractual arrangements. Assessing whether the control exists requires consideration of all facts and circumstances and judgement on the part of the management.

Günther reviews its assessment of whether control exists if there are indications that one or more of the aforementioned criteria have changed.

The profit or loss of subsidiaries acquired or sold in the course of the year are recognised in the consolidated income statement and consolidated other comprehensive income with effect from the actual acquisition date or until the actual disposal date.

Acquisitions of companies are accounted for in accordance with the acquisition method. The consideration transferred as part of an acquisition corresponds to the fair value of the assets acquired, the equity instruments issued, and the liabilities incurred or assumed as of the transaction date. In addition, it also includes the fair value of any recognised assets or liabilities arising under a contingent consideration arrangement. Acquisition-related costs are recognised as an expense if incurred. Upon initial

consolidation, the assets, liabilities and contingent liabilities identifiable in connection with a business combination are measured at their fair value as at the acquisition date.

For each individual acquisition, the Group decides whether the non-controlling interests in the acquired entity will be recognised at fair value or based on the Group's proportionate share of the acquired entity's net assets.

The value representing the excess of the aggregate of the consideration transferred for the acquisition, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interests as at the acquisition date over the Group's share in the net assets measured at fair value is recognised as goodwill and reviewed at least once annually for indications of impairment. If the acquisition cost is less than the net fair value of the assets of the acquired subsidiary, after reassessing the measurement, the difference is recognised in the consolidated income statement.

Changes in the Group's ownership interest in subsidiaries which do not result in a loss of control are recognised as equity transactions.

An associate is an entity over which Günther can exercise significant influence. Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control. If Günther SE directly or indirectly holds between 20% and 50% of the voting rights in an investee, it is presumed that it can exercise a significant influence. If a direct or indirect voting interest is less than 20%, the investor will be presumed not to have significant influence unless such influence can be clearly demonstrated.

Shares in associates are accounted for using the equity method and therefore initially recognised at cost. Goodwill arising from the acquisition of an associate is included in the carrying value of the Group's investment in the associate. The carrying amount of the interest increases or decreases after initial recognition according to the share of the shareholder in the profit or loss for the period or the changes in the investee's equity recognised outside profit or loss – from the date significant influence is first obtained until such influence is lost. If Günther's share of the losses of an associate equals or exceeds the value of its equity interest, that interest is reduced to nil.

Intragroup balances and transactions with consolidated subsidiaries and any resulting income and expenses are eliminated in full for the purpose of preparing the consolidated financial statements. Unrealised gains from transactions with associates are eliminated against the carrying amount of Günther SE's interest based on its share in the investee's share capital. Unrealised losses are eliminated in the same manner, albeit only to the extent that there are no indications of impairment.

In accordance with IAS 12, deferred tax assets and liabilities have been recognised in respect of temporary consolidation differences.

For additional explanations please refer to the notes on the basis of consolidation in section V.D "Basis of consolidation".

2. Currency translation

These consolidated financial statements have been prepared in accordance with the functional currency concept. The functional currency is the currency of the primary economic environment in which the Günther Group operates. It is the euro, which is at the same time the presentation currency used in the consolidated financial statements.

Transactions in foreign currencies are translated into the functional currency at the exchange rates valid as at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into the respective functional currency at the exchange rate as at the reporting date. Currency translation gains and losses are recognised in the consolidated income statement under "other operating income" and "other operating expenses".

Items of the statement of financial position of subsidiaries whose functional currency is a currency other than the euro are translated into the presentation currency using the closing rate, income statement items are translated using the average rate for the respective period and equity items are translated using historical foreign exchange rates. The resulting translation differences are reported in the currency translation reserve under other comprehensive income.

At the reporting date, due to the acquisition of the MAX Group, the Group had subsidiaries whose functional currency was a currency other than the euro. In the prior-year period, the Group had no subsidiaries whose functional currency was a currency other than the euro.

Currency	EUR 1 =	Closing rate on 31 Dec. 2017	Average rate for 2017
CNY	China	7.8044	7.6264
GBP	United Kingdom	0.8872	0.8761
PLN	Poland	4.1770	4.2563
USD	USA	1.1993	1.1293

3. Goodwill

Goodwill results from business combinations and represents the excess of transferred consideration over the fair value of net assets (acquired assets less liabilities incurred or assumed). Goodwill is not amortised but rather is allocated to cash-generating units (CGUs) and reviewed for impairment annually and if events or changes in circumstances indicate that an impairment has occurred. It is measured at cost less cumulative impairment. Impairment losses may not be reversed.

When a subsidiary is sold, the attributable amount of goodwill is included in the calculation of the gain or loss on the sale.

For details on goodwill impairment testing, please refer to the notes under section V.B.8 "Impairment".

4. Other intangible assets

Purchased intangible assets, including software and licences, and internally generated intangible assets are recognised at cost.

In order to determine whether internally generated intangible assets may be recognised, research and development costs must be separated. Expenditures for research activities conducted with the aim of obtaining new scientific or technological knowledge are expensed in the period in which they are incurred.

The recognition of internally generated intangible assets requires that each of the following criteria set out in IAS 38 be met: it must be demonstrated that it is technically feasible to complete the development project and that the development project will generate future economic benefits and Günther must intend and be able to complete the intangible asset and use or sell it. Furthermore, Günther must make available adequate technical, financial and other resources be able to measure reliably the expenditure attributable to the intangible asset during its development.

The recognised cost of an internally generated intangible asset comprises all costs which are directly attributable to the development process and development overheads. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset must be recognised as a portion of cost under IFRSs. During the period under review and the comparative period, no qualifying assets were acquired or produced for which borrowing costs would have had to be capitalised.

If it is possible to estimate a useful life, these intangible assets are amortised on a straight-line basis over their respective economic useful life. Development costs

capitalised as at the reporting date for which the development project to which they have been allocated has not yet been completed are tested for impairment in accordance with the relief-from-royalty method.
Amortisation is based on the following useful lives:

Asset	Useful life in years
Computer software, licences, order backlog	1 to 6
Customer base	10 to 15
Brands	5 to 10
Technology	5 to 10

5. Property, plant and equipment

Property, plant and equipment is measured at cost less cumulative depreciation (if finite-lived) and write-downs and impairment.

The cost of property, plant and equipment comprises all costs directly attributable to the acquisition of the asset. Repair and maintenance expenditures are expensed in the consolidated income statement in the financial year in which they are incurred. Internally generated assets are initially measured using directly attributable costs and production overheads.

Assets are depreciated through the consolidated income statement on a straight-line basis over their estimated useful lives.

The following useful lives are generally applied:

Asset	Useful life in years
Buildings	5 to 50
Technical equipment, operating and office equipment	1 to 21

Assets leased under finance leases are depreciated over the shorter of the term of the lease and the useful life of the asset. Land is not subject to depreciation.

If significant portions of property, plant and equipment include components with significantly different useful lives, these are recognised separately and depreciated over the respective useful lives.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset must be recognised as a portion of cost under IFRSs. During the period

under review and the comparative period, no qualifying assets were acquired or produced for which borrowing costs would have had to be capitalised.

The residual carrying amounts and economic useful lives are reviewed at each closing date and adjusted if necessary. Economic useful lives are based on estimates and, to a large extent, on experience with respect to historical use and technological development.

Gains and losses from disposals of assets are determined as the difference between the disposal proceeds and the carrying amounts and recognised in profit or loss.

If there are indications of impairment and the carrying amount of the property, plant and equipment exceeds the recoverable amount, an impairment loss is recognised. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. If the grounds for recognising an impairment are no longer deemed to exist, the impairment is reversed up to the amortised cost.

6. Investment property

Investment property comprises properties which are held for the purpose of generating rental income and/or capital appreciation. Investment property is initially recognised at cost, including transaction costs. It is subsequently measured at amortised cost under the cost model. Investment property is depreciated on a straight-line basis over a period of 18 to 40 years.

It is derecognised upon disposal or if it is no longer intended to be used and no further future economic benefit is expected to accrue from its disposal. The gain or loss resulting from the disposal is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the period in the statement of comprehensive income in the period in which it is disposed of.

7. Impairment

In accordance with IAS 36, finite-lived assets are reviewed at each reporting date to determine whether there are any signs of a loss in value – e.g., particular events or market developments – which might indicate potential impairments. There were no indications during the reporting period or the comparative period that such intangible assets and property, plant and equipment were impaired.

Intangible assets with indefinite useful lives and internally generated assets under construction must additionally be tested for impairment at each reporting date. During the 2017 financial year and in the comparable period in 2016, intangible assets with indefinite useful lives included goodwill as well as the purchased brand Langenscheidt.

The asset's recoverable amount is determined when there are indications of impairment and when the annual impairment test is carried out for intangible assets with indefinite useful lives. The recoverable amount of an asset is the higher of the fair value of an asset or a cash-generating unit (CGU) less costs to sell, and the value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In the latter case, the recoverable amount must be determined on the basis of a CGU to which assets or groups of assets are allocated that represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. This is the case for goodwill, among other things. If goodwill is acquired in a business combination it is, from the acquisition date, allocated to each of the acquirer's CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination and which represents the level within the entity at which the goodwill is monitored for internal management purposes.

Within the Günther Group, the individual company generally represents the smallest identifiable group of assets.

To determine the value in use, the estimated future cash flows are discounted to their present value based on a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. The calculation of the value in use factors in the current and expected future cash flows as well as technological, economic and general development trends based on approved financial forecasts. Where available, recently conducted market transactions are factored into the calculation of fair value less costs to sell.

If the carrying amount exceeds the recoverable amount of the asset or CGU, an impairment loss is recognised in profit or loss in the amount by which the carrying amount exceeds the recoverable amount.

If the amount of the impairment of goodwill is greater than the carrying amount of the CGU to which the goodwill has been allocated, the goodwill is first written off in full and the remaining impairment loss is allocated across the remaining assets in the CGU. Necessary write-downs in respect of individual assets within this CGU are taken into account in advance of the goodwill impairment test.

If the reasons for recognising an impairment loss on an asset other than goodwill in prior periods no longer exist, the impairment is reversed up to the new recoverable amount. The maximum amount of a reversal of an impairment is the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. No reversals of impairment losses on intangible assets or property, plant and equipment were recognised during the reporting period or the comparative period.

The recognised goodwill as at 31 December 2017 amounting to EUR 70,245 thousand (previous year: EUR 28,270 thousand) resulted from the acquisition of MAX Automation SE in 2017 and Lotto24 AG in 2015. The goodwill is allocated to the individual company and reviewed for impairment at that level. Please refer to section VI.E for further information.

8. Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. The companies of the Günther Group only enter into leases as lessees.

A lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership of an underlying asset. Assets which are rented or leased and whose beneficial owner is the respective Group company ("finance lease") are recognised at the inception of the contract at the lower of fair value and the present value of future lease payments. Correspondingly, liabilities to the lessor in the same amount are recognised in the statement of financial position under "Other non-current and current financial liabilities". The present value of future lease payments is calculated using the interest rate implicit in the lease or – if this cannot be readily determined – the lessee's incremental borrowing rate. The assets are depreciated and the liabilities are reversed over the term of the lease. If the asset's useful life is shorter than the term of the lease, this is used as the basis for the depreciation period. While the

leased asset is subject to straight-line depreciation over the term of the lease, the associated lease liability is amortised progressively in accordance with the effective interest method. Over the term of the lease, this results in a difference between the lease obligation and the carrying amount of the leased asset.

During the reporting period, the acquisition of MAX Automation SE resulted in the addition of a finance lease for a property. The Group did not have any finance leases during the comparative period.

All other material leases are classified as operating leases.

Lease payments under an operating lease are expensed through the income statement on a straight-line basis over the lease term unless another systematic basis is representative of the time pattern for use by the lessee.

Operating leases have been concluded in particular for buildings, offices, office equipment and for vehicles and hardware.

The Group does not function as a lessor.

9. Financial Instruments

IAS 32 defines a financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. In accordance with IFRSs, these may include non-derivative financial instruments, such as trade receivables and payables, as well as derivative financial instruments.

Financial assets and financial liabilities are initially recognised at fair value, which usually corresponds to their acquisition cost. Transaction costs which are directly attributable to the acquisition or issuance of a financial instrument are only included in the carrying amount to be recognised if the corresponding financial instrument is not measured at fair value through profit or loss. Subsequent measurement depends on the classification of the financial instruments:

10. Financial assets

Financial assets include in particular:

- Shares in associates;
- Gross amounts due from customers for contract work;

- Trade and other receivables;
- Other financial assets; and
- Cash and cash equivalents.

Financial assets with a term of more than 12 months are reported under non-current financial assets.

Purchases and sales of financial assets are accounted for as at the trade date.

Günther classifies financial assets into one of the following categories, although the category "held-to-maturity financial assets" is not included because it is not of relevance to Günther:

Assets at fair value through profit and loss

Assets at fair value through profit and loss are financial assets that are held for trading. A financial asset is assigned to this category if it was acquired principally for the purpose of selling it in the near term. Derivatives also belong to this category to the extent they do not qualify as hedges (see below). In 2017, derivative financial instruments were used exclusively to hedge against currency and interest rate risks; these instruments were measured at fair value through profit or loss. Hedge accounting in accordance with IAS 39 was not applied. In the previous year, the Group held no assets at fair value through profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that were either designated to this category or not allocated to any of the other categories presented above. The Günther Group classifies available-for-sale financial investments and other equity investments as available-for-sale financial assets. These are generally initially recognised at fair value, with changes in fair value other than impairment losses being recognised directly in equity. If fair value cannot be reliably determined, the assets are measured at cost less impairment losses. Since it is not possible to reliably measure equity investments at fair value due to the lack of an active market, these assets are measured at amortised cost less impairment charges.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are generally measured at amortised cost less impairment charges in accordance with the effective interest method. The Group reports loans and receivables in the consolidated statement of financial

position under "gross amounts due from customers for contract work", "trade and other receivables", "other financial assets" and "cash and cash equivalents".

11. Derivative financial instruments

The Günther Group uses derivative financial instruments to manage risks arising as a result of interest rate and currency fluctuations. Derivative financial instruments are initially recognised as an asset or liability at fair value. Attributable transaction costs are recognised through profit or loss in the period in which they are incurred. With the exception of derivatives designated as cash flow hedges, all derivatives are measured at fair value through profit or loss. This is the market value determined and communicated by the involved counterparties on the basis of recognised valuation techniques. They are recognised in the consolidated statement of financial position under "other financial assets" and "other financial liabilities".

Hedge accounting
The Günther Group has not used any cash flow hedges in accordance with IAS 39 to hedge against interest rate risks since financial year 2013. Future variable cash flows are fixed through the use of suitable derivatives. At the inception of the hedging relationship, both the relationship between the financial instrument designated as the hedge and the hedged item and the objective and strategy for undertaking the hedge are documented. This includes correctly allocating the hedging instruments to the corresponding future transactions and estimating the hedge effectiveness. Hedge effectiveness is subject to ongoing monitoring.

In the case of cash flow hedges, the effective portion of the change in the value of the hedging instrument is recognised in other comprehensive income, taking into account deferred taxes, until the gains and losses under the hedged item are recognised. A transfer to the income statement is made at the time the hedged item impacts profit and loss. The ineffective portion of the change in value of the hedging instrument is recognised through profit or loss in the financial result at each reporting date.

12. Inventories

Inventories are measured at the lower of cost and net realisable value. Costs for raw materials, consumables and supplies are calculated using rolling averages. In addition, incidental costs are also factored in as a lump sum based on the average incidental costs incurred in the course of the financial year. Work in progress and internally generated finished goods are measured at cost. Cost includes direct costs of materials and manufacturing plus specific direct manufacturing costs as well as appropriate

portions of production overheads and production-related depreciation. Cost also includes project-related guarantee commissions incurred in the manufacturing process.

Net realisable value is defined as the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

13. Gross amounts due from and to customers for contract work

Gross amounts due from customers for contract work are receivables for services rendered in connection with customer-specific manufacturing work for which the costs incurred plus previously recognised portions of profits exceed the total of reported losses and prepayments received. By contrast, if prepayments received exceed the costs incurred plus previously realised shares of profits or if the reported loss exceeds capitalised costs, gross amounts due to customers for contract work are reported.

If there are advance payments from customers for which the customer-specific manufacturing work has not yet begun, these amounts are reported under prepayments received.

The percentage of completion is derived based on the ratio of contract costs incurred to the total estimated costs (cost-to-cost method). Changes in the contractual work, claims and performance bonuses are included to the extent that their amount can be reliably determined and it is deemed likely that they will be received.

If it is not possible to reliably foresee the outcome of a construction contract, the costs are only recognised in the amount incurred which are likely to be recoverable. Contract costs are expensed in the period in which they arise.

If it is probable that the total contract costs exceed the total contract revenue, the expected loss is immediately expensed.

The Group had no customer-specific construction contracts with customers in the previous year.

14. Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand, demand deposits and short-term deposits with banks, all of which have a maturity of less than 3 months. Drawn-on overdraft facilities are reported under current financial liabilities.

15. Income taxes

Income tax expense represents the total current tax expense and deferred taxes.

Current taxes

Current tax expense is determined on the basis of the taxable income for the year. Taxable income is different to the net profit for the year as reported in the consolidated statement of comprehensive income due to items of income and expenses which will be taxable or tax deductible in subsequent periods or not at all. The Group's current tax liabilities are calculated on the basis of applicable tax rates and tax rated which are expected to be applicable shortly after the reporting date.

Deferred taxes

Deferred taxes are calculated in accordance with IAS 12 on the basis of the internationally recognised balance sheet liability method. Under that method, deferred tax assets and liabilities are recognised for all temporary differences between the tax accounts and the carrying amounts in the consolidated statement of financial position as well as for tax loss carryforwards.

Deferred taxes on these differences are generally always recognised if they result in deferred tax liabilities. Deferred tax assets are only recognised if it is likely that the corresponding taxation advantages will in fact be realised. Deferred tax assets and liabilities are also recognised in respect of temporary differences arising in the course of acquisitions, with the exception of temporary differences in respect of goodwill if these are not taken into consideration for tax purposes.

Deferred tax liabilities are recognised for taxable temporary differences in relation to shares in subsidiaries, unless the Group is able to manage the reversal of the temporary differences and it is likely that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from temporary differences in connection with shares in subsidiaries are only recognised to the extent to which it is likely that sufficient taxable income will be available against which the deferred tax assets from temporary differences can be utilised. Moreover, it must be presumable that the temporary differences will reverse in the foreseeable future.

The carrying amount of the deferred tax assets is reviewed each year as at the reporting date and written down if it is no longer likely that sufficient taxable income will be available to realise the assets in whole or in part.

Deferred taxes are calculated using the tax rates for future periods to the extent these are already set out in statute or if the legislative process has essentially been completed. Changes in deferred taxes in the statement of financial position generally result in a deferred tax expense or refund. Where transactions which result in a change in deferred taxes are posted directly in equity, the change in deferred taxes is also recognised directly in equity.

16. Pension provisions

The Günther Group has pension obligations under defined benefit plans. Pension obligations are measured in accordance with IAS 19 based on actuarial expert opinions using the projected unit credit method. This method not only takes into account the pensions known and entitlements acquired at the reporting date but also increases in pensions and salaries expected in future. The fair value of plan assets is deducted from the present value of pension obligations. If deducting the plan assets results in a surplus, the net asset value is recognised only up to the present value of the economic benefits associated with the surplus plan assets ("asset ceiling").

The net interest cost for the financial year is determined by multiplying the net obligation by the underlying discount rate.

Actuarial gains and losses from the measurement of gross defined benefit obligations are recognised in other comprehensive income and presented separately in the statement of comprehensive income, as is the difference between the return on plan assets calculated at the beginning of the period and the return actually realised at the end of the period. The interest cost for defined benefit obligations and interest income from plan assets (net interest cost) are reported in the financial result. The current service cost is included in personnel expenses, while the past service cost from plan amendments is recognised directly in profit or loss.

Payments for defined contribution plans are expensed when employees have rendered the service entitling them to receive contributions.

17. Other provisions

A provision is recognized if the Group has a current (statutory or constructive) obligation due to a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made.

Provisions are recognised in the expected settlement amount. Non-current provisions are discounted to the reporting date on the basis of appropriate market rates of interest.

18. Share-based payment

A share-based payment is a transaction in which the entity receives or acquires goods or services either as consideration for share options or against liabilities due to the value of the shares or other share options. IFRS 2 distinguishes between three types of share-based payment:

1. Equity-settled share-based transactions, which are measured at fair value at the grant date;
2. Cash-settled share-based payment transactions, which are settled in cash although their amount depends on an equity instrument issued by the entity, and which are measured at fair value as at the reporting date;
3. Transactions in which the individual parties have the choice to either settle the transaction in cash or in equity instruments.

The share-based payment transaction involving phantom shares of Lotto24 AG, Hamburg, is classified as a cash-settled share-based payment transaction.

For information on the calculation of the fair value of the transactions classified as type 2, please refer to the information provided under section VI.I.6. The standard requires that these remuneration instruments for the authorised persons be recognised in the income statement under personnel expenses.

19. Financial liabilities

Financial liabilities include:

- Trade payables and
- Other financial liabilities (particularly liabilities to banks)

Trade payables

Trade payables are initially recognised at their nominal amount, which corresponds to their fair value. Since there are only current trade payables, the effective interest method is not applied in subsequent measurement.

Other financial liabilities

Other financial liabilities are initially recognised at fair value, less any applicable transaction costs.

Financial liabilities in connection with primary financial instruments are measured at amortised cost using the effective interest method. Financial liabilities in relation to derivative financial instruments which are not subjected to hedge accounting are measured at fair value through profit or loss.

Financial liabilities are classified as current if the Group does not have the absolute right to postpone settlement of the liability until a date at least twelve months after the reporting date.

Finance lease liabilities are initially recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

20. Revenue and expense recognition

The Günther Group's revenue is derived primarily from the provision of sales services for state lottery products, the development and distribution of software solutions (primarily ERP solutions), the sale of media/language acquisition products, industrial automation, environmental technology and property management. Revenue is recognised under revenue at the fair value of the consideration received or owed, less returns and granted discounts and bulk discounts.

Sale of goods

Revenue from the sale of goods – to the extent no customer-specific products are manufactured – is recognised if, based on the agreements with the respective customers (1) the material risks and rewards incidental to ownership of the sold goods have been transferred to the buyer; (2) it is sufficiently probable that the economic benefits of the sale will accrue to Günther; (3) the costs incurred in relation to the sale and potential returns can be reliably determined; (4) Günther has no further right to dispose over the merchandise; and (5) the amount of the proceeds can be reliably determined. Depending on the respective customer agreements and the relevant orders, the date of revenue recognition is usually identical to the date of delivery or acceptance.

Sale of services

Income from service agreements is recognised in the period in which the service is rendered. Revenue is recognised in line with the degree to which the rendered service is completed and subject to the condition that the result of the service business can be reliably estimated.

Customer orders

Revenue from customer orders is recognised in accordance with the percentage of completion method if the result of the order can be reliably estimated as at the reporting date and it is probable that the economic benefits associated with the contract will flow to the Günther Group. The percentage of completion as at the reporting date is derived either based on the ratio of contract costs incurred as at the reporting date to the total estimated costs as at the reporting date (cost-to-cost method) or on the share of efforts expended as a proportion of the total expected efforts expended. The contract costs include the directly attributable costs as well as overheads.

If the net income from a construction contract cannot be reliably measured, the contract revenue is recognised only to the extent to which the incurred contract costs are likely to be recovered (zero-profit-margin method). If it is probable that the total contract costs exceed the total contract revenue, the expected loss is immediately expensed.

Other income and expenses

Interest is recognised as an expense or income in the period in which it is incurred, and is calculated using the effective interest method. Dividend income is recognised as at the date on which the right to receive payment has arisen.

Expenses are accounted for upon use of the service rendered or at the date on which they are incurred.

Research expenditures are expensed in the period in which they are incurred. Development costs are expensed as incurred if these are not development costs which must be capitalised as an intangible asset if the relevant criteria set out in IAS 38 have been met. In financial year 2017, the Günther Group expensed EUR 508 thousand in research and development costs (previous year: EUR 203 thousand).

C. SIGNIFICANT JUDGEMENTS REGARDING ESTIMATES AND ASSESSMENTS FOR ACCOUNTING PURPOSES

When applying the accounting policies, the Group's management made judgements that had a significant impact on the amounts in the consolidated financial statements. Accordingly, the preparation of consolidated financial statements requires that certain assumptions and estimates be made which have an effect on the amount and presentation of the reported assets, liabilities, income, expenses and contingent liabilities during the reporting period. These relate primarily to the assessment of whether assets may be impaired, the definition of uniform economic useful lives of property, plant and equipment throughout the Group, and the accounting treatment for provisions.

Estimates and assumptions are based on premises which are grounded in information that is available at the time. In particular, expectations as to the future development of the business are founded on the circumstances prevailing when the consolidated financial statements are prepared as well as on realistic assumptions as to the future development of the environment in which the Group operates. Changes to these general conditions which run counter to the management's assumptions and over which the management has no control may result in the reported figures deviating from the original estimates.

The following discussion presents the most significant forward-looking assumptions and other material sources of uncertainty as at the reporting date which give rise to a not-inconsiderable risk that the carrying amounts of assets and liabilities may require adjustment in the coming financial years.

Estimates made in connection with purchase price allocation

In general, estimates are made in the course of company acquisitions when determining the fair value of the assets and liabilities acquired. Land, buildings, technical equipment and machinery are usually valued by an independent expert, while marketable securities are recognised at their market value. The use of necessary assumptions in market value appraisals of property, plant and equipment means that these are subject to a degree of uncertainty. The fair value of intangible assets is determined using appropriate valuation methods which are generally based on a forecast of all future cash flows. Depending on the nature of the asset and the availability of information, different valuation techniques are applied, based varyingly on cost, market price and net present value. The net present value method bears noting in particular due to its significance when it comes to valuing intangible assets. For instance, the relief from royalty method is used to value brands and licences, and estimates cost savings resulting from a company holding the brands and licences itself, rather than having to pay a fee to a licensor. The resulting

savings are discounted to derive the value to be reported for the intangible asset. Determining the value of intangible assets requires in particular estimates of economic useful lives, which are subject to a degree of uncertainty due to the use of assumptions. Equally, determining the fair value of contingent liabilities requires the use of assumptions as to the likelihood that they will be incurred. Given their nature these assumptions, too, are subject to a degree of uncertainty.

Consolidation of structured entities

Structured entities which meet the control criteria set out in IFRS 10 must be fully consolidated in a Group's basis of consolidation. Assessing whether or not a structured entity is subject to control requires in particular an assessment of the purpose and structure of the entity as well as other legal arrangements. Such an assessment requires judgement on the part of the management.

Goodwill impairment

The Group determines whether goodwill is impaired at least once a year. This requires an estimate of the value in use of the cash-generating units to which the goodwill is allocated. In order to estimate the value in use, the Group must plan the expected cash flows of the cash-generating unit and must furthermore select an appropriate discount rate in order to determine the present value of these cash flows.

Determination of useful lives of property, plant and equipment as well as software and licences

The Company bases its estimates of the useful lives of assets on past experience. However, in light of the increased pace of technological progress it is possible that the assets will have to be depreciated or amortised more quickly.

Classification as an operating or finance lease

Lease classification depends primarily on estimates as to the economic useful life of the leased asset, its fair value at the date of classification, and assumptions and estimates regarding the discount rate to be applied.

Write-downs of receivables

The management bases its estimates as to the amount of write-downs on receivables on the principle of item-by-item measurement. The estimates as to the need to recognise specific valuation allowances require certain subjective assessments as to a customer's creditworthiness. These estimates are therefore inherently subject to uncertainty.

Deferred tax assets for tax loss carryforwards

Deferred tax assets are recognised for tax loss carryforwards if, based on profit forecasts by the management, it is considered likely that the Group companies will realise the associated tax advantage through future taxable profits.

Provisions

Provisions are different to other liabilities in relation to uncertainties as to the timing or amount of the future necessary expenditures. Provisions are recognised if Group has a current (legal or constructive) obligation due to a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made (see IAS 37.14).

In light of various economic and legal assessments and the difficulty of defining the probability of occurrence, there are considerable uncertainties in relation to recognition and measurement.

The measurement of pension provisions requires actuarial assumptions. These assumptions depend on the individual estimates made by the management.

Revenue recognition/percentage of completion method

In accordance with IAS 11 and IAS 18, income from long-term contracts/services must be recognised in the period in which the contracts are fulfilled and the services are rendered. Revenue is recognised depending on the degree to which the contracts have been fulfilled and the services rendered. If a contract is expected to result in a loss, this is recognised in full immediately. The amount and timing of expected expenses are by their nature subject to uncertainty which may have a material impact on the result.

D. BASIS OF CONSOLIDATION

Fully consolidated companies

The Günther Group's basis of consolidation comprised the parent and 52 fully consolidated companies in financial year 2017 (previous year: 25). Of that number, 37 (previous year: 24) companies have their registered office in Germany and 15 (previous year: one) abroad. The Group is divided into sub-groups based on the Lotteries, Ventures, Languages, Industrial Automation and Environmental Technology divisions.

At 31 December 2017, the basis of consolidation comprised the parent as well as the following fully consolidated companies:

Company	Registered office	Percentage of equity investment 31 Dec. 2017	Percentage of equity investment 31 Dec. 2016
Günther Lotto GmbH i.L.[1]	Osnabrück	0.00	100.00
Günther Alpha GmbH & Co. KG[2]	Hamburg	100.00	100.00
Günther Alpha Management GmbH	Hamburg	100.00	100.00
Günther Services GmbH[3]	Hamburg	100.00	100.00
Günther Direct Services GmbH[3, 5]	Bamberg	87.21	87.21
Günther Club Services GmbH	Bamberg	100.00	100.00
G Benefit GmbH[3]	Munich	100.00	100.00
Günther Holding SE[4]	Hamburg	87.21	87.21
Othello Drei Beteiligungs GmbH & Co. KG[2]	Hamburg	87.21	87.21
Othello Drei Beteiligungs-Management GmbH	Hamburg	87.21	87.21
Othello Vier Beteiligungs GmbH & Co. KG[2]	Hamburg	87.21	87.21
all4cloud Management GmbH	Hamburg	87.21	87.21
G Connect GmbH (previous year: G Connect Management GmbH)	Munich	87.21	87.21
G Connect GmbH & Co. KG[2, 7]	Munich	0.00	87.21
all4cloud GmbH & Co. KG[2]	Viernheim	50.88	57.23
Orpheus Capital II GmbH & Co. KG[2]	Hamburg	87.21	87.21
Orpheus Capital II Management GmbH	Hamburg	87.21	87.21
Orpheus Capital II Real Estate GmbH	Bermatingen	87.21	87.21
Günther Consulting GmbH	Hamburg	87.21	87.21
Günther Holding Immobilien GmbH & Co. KG[2]	Hamburg	87.21	87.21
Günther Holding Immobilien Management GmbH	Hamburg	87.21	87.21
Langenscheidt GmbH & Co. KG[2]	Munich	87.21	87.21
Langenscheidt Management GmbH	Munich	87.21	87.21
Langenscheidt Digital GmbH & Co. KG[2]	Munich	87.21	0.00
Langenscheidt Wien GmbH	Vienna, Austria	87.21	87.21
Lotto24 AG[8]	Hamburg	36.30	36.30

Company	Registered office	Percentage of equity investment 31 Dec. 2017	Percentage of equity investment 31 Dec. 2016
Zenbrina Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG[6]	Mainz	81.98	81.98
MAX Automation SE[8]	Düsseldorf	30.46	0.00
MAX Management GmbH[3, 9]	Düsseldorf	30.46	0.00
AIM Micro Systems GmbH[3, 9]	Triptis	30.46	0.00
ELWEMA Automotive GmbH[3, 9]	Ellwangen	30.46	0.00
iNDAT Robotics GmbH[3, 9]	Ginsheim-Gustavsburg	30.46	0.00
Rohwedder Macro Assembly GmbH[3, 9]	Bermatingen	30.46	0.00
MA micro automation GmbH[3, 9]	St. Leon-Rot	30.46	0.00
MA micro automation PTE. Ltd.[9]	Singapore	30.46	0.00
bdtronic GmbH[3], [9]	Weikersheim	30.46	0.00
bdtronic BVBA[9]	Diepenbeek, Belgium	30.46	0.00
BARTEC Dispensing Technology Inc.[9]	Tulsa, Oklahoma, USA	30.46	0.00
bdtronic Ltd.[9]	Ashton under Lyne, UK	30.46	0.00
bdtronic S.r.l.[9]	Monza, Italy	30.46	0.00
bdtronic Suzhou Co. Ltd.[9]	Suzhou, China	30.46	0.00
IWM Automation GmbH[3, 9]	Porta Westfalica	30.46	0.00
IWM Automation Poslka Sp.z. o. o.[9]	Chorzow, Poland	30.46	0.00
Mess- und Regeltechnik Jücker GmbH[9]	Dilingen	30.46	0.00
NSM Magnettechnik GmbH[3, 9]	Olfen-Vinnum	30.46	0.00
NSM Packtec GmbH[9]	Ahaus	30.46	0.00
MAX Automation North America Inc.[9]	Wilmington, Delaware, USA	30.46	0.00
Vecoplan AG[3], [9]	Bad Marienberg	30.46	0.00
Vecoplan Holding Corporation[9]	Wilmington, Delaware, USA	30.46	0.00
Vecoplan LLC[9]	Archdale, North Carolina, USA	30.46	0.00
Vecoplan Midwest LLC[9]	Floyds Knobs, Indiana, USA	18.58	0.00
Vecoplan Limited[9]	Birmingham, UK	30.46	0.00
Vecoplan Austria GmbH[9]	Vienna, Austria	30.46	0.00
Vecoplan Iberica S.L.[9]	Bilbao, Spain	30.46	0.00

[1] Liquidation in 2017
[2] Exercised exemption in accordance with section 264 b HGB with respect to preparation, audit and publication of financial statements
[3] Exercised exemption in accordance with section 264 (3) HGB with respect to preparation, audit and publication of financial statements
[4] Change of legal form from GmbH into AG and then SE in 2016
[5] Intra-Group sale of equity interest in Günther Holding SE in 2016.
[6] Not consolidated in previous year due to lack of control.
[7] Absorbed by G Connect GmbH in 2017.
[8] Consolidated due to permanent de facto majority of the voting rights at the Annual General Meeting
[9] Group companies of MAX Automation SE consolidated due to a permanent de facto majority of the voting rights at the Annual General Meeting of MAX Automation SE

Subsidiaries with significant non-controlling interests

From the perspective of the Günther Group, the consolidated financial statements include subsidiaries in which significant direct non-controlling interests are held. In addition to Günther Holding SE, this has included Lotto24 AG since 2015 and MAX Automation SE since 2017.

31 Dec. 2017 and financial year 2017

Company	Registered office	Interest in %	Profit/loss attributable to non-controlling interests	Cumulative non-controlling interests	Distributions to non-controlling interests
Günther Holding SE[1]	Hamburg	12.79	2,322	8,205	196
Lotto24 AG	Hamburg	63.70	464	15,439	0
MAX Automation SE	Düsseldorf	69.54	-93	83,658	0

[1] Subgroup (excl. Lotto24 AG and MAX Automation SE)

31 Dec. 2016 and financial year 2016

Company	Registered office	Interest in %	Profit/loss attributable to non-controlling interests	Cumulative non-controlling interests	Distributions to non-controlling interests
Günther Holding SE[1]	Hamburg	12.79	507	11,515	0
Lotto24 AG	Hamburg	63.70	-2,600	14,974	0

[1] Sub-group (excl. Lotto24 AG)

The following figures relate to Group subsidiaries with significant non-controlling interests before consolidation:

in EUR '000	Günther Holding SE 31 Dec. 2017	Günther Holding SE 31 Dec. 2016	Lotto24 AG 31 Dec. 2017	Lotto24 AG 31 Dec. 2016	MAX Automation SE 31 Dec. 2017	MAX Automation SE 31 Dec. 2016
Non-current assets	66,297	63,861	38,253	38,403	106,389	0
Current assets	28,943	33,328	14,448	22,121	212,255	0
Non-current liabilities	254	2,173	12,642	14,640	91,349	0
Current liabilities	23,657	20,894	15,823	22,377	106,997	0
Net assets	**71,329**	**74,122**	**24,237**	**23,508**	**120,298**	**0**

in EUR '000	Günther Holding SE 2017	Günther Holding SE 2016	Lotto24 AG 2017	Lotto24 AG 2016	MAX Automation SE 2017	MAX Automation SE 2016
Revenue	578	425	25,216	22,759	105,032	0
Profit/loss	-1,188	1,681	723	-4,131	-60	0
Other comprehensive income	-46	170	6	50	-74	0
Total comprehensive income	-1,234	1,851	729	-4,081	-134	0

in EUR '000	Günther Holding SE 2017	Günther Holding SE 2016	Lotto24 AG 2017	Lotto24 AG 2016	MAX Automation SE 2017	MAX Automation SE 2016
Net cash flows from current operating activities	-6,817	2,030	2,125	-319	29,844	0
Net cash flows from investing activities	1,998	-273	-1,339	4,014	1,476	0
Net cash flows from financing activities	4,444	0	-2,692	1,410	-28,029	0
Exchange rate changes	0	0	0	0	-49	0
Total net cash flow	**-375**	**1,757**	**-1,906**	**5,105**	**3,242**	**0**

Transactions with non-controlling interests

During the current financial year, a capital increase at all4cloud GmbH & Co. KG in January and April 2017 and a sale of shares in July 2017 resulted in a reduction of the percentage of direct equity interest by 7.28% to 58.34%. Non-controlling interests in partnerships are reported in the consolidated financial statements as debt.

Due to capital increases at all4cloud GmbH & Co. KG in January and March 2016, the percentage of the direct equity investment was diluted in the previous year from 75.00% to 65.63%.

Changes in basis of consolidation

On 25 April 2017, Langenscheidt Digital GmbH & Co. KG was formed with its registered office in Munich and a liable capital contribution of EUR 25 thousand. The general partner is Langenscheidt Management GmbH. The company was included in the consolidated financial statements as at the date of its formation.

On 26 April 2017, Günther Lotto GmbH with its registered office in Osnabrück was deleted.

On 8 November 2017, G Connect GmbH & Co. KG with its registered office in Munich was absorbed by the general partner G Connect Management GmbH due to the departure of the limited partner. G Connect Management GmbH was subsequently renamed G Connect GmbH on 9 November 2017.

On 13 December 2016, G Connect GmbH & Co. KG was formed with its registered office in Munich and a liable capital contribution of EUR 25 thousand. The general partner is G Connect Management GmbH. The company was included in the consolidated financial statements as at the date of its formation.

In August 2016, Günther Holding GmbH was legally transformed into Günther Holding AG. In September, it was then transformed from Günther Holding AG into Günther Holding SE.

Additions and disposals in financial year 2017 and 2016 are discussed in section VI.F.

E. ACQUISITIONS AND DISPOSALS

Acquisition of subsidiaries

Acquisition of MAX Automation SE

With effect from 15 August 2017, Orpheus Capital II GmbH & Co. KG increased its shareholding in MAX Automation SE to 34.93% as part of a capital increase. As a result, it can be presumed that the Günther Group will have a permanent majority of voting shares at future Annual General Meetings, resulting in a de facto majority of voting rights. Therefore, the equity investment in the company must be fully consolidated as soon as reliable financial information is available. Under IFRS 3, the transition from accounting in accordance with the equity method to full consolidation requires a purchase price allocation (PPA). The PPA serves to present the assets and liabilities of MAX Automation SE in the Günther Group consolidated financial statements. MAX Automation SE was fully consolidated for the first time as at 30 September 2017. The acquisition date and measurement date for the PPA was therefore 30 September 2017.

MAX Automation SE is a management holding company whose portfolio companies are international high-tech engineering companies and leading full-range suppliers of integrated and complex systems and components solutions. The companies' operating business is divided into the industrial automation and environmental technology divisions. MAX Automation SE is listed in the Prime Standard of the Frankfurt Stock Exchange.

Due to the acquisition by way of a de facto majority present at the Annual General Meeting of the company, no consideration was transferred, e.g., in the form of cash, in the course of this business combination. At the acquisition date, the Günther Group determined the fair value of its shares in MAX Automation SE and used that value in place of the fair value of consideration transferred to determine the amount of goodwill. The fair value of the Group's 34.93% interest in MAX Automation SE immediately prior to 30 September 2017 amounted to EUR 83,857 thousand. In 2017, the revaluation of the shares resulted in a EUR 16,443 thousand gain, which was recognised in the consolidated income statement under the item "Income from associates accounted for using the equity method". In addition, EUR 80 thousand of the other comprehensive income attributable to the investment previously accounted for in accordance with the equity method was reclassified to profit or loss and reported under the same item.

Following its acquisition of MAX Automation SE, the Günther Group also has control over Zenbrina Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz, which had previously been presented as an equity investment due to the lack of control.

No significant acquisition-related costs were incurred in connection with the acquisition.

The amounts recognised for the acquired identifiable assets and liabilities as at the acquisition date were as follows, with deferred tax assets and liabilities not offset against each other:

in EUR '000	**Fair value**
Intangible assets	53,160
Property, plant and equipment	47,003
Investment property	1,367
Investments accounted for using the equity method	3,545
Other financial assets	1,868
Trade receivables	373
Deferred tax assets	5,568
Other non-financial assets	1,013
Non-current assets	**113,897**
Inventories	44,511
Gross amount due from customers for contract work	91,222
Current tax assets	3,082
Trade receivables	54,282
Other financial assets	1,723
Other non-financial assets	6,351
Cash	22,915
Current assets	**224,086**
Provisions for employee benefits	1,006
Other provisions	1,391
Deferred tax liabilities	22,995
Other financial liabilities	79,872
Non-current liabilities	**105,264**
Other provisions	5,424
Current tax liabilities	5,758
Gross amount due to customers for contract work	11,384
Trade payables	23,997
Other financial liabilities	32,154
Other non-financial liabilities	33,610
Current liabilities	**112,327**
Net assets	**120,392**
Cash consideration	0
Fair value of shares in MAX	83,857
Non-controlling interests	78,510
Sub-total	**162,367**
Goodwill	**41,975**

The fair value of trade receivables reported under "Trade receivables" is EUR 54,282 thousand. The gross amount of contractual receivables is EUR 57,178 thousand.

The non-controlling interest of 65.07% was recognised as at the acquisition date and measured with a fair value of net assets of EUR 78,510 thousand. No goodwill was recognised in respect of non-controlling interests.

A comparison of the total transferred consideration, the net assets attributable to non-controlling interests measured at fair value and the revalued 34.93% share in MAX Automation SE held by the Günther Group against the acquired, revalued net assets of MAX Automation SE gives rise to goodwill amounting to EUR 41,975 thousand. The PPA was provisional as at 31 December 2017. The goodwill comprises a control premium as well as amounts reflecting revenue growth, future market developments and the staff. Since these advantages do not meet the recognition criteria set out in IAS 38 for intangible assets, they are reported as part of goodwill. It is not expected that the goodwill recognised as part of MAX Automation SE's first-time full consolidation will be tax deductible.

In the 2017 financial statements, gains amounting to EUR 5,507 thousand (before amortisation of newly identified intangible assets and the associated deferred taxes and the elimination of purchase price allocation effects previously reported by MAX Automation SE amounting to EUR -5,573 thousand in total) were reported from the additional business generated by MAX Automation SE. The attributable revenue for the 2017 financial year included EUR 105,032 thousand from MAX Automation SE.

Had the first-time consolidation taken place as at 1 January 2017, consolidated revenue would have amounted to EUR 428,219 thousand and the net profit for the year from continuing operations, including amortisation of the newly identified intangible assets and the associated deferred taxes would have amounted to EUR 20,040 thousand. For the purposes of the pro-forma disclosure, it was assumed that the values at the acquisition date had been reported at the beginning of the period.

On 24 December 2016, Papageno GmbH with its registered office in Hamburg and share capital of EUR 25 thousand was acquired by a related party for EUR 25 thousand. The company was included in the consolidated financial statements as at the date of its acquisition. With effect from 6 December 2016 the company was renamed G Connect Management GmbH. The company is the general partner of G Connect GmbH & Co. KG.

No further new subsidiaries were acquired or sold in financial year 2016.

F. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. Intangible assets and goodwill

in EUR '000	Goodwill	Internally generated intangible rights and assets	Software	Patents, concessions, other rights	Total
Historical cost					
As at 1 Jan. 2016	**28,270**	**0**	**6,733**	**32,390**	**67,392**
Reclassifications	0	0	59	0	59
Additions	0	0	744	20	764
Disposals (-)	0	0	-8	0	-8
As at 31 Dec. 2016	**28,270**	**0**	**7,526**	**32,410**	**68,206**
As at 1 Jan. 2017	**28,270**	**0**	**7,526**	**32,410**	**68,206**
Change in basis of consolidation	41,975	0	1,829	51,330	95,134
Reclassifications	0	0	3	0	3
Additions	0	888	738	336	1,962
Disposals (-)	0	0	-257	-22	-279
As at 31 Dec. 2017	**70,245**	**888**	**9,838**	**84,054**	**165,025**

The change in the basis of consolidation for goodwill in the current financial year resulted from the first-time consolidation of MAX Automation SE (see section VI.E). Given that the goodwill from the acquisition of MAX Automation SE had not yet been conclusively allocated to any cash-generating unit and there were no indications of impairment as at 31 December 2017, no goodwill impairment test was conducted at the end of the financial year. The goodwill reported at the end of the financial year and the previous year therefore resulted from the acquisition of Lotto24 AG in 2015 and MAX Automation SE in 2017.

Goodwill was tested for impairment during the financial year based on estimated future cash flows of those cash-generating units to which the goodwill is allocated; the relevant cash flows were derived from the business plan. That plan is based on a 5-year planning horizon. For the purposes of discounting the cash flows of Lotto24 AG during the detailed planning period, we applied a constant after-tax cost of capital of 8.15%, which was derived on the basis of the capital asset pricing model (CAPM) after the company achieved commercial viability (previous year: constant 12.0% cost of venture capital). The discount rates applied in the previous year now fall at the lower end of the range of returns required by equity investors in comparable companies and are based on greater

levels of uncertainty as to the expansion of the business and the regulatory environment. The average corresponding pre-tax cost of capital was 9.12% (previous year: 11.3%). Compared to the previous years, valuation parameters of relevance to the financial markets and the range of required returns to equity investors have fallen in general. This was due primarily to the fact that the company has now achieved commercial viability, as it has received the applicable authorisations and due to the regulatory environment. After the end of the detailed planning period, a perpetual annuity of 8.2% (previous year: 9.9%) is used for discounting from 2023 (previous year: 2022) onwards; this cost of capital is derived on the basis of the capital asset pricing model. The perpetual annuity is calculated starting from a sustainable average rate of growth of 2.0% (previous year: 1.4%). When discounting cash flows, we factored the growth rate into the cost of capital in the form of a discount.

We continually monitor and update the material technical, market, economic and statutory parameters and conditions underlying the impairment test. As there were no indications of impairment during the financial year, a goodwill impairment test was carried out at the reporting date; no impairment loss was recognised.

A 5% decrease in the cash flows underlying goodwill during the financial year would have resulted in a EUR 9,275 thousand reduction in the value in use; this would not have triggered an impairment. An increase in the discount rate by 1% would have reduced the value in use by EUR 30,629 thousand; this, too, would not have triggered an impairment.

In the course of the acquisition of MAX Automation SE, intangible assets were identified which had not previously been recognised. These included a customer list worth EUR 23,370 thousand, brands worth EUR 3,998 thousand, technologies worth EUR 8,858 thousand and order backlogs worth EUR 7,665 thousand. Straight-line amortisation is recognised for the customer list over 10 years, for the brands over 5 years, for technology over 5 to 10 years and for the order backlogs over 15 to 27 months.

In the course of the acquisition of Lotto24 AG, intangible assets were identified which had not previously been recognised. These included a customer list worth EUR 22,479 thousand, a brand worth EUR 5,950 thousand and software worth EUR 2,892 thousand. Straight-line amortisation is recognised for the customer list over 15 years, for the brand over 10 years and for the software over 5 years.

The carrying amount of the patents, concessions and other rights includes trademarks with indefinite useful lives acquired as part of the Langenscheidt asset deal, which were recognised at fair value (EUR 3,304 thousand) as at the acquisition date. These are not amortised but rather tested for impairment annually and whenever there are indications of impairment.

Impairments and reversals of impairments in respect of these trademarks are assessed on the basis of the relief-from-royalty method. To that end, the following material valuation parameters are derived from the revenue from each trademark contained in the business plans and used to determine the net realisable value:

Licence fees of 3% to 4% (previous year: 2% to 4%) of revenue are derived on the basis of customary licence fees for comparable assets on the market and assumed as cost savings for the various trademarks.

The discount rate is calculated as the weighted average cost of equity and debt according to the WACC-method (Weighted Average Cost of Capital). The after-tax interest rate used to discount the cash flows was 9.14% (previous year: 9.42%) and was derived on the basis of the relevant yield curves. The growth rate beyond the planning horizon was 1% (previous year: 1%).

in EUR '000	**Goodwill**	**Internally generated intangible rights and assets**	**Software**	**Patents, concessions, other rights**	**Total**
Accumulated amortisation and impairment					
As at 1 Jan. 2016	**0**	**0**	**-2,560**	**-890**	**-3,450**
Amortisation	0	0	-1,682	-2,176	-3,857
Disposals (-)	0	0	8	0	8
As at 31 Dec. 2016	**0**	**0**	**-4,233**	**-3,066**	**-7,300**
As at 1 Jan. 2017	**0**	**0**	**-4,233**	**-3,066**	**-7,300**
Amortisation	0	0	-1,572	-4,962	-6,533
Disposals (-)	0	0	257	17	274
As at 31 Dec. 2017	**0**	**0**	**-5,548**	**-8,011**	**-13,559**
Net carrying amounts					
As at 1 Jan. 2016	28,271	0	4,173	31,499	63,943
As at 31 Dec. 2016	28,271	0	3,293	29,344	60,907
As at 1 Jan. 2017	28,271	0	3,293	29,344	60,907
As at 31 Dec. 2017	70,245	888	4,290	76,043	151,467

The trademark was not impaired as at 31 December 2016 or 2017.

No impairment losses were recognised in respect of intangible assets during the current or previous financial year. Amortisation amounting to EUR 6,533 thousand (previous year: EUR 3,857 thousand) was presented in the consolidated income statement under "Depreciation and amortisation" and "Amortisation of purchase price allocation". No reversals of impairment losses were recognised in the periods presented.

No purchase order commitments for intangible assets existed as at the reporting date or the prior-period reporting date.

Certain intangible assets have been issued as collateral for liabilities; see section VI.F.19.

2. Property, plant and equipment

in EUR '000	Land and buildings	Technical equipment and machinery	Operating and office equipment	Property, plant and equipment under construction	Finance leases for buildings and equipment	Total
Historical cost						
As at 1 Jan. 2016	**139**	**2,466**	**2,710**	**15**	**0**	**5,330**
Reclassifications	0	24	90	-26	0	87
Additions	10	26	345	26	0	407
Disposals (-)	0	-28	-189	0	0	-217
As at 31 Dec. 2016	**149**	**2,487**	**2,956**	**15**	**0**	**5,607**
As at 1 Jan. 2017	**149**	**2,487**	**2,956**	**15**	**0**	**5,607**
Change in basis of consolidation	34,613	3,224	4,889	1,583	2,674	46,982
Reclassifications	1,742	0	0	-1,742	0	0
Additions	174	447	1,031	687	0	2,339
Disposals (-)	0	-320	-196	0	0	-516
Currency effects	-11	1	-4	0	0	-14
As at 31 Dec. 2017	**36,667**	**5,838**	**8,676**	**543**	**2,674**	**54,399**

In the course of the acquisition of MAX Automation SE, hidden reserves in relation to land and buildings amounting to EUR 9,938 thousand were recognised.

Since the acquisition of MAX Automation SE, a finance lease for a property has been recognised under "Finance lease for buildings and equipment". The basic term of the lease for the property is 15 years and there is an option to extend the lease and an option to purchase the property.

in EUR '000	Land and buildings	Technical equipment and machinery	Operating and office equipment	Property, plant and equipment under construction	Finance leases for buildings and equipment	Total
Accumulated depreciation and impairment						
As at 1 Jan. 2016	**-130**	**-666**	**-2,148**	**0**	**0**	**-2,944**
Change in basis of consolidation	0	0	0	0	0	0
Depreciation	-9	-542	-275	0	0	-825
Depreciation disposals (-)	0	24	190	0	0	214
As at 31 Dec. 2016	**-138**	**-1,184**	**-2,234**	**0**	**0**	**-3,556**
As at 1 Jan. 2017	**-138**	**-1,184**	**-2,234**	**0**	**0**	**-3,556**
Depreciation	-438	-845	-734	0	-15	-2,032
Depreciation disposals (-)	0	209	193	-15	0	387
Currency effects	0	0	1	0	0	1
As at 31 Dec. 2017	**-576**	**-1,820**	**-2,774**	**-15**	**-16**	**-5,201**
Net carrying amounts						
As at 1 Jan. 2016	9	1,800	561	15	0	2,385
As at 31 Dec. 2016	10	1,303	722	15	0	2,051
As at 1 Jan. 2017	10	1,303	722	15	0	2,051
As at 31 Dec. 2017	36,091	4,018	5,902	528	2,658	49,198

Depreciation amounting to EUR 2,032 thousand (previous year: EUR 825 thousand) was presented in the consolidated income statement under "Depreciation and amortisation". No reversals of impairment losses on property, plant and equipment were recognised in the periods presented. There were no impairment losses in the reporting period or the prior period.

3. Investment property

The land and buildings of the former BTD division not disposed of are reported under investment property; at the reporting date their fair value corresponded to the carrying amount. The properties were acquired as part of the acquisition of MAX Automation SE in 2017.

No expenses were incurred to maintain the investment property used in the relevant period. The change in investment property is presented below:

in EUR '000	Land	Buildings	Investment property
Historical cost			
As at 1 Jan. 2017	**0**	**0**	**0**
Change in basis of consolidation	296	1,071	1,367
As at 31 Dec. 2017	**296**	**1,071**	**1,367**
Accumulated depreciation and impairment			
As at 1 Jan. 2017	**0**	**0**	**0**
Depreciation	0	-6	-6
Reversals of impairment losses		18	18
As at 31 Dec. 2017	**0**	**12**	**12**
Net carrying amounts			
As at 1 Jan. 2017	0	0	0
As at 31 Dec. 2017	296	1,083	1,379

4. Investments accounted for using the equity method

With effect from 31 December 2017, three (previous year: two) associates over which the Group was able to exercise significant influence by participating in their financial and operating policy decisions, but not control, were consolidated in the consolidated financial statements in accordance with the equity method.

		Percentage of equity investment		Comprehensive income - 2017	Equity as of 31 Dec. 2017
Company	**Registered office**	**31 Dec. 2017**	**31 Dec. 2016**	**EUR '000**	**EUR '000**
ZEAL Network SE	London	10.22*	10.22*	17,443	106,616
ESSERT GmbH	Ubstadt-Weiher	48.00	0.00	-818	2,011
MAX Automation SE	Düsseldorf	0.00	31.44	7,817	0

* Günther appoints two members of the Supervisory Board

MAX Automation SE was accounted for in accordance with the equity method until 30 September 2017 before it was subsequently included in the consolidated financial statements as a subsidiary. As part of a successive acquisition of shares, the equity investment was measured at fair value prior to consolidation. The corresponding valuation gain is presented in equity (see section VI.E).

As a result of the full consolidation of MAX Automation SE in 2017, the equity investment in ESSERT GmbH, over which the Group can exert a significant influence, was added. In addition, the Group holds a 49% equity interest in Vecoplan FuelTrack GmbH i.L., Bad Marienberg, which is in the process of liquidation and which has been written off in full.

ZEAL Network SE and MAX Automation SE are companies which are listed on a stock exchange in Germany, meaning that their fair values as at the reporting date are reported based on available market prices.

The investment in companies presented serves to further the Group's strategic objectives. The carrying amounts and fair values of the equity investments are presented in the table below:

	31 Dec. 2017		31 Dec. 2016	
in EUR '000	Fair value	Carrying amount	Fair value	Carrying amount
ZEAL Network SE	18,373	11,136	31,627	10,210
ESSERT GmbH	n/a	3,837	0	0
MAX Automation SE	0	0	48,445	53,161

The following presents a summary of the financial information of the individual significant associates:

ZEAL Network SE

in EUR '000	31 Dec. 2017	31 Dec. 2016
Non-current assets	6,634	4,677
Current assets	134,477	131,339
Non-current liabilities	1,765	2,199
Current liabilities	32,730	36,259
Group's share of net assets	10,901	9,975

in EUR '000	2017	2016
Revenue	134,295	112,935
Results from continuing operations	17,178	25,951
Earnings after taxes from discontinued operations	0	0
Other comprehensive income	265	-84
Total comprehensive income	17,443	25,867
Group's share of comprehensive income	1,783	2,645
Dividends received	857	2,401

ESSERT GmbH

in EUR '000	31 Dec. 2017	31 Dec. 2016
Non-current assets	332	0
Current assets	2,157	0
Non-current liabilities	0	0
Current liabilities	478	0
Group's share of net assets	965	0

in EUR '000	2017	2016
Revenue	3,149	0
Results from continuing operations	-818	0
Earnings after taxes from discontinued operations	0	0
Other comprehensive income	0	0
Total comprehensive income	-818	0
Group's share of comprehensive income	-393	0
Dividends received	0	0

MAX Automation SE

in EUR '000	30 Sep. 2017	31 Dec. 2016
Non-current assets	111,470	110,162
Current assets	224,084	196,169
Non-current liabilities	89,966	81,774
Current liabilities	112,047	113,297
Group's share of net assets	46,646	34,980

in EUR '000	Q1-Q3 2017	2016
Proceeds	271,147	337,138
Results from continuing operations	8,619	8,342
Earnings after taxes from discontinued operations	0	0
Other comprehensive income	-802	292
Total comprehensive income	7,817	8,634
Group's share of comprehensive income	2,458	2,715
Dividends received	1,264	1,264

5. Equity investments

The other equity investments amounted to EUR 569 thousand as at 31 December 2017 (previous year: EUR 240 thousand).

The change during the current period was due primarily to the expansion of the basis of consolidation. First, EUR 353 thousand relates to MAX Automation (Asia Pacific) Co. Ltd. in Hong Kong, in which the Group holds a 25% interest. Second, Günther has control over Zenbrina Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz, in which it holds a 94% interest. The company has been fully consolidated since 30 September 2017. In the previous year, the company was reported as an equity investment (EUR 5 thousand) because the Group did not have control.

In addition, a 4.45% interest in Grundstücksgesellschaft Bismarckstraße 63 bR, Berlin, was sold in 2017, resulting in a disposal of EUR 21 thousand.

The Group has held a 5.89% interest in Vofy GmbH, Mehlingen, since 2016; this is measured at EUR 216 thousand (previous year: EUR 214 thousand).

Following the deconsolidation of the Orga Group in 2015, the remaining equity interest in Orga Systems Holding GmbH and Ophelia GmbH (previous year: Orga Systems Beteiligungs GmbH) was reported at EUR 27.5 thousand.

As in the previous year, the Group holds a 1.51% interest in Günther Vermögens- und Beteiligungs GmbH & Co. KG, Bamberg, which has been written off in full.

No impairment losses have been recognised in respect of the equity investments in the financial year or in the previous period.

6. Other non-current financial assets

in EUR '000	31 Dec. 2017	31 Dec. 2016
Loans to investments	9,476	9,476
Other loans	969	0
Silent participation	800	0
Capitalised pension liability insurance	87	79
Miscellaneous other non-current financial assets	125	19
Total	**11,456**	**9,574**

Loans to investments amounting to EUR 9,476 thousand (previous year: EUR 9,476 thousand) related to loans to Günther Vermögens- und Beteiligungs GmbH & Co. KG.

The other loans include two sellers' loans amounting to EUR 588 thousand and EUR 381 thousand. In addition, the change in the basis of consolidation has resulted in the addition of a silent participation. Both items resulted from a management buy-out at altmayerBTD GmbH & Co. KG in 2016.

The capitalised pension liability insurance amounting to EUR 87 thousand (previous year: EUR 79 thousand) related to pension obligations without sufficient plan assets to cover the pension liabilities. In addition, pension liability insurance amounting to EUR 497 thousand (previous year: EUR 482 thousand) was offset against pension obligations (please refer to section VI.F.16 for further information).

7. Deferred tax assets and deferred tax liabilities

The total amounts of deferred tax assets and liabilities result from the following items:

in EUR '000	31 Dec. 2017		31 Dec. 2016	
	Deferred tax assets	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Intangible assets	323	-24,166	0	-10,029
Property, plant and equipment	224	-3,999	0	-242
Other non-current financial assets	14	-60	0	-1
Construction Contracts	1,548	-5,505	0	0
Other current assets	0	-246	3	0
Non-current provision for pensions and similar benefits	511	0	601	0
Other non-current financial liabilities	42	0	17	0
Other non-current non-financial liabilities	132	-60	0	0
Other current provisions and liabilities	878	-88	169	0
Loss carryforwards	21,904	0	14,146	0
Deferred taxes before set-offs	**25,577**	**-34,123**	**14,936**	**-10,272**
Offsetting	-11,582	11,582	-10,272	10,272
Deferred income taxes – net	**13,995**	**-22,542**	**4,663**	

In principle, deferred tax assets are recognised in respect of tax loss carryforwards for companies which are expected to have sufficient taxable profits available to them in future periods to offset against the loss carryforwards. The first-time consolidation of MAX Automation SE resulted in the addition of deferred taxes totalling EUR -17,428 thousand.

Deferred tax assets are recognised in respect of loss carryforwards for the parent and its subsidiaries based on the tax planning.

The management currently estimates that corporation tax loss carryforwards amounting to EUR 25,669 thousand (previous year: EUR 32,101 thousand) and trade tax loss carryforwards of EUR 27,832 thousand (previous year: EUR 34,422 thousand) will not likely be utilisable.

Deferred taxes are measured on the basis of applicable tax rates and tax rates expected to be applicable at the time the assets are realised. For financial year 2017, an average trade tax rate of 15.08% (previous year: 15.85%) and an average corporation income tax rate of 15.83%, including the solidarity surcharge (previous year: 15.83%), was applied for German companies and corresponding local tax rates were applied for foreign companies.

8. Other non-current non-financial assets

Other non-current non-financial assets consisted primarily of prepayments on intangible assets amounting to EUR 1,252 thousand (previous year: EUR 35 thousand) and rental deposits of EUR 70 thousand (previous year: EUR 0 thousand).

9. Inventories

in EUR '000	31 Dec. 2017	31 Dec. 2016
Raw materials, consumables and supplies	15,763	122
Work in progress	13,009	742
Finished goods and merchandise	13,663	2,927
Total	**42,435**	**3,791**

The allowances recognised on inventories amounted to EUR 4,868 thousand in the current financial year (previous year: EUR 568 thousand). These allowances factor in the obsolescence, age and any identifiable warehousing and inventory risks.

10. Gross amount due from and to customers for contract work

in EUR '000	31 Dec. 2017	31 Dec. 2016
Contract costs incurred, incl. share of realised gains (less any losses)	178,574	0
Less prepayments received on account	-110,256	0
Construction contracts in progress	68,318	0
Recognised and included in financial statements as amounts due:		
Gross amount due from customers for contract work	82,788	0
Gross amount due to customers for contract work	14,470	0

Future receivables from POC arise if the revenue as calculated in accordance with the POC method can be realised although the customer may not yet be invoiced for the work pursuant to the contract. The costs and estimated profits include directly allocable costs (personnel and third-party services) and all production-related shares of overheads.

11. Current tax assets

in EUR '000	31 Dec. 2017 Non-current	31 Dec. 2017 Current	31 Dec. 2017 **Total**	31 Dec. 2016 Non-current	31 Dec. 2016 Current	31 Dec. 2016 **Total**
Income tax assets	0	1,558	**1,558**	0	1,482	**1,482**
Total	**0**	**1,558**	**1,558**	**0**	**1,482**	**1,482**

12. Trade and other receivables

in EUR '000	**31 Dec. 2017**	**31 Dec. 2016**
Trade receivables before specific valuation allowances	64,369	5,866
Less specific valuation allowances	-2,123	-769
Trade receivables (net)	**62,246**	**5,098**

The maximum default risk at the reporting date was the carrying amount. With respect to receivables that were not impaired and not in default, there were no indications that the debtors will not meet their payment obligations. Trade receivables do not bear interest.

Trade receivables amounting to EUR 62,246 thousand (previous year: EUR 5,098 thousand) are due from third parties. Trade receivables of EUR 598 thousand (previous year: EUR 0 thousand) have a maturity of more than one year.

The Günther Group recognises valuation allowances on uncollectible receivables and for general credit risks on an individual basis. They are initially recorded in allowance accounts, unless it is expected at the time the receivable becomes impaired that all or part of the receivable will be uncollectible. In these cases, an impairment loss is reflected directly in profit or loss for the gross amount of the receivable. The table below shows the development of the valuation allowance for trade receivables:

in EUR '000	2017	2016
Valuation allowance as at 1 January	**769**	**737**
Additions	319	249
Reversals	0	0
Derecognition	-317	-217
Change in basis of consolidation	1,352	0
Valuation allowance as at 31 December	**2,123**	**769**

The maturities of trade receivables are presented below:

				Of which not impaired but overdue			
in EUR '000	Carrying amount	Of which impaired	Of which not overdue and not impaired	up to 30 days	31-60 days	61 to 90 days	More than 90 days
31 Dec. 2017							
Trade receivables	64,369	3,871	42,194	7,294	2,286	2,827	5,897
Less specific valuation allowances	-2,123	-2,123					
Trade receivables (net)	62,246	1,748	42,194	7,294	2,286	2,827	5,897
31 Dec. 2016							
Trade receivables	5,866	2,501	2,837	453	45	4	26
Less specific valuation allowances	-769	-769					
Trade receivables (net)	5,098	1,733	2,837	453	45	4	26

The maturity bands of the due dates were adjusted in the current period to improve the presentation. The figures for the previous year have been restated accordingly.

13. Other current financial assets

in EUR '000	31 Dec. 2017	31 Dec. 2016
Receivables from other long-term investees and investors	4,578	4,287
Receivables from gaming operations	4,455	10,149
Purchased receivables	2,384	2,384
Security deposits	1,011	967
Derivative financial instruments	325	0
Receivables from associates	40	0
Miscellaneous other financial assets	2,184	374
Total	**14,978**	**18,161**

Receivables from gaming operations consist of customer winnings to be passed on, receivables from current payments processing and own brokerage commissions due. The receivables from other long-term investees and investors are due from related entities. The purchased receivables represent receivables acquired from the insolvency assets of the Orga group. The security deposits comprise security payments required to be lodged with the state lottery organisers.

14. Other current non-financial assets

in EUR '000	31 Dec. 2017	31 Dec. 2016
Prepayments	3,683	7
Prepaid expenses	2,549	720
VAT receivables	1,750	245
Receivables from employees	7	1
Receivables from social assistance benefits	0	1
Other assets	20	99
Total	**8,010**	**1,074**

The prepayments relate mainly to inventories. No valuation allowances were recognised on the other assets during the current period or the prior period.

The prepaid expenses include transaction costs in connection with the new syndicated loan amounting to EUR 567 thousand which will be charged against the financial result on a straight-line basis over the term of three years.

15. Cash and cash equivalents

in EUR '000	31 Dec. 2017	31 Dec. 2016
Bank balances	47,212	17,545
Trustee accounts	6,214	6,540
Cash-in-hand	16	3
Fixed-term deposits	0	9,126
Available-for-sale financial instruments	0	697
Total	**53,441**	**33,911**

Balances with banks bear interest at variable interest rates for call deposits and fixed rates for term deposits. Short-term deposits are made for periods ranging between one day and three months, depending on the relevant cash requirements of the Group. These earn interest at the respective rates applicable to short-term deposits. As a result of the current low interest rate environment, the interest received on balances in euros and foreign currencies during the financial year and the prior year was insignificant. The fair values of cash and cash equivalents are equal to their carrying amounts. The trustee accounts comprise gamers' credit balances. Following the sale of the floating rate notes as at 31 December 2016, the available-for-sale financial instruments consist entirely of widely diversified fixed-income and money market fund units with maturities of less than 3 months managed by a bank.

16. Equity

The individual components of equity and their development in 2017 and 2016 are presented in the statement of changes in equity.

Issued capital

The issued capital amounts to EUR 123 thousand as before. It is divided into 123,000 shares of EUR 1 each and is fully paid-up.

Capital reserve

The capital reserve amounts to EUR 19,830 thousand. It represents the premiums arising from a capital increase for contributions in kind in 2010. There were no changes during the current period or in the prior periods presented.

Other components of equity

The other components of equity comprise the reserves for remeasurements of defined benefit plans, the currency translation reserve, the reserve for available-for-sale financial instruments and the reserve for the other comprehensive income of associates accounted for using the equity method. The change in the other components of equity is presented in the statement of comprehensive income.

Retained earnings

Retained earnings comprise the consolidated net profit for 2017 of EUR 15,511 thousand (previous year: EUR 2,105 thousand) and the net profits generated up to the 2017 financial year by the entities included in the consolidated financial statements. The change in retained earnings in the current period includes a dividend distribution of EUR -440 thousand (previous year: EUR -300 thousand). In connection with the initial consolidation of MAX Automation SE, the existing reserve for other comprehensive income resulting from the use of the equity method was also added to retained earnings to the extent that it was not reclassifiable to profit or loss. In addition, costs recorded in the fourth quarter for the capital increase at MAX Automation SE were recognised directly in reserves less the associated tax effect.

In the previous year, the reduction in the interests of non-controlling shareholders amounting to EUR 3,833 thousand was recorded in retained earnings. This was recognised directly in equity as an increase of capital from a transaction not resulting in the loss of control of a subsidiary.

Non-controlling interests

There are non-controlling interests in the Günther Group. The share of equity attributable to these non-controlling interests is reported in the item "Non-controlling interests". In addition to the pro rata allocation of profit, the change in the current period is attributable to the acquisition of MAX Automation SE. Dividends in the amount of EUR 196 thousand were also distributed to minorities in 2017. In the previous year, the change is mainly the result of the reduction in the interests of non-controlling shareholders.

17. Provisions for pension obligations

Provisions for pension obligations are established due to benefit plans for commitments to pay retirement, disability and survivor benefits. The commitments are based both on works agreements and individual commitments. The benefits vary depending on the legal, tax and economic circumstances of the respective country and normally depend on the employee's length of service and remuneration. The pension obligations include commitments both for life-long monthly pension payments and for payments of one-off lump sums. When an employee leaves, corresponding payments for pension provisions must be made as a result of this obligation.

The pension obligations from defined benefit plans are measured in accordance with IAS 19 using the projected unit credit method, taking into account future wage and pension increases and other adjustments to the benefits and carrying amounts. The provision for defined benefit plans reported in the statement of financial position represents the present value of the vested portion of beneficiaries' pension benefits less the fair value of the plan assets at the reporting date. If an individual pension plan has an excess of assets over liabilities, the net asset recognised is limited to the present value of the economic benefits associated with the surplus plan assets ("asset ceiling").

The obligations from defined benefit commitments are as follows:

in EUR '000	31 Dec. 2017	31 Dec. 2016
Present value of the benefit obligation	4,632	4,035
Less plan assets (fair value)	-497	-482
Funding status	**4,135**	**3,554**
Adjustments due to asset ceiling	0	0
Provision for pensions recognised	**4,135**	**3,554**

Günther is exposed to general actuarial risks and to the risk of changes in interest rates in connection with the defined benefit pension plans. The calculations of the benefit obligations were based on the following actuarial assumptions:

in %	31 Dec. 2017	31 Dec. 2016
Discount rate	1.5 - 1.9	1.5
Future salary increases	0.0 - 1.5	0.0
Future pension increases	2.0 - 10.0	3.3
Fluctuation rate	0.0	0.0

The biometric assumptions for the calculations are based on the 2005G mortality tables of Prof. Dr. Heubeck.
The assumption as to long-term interest earned on the plan assets is based on information from the insurance company and the underlying investments in fixed-interest securities (including government bonds and mortgage bonds). The factors taken into account when selecting the issuers include individual ratings by international agencies and the issuers' capital resources.

The future level of the financing rate and therefore of the pension obligations depends in particular on the development of the discount factor. A sensitivity analysis was therefore performed relating to the discount rate. The analysis is based on the assumption that all other factors that could affect the value remain unchanged. A reduction of 0.5 percentage points in the discount rate would result in an increase in the present value of the defined benefit obligation of EUR 321 thousand (previous year: EUR 380 thousand). An increase of 0.5 percentage points, on the other hand, would reduce the present value by EUR 285 thousand (previous year: EUR 336 thousand). The risk faced by the Group arising from the pension commitments and insurance assets is therefore insignificant overall.

The sensitivity analysis above is probably not representative of the actual change in the defined benefit obligations, since it must be regarded as unlikely that divergences from the assumptions made will occur independently of each other as some of the assumptions are linked.

A further point is that the present value of the defined obligations in the sensitivity analysis above was determined using the projected unit credit method as at the reporting date, the same method used to calculate the defined benefit obligations reported in the consolidated statement of financial position.

The present value of the defined benefit pension obligations changed as follows:

in EUR '000	**2017**	**2016**
Pension obligations as at 1 January	4,035	3,420
Current and past service cost	9	7
Interest expense	66	80
Actuarial gains and losses		
from experience adjustments	-164	59
from changes in biometric assumptions	0	0
from changes in financial assumptions	-24	524
Benefits paid	-296	-56
Plan settlements	0	0
Change in basis of consolidation	1,006	0
Pension obligations as at 31 December	**4,632**	**4,035**

The expected pension payments during the next twelve months amount to EUR 118 thousand (previous year: EUR 63 thousand).

The plan assets used to finance the obligations consist entirely of pension liability insurances. The change in plan assets is presented below:

in EUR '000	2017	2016
Fair value of plan assets as at 1 January	482	466
Employer contributions to plan	2	2
Interest on plan assets	7	11
Return on plan assets less imputed interest	6	3
Benefits paid	0	0
Transfers	0	0
Change in basis of consolidation	0	0
Fair value of plan assets as at 31 December	**497**	**482**

The Group expects to pay a contribution of EUR 2 thousand (previous year: EUR 2 thousand) into the defined benefit plan in the coming financial year.

The pension expense for defined benefit commitments recognised in the income statement is made up of the following items:

in EUR '000	2017	2016
Current service cost	9	7
Past service cost	0	0
Service cost	**9**	**7**
Expense from interest accrual	66	80
Interest income on plan assets	-7	-11
Net interest expense	**58**	**69**
Total pension expense	**67**	**76**

Investment risk

The present value of the defined benefit obligations from the plan is determined using a discount rate based on the yields on top-quality, fixed-interest corporate bonds. To the extent that the return on the plan assets is below this interest rate, the plan will be underfunded as a result.

Interest rate risk

A decline in the interest rate on bonds will result in an increase in the plan liabilities, but this will be partly offset by a higher return on the plan assets invested in pension liability insurances.

Inflation risk
Some plans are linked to inflation which can result in higher plan liabilities.

Salary risk
The present value of the defined benefit obligations from the plan is determined on the basis of the future salaries of the participating employees. Increases in the salaries of the participating employees therefore result in higher plan liabilities.

In the event of underfunded plans, the obligations are partly covered by pension liability insurances without plan asset status.

The Group has not changed its procedures for managing these risks in comparison with the prior period.

18. Other non-current and current provisions

in EUR '000	Warranties	Legal costs	Share-based payment	Other	Total
As at 1 Jan. 2017	**25**	**50**	**1,960**	**1,922**	**3,957**
Change in basis of consolidation	4,215	0	0	1,688	5,903
Additions	1,563	0	1,264	1,646	4,473
Utilisations	-201	0	-435	-2,960	-3,596
Reversals	-1,435	-20	0	-18	-1,473
Currency effects	-6	0	0	10	3
As at 31 Dec. 2017	**4,160**	**30**	**2,789**	**2,288**	**9,267**
Non-current	25	0	1,525	36	1,586
Current	0	50	435	1,886	2,371
As at 1 Jan. 2017	**25**	**50**	**1,960**	**1,922**	**3,957**
Non-current	1,455	0	1,732	109	3,296
Current	2,705	30	1,057	2,178	5,970
As at 31 Dec. 2017	**4,160**	**30**	**2,789**	**2,287**	**9,266**
Net carrying amounts					
As at 1 Jan. 2017	25	50	1,960	1,922	3,957
As at 31 Dec. 2017	4,160	30	2,789	2,288	9,267

Legal risks
The provisions for legal risks relate to the anticipated costs of pending lawsuits resulting from disputes under employment law in the amount of EUR 30 thousand (previous year: EUR 50 thousand).

Share-based payment:
The board members of Lotto24 were granted a share-based remuneration programme involving phantom shares with cash settlement. The theoretical number of shares is issued in annual tranches in the middle of the calendar year and vests pro rata temporis over the following twelve months. The nominal entitlement in euros increased to EUR 410 thousand based on the initial value in 2016 as a result of the expansion of the board to three board members. As a result of the conversion of one half of the long-term remuneration component with effect as of 1 January 2017, the initial value for this share-based remuneration programme has reduced from EUR 410 thousand to EUR 205 thousand.

The number of shares is determined by dividing the nominal entitlement in euros (initial value) by the average price (Xetra or a successor system with a similar function) for the Lotto24 share over the past 90 trading days. The associated payment entitlements come into existence after a lock-in period of four years. The payment obligations based on the number of shares are measured at fair value discounted over the remaining term based on the rolling 90-trading day average price of the Lotto24 share (Xetra), and their value is limited to a maximum of three times the initial value.

With effect as at 1 January 2017, 50% (amounting to EUR 205 thousand for the executive board as a whole) of the long-term share-based remuneration programme (phantom shares with cash settlement) was converted into a variable remuneration component and the term of the tranches for the new component was reduced from four years to three. The new remuneration component is based on the revenue and EBIT key indicators, reflecting long-term growth and profitability objectives. The amount is determined in annual tranches at the start of the year on the basis of the respective initial budget, including the specification of target thresholds for the key indicators, and vests pro rata temporis. The entitlement is measured at fair value discounted over the remaining term, and its value is limited to twice the initial value.

Other provisions

The other provisions mainly comprise provisions for bonuses EUR 732 thousand (previous year: EUR 1,095 thousand), restructuring EUR 0 thousand (previous year: EUR 94 thousand) and provisions for returns amounting to EUR 507 thousand (previous year: EUR 613 thousand).

19. Other non-current and current financial liabilities

The financial liabilities are composed of the following:

	31 Dec. 2017			31 Dec. 2016		
in EUR '000	Non-current	Current	**Total**	Non-current	Current	**Total**
Liabilities to banks	100,017	8,676	**108,693**	3,448	9,389	**12,837**
Outstanding invoices	0	11,607	**11,607**	0	1,038	**1,038**
Other loan liabilities	0	9,502	**9,502**	0	12,579	**12,579**
Liabilities from gaming operations	0	9,261	**9,261**	0	14,594	**14,594**
Liabilities from finance leases	1,666	246	**1,913**	0	0	**0**
Obligations from hire-purchase contracts	488	283	**771**	257	206	**463**
Liabilities to associates	0	148	**148**	0	0	**0**
Liabilities to other long-term equity investments	0	107	**107**	0	305	**305**
Other financial liabilities	128	5,613	**5,741**	1,935	7,566	**9,806**
Total	**102,299**	**45,444**	**147,743**	**5,640**	**45,677**	**51,317**

In 2017, a new syndicated loan agreement with an amount of EUR 45,000 thousand and a term of 3 years was entered into by Günther Holding SE in order to replace the loans coming to the end of their term in the previous year and to create flexibility for further financing. The interest rate payable is EURIBOR + 3.35%. The acquisition of MAX Automation SE added another syndicated loan agreement with a total volume of EUR 190,000 thousand. The interest payable under this agreement is dependent on balance sheet indicators and amounted to EURIBOR + 1.55% to 2.10% in the current financial year. The interest rates applicable to the liabilities to banks in the prior year amounted to 1.65% for fixed interest and 1-month EURIBOR + 2.29% for variable interest. The current liabilities to banks consist mainly of current drawings on the syndicated loans amounting to EUR 8,676 thousand (previous year: EUR 9,389 thousand). The interest rate payable on the other loans as at 31 December 2017 amounted to 3.10% for fixed interest (previous year: 3.1% and 10.0%) and to 3-month EURIBOR + 1.0 (previous year: 3-month EURIBOR + 1.0) for variable interest.

The liabilities to banks include a liability from forfaiting receivables amounting to EUR 5,185 thousand, of which EUR 4,915 thousand is non-current. This arose on the initial consolidation of Zenbrina Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG. The liability bears fixed interest of 4.55%.

According to management's calculations, the financial covenants agreed were complied with for 2017 and the prior year.

The following collateral was provided for the liabilities to banks for the benefit of the respective subsidiaries:

- Transfer by way of security of portions of the securities holdings as at 31 December 2017 in ZEAL Network SE, Lotto24 AG and MAX Automation SE (previous year: ZEAL Network SE and Lotto24 AG)
- Pledge of the Langenscheidt brand name including the assignment of related licensing income
- Land charges in the amount of EUR 5,210 thousand
- Joint and several liability of all entities included in the syndicated loan of MAX Automation SE

At the reporting date, the Group had unused credit facilities amounting to EUR 148,332 thousand (previous year: EUR 2,552 thousand); all the conditions necessary for utilising these facilities have been met. The increase during the current period was due primarily to the change in the basis of consolidation.

For 2018, contractual redemption payments for liabilities to banks and other loan liabilities must be made in the amount of EUR 8,687 thousand (previous year: EUR 13,789 thousand).

The other loan liabilities in the current and prior period relate primarily to loans received by the Günther Group from a related entity, see section VI.I.2. There are also financings relating to IT insourcing.

Obligations relating to the settlement of accounts with the state lottery companies and lottery customers are reported under liabilities from gaming operations.

The other financial liabilities consist mostly of the fair value of the non-controlling interests in partnerships within the Group. Because they have a right of termination, they are classified as debt capital in accordance with IFRSs and recognised at their fair value. The settlement entitlement on termination amounted to EUR 2,250 thousand as at 31 December 2017 (previous year: EUR 708 thousand). The fair value measurement was reported through profit or loss in the financial result. In the 2015 financial year, all of the interests of non-controlling shareholders in Orpheus Capital II GmbH & Co. KG were

purchased for EUR 3,889 thousand. This gave rise to a purchase price obligation in the previous year amounting to EUR 3,214 thousand which was settled in the current period.

20. Current tax liabilities

	31 Dec. 2017			31 Dec. 2016		
in EUR '000	Non-current	Current	**Total**	Non-current	Current	**Total**
Income tax liability	0	214	**214**	0	1	**1**
Corporation tax provision	0	2,850	**2,850**	0	21	**21**
Trade tax provision	0	1,925	**1,925**	0	204	**204**
Total	**0**	**4,988**	**4,988**	**0**	**226**	**226**

Where there are payment obligations arising from income taxes, they reflect assessments from previous years and the tax calculations for the current financial year.

21. Trade payables and other liabilities

The trade payables for the financial year are due entirely to third parties and are secured by retentions of title by suppliers to the extent normal for the industry.

At the reporting date, there were no liabilities to suppliers with a remaining term of more than 12 months (previous year: EUR 0 thousand).

22. Other current non-financial liabilities

in EUR '000	31 Dec. 2017	31 Dec. 2016
Payments received on account of orders	19,238	72
Bonuses	7,770	1,116
Residual vacation not taken	3,686	358
VAT liabilities	2,301	861
Other liabilities to staff	1,722	0
Liabilities for wages and church taxes	1,563	220
Deferred income	212	123
Social security	154	3
Severance payments	0	36
Miscellaneous other liabilities	680	405
Total	**37,326**	**3,229**

All current liabilities have a remaining term of up to one year. The miscellaneous other liabilities consist mainly of liabilities to authors.

G. NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. Revenue

Revenue generated is broken down as follows:

By division:

in EUR '000	31 Dec. 2017	31 Dec. 2016
Industrial automation	84,264	0
Lotteries	35,811	36,269
Environmental technology	20,768	0
Languages	12,283	12,734
Ventures	3,788	2,558
Real estate	158	180
Total	**157,072**	**51,741**

Revenue of EUR 57,258 thousand (previous year: EUR 0 thousand) was recorded from construction contracts relating to the Industrial Automation and Environmental Technology divisions.

By geographical market:

in EUR '000	31 Dec. 2017	31 Dec. 2016
Germany	81,823	47,440
Europe	31,243	3,916
North America	25,042	102
China	11,763	56
Other	7,200	226
Total	**157,072**	**51,741**

2. Other income

in EUR '000	2017	2016
Reversals of provisions	1,491	975
Damages and reimbursements	1,303	63
Income from the disposal of non-current assets	558	4
Income from exchange differences	553	1
Income from non-cash remuneration	308	101
Income from receivables written off	171	0
Income from sponsorship	67	96
Reversals of valuation allowances	60	139
Compensation payments	0	0
Miscellaneous other operating income	917	264
Total	**5,428**	**1,642**

Income from the disposal of non-current assets includes a compensation payment of EUR 500 thousand relating to the sale of a company.

3. Cost of materials

in EUR '000	2017	2016
Cost of raw materials, consumables and supplies, and of purchased goods	46,448	9,493
Cost of purchased services	17,069	2,368
Total	**63,517**	**11,861**

The expenses changed materially in comparison with the prior year as a result of the full consolidation of MAX Automation SE. The cost of materials for the financial year mostly comprises expenses for raw materials, consumables and supplies for the Industrial Automation division amounting to EUR 31,251 thousand, for the Environmental Technology division amounting to EUR 9,552 thousand, for the Languages division amounting to EUR 3,224 thousand (previous year: EUR 3,697 thousand) and for the Lotteries division amounting to EUR 0 thousand (previous year: EUR 4,928 thousand). Expenses for incoming goods amounted to EUR 1,165 thousand (previous year: EUR 774 thousand) for the Ventures division and EUR 173 thousand (previous year: EUR 94 thousand) for the Languages division.

The cost of materials also includes the cost of purchased services for the Industrial Automation division amounting to EUR 10,336 thousand, for the Environmental Technology division amounting to EUR 1,001 thousand, for the Ventures division amounting to EUR 156 thousand (previous year: EUR 148 thousand), for the Lotteries division in the amount of EUR 4,626 thousand (previous year: EUR 1,319 thousand) and for the Languages division of EUR 979 thousand (previous year: EUR 901 thousand).

4. Expenses for employee benefits

in EUR '000	2017	2016
Wages and salaries	42,102	15,824
Social security, post-employment, and other employee benefit costs	6,791	2,235
Total	**48,893**	**18,059**

5. Expense for depreciation and amortisation and write-downs/reversals

in EUR '000	2017	2016
Amortisation of intangible assets excluding goodwill	6,533	3,857
Depreciation of property, plant and equipment	2,040	825
Depreciation and amortisation	**8,573**	**4,682**
Reversals of write-downs of intangible assets and property, plant and equipment	-18	0
Reversals of write-downs (expense for write-downs) recorded in profit or loss	**-18**	**0**
Total	**8,555**	**4,682**

For the classification of depreciation and amortisation by asset categories, see section VI.F.1 and 2.

The amortisation of intangible assets in the current financial year includes the amortisation of intangible assets identified in the context of purchase price allocation as well as previously unrecognised reserves for land and buildings amounting to EUR 5,018 thousand (previous year: EUR 2,672 thousand).

There were no write-downs of intangible assets or property, plant and equipment in the current financial year or in the previous year.

The reversals of write-downs in 2017 relate to investment property.

6. Other expenses

in EUR '000	2017	2016
Advertising and selling expenses	13,009	12,829
Other administrative expenses	3,722	2,902
Other advisory costs	3,553	3,722
Travel expenses	3,325	457
Occupancy costs	2,330	1,494
Other production costs	2,149	699
Warranty expenses	1,643	0
Costs of legal advice	1,586	943
IT expenses	1,570	1,090
Valuation allowances on receivables	1,268	750
Other personnel expenses	1,146	503
Insurance expenses	729	247
Office costs	699	248
Expense from currency translation	338	0
Other taxes	72	5
Losses on disposals of assets	22	3
Miscellaneous other expenses	905	290
Total	**38,066**	**26,183**

The increases in travel expenses, warranty expenses and the expense from currency translation are mainly attributable to the full consolidation of MAX Automation SE.

7. Financial result

in EUR '000	2017	2016
Other income from equity investments	**299**	**306**
Interest income from banks	1	6
Other interest and similar income	188	141
Finance income	**189**	**147**
Interest expense to other capital providers	-50	0
Interest expense to banks	-1,186	-296
Interest cost for pensions IAS 19	-66	-69
Interest expense on lease liability	-116	0
Other interest and similar expenses	-2,212	-1,057
Finance costs	**-3,631**	**-1,422**
Financial result	**-3,142**	**-969**

Other interest and similar expenses mainly comprise the recognition through profit or loss of the change in fair value of minority interests in partnerships amounting to EUR 1,187 thousand (previous year: EUR 290 thousand) and the adjustment of a purchase price liability in connection with former minorities of EUR 437 thousand (previous year: EUR 295 thousand).

8. Income taxes

in EUR '000	2017	2016
Current income taxes	-2,729	7
Deferred income taxes	4,211	2,818
Income taxes	**1,482**	**2,825**

The table below shows a reconciliation of the expected tax expense to the reported tax expense for each financial year. The application of the income tax rates in force in Germany to the net profit for the year, taking into account a corporation tax rate of 15% (previous year: 15%) plus the solidarity surcharge of 5.5% (previous year: 5.5%) and trade taxes of 15.08% (previous year: 15.85%), produces an overall tax rate of 30.91% (previous year: 31.68%).

in EUR '000	2017	2016
Earnings before taxes	**16,721**	**-2,802**
Profits exempted from the tax on earnings	-404	0
Taxable profit	**16,317**	**-2,802**
Weighted average tax rate (in %)	30.91%	31.68%
Tax expense at the weighted average tax rate	**-5,043**	**888**
Reasons for higher/lower amounts:		
Use of tax loss carryforwards not recognised	0	743
Deferred taxes not recognised on temporary differences and loss carryforwards	1,487	73
Other expenses not deductible for tax purposes incl. withholding tax	-254	-24
Tax-free income	6,327	1,598
Additional payments and reimbursements of taxes from prior periods	-949	-16
Change in tax rates	237	-367
Other effects	-324	-70
Reported income tax expense	**1,482**	**2,825**

In accordance with IAS 12.47, deferred tax assets and liabilities are measured using the tax rates expected to apply to the period in which the temporary difference will reverse. The tax rates used are those that apply or have been announced at the reporting date.

H. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The statement of cash flows shows how the Group's cash funds have changed in the course of the year under review and the comparable period as a result of cash inflows and outflows. In accordance with IAS 7, a distinction is made between cash flows from operating activities and those from investing and financing activities. The statement of cash flows was prepared using the indirect method.

The total of the cash inflows and outflows from continuing operations for all three types of cash flows together with the changes due to movements in exchange rates represent the change in cash and cash equivalents for the Group as a whole.

Cash and cash equivalents
The cash and cash equivalents included in the statement of cash flows comprise all the cash and cash equivalents reported in the statement of financial position (cash-in-hand, bank balances, fixed-term deposits and available-for-sale financial instruments with a term of less than three months).

Cash inflows and outflows from operating activities
The starting point for the statement of cash flows is the operating earnings before interest and taxes (EBIT) for the continuing operations amounting to EUR 19,864 thousand (previous year: EUR -1,833 thousand). The cash flow from operating activities of EUR 28,467 thousand (previous year: EUR -514 thousand) includes changes in working capital and other net assets as well as other non-cash transactions.

Cash inflows and outflows from investing activities
The net cash flow from investing activities in 2017 amounted to EUR 5,101 thousand (previous year: EUR -1,441 thousand). The significant outflows in 2017 reflected a capital increase at an associate and the effect of the initial consolidation of MAX Automation SE.

Cash inflows and outflows from financing activities
Cash flows generated from financing activities in the 2017 financial year were EUR -14,009 thousand (previous year: EUR -8,011 thousand). The outflows in 2017 and 2016 were mostly attributable to repayments of debt. In addition, a new syndicated loan agreement was concluded in the current period.

Change in cash and cash equivalents

During the year under review, the Günther Group generated an overall net cash flow – after reflecting changes in value due to exchange rate movements – of EUR 19,531 thousand (previous year: EUR -9,966 thousand).

The Günther Group's liquid funds increased from EUR 33,911 thousand at the start of the financial year to EUR 53,441 thousand at the end of the financial year.

The financing liabilities are composed of the following:

		Cash items		Non-cash items				
in EUR '000	31 Dec. 2016	Payments	Proceeds	Acquisition	Currency translation effects	Change in fair value	Other	31 Dec. 2017
Liabilities to banks - non-current[1]	3,448	0	18,539	78,030	0	0	0	100,017
Liabilities to banks - current[1]	9,389	-37,492	8,160	28,619	0	0	0	8,676
Other loan liabilities - non-current[1]	0	0	0	0	0	0	0	0
Other loan liabilities - current[1]	12,579	-3,077	0	0	0	0	0	9,502
Liabilities from finance leases - non-current[1]	0	0	0	1,729	0	0	-63	1,666
Liabilities from finance leases - current[1]	0	-59	0	243	0	0	63	247
Obligations from hire-purchase contracts - non-current[1]	257	0	610	0	0	0	-379	488
Obligations from hire-purchase contracts - current[1]	206	-302	0	0	0	0	379	283
Total	**25,879**	**-40,930**	**27,309**	**108,621**	**0**	**0**	**0**	**120,879**

I. OTHER DISCLOSURES

1. Contingent liabilities and obligations

Obligations from operating leases

The Group has entered into lease agreements for various items of real estate, motor vehicles and operating and office equipment. The lease agreements have a term of between two and 28 years and do not generally include an extension option.

At the reporting date, the obligations from the future minimum lease payments relating to non-cancellable operating leases were as follows:

	31 Dec. 2017			
in EUR '000	Maturity up to 1 year	Maturity 2-5 years	Maturity over 5 years	**Total**
Real estate	4,158	9,618	5,318	19,094
Motor vehicles	167	153	0	320
Operating and office equipment	119	250	13	382
Other	2,511	5,016	2,145	9,672
Total	**6,955**	**15,037**	7,475	**29,467**

	31 Dec. 2016			
in EUR '000	Maturity up to 1 year	Maturity 2-5 years	Maturity over 5 years	**Total**
Real estate	975	536	0	1,511
Motor vehicles	127	182	0	309
Operating and office equipment	93	65	0	158
Total	**1,195**	**783**	**0**	**1,978**

Expenses from operating leases amounting to EUR 2,280 thousand (previous year: EUR 1,578 thousand) were recorded in the financial year.

Obligations from finance leases

As a result of the acquisition of MAX Automation SE, the Group took over a finance lease relating to a building. The basic lease term for the property amounts to 15 years. After the expiry of the basic lease term, the property has both an extension option for an additional lease period and also a purchase option. The purchase option can be exercised unilaterally by both the lessee and the lessor.

The lease agreement contains no restrictions on business activities relating to dividends, additional debt or further leases.

The reconciliation between the future minimum lease payments finance leases and their present value is as follows:

in EUR '000

Present value of the minimum lease payments	**31 Dec. 2017**	**31 Dec. 2016**
Less than one year	246	0
Between one and five years	1,146	0
More than five years	521	0
	1,913	**0**
Minimum lease payments		
Less than one year	349	0
Between one and five years	1,403	0
More than five years	545	0
	2,297	**0**
less:		
Future finance charges	384	0
Present value of lease obligations	**1,913**	**0**

The lease payments recorded in the financial year for assets classified as finance leases amounted to EUR 87 thousand (previous year: EUR 0 thousand).

Guarantees

There were no contingent liabilities from guarantees from the perspective of the Group at the reporting date or in the prior period.

Other financial obligations

At the reporting date, the Group had commitments from open orders amounting to EUR 701 thousand (previous year: EUR 749 thousand), of which EUR 701 thousand (previous year: EUR 749 thousand) is current and EUR 0 thousand (previous year: EUR 0 thousand) is due in between one and five years.

Other financial obligations, mainly arising from future investments in financial assets, carriage and forwarding contracts and from marketing services agreements, amounted to EUR 17,972 thousand as at 31 December 2017 (previous year: EUR 5,792 thousand). Of the total amount, EUR 15,898 thousand (previous year: EUR 5,792 thousand) is current, EUR 2,779 thousand (previous year: 0 thousand) is due in between one and five years and EUR 295 thousand (previous year: EUR 0 thousand) is due in more than five years.

Contingent liabilities

Appropriate provisions for legal risks and costs arising from judicial or arbitration proceedings have been recognised by the relevant Group company, if the event occurred before the reporting date and management estimates that the probability of an outflow of economic resources is higher than 50%.

There were no further legal disputes or contingent liabilities at the reporting date that could have a material impact on the financial position of the Group.

2. Related party disclosures

Transactions with related parties

Related parties in accordance with IAS 24 include in particular the shareholders of Günther SE and those entities controlled by the shareholders or by Günther SE, or over which they have significant influence, in addition to the management. The key management personnel of Günther comprise the Managing Directors and the Board of Directors of Günther SE and Günther Holding SE.

Transactions between the parent company and its subsidiaries, which are regarded as related parties, are eliminated on consolidation and are not explained in these notes. In addition to these business relationships, the following transactions occurred in the respective financial year:

Trading and services transactions with other related parties

Income amounting to EUR 12,040 thousand (previous year: EUR 13,599 thousand) was generated in the current financial year by Group companies with other related parties not forming part of the group of consolidated companies. This was matched against expenses of EUR 472 thousand (previous year: EUR 480 thousand) incurred in connection with transactions with other related parties. As at 31 December 2017, receivables from other related parties amounted to EUR 3,163 thousand (previous year:

EUR 2,258 thousand) while liabilities were EUR 194 thousand (previous year: EUR 171 thousand). The trading and services transactions relate mainly to the lotteries division.

Loans to other related parties

As at 31 December 2017, loan receivables and associated interest due from other related parties amounted to EUR 13,946 thousand (previous year: EUR 13,661 thousand). Of the total amount, EUR 9,476 thousand was non-current as at 31 December 2017 (previous year: EUR 9,476 thousand). Interest income in this connection amounted to EUR 299 thousand in the current period (prior period: EUR 300 thousand). The interest rates applicable for all reporting dates presented were 3-month EURIBOR + 1% for variable interest loans and 3.0% for fixed interest loans. No security has been provided.

Loans from other related parties

As at 31 December 2017, the Group had recognised loan liabilities and associated interest due to other related parties amounting to EUR 9,596 thousand (previous year: EUR 9,596 thousand). The associated interest expense in the current financial year amounted to EUR 119 thousand (prior period: EUR 139 thousand). The transactions with other related parties are carried out on arm's length terms. No security has been provided for the items outstanding at the year-end. The interest rates applicable for all reporting dates presented were 3-month EURIBOR + 1% for variable interest loans and 3.1% for fixed interest loans. No security has been provided.

Remuneration of key management personnel

The remuneration of the key management personnel in the current financial year amounted to EUR 1,858 thousand (previous year: EUR 722 thousand) and consists entirely of short-term benefits.

3. Risk management

The Günther Group is exposed to a very wide range of risks in the course of its business activities, in particular economic, regulatory, customer- and project-specific risks and also financial risks such as currency, price and interest rate risks, among others.

The management of Günther SE counters these risks by constantly monitoring the global financial, purchasing and sales markets which are particularly important to the Group, incorporating developments into its risk assessment at an early stage and, where necessary, hedging or counteracting risks using a wide variety of measures.

The management of the individual companies use adequate risk early warning systems to identify, assess and actively manage risk on an ongoing basis as part of the Günther Group's risk management system. The management of Günther SE receives regular reports updating it on the current risk situation and the status of planned actions to manage risk.

The Group's opportunities and risk management processes are embedded in a fully integrated target- and indicator-based management system which takes into account both the strategy and also relevant internal and external factors. The Group's opportunities and risk management activities are focused not just on costs and monetary performance indicators, but also on so-called soft sub-production factors. The basis for this is a detailed business plan for the following financial year. The plan deals with the following factors in particular: finances, customers, developments in markets and human resources, processes and structures. The Group's management accounting function uses a constantly updated forecasting tool with respect to the development of revenue. The Group's reporting system, comprising a large number of analytical tables, contains detailed analyses of variances between forecast and actual figures as well as performance indicator systems. A process of continuous improvement ensures that the system is constantly being developed further.

The objective of the Group's financial and risk management procedures is to protect against financial risks of all types. The Company pursues a conservative risk policy for the purposes of financial management. The key components of risk management in internal and external accounting include:

- Separation of functional processes between financial and management accounting,
- Group-wide uniform planning, management accounting, and reporting processes,

- Group-wide accounting policies based on the accounting manual, which is updated on an ongoing basis and provided to authorised officers,
- Secure access to the IT systems used in accounting, extensive use of standard financial software,
- Group-wide uniform use of IBM Cognos consolidation software for Group reporting,
- To ensure solvency at all times, a liquidity plan is prepared and compared with current changes on an ongoing basis.

4. Financial risk management

The management of the Günther Group monitors and manages the financial risks associated with the Group's business divisions using the internal risk reporting system, which analyses risks according to the severity and extent of the risk. These risks comprise market risk (including exchange rate risks, interest rate-related fair value risks and price risks), default risk, liquidity risk and interest rate-related cash flow risks.

The Group endeavours to minimise the impact of these risks using derivative financial instruments. The use of financial derivatives is governed by the guidelines laid down by management, which contain the requirements for the management of exchange rate, interest rate and default risks. Basic rules for entering into derivative and non-derivative financial transactions and for investing surplus liquidity have also been stipulated. Compliance with the guidelines and risk limits is subject to constant review. The Group does not enter into or trade any financial instruments, including derivative financial instruments, for speculative purposes.

a) Market risk

Exchange rate risks

As a result of its international orientation, the Günther Group is exposed to risks from movements in exchange rates in its operating business and with respect to the financing and cash flows reported. The Group's exchange rate risk is driven by sales and mainly relates to the exchange rate between the US dollar and euro. The transaction risk is particularly important, since revenue is earned in foreign currency while the associated costs are incurred in euros. The risks described can therefore have a significant impact on the Group's earnings and liquidity.
Exchange rate fluctuations are hedged in some cases by entering into appropriate currency hedging instruments.

Forward exchange transactions and currency option transactions were concluded in order to hedge currency transactions. The Group did not enter into any purely trading transactions without a corresponding hedged item.

Forward exchange sales can generate market price risks in the form of potential obligations to sell currencies at a spot rate below the normal market rate on the settlement date. The market risk for option transactions is limited to the option premium.

The maturities and amounts of the currency hedging transactions correspond to those of the underlying hedged items. The Group held the following hedging instruments at the reporting date:

	Notional amount		**Fair value**	
in EUR '000	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Forward exchange transaction (sale)	1,500	0	16	0
Currency option transaction (USD call)	2,000	0	65	0

A forward exchange transaction (embedded derivative) was entered into as a result of the payments agreed in connection with the acquisition of Shanghai Cisens Automation Co., Ltd. The derivative has a notional amount of CNY 87,600 thousand and hedges an amount of USD 13,035 thousand. The fair value at the reporting date amounted to EUR 244 thousand.

In accordance with IFRS 7, the Company prepares sensitivity analyses relating to market risk which enable the impact of hypothetical changes in relevant risk variables on earnings and equity to be determined.

The effects for each reporting period are determined by applying the hypothetical changes in the risk variables to the holdings of financial instruments at the reporting date for the financial statements. This procedure assumes that the holdings on the reporting date are representative for the year as a whole.

The currency sensitivity analyses are based on the following assumptions:

- Primary financial instruments denominated in foreign currencies are subject to currency risk and are therefore included in the sensitivity analysis.
- Exchange rate-related changes in the market values of currency derivatives that do not form part of a hedging relationship in accordance with IAS 39 nor of a natural hedge of hedged items recorded in the statement of financial position, affect net currency gains and losses and are therefore included in the sensitivity analysis.

If the euro had appreciated by 10% against the US dollar on the reporting date, consolidated equity would have been EUR 358 thousand lower (previous year: EUR 0 thousand) as a result of direct changes. If the euro had depreciated by 10% against the US dollar on the reporting date, consolidated equity would have been EUR 438 thousand higher (previous year: EUR 0 thousand) as a result of direct changes.

If the euro had appreciated by 10% against the US dollar on the reporting date, consolidated net profit would have been EUR 406 thousand lower (previous year: EUR 0 thousand). If the euro had depreciated by 10% against the US dollar on the reporting date, consolidated net profit would have been EUR 496 thousand higher (previous year: EUR 0 thousand).

A sensitivity analysis has been carried out for the risks arising from British pounds, Chinese yuan and Polish zloty, but their effects are insignificant.

Interest rate risks

Interest rate-sensitive assets and liabilities are held within the Group to the usual extent. The majority of the current liabilities and non-current loan liabilities bear variable rates of interest.

The operating business of MAX Automation SE is financed with matching maturities using the syndicated loan. However, variable-rate refinancing options are used to a small extent in order to retain flexibility in the market. Derivative financial instruments such as interest rate swaps and caps are employed in order to limit the resulting risks.

The Group has entered into an interest rate cap – a contractual agreement on a maximum rate of interest – which limits the variable interest payable to 4.35%. The cap expires on 7 June 2024. The notional amount as at 31 December 2017 amounted to EUR 244 thousand, while the fair value was EUR 0 thousand.

Sensitivity analyses are used to illustrate interest rate risks in accordance with IFRS 7. The analyses present the effects of changes in market rates of interest on interest income and interest expenses, on other components of earnings and, where applicable, on equity. The interest rate sensitivity analyses are based on the following assumptions:

Changes in market interest rates relating to primary financial instruments bearing a fixed rate of interest only affect earnings if the instruments are measured at fair value. Accordingly, all financial instruments bearing a fixed rate of interest that are measured at amortised cost are not subject to interest rate risk within the meaning of IFRS 7.

- Changes in market interest rates affect the result from primary financial instruments bearing a variable rate of interest, unless the associated interest payments have been designated as hedged items in connection with cash flow hedges against interest rate changes, and are therefore included in the sensitivity calculations.
- Changes in market interest rates relating to interest rate derivatives that do not form part of a hedging relationship in accordance with IAS 39 affect net interest income and are therefore included in the sensitivity calculations.

If the market level of interest rates in the reporting year had been 50 basis points higher, consolidated net profit and therefore also consolidated equity would have been EUR 277 thousand lower (previous year: EUR 58 thousand lower).

If the market level of interest rates in the reporting year had been 50 basis points lower, consolidated net profit and therefore also consolidated equity would have been EUR 222 thousand higher (previous year: EUR 58 thousand higher).

Other price risks

As part of the presentation of market risk, IFRS 7 also requires disclosures on the effect of hypothetical changes in other price risk variables on the prices of financial instruments. Risk variables include stock exchange prices and indices in particular.

The Group did not hold any financial instruments to which this applies either in the year under review or in the prior year.

b) Credit risks

Credit risks relate in particular to trade receivables and the other receivables including cash deposits. Their extent is restricted by imposing limits on some counterparties in line with their credit standing and monitoring them on an ongoing basis. On the basis of the different credit assessments of the customers, the following types of credit protection are normally used:

- Export insurance
- Letters of credit
- Advance payments
- Guarantees and sureties
- Internal credit lines
- Transfers by way of security

The Group is not aware of any particular credit risks relating to customers. The acquisition management process at the start of the customer relationship includes proactive measures to counter risks arising from a deterioration in customers' solvency and creditworthiness. No significant defaults on receivables were recorded in the past. Particular importance is attached to estimating the risks arising from the project business, for example the pre-financing of contracts. The Group's default risks are limited to normal business risk which is reflected using valuation allowances, where necessary. The counterparty risk for derivative financial instruments is dealt with by concluding derivative contracts only with reputable banks.

Free liquidity is generally invested in current accounts and fixed-term deposits with the major German commercial banks. The default risk of the assets included in the financial statements corresponds to their carrying amounts.

c) Liquidity risk

The management of the Günther Group monitors the liquidity of the operating companies and of the Group as a whole using rolling cash flow forecasts.

Some of the Group's activities are conducted in a fast-changing operating business environment. The resulting opportunities and risks require financing options to be available with the necessary flexibility and in sufficient amounts.

The liquidity management strategy includes maintaining an adequate reserve of bank balances and securities for trading. Credit facilities with various financial institutions that have been granted but not utilised are also available to the Group.

The risk arising from contractually agreed cash flows for financial liabilities is presented below:

31 Dec. 2017	Carrying amount	Contractual cash flows	Up to one year	1 - 5 years	More than 5 years
Liabilities to banks	108,693	112,516	10,123	97,322	5,071
Other loan liabilities	9,502	9,544	9,544	0	0
Liabilities from finance leases	1,913	2,297	349	1,403	545
Obligations from hire-purchase contracts	771	777	287	490	0
Trade payables	35,040	35,040	35,040	0	0
Other current financial liabilities	26,864	26,864	26,736	128	0

31 Dec. 2016	Carrying amount	Contractual cash flows	Up to one year	1 - 5 years	More than 5 years
Liabilities to banks	12,837	13,129	9,558	3,571	0
Other loan liabilities	12,579	6,437	6,437	0	0
Obligations from hire-purchase contracts	463	482	222	260	0
Trade payables	3,417	3,417	3,417	0	0
Other current financial liabilities	25,438	25,438	23,503	1,935	0

The risk arising from contractually agreed cash flows for derivative financial instruments is presented below:

31 Dec. 2017	Carrying amount	Contractual cash flows	Up to one year	1 - 5 years	More than 5 years
Currency derivatives - outflows	325	13,463	12,805	658	0
Currency derivatives - inflows	325	13,788	13,147	641	0

There were no derivative financial instruments in 2016.

The following assumptions apply to the undiscounted payments:

- If the payment can be made at various dates, it is assumed to be made at the earliest due date possible.
- The derivative financial instruments include derivatives with both negative and positive fair values.
- The interest payments for financial instruments with variable rates of interest are projected using estimated interest rates. These estimates are based on the interest rates applying at the date of preparation of the financial statements.

Capital risk management

The central objective for the Group's capital management strategy is to ensure that it can continue as a going concern. The ability to raise new equity at parent company level is limited by the shareholders' interests. The Group's capital structure is organised accordingly in a defined framework, and the cost of capital is actively managed within that framework.

In the past, the net profit for the year generated was generally retained except for small distributions required by the articles of incorporation. Active portfolio management of the Group's assets is a central component of managing the capital structure.

The Group monitors its capital structure mainly on the basis of the equity ratio. The objectives of the capital management strategy were achieved in the year under review.

	31 Dec. 2017	31 Dec. 2016
Total equity	234,329	138,657
Total equity and liabilities	509,861	204,357
Equity ratio	45.96%	67.85%

5. Financial instruments

The analysis of financial assets and liabilities according to the IAS 39 measurement categories for financial years 2017 and 2016 is as follows:

Financial assets by class	Category per IFRS 7.8	Carrying amount 31 Dec. 2017	Recognised under IAS 39			Recognised under IAS 17	Fair value 31 Dec. 2017
			Amortised cost	Fair value, directly in equity	Fair value, through profit or loss		
Equity investments[1)]	AfS	569	569				569
Derivative financial instruments		325			325		325
Derivatives not forming part of a hedge	FAHfT	325			325		325
Other financial assets							
- other securities	AfS	0		0			0
- other financial assets	LaR	26,109	26,109				26,109
Trade receivables	LaR	62,246	62,246				62,246
Gross amount due from customers for contract work	n/a	82,788					
Cash and cash equivalents	LaR	53,441	53,441				53,441
1) Equity investments measured at cost.							
Financial liabilities by class							
Liabilities to banks	FLAC	108,693	108,693				108,693
Trade payables	FLAC	35,040	35,040				35,040
Gross amount due to customers for contract work	n/a	14,470					
Other financial liabilities							
- settlement entitlements	FLHfT	2,250			2,250		2,250
- other financial liabilities (within the scope of IAS 39)	FLAC	34,887	34,887				34,887
- lease liabilities	n/a	1,913				1,913	1,913
Summary by category							
Financial assets held for trading (FAHfT)		325			325		325
Available-for-sale financial assets (AfS)		569	569				569
Loans and receivables (LaR)		141,797	141,797				141,797
Financial liabilities held for trading (FLHfT)		2,250			2,250		2,250
Financial liabilities measured at amortised cost FLAC		178,620	178,620				178,620

[1] Reported in the statement of financial position under "Other financial liabilities"

Financial assets by class	Category per IFRS 7.8	Carrying amount 31 Dec. 2016	Recognised under IAS 39			Recognised under IAS 17	Fair value 31 Dec. 2016
			Amortised cost	Fair value, directly in equity	Fair value, through profit or loss		
Equity investments [1)]	AfS	240	240				240
Other financial assets	LaR						
- other financial assets	LaR	27,735	27,735				27,735
Trade receivables	LaR	5,098	5,098				5,098
Cash and cash equivalents							
- available-for-sale financial instruments	AfS	697		697			697
- other cash and cash equivalents	LaR	33,214	33,214				33,214

1) Equity investments measured at cost.

Financial liabilities by class							
Liabilities to banks	FLAC	12,837	12,837				12,837
Trade payables	FLAC	3,417	3,417				3,417
Other financial liabilities							
- settlement entitlements	FLHfT	708			708		708
- other financial liabilities (within the scope of IAS 39)	FLAC	37,774	37,774				37,774

Summary by category							
Available-for-sale financial assets (AfS)		937	240	697			937
Loans and receivables (LaR)		66,047	66,047				66,047
Financial liabilities held for trading (FLHfT)		708			708		708
Financial liabilities measured at amortised cost (FLAC)		54,027	54,027				54,027

For current financial assets and liabilities, the carrying amount is equal to the fair value.

The net gains or losses for the individual categories under IAS 39 are as follows:

EUR '000	**2017**	**2016**
Financial assets held for trading (FAHfT)	294	0
Available-for-sale financial assets (AfS)	10	68
Loans and receivables (LaR)	-1,106	113
Financial liabilities held for trading (FLHfT)	-1,187	-290
Financial liabilities measured at amortised cost (FLAC)	-2,061	-1,062
Total	**-4,049**	**-1,172**

The total interest income for financial assets not measured at fair value through profit or loss amounted to EUR 488 thousand (previous year: EUR 453 thousand) and the total interest expense for financial liabilities not measured at fair value through profit or loss amounted to EUR 2,211 thousand (previous year: EUR 1,062 thousand).

There were no material default risks at the reporting date.

6. Fair value measurement

The hierarchy levels and valuation techniques used for the assessment of assets and liabilities measured in the statement of financial position at fair value on a recurring or non-recurring basis after initial recognition are presented in the following table, analysed by the class of asset or liability.

Class	Hierarchy	Valuation techniques and significant inputs
Available-for-sale financial instruments	Level 1	Quoted market price
Forward exchange transaction	Level 2	Discounted cash flows on the basis of observable market exchange rates on the measurement date and the forward exchange rates for the transaction.
Settlement obligation	Level 2	Discounted cash flows arising from the contractual settlement entitlement of non-controlling interests in partnerships, based on observable market yield curves on the measurement date.
Lease liabilities	Level 2	Discounted cash flows based on observable market yield curves on the measurement date.
Fixed-interest loan liability	Level 2	Discounted cash flows based on observable market yield curves on the measurement date.

There were no reclassifications between the individual hierarchy levels in the periods under review.

7. Employees

The average number of employees changed as follows:

Number	2017	2016
Hourly-paid employees	126	0
Salaried employees	488	208
Temporary staff	3	4
Trainees	40	1
Total	**657**	**213**

The number of employees rose sharply as a result of the full consolidation of MAX Automation SE from October 2017. At the close of the current financial year, the Group had 503 hourly-paid employees, 1,303 salaried employees, 3 temporary staff and 152 trainees.

8. Management

Since 3 August 2016, the management of the parent company has consisted of Oliver Jaster, Member of the Board of Directors, businessman, Hamburg, and Niklas Friedrichsen, Managing Director, businessman, Hamburg.

Oliver Jaster, businessman, Hamburg, was previously Managing Director of Günther GmbH.

Please refer to the related party disclosures in section VI.I.2 for information relating to the remuneration and emoluments of the corporate bodies.

9. Auditors' fees

The fees below were recorded as an expense for services provided by the auditors of the financial statements in the current and prior financial years:

in EUR '000	2017	2016
Financial statement audit services	141	115
Other assurance services	0	106
Tax advisory services	118	0
Other services	6	3
Total auditors' fees for the financial year	**265**	**224**

The figures for the fee for the audit of the financial statements include EUR 0 thousand (previous year: EUR 0 thousand) relating to the prior year.

10. Corporate governance statement

The fully consolidated, publicly listed subsidiary Lotto24 AG has issued its Corporate Governance Declaration and published it on the internet at http://www.lotto24-ag.de/cgi-bin/show.ssp?companyName=lotto24&language=German&id=7000.

The fully consolidated subsidiary MAX Automation SE as a German publicly listed company has issued the declaration required by section 161 of the German Stock Corporation Act (*Aktiengesetz*, "AktG") and made it permanently available to its shareholders by publishing it on its web site at https://www.maxautomation.com/de/investor-relations/corporate-governance/.

11. Events after the end of the reporting period

At the start of January 2018, the acquisition of the Italian mechanical engineering company R.C.M. Reatina Costruzioni Mecchaniche S.r.l. (RCM), based in Rieti in the Latium region, from the family owners by bdtronic GmbH was completed. The amount of the investment in euros was in the low millions. RCM is a specialist provider of solutions for mechanical production, assembly and engineering. The company has particular expertise in the production of impregnation systems for electric and hybrid drives and has been working with bdtronic as a supplier for a number of years. In addition to bdtronic, its customers include businesses engaged in medical technology, the hygiene products industry and energy supply. RCM was founded in 1979 and currently has 46 employees. The business is largely free of debt. bdtronic, which forms part of the MAX group of companies, will change RCM's name to bdtronic Italia S.r.l. It is planning to develop the Rieti location into a centre of expertise for impregnation systems in as short a timeframe as possible, and simultaneously to simplify the supply chain on a long-term basis. The location is also intended to be used for other technologies.

The acquisition of the majority of the activities of the Chinese mechanical engineering company Shanghai Cisens Automation Co., Ltd. was completed in March 2018. MAX Automation SE now holds 51% of the shares in MAX Automation (Asia Pacific) Co. Ltd., Hong Kong, in which it had a 25% interest at the 31 December 2017 reporting date. The amount of the transaction in euros was in the low tens of millions.

On 14 March 2018, the sale of NSM Packtec GmbH, a subsidiary of the Group company NSM Magnettechnik GmbH, was closed. The sale price in euros was in the seven-figure range. A book profit arising on the deconsolidation of the company is expected for the 2018 financial year.

Dr. Ralf Guckert and Thorsten Hehl were appointed Managing Directors of the parent company with effect as at 18 January 2018 and 27 March 2018, respectively.

There were no other material events after the reporting date.

Bamberg, 17 May 2018

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Niklas Friedrichsen
Managing Director of Günther SE, Bamberg

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Dr. Ralf Guckert
Managing Director of Günther SE, Bamberg

……………………………………………………..
Thorsten Hehl
Managing Director of Günther SE, Bamberg

GROUP MANAGEMENT REPORT FOR THE 2017 FINANCIAL YEAR

1. General information about the Group

The Günther Group is a diversified corporate group that invests in the following strategic business segments: Environmental Technologies, Life Science Automation, New Automation Technologies, Mobility Automation, Process Technologies, Lotteries, Languages, and Ventures. The Group companies in the respective divisions are generally held as majority equity investments or are consolidated based on majorities of voting rights.

Revenue is furthermore generated from property management for the Group's related parties and from consulting services for the Group's investments.

Günther Holding SE operates as a strategic management holding company and sees itself as a long-term, active investor.

The key financial performance indicators used to measure value enhancement in the divisions are revenue growth and return on capital employed (ROCE). Furthermore, the Günther Group attaches vital importance to continuously refining its technology and product portfolio with a view to securing and permanently expanding the market positions of the individual Group companies in the respective strategic business segments.

For the Günther Group, the reporting period was marked by the consolidation of MAX and its group companies from the fourth quarter.

2. Report on economic position

Data from the International Monetary Fund (IMF) shows that the global economy expanded noticeably in the reporting period to record overall growth of 3.7% in 2017. Despite the political uncertainties, the economic recovery extended to all regions of the world.

According to the IMF, the eurozone economy grew by some 2.4% in 2017. This positive development was buoyed by the encouraging order situation in industry, rising exports and a greater willingness to invest.

The German economy also recorded a significant upturn in 2017. According to the Federal Statistical Office, GDP growth in Germany was comparable to that of its European neighbours, at roughly 2.2%.

This positive development was driven in particular by consumer spending on the back of a healthy labour market and growth in almost all sectors of the economy.

The US economy also continued to expand in 2017, at 2.3%. The key economic driver was domestic consumer demand, which was underpinned by factors including the low unemployment rate.

The Chinese economy grew by 6.9% in the reporting period despite tightening monetary policy on the back of increasing levels of private sector debt. Further contributing factors included industrial production, which saw year-on-year growth, and household demand, which remained at a stable, high level.

a) Business development

The Group's overall business development was satisfactory in the 2017 financial year.

In the Lotteries division, the Group companies primarily focused on the nationwide brokerage of products from public operators.

As in the previous periods, the division recorded further growth in the core strategic area of online brokerage in the reporting period. According to the German Association of State Lottery Companies (*Deutscher Lotto- und Totoblock*, "DLTB") and the German Lottery Association (*Deutscher Lottoverband*), the DLTB's total revenue declined by 3.6% to approximately EUR 7.1 billion (2016: EUR 7.3 billion) due to random jackpot frequency, although online stakes rose by 7.6% to approximately EUR 700 million in the reporting period (2016: EUR 650 million). Consequently, online distribution now accounts for roughly 10% of the overall market (2016: 9%).

Listed company Lotto24 AG ("Lotto24"), Hamburg, increased its market share in online distribution to 32% (previous year: 31%) and retained its market leadership, in particular with respect to the in-house distribution activities of the state lottery companies.

Lotto24 continued to grow rapidly in the reporting period, with revenue increasing by 10.8%. This healthy revenue trend and the year-on-year decline in marketing costs had a positive impact on both EBIT and net profit for the period, and the company broke even for the first time.
Lotto24 remains subject to consolidation in these financial statements of the Günther Group in accordance with IFRSs on the basis of the majority of voting rights held at the annual general meeting.

Within the Lotteries division, Günther Direct Services GmbH ("GDS"), Bamberg, provides services for the operating business of multiple lottery collectors for Gemeinsame Klassenlotterie der Länder ("GKL"), the public operator of class lotteries in the federal German states. Revenue in the overall

class lottery market fell short of the prior-year figure in the reporting period (-3.9%), which was due in particular to the cessation of lottery collectors' international distribution activities on the instruction of GKL. Consequently, revenue at the lottery collectors supported by GDS – and at GDS itself – declined in the reporting period to below the level recorded in the previous year.

Within the Lotteries division, the Günther Group continued to hold a 10% equity interest in listed associate ZEAL Network SE ("ZEAL"), London, in the reporting period. ZEAL offers customers online lottery-based betting and gaming products. It also markets B2B (business-to-business) and B2G (business-to-government) solutions for the online lotteries segment. ZEAL saw a slight increase in gross revenue in the reporting period, although its earnings were down year on year due to higher marketing expenses incurred to further expand the product portfolio and tap into new (geographical) markets. For example, ZEAL reported the launch of business activities with new products in Ireland, the UK and Norway. ZEAL distributed a dividend of EUR 1.00 per share in the reporting period.

In the Languages division, the markets remained in a state of structural transition in the reporting period caused by the continuing shift towards digitalisation. The positive effects seen in the previous year from significantly higher demand for language learning products and dictionaries to help integrate refugees in the German-speaking countries were not seen in the reporting period. The corporate management of Langenscheidt GmbH & Co. KG ("Langenscheidt") responded to this trend by launching programmes aimed at book retailers in the publishing business, and by spinning off Langenscheidt Digital GmbH & Co. KG ("Langenscheidt Digital"), a new entity that bundles the digital business activities. Business development at Langenscheidt Digital was marked by expenses associated with forming the company. Despite this, Langenscheidt again posted a profit.

The Günther Group continued to bundle its early stage/growth investments in the Ventures division in the reporting period. all4Cloud GmbH & Co. KG, Viernheim, offers customers ERP process optimisation services and add-on solutions based on SAP Business ByDesign. Now in its third year, the company again reported a significant increase in business volumes. Order intake, revenue and capacity utilisation in the financial year were all extremely satisfactory. As expected, the profitability of all4Cloud GmbH & Co. KG was weighed by investments in its customer base, human resources and organisation.

The Group bundles the strategic business segments of Environmental Technologies, Life Science Automation, New Automation Technologies, Mobility Automation and Process Technologies in listed company MAX Automation AG ("MAX"), Düsseldorf, and its subsidiaries. To account for the increasing significance of its international business activities, in June 2017 the Annual General Meeting of MAX resolved the plan to reorganise MAX as a European public company (*Societas Europaea*, "SE") with a unitary board structure. As part of the capital increase against cash contributions successfully com-

pleted at MAX in mid-August 2017, the Group further expanded its equity interest and holds a *de facto* majority of voting rights in MAX, derived on the basis of attendance at the annual general meetings. This resulted in MAX and its subsidiaries being consolidated from the fourth quarter of the reporting period.

Overall business performance at the MAX sub-group was in line with expectations in 2017. There were significant year-on-year increases in revenue and net profit for the year, with contributions made by both the Industrial Automation and Environmental Technology divisions.

The Industrial Automation division bundles the strategic business segments of Mobility Automation, Life Science Automation, Process Technologies, and New Automation Technologies. In 2017, the business performance in this division continued to benefit from a considerable number of growth drivers stemming from the automotive industry and, increasingly, in medical technology. Business performance was also dominated by moves to further internationalise the division's business activities, in particular in the United States and China, which resulted in significant revenue and earnings growth as against the prior year. The order backlog at the end of the reporting period exceeded the already high prior-year figure to reach a new record high. In addition, the MAX sub-group built on its expertise in software development for Industry 4.0 applications and in collaborative robotics by means of an equity investment in ESSERT GmbH, Ubstadt-Weiher.

In the Environmental Technology division, Group company Vecoplan AG, Bad Marienberg, and its subsidiaries in Europe and the United States are one of the world's leading providers of system solutions and components. These include products and systems to efficiently process wood and residual materials in production and resource recycling, both for reuse and as a substitute fuel for energy recovery (recycling). Vecoplan AG also offers its customers solutions and services aimed at reducing emissions. The steps initiated in the previous year to improve the cost structure were continued in the reporting period, making it possible to significantly increase profitability while business volumes remained the same. The division reported encouraging development in the recycling business in key markets, including the United States. The service business was also expanded. The order backlog remained level year on year.

Income from property management also remained stable in 2017. The occupancy and income situation of the managed properties again saw a slight improvement due to growth in the real estate markets at all locations.

b) Group position

The Group's net assets, financial position and results of operations in the reporting period were marked by the consolidation of MAX and its group companies from the fourth quarter. In addition, the

Günther Group took out a syndicated loan with the primary purpose of financing existing or new equity investments in the strategic business segments.

b.1. Net assets

The Günther Group's total assets were as follows at the respective reporting dates:

	in EUR '000
Total assets as at 31 December 2016	204,357
Total assets as at 31 December 2017	509,861

The year-on-year increase in total assets was primarily due to the consolidation of MAX and its group companies from the fourth quarter of the reporting period. As part of the capital increase against cash contributions successfully completed at MAX in mid-August 2017, the Günther Group further expanded its equity interest and holds a *de facto* majority of voting rights in MAX, derived on the basis of attendance at the annual general meetings.

b.2. Financial position

The financial position was balanced in the reporting period. Payables are paid and receivables are largely received within the contractually agreed payment terms.

A number of Group companies underwent growth phases or realignments in the past financial year. The Group's net cash flows from operating activities amounted to an encouraging EUR 28.5 million (2016: EUR -0.5 million).

As at the reporting date, the Group had committed credit facilities under loan agreements with a total volume of EUR 240.5 million. For detailed disclosures on the loan agreements, please see the notes to the financial statements in Annex 2.

Liabilities to banks amounted to EUR 108.7 million as at the reporting date (2016: EUR 12.8 million). Furthermore, the Group had unused credit facilities amounting to EUR 148.3 million as at the reporting date (2016: EUR 2.6 million). Cash and cash equivalents increased in the reporting period due to the consolidation of the MAX Group. The Group had a total of EUR 53.4 million in cash and cash equivalents as at 31 December 2017 (2016: EUR 33.9 million).

The equity ratio was as follows at the respective reporting dates:

	in percent
Equity ratio as at 31 December 2016	68
Equity ratio as at 31 December 2017	46

The decrease in the equity ratio in the reporting period was mainly due to consolidation of the MAX Group from the fourth quarter.

b.3. Results of operations

The Günther Group reported the following results in financial year 2017:

	1 Jan. – 31 Dec. 2017	1 Jan. – 31 Dec. 2016
	EUR '000	EUR '000
Gross revenue for the period	157,935	53,677
Gross result	94,418	41,816
Operating result (EBIT) before depreciation and amortisation	28,438	2,850
Operating result (EBIT)	24,883	839
Operating result (EBIT) after amortisation of purchase price allocations	19,865	-1,833
Financial result	-3,143	-969
EBT	16,722	-2,802
Income taxes	1,482	2,825
Profit/loss from discontinued operations	0	0
Consolidated profit/loss	18,204	23

The key development impacting the results of operations in the reporting period was the consolidation of MAX and its group companies from Q4 2017 and the earnings effects associated with transitioning from accounting at equity to full consolidation. The resulting significant rise in the Group's gross revenue and operating result is encouraging. For a detailed breakdown of the Günther Group's revenue per division in the 2017 financial year, please see the notes to the financial statements in Annex 2.

3. Events after the reporting date

Please see section I.11. of the notes to the financial statements for events occurring after the reporting date.

4. Report on risks, opportunities and expected developments

a) Risk Report

The management of the individual companies use adequate risk early warning systems to identify, assess and actively manage risk on an ongoing basis as part of the Group's risk management system. The management of Günther SE, Bamberg, receives regular reports updating it on the current risk situation and the status of planned actions to manage risk.

In the course of its business activities, the Group is particularly exposed to market and sectoral risks in its respective divisions, as well as exchange rate, price, and interest rate risk.

Market and economic developments also impact the Group's business performance. The Günther Group seeks to minimise the risks arising in this connection by means of in-depth market observations and comprehensive project controlling.

The management of Günther SE, Bamberg, counters financial risks by continuously observing the global financial markets, factoring movements in the price of specific assets into their valuation at an early stage and, where necessary, hedging them by means of derivatives. Please also see section I.3. of the notes for risk management with respect to the use of financial instruments.

There are currently no identifiable risks that endanger the continued existence of the Group or any part thereof.

The aim of the Group's financial and risk management is to safeguard against all types of financial risk. The Company pursues a conservative risk policy for the purposes of financial management. The key components of risk management in internal and external accounting include:

- Clear separation of functional processes between financial and management accounting,
- Group-wide uniform planning, management accounting, and reporting processes,
- Group-wide accounting policies based on the accounting manual, which is updated on an ongoing basis and provided to authorised officers,
- Secure access to the IT systems used in accounting, greatest possible use of standard financial software,

- Group-wide uniform use of IBM Cognos consolidation software for Group reporting,
- To ensure solvency at all times, a liquidity plan is prepared and compared with current changes on an ongoing basis.

b) Report on opportunities and expected developments

Despite various political and trade uncertainties, the IMF expects that global economic growth will remain positive, at 3.9% in 2018. The uncertainties include the Brexit negotiations between the EU and UK, and the direction taken by the current US administration's trade policy. In addition, more restrictive monetary policy in the United States, the corporate debt situation in China and high levels of sovereign debt in some eurozone states could have a critical effect on financial market stability.

In the eurozone, the key economic forecasts assume that the rate of growth will slow slightly to 2.2% in 2018 after robust expansion in 2017. The IMF attributes the positive outlook to factors including the continuing loose monetary policy pursued by the European Central Bank (ECB) and, globally, the increased role played by fiscal policy in supporting the economy. The forecasts are subject to greater uncertainty due to political risks in the major EU states.

In Germany – Europe's largest economy – the Bundesbank expects growth of 2.3%. The key factors encouraging businesses to invest are attractive financing conditions on the back of the ECB's expansionary monetary policy as well as the strong export business and consumer spending, which continues to benefit from the extremely favourable labour market situation. The Bundesbank sees this rate of expansion easing off in the medium term as the upturn reaches its peak.

In the United States, the IMF expects that the government's tax reform will encourage businesses to invest and thus expand their business activities. Overall economic growth of 2.7% is anticipated in 2018. The forecast assumes that the Federal Reserve will continue to pursue its restrictive monetary policy.

In China, the process of structural change looks set to focus on reducing lending growth and promoting the service sector in 2018. The economy's greater diversification may lead to a reduction in overcapacity. Against this background, the IMF forecasts that GDP will grow by 6.6%.

As in 2017, the overall economic forecasts for 2018 are subject to a high degree of uncertainty due to the threat of escalating geopolitical risks, the rise of protectionist policies, uncertainty over the political stability of the EU, and resurgent nationalist and illiberal forces.

For the Group overall, management generally expects stable development in the 2018 financial year with significant revenue growth and significant earnings development. The value added by the fully consolidated MAX Group is a key driver for this expected Group business development.

The managing directors of MAX are generally positive in their assessment of the MAX sub-group's development in financial year 2018 on the back of macroeconomic and sector-specific conditions and the high order backlog. Added to this is a promising sales pipeline and positive effects from investments in expanding the customer base and product development made in the previous years. Consequently, a year-on-year rise in revenue and earnings is expected.

In the Industrial Automation division, management intends to generate significant growth in 2018 by continuing to focus on the strategic business segments of Mobility Automation, Life Science Automation, Process Technologies and New Automation Technologies under the Strategy 2021 initiative. This includes establishing an increased foothold in attractive international markets, refining the service portfolio in networked production (Industry 4.0), and leveraging synergies between group companies to increase efficiency in project execution.

In the Environmental Technology division, comprehensive strategic and market analyses lead the managing board of Vecoplan AG to continue expecting good opportunities for operational growth. The focus remains on developing and manufacturing high-quality individual components and system solutions for the recycling and processing industry. This goal envisages further organisational expansion and cooperation with strategic partners. A particular aim is to take advantage of opportunities for consolidation in the heterogeneous market structure. The company intends to increasingly capitalise on growth drivers in the area of climate and environmental protection and the associated stricter regulation.

Stable growth is expected overall in the Lotteries division in 2018. The online brokerage of state lotteries in Germany will remain the key driver. The executive board of Lotto24 AG is seeking to leverage its sustainable growth strategy to further expand its market leadership as an online provider of state lottery products. For the executive board, the relevant growth areas are the acquisition of new customers via targeted marketing, expansion of the product portfolio, and services for major B2B portals. Assuming that jackpots remain at the statistical average, the executive board continues to anticipate growth in transaction volumes and greater numbers of new customers, including due to higher marketing investments. The company again expects to generate an operating profit as well as a slight year-on-year improvement in the gross margin.
According to the management of GDS, overall development in the class lotteries market in the 2018 financial year will heavily depend on initiatives to stabilise the reduction in sales and revenue caused by the cessation of international distribution activities. In addition to sales efforts focusing on products

and marketing, this will hinge in particular on the steps taken by GKL to stabilise domestic demand for class lottery products and to exploit new growth opportunities. After the decline in 2017 due to the cessation of international distribution activities, the management of GDS expects only a slight drop in revenue, while ongoing steps to optimise costs will continue.

The executive board of ZEAL forecasts year-on-year revenue and earnings growth in 2018, barring jackpot payouts that are unusually high or frequent from a statistical viewpoint. Growth remains mixed in the target markets for ZEAL's online and lottery-based products and services. In the past year, ZEAL obtained its own licences or entered into partnerships with existing licence holders to successfully position itself in selected international markets with stable regulatory conditions. It therefore remains a strategic focus to continually expand these activities. Activities in the secondary lottery markets remain challenging. The company's risk report for 2018 thus also refers to regulatory and tax risks.

In the Languages division, the management of the Langenscheidt group companies expects the revenue trend to improve slightly year on year in 2018. The publishing business, which remains overwhelmingly geared towards book retailers, will not be able to escape the challenging market environment and will likely see a drop in revenue. The focus remains on strategic realignment in the publishing business. The intention is to bolster business development by means of a consistent new product strategy aimed at end customers in existing and new sub-markets and by exploiting additional sales channels. The primary focus at Langenscheidt Digital, which was spun off in 2017, remains to develop digital business models. Management expects increased revenues here in 2018. According to the management of Langenscheidt Digital, the steps necessary to develop the requisite in-house expertise and structures will continue to weigh on the results of operations in 2018.

In the Ventures division, the management of all4cloud expects that revenue growth will remain high in 2018. There is no let-up in the sustained demand for ERP cloud solutions. The company will continue to invest heavily in 2018, with a focus on further add-ons developed in-house. Management aims to break even in 2018.

In property management, agreed fees are also expected to see stable development in 2018 due to growth in the relevant real estate markets.

The investment strategy for liquid assets will remain conservative in 2018, avoiding interest and exchange rate risk to the greatest possible extent. It cannot be ruled out that negative interest will be charged on deposits in the financial year. In particular, possible developments in inflation and interest rates and with respect to counterparties will be observed, and risks will be identified, quantified and actively managed.

Hamburg, 17 May 2018

AUDIT OPINION

We have audited the consolidated financial statements prepared by Günther SE, Bamberg - comprising the balance sheet, the statement of comprehensive income, statement of changes in equity and the notes to the consolidated financial statements - as well as the group management report for the business year from 1 January 2017 to 31 December 2017. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional provisions of German commercial law pursuant to section 315e (1) HGB are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and the generally accepted German standards for the audit of financial statements promulgated by the Institute of Auditors (Institut der Wirtschaftsprüfer, IDW). Accordingly, the audit must be planned and conducted in a way that any inaccuracies and violations which have a significant impact on the presentation of the net asset, financial and earnings position as conveyed by the consolidated financial statements in compliance with the applicable accounting regulations and the group management report are recognized with sufficient certainty. When determining the audit procedures, knowledge of the Group's business activities and the economic and legal environment as well as expectations of possible errors are taken into account. Within the framework of the audit the effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a random test basis. The audit includes the assessment of the financial statements of the companies included in the consolidated financial statements, the determination of the companies to be included in the consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as applied in the EU, and with the additional requirements of German commercial law provisions pursuant to section 315e (1) HGB and give a true and fair picture of the Group's net assets, financial position and earnings position. The group management report is consistent with the consolidated financial statements, complies with the legal requirements, provides an overall accurate picture of the Group's position and accurately presents the opportunities and risks of future development.

Osnabrück, 25 May 2018

Dr. Klein, Dr. Mönstermann + Partner GmbH
Audit Firm
Tax Consultancy

Dr. Niemann Dunkel

Auditor

Auditor

The publication or disclosure of the consolidated financial statements and / or the group management report in a form deviating from the confirmed version requires our re-examination, provided that our audit opinion is quoted or our audit is referred to; reference is made to section 328 HGB.