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I. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in EUR '000	Note	31 Dec. 2016	31 Dec. 2015
ASSETS			
Intangible assets (excluding goodwill)	F.1	32,637	35,673
Goodwill	F.1	28,270	28,270
Property, plant and equipment	F.2	2,050	2,385
Investments accounted for using the equity method	F.3	63,371	61,675
Equity investments	F.4	240	26
Other non-current financial assets	F.5	9,574	9,565
Deferred tax assets	F.6	4,663	1,700
Other non-current non-financial assets	F.7	35	17
Total non-current assets		**140,840**	**139,311**
Inventories	F.8	3,791	3,462
Current tax assets	F.9	1,482	1,076
Current trade and other receivables	F.10	5,098	5,060
Other current financial assets	F.11	18,161	12,722
Other current non-financial assets	F.12	1,074	1,045
Cash and cash equivalents	F.13	33,911	43,877
Total current assets		**63,517**	**67,242**
Total assets		**204,357**	**206,553**

in EUR '000		31 Dec. 2016	31 Dec. 2015
EQUITY AND LIABILITIES			
Issued capital	F.14	123	123
Capital reserve	F.14	19,830	19,830
Other components of equity	F.14	-1,296	-1,136
Retained earnings	F.14	93,511	87,873
Equity attributable to the owners of the parent		**112,168**	**106,690**
Non-controlling interests	F.14	26,489	32,522
Total equity		**138,657**	**139,212**
Provisions for employee benefits	F.15	3,554	2,954
Other non-current provisions	F.16	1,586	1,345
Other non-current financial liabilities	F.17	5,640	9,342
Non-current liabilities		**10,780**	**13,641**
Other current provisions	F.16	2,370	8,713
Current tax liabilities	F.19	226	364
Trade payables	F.18	3,417	3,005
Other current financial liabilities	F.17	45,678	34,899
Other current non-financial liabilities	F.20	3,229	6,719
Total current liabilities		**54,920**	**53,700**
Total equity and liabilities		**204,357**	**206,553**

II. CONSOLIDATED INCOME STATEMENT

in EUR '000	Note	1 Jan. 2016- 31 Dec. 2016	1 Jan. 2015- 31 Dec. 2015
Revenue	G.1	51,741	33,412
Change in inventory		294	-203
Other income	G.2	1,642	1,477
Gross revenue for the period		**53,677**	**34,686**
Expenses for raw materials, consumables, supplies	G.3	-11,861	-11,393
Gross result		**41,816**	**23,293**
Expenses for employee benefits	G.4	-18,059	-13,762
Depreciation and amortisation	G.5	-2,011	-1,114
Other expenses	G.6	-26,183	-15,894
Income from associates accounted for using the equity method	F.3	5,276	53,971
Operating result (EBIT)		**839**	**46,494**
Amortisation of purchase price allocation	G.5	-2,672	-668
Operating result after amortisation of purchase price allocation		**-1,833**	**45,826**
Finance income	G.7	453	439
Finance costs	G.7	-1,422	-982
Profit/loss before taxes		**-2,802**	**45,283**
Income taxes	G.8	2,825	2,027
Profit/loss from continuing operations		**23**	**47,310**
Profit/loss from discontinued operations	G.9	0	1,445
Profit/loss		**23**	**48,755**
Of which attributable to			
the owners of the parent		2,106	42,672
non-controlling interests		-2,083	6,083

III. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR '000	1 Jan. 2016- 31 Dec. 2016	1 Jan. 2015- 31 Dec. 2015
Profit/loss	**23**	**48,755**
Revaluations of defined benefit plans, before taxes	-581	285
Share in other comprehensive income attributable to associates accounted for using the equity method, before taxes	7	-133
Total other comprehensive income not reclassified to profit or loss, before taxes	**-574**	**152**
Currency translation differences, before taxes	0	51
Reclassification of currency translation differences due to disposals of companies	0	925
Revaluation of available-for-sale financial assets, before taxes	74	37
Share in other comprehensive income attributable to associates accounted for using the equity method, before taxes	78	49
Reclassification of share in other comprehensive income attributable to associates accounted for using the equity method, before taxes	0	72
Total other comprehensive income which may subsequently be reclassified to profit or loss, before taxes	**152**	**1,134**
Total other comprehensive income, before taxes	**-422**	**1,286**

in EUR '000	**1 Jan. 2016- 31 Dec. 2016**	**1 Jan. 2015- 31 Dec. 2015**
Income taxes in connection with the revaluation of defined benefit plans	170	-84
Total income taxes on other comprehensive income not reclassified to profit or loss	**170**	**-84**
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	**-2**	**7**
Income taxes in connection with available-for-sale financial assets	-24	-12
Total income taxes in connection with components of other comprehensive income which may subsequently be reclassified to profit or loss	**-24**	**-12**
Income taxes on the share of other comprehensive income attributable to associates accounted for using the equity method which may subsequently be reclassified to profit or loss	**0**	**20**
Total other comprehensive income	**-278**	**1,217**
Total comprehensive income	**-255**	**49,972**
Of which attributable to		
the owners of the parent	1,838	43,736
non-controlling interests	-2,093	6,236

IV. CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR '000	2016	2015
Cash flows from operating activities		
Operating result after amortisation of purchase price allocation	**-1,833**	**45,826**
Adjustments for reconciliation of profit (loss)		
Changes due to		
Decrease (increase) in inventories	-329	232
Decrease (increase) in trade receivables	-44	3,103
Decrease (increase) in other operating receivables	-5,555	1,560
Increase (decrease) in trade payables	308	-826
Decrease (increase) in other operating liabilities	5,894	4,746
Adjustments for		
Provisions	-3,854	-2,991
Undistributed profits from associates	-5,359	-53,952
Other non-cash items	2,119	2,980
Gains (losses) on disposal of property, plant and equipment	-2	1
Write-downs (reversals) of property, plant and equipment	825	384
Write-downs (reversals) of intangible assets	3,857	1,398
Total adjustments for reconciliation of profit (loss)	-2,140	-43,365
Net cash flows from operating activities	-3,973	2,461
Dividends received	3,664	4,188
Interest paid	-599	-904
Interest received	89	-20
Income taxes paid (refunded)	305	-1,815
Net cash flows from operating activities in continuing operations	**-514**	**3,910**
Net cash flows from operating activities in discontinued operations	0	-1,371
Net cash flows from operating activities	**-514**	**2,539**

in EUR '000	2016	2015
Cash flows from investing activities		
Cash flows from loss of control over subsidiaries	0	6,763
Cash flows used in obtaining control of subsidiaries	0	4,570
Receipts (payments) for acquisition of equity in other entities	-197	0
Proceeds from sales of property, plant and equipment	7	12
Purchase of property, plant and equipment	-407	-464
Purchase of intangible assets	-764	-100
Proceeds from the disposal of shares in associates	0	41,087
Payments for the acquisition of shares in associates	0	-8,847
Payments for advances and loans made to other parties	-80	-100
Cash receipts from repayment of advances and loans made to other parties	0	240
Net cash flows from investing activities in continuing operations	**-1,441**	**43,161**
Net cash flows from investing activities in discontinued operations	0	-38
Net cash flows from investing activities	**-1,441**	**43,123**
Cash flows from financing activities		
Proceeds from borrowings	39	117
Repayments of borrowings	-7,750	-15,332
Dividends paid	-300	-300
Net cash flows from financing activities in continuing operations	**-8,011**	**-15,515**
Net cash flows from financing activities in discontinued operations	0	2,598
Net cash flows from financing activities	**-8,011**	**-12,917**
Net increase (decrease) in cash and cash equivalents before effect of exchange rate changes	**-9,966**	**32,745**
Effect of exchange rate changes on cash and cash equivalents	**0**	**52**
Net increase (decrease) in cash and cash equivalents	**-9,966**	**32,797**
Cash and cash equivalents at the beginning of the period	43,877	11,080
Cash and cash equivalents at the end of the period	33,911	43,877

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. 2015	**123**	**19,830**	**-1,277**	**-842**	**0**	**-282**	**45,702**	**63,254**	**12,167**	**75,421**
Change in basis of consolidation	0	0	201	0	0	0	-201	0	14,119	14,119
Dividend payments	0	0	0	0	0	0	-300	-300	0	-300
Subtotal before profit/loss in current period	**0**	**0**	**201**	**0**	**0**	**0**	**-501**	**-300**	**14,119**	**13,819**
Net profit for the year	0	0	0	0	0	0	42,672	42,672	6,083	48,755
Other comprehensive income	0	0	201	842	9	12	0	1,064	153	1,217
Total incl. profit/loss in current period	**0**	**0**	**402**	**842**	**9**	**12**	**42,171**	**43,436**	**20,355**	**63,791**
As at 31 Dec. 2015	**123**	**19,830**	**-875**	**0**	**9**	**-270**	**87,873**	**106,690**	**32,522**	**139,212**
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**

VI. NOTES TO THE FINANCIAL STATEMENTS

A. GENERAL DISCLOSURES

1. General disclosures regarding the Company

In 2016, the business of the Günther SE Group, Bamberg, (hereinafter also referred to as the "Günther Group", "Günther" or the "Group") comprised the Lotteries, Ventures (previous year: Software/IT) and Languages divisions. Furthermore, the Group generated income from property management. The Group primarily conducts its business in Europe 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 2016 and were approved for publication by the management on 17 May 2017.

2. Basis of preparation of the financial statements

Pursuant to section 315a (3) of the German Commercial Code (*Handelsgesetzbuch* – HGB) in conjunction with section 315a (1) HGB, the 2016 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 2016 consolidated financial statements, Günther SE exercised the option as set out in section 315a (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 2016 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 19	Defined Benefit Plans: Employee Contributions	01/02/2015
Amendments to IAS 1	Disclosure Initiative	01/01/2016
Amendments to IAS 16/IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	01/01/2016
Amendments to IAS 16/IAS 41	Agriculture: Bearer Plants	01/01/2016
Amendments to IAS 27	Application of the Equity Method in Separate Financial Statements	01/01/2016
Amendments to IFRS 10/IFRS 12/IAS 28	Investment Entities: Applying the Consolidation Exception	01/01/2016
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	01/01/2016
Improvements to IFRS (2010-2012)	Annual Improvements 2010-2012	01/02/2015
Improvements to IFRS (2012-2014)	Annual Improvements 2012-2014	01/01/2016

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. The Group is currently examining what impacts the amendments to the two new standards will have on the financial statements.

Amendments to IFRSs adopted by the EU for financial years beginning after 1 January 2017

Standard	Title	Mandatory application for financial years beginning on
IFRS 9	Financial Instruments	01/01/2018
IFRS 15	Revenue from Contracts with Customers	01/01/2018

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
IFRS 16	Leases	01/01/2019
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed indefinitely
Amendments to IAS 7	Statement of Cash Flows	01/01/2017
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	01/01/2017
Clarifications to IFRS 15	Clarifications to Revenue from Contracts with Customers	01/01/2018
Amendments to IAS 40	Transfers of Investment Property	01/01/2018
Amendments to IFRS 2	Clarification of Classification and Measurement of Share-based Payment Transactions	01/01/2018
Amendments to IFRS 4	Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'	01/01/2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01/01/2018
Improvements to IFRS (2014-2016)	Annual Improvements 2014-2016	01/01/2017 / 01/01/2018

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 and at the end of the prior period, the Group did not have any subsidiaries whose functional currency was a currency other than the euro.

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. Amortisation is based on the following useful lives:

Asset	Useful life in years
Computer software, licences	1 to 6
Customer base	15
Brands	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	20
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. 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 2016 financial year and in the comparable period in 2015, 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 or 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 2016 amounting to EUR 28,270 thousand resulted from the acquisition of 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.

7. Assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. From the date they are classified as held for sale, the assets are no longer depreciated or amortised but instead are measured at the lower of their carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group's business whose operations and cash flows can be clearly distinguished from the rest of the Group, and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business
- or geographical area of operations; or

- is a subsidiary, which was acquired exclusively with the intention of subsequent disposal.

Assets are classified as discontinued operations upon sale or, if sooner, once the operations have met the criteria for classification as held for sale. If an operation is classified as a discontinued operation, the statement of comprehensive income for the comparative period is adjusted as if the operation had been discontinued from the beginning of the comparison period.

For financial year 2015, this related to the Software/IT division and included the loss of control over the Orga Group following its petition for insolvency as at 1 April 2015 and the same of Alpha Business Solutions AG as at 30 April 2015.

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.

The Group did not have any finance leases during the reporting period or 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). The Group did not hold any financial assets at fair value through profit and loss as at 31 December 2015 or 2016.

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 models of financial mathematics. 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 Group had no customer-specific construction contracts with customers in the financial year or 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. Government grants

Government grants, including non-monetary grants at fair value, are only recognised if there is reasonable assurance that:

a) the company will comply with the conditions attaching to them and
b) that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. A government grant that becomes receivable as compensation for expenses already incurred is recognised in profit or loss of the period in which it becomes receivable.

16. 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 rates 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 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.

17. 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.

18. 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.

19. 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.

20. 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.

21. 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 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 agreement and the relevant order, 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 2016, the Günther Group expensed EUR 203 thousand in research and development costs (previous year: EUR 356 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 25 fully consolidated companies in financial year 2016 (previous year: 23). Of that number, 24 (previous year: 22) companies have their registered office in Germany and one (previous year: one) abroad. The Group is divided into sub-groups based on the Lotteries, Ventures (previous year: Software/IT) and Languages divisions.

At 31 December 2016, the basis of consolidation comprised the parent as well as the following fully consolidated companies:

Company	Registered office	Percentage of equity investment 31 Dec. 2016	Percentage of equity investment 31 Dec. 2015	Net income for the year* EUR '000	Equity* EUR '000
Günther Lotto GmbH i.L.	Osnabrück	100.00	100.00	-1	1
Günther Alpha GmbH & Co. KG[1]	Hamburg	100.00	100.00	-4	2
Günther Alpha Management GmbH	Hamburg	100.00	100.00	0	36
Günther Services GmbH[2]	Hamburg	100.00	100.00	0	24,055
Günther Direct Services GmbH[2, 5]	Bamberg	87.21	100.00	-20	-377
Günther Club Services GmbH	Bamberg	100.00	100.00	7	162
G Benefit GmbH[2]	Munich	100.00	100.00	0	250
Günther Holding SE[4]	Hamburg	87.21	85.94	1,681	74,119
Othello Drei Beteiligungs GmbH & Co. KG[1]	Hamburg	87.21	85.94	2,214	631
Othello Drei Beteiligungs-Management GmbH	Hamburg	87.21	85.94	0	31
Othello Vier Beteiligungs GmbH & Co. KG[1]	Hamburg	87.21	85.94	-26	29,217
all4cloud Management GmbH (previous year: Günther Beta Beteiligungs-Management GmbH)	Hamburg	87.21	85.94	1	32
G Connect Management GmbH	Munich	87.21	0.00	-1	24
G Connect GmbH & Co. KG[1]	Munich	87.21	0.00	0	25
all4cloud GmbH & Co. KG[1,3]	Viernheim	57.23	64.45	-118	475

Company	Registered office	Percentage of equity investment 31 Dec. 2016	Percentage of equity investment 31 Dec. 2015	Net income for the year* EUR	Equity* EUR
Orpheus Capital II GmbH & Co. KG[1]	Hamburg	87.21	85.94	1,156	34,311
Orpheus Capital II Management GmbH	Hamburg	87.21	85.94	0	33
Orpheus Capital II Real Estate GmbH	Bermatingen	87.21	85.94	-18	-291
Günther Consulting GmbH	Hamburg	87.21	85.94	11	196
Günther Holding Immobilien GmbH & Co. KG[1]	Hamburg	87.21	85.94	-3	22
Günther Holding Immobilien Management GmbH	Hamburg	87.21	85.94	0	23
Langenscheidt GmbH & Co. KG[1]	Munich	87.21	85.94	335	745
Langenscheidt Management GmbH	Munich	87.21	85.94	8	15
Langenscheidt Wien GmbH	Vienna, Austria	87.21	85.94	-1	26
Lotto 24 AG	Hamburg	36.30	35.77	-2,322	22,091

* In accordance with IFRSs
[1] Exercised exemption in accordance with section 264 b HGB with respect to preparation, audit and publication of financial statements
[2] Exercised exemption in accordance with section 264 (3) HGB with respect to preparation, audit and publication of financial statements
[3] Spun off from ALPHA Business Solution AG in 2015
[4] Change of legal form from GmbH into AG and then SE in 2016
[5] Intra-Group sale of equity interest to Günther Holding SE in 2016.

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. Since 2015, these have included Lotto24 AG in addition to Günther Holding SE (previous year: Günther Holding GmbH). Moreover, significant non-controlling interests in Alpha Business Solutions AG were sold in 2015.

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)

31 Dec. 2015 and financial year 2015

Company	Registered office	Interest in %	Profit/loss attributable to non-controlling interests	Cumulative non-controlling interests	Distributions to non-controlling interests
Günther Holding GmbH[1]	Hamburg	14.06	6,660	14,802	0
Lotto24 AG	Hamburg	64.23	-715	17,720	0
ALPHA Business Solutions AG	Kaiserslautern	0.00	138	0	0

[1] Sub-group (excl. Lotto24 AG and Alpha Business Solutions AG)

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

in EUR '000	Günther Holding SE (previous year: Günther Holding GmbH) 31 Dec. 2016	31 Dec. 2015	Lotto24 AG 31 Dec. 2016	31 Dec. 2015
Non-current assets	63,861	62,705	38,403	51,965
Current assets	33,328	43,453	22,121	14,274
Non-current liabilities	2,173	3,137	14,640	12,364
Current liabilities	20,894	32,177	22,377	10,073
Net assets	**74,122**	**70,844**	**23,508**	**43,802**

	Günther Holding SE (previous year: Günther Holding GmbH)		Lotto24 AG		ALPHA Business Solutions AG	
in EUR '000	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Revenue	425	444	22,759	3,564	0	7,395
Profit/loss	1,681	18,952	-4,131	-1,138	0	552
Other comprehensive income	170	0	50	25	0	0
Total comprehensive income	1,851	18,952	-4,081	-1,113	0	552

	Günther Holding SE (previous year: Günther Holding GmbH)		Lotto24 AG		ALPHA Business Solutions AG	
in EUR '000	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Net cash flows from current operating activities	2,030	2,771	-319	-2,257	0	1,887
Net cash flows from investing activities	-273	0	4,014	-254	0	-53
Net cash flows from financing activities	0	0	1,410	-6	0	0
Total net cash flow	**1,757**	**2,771**	**5,105**	**-2,517**	**0**	**1,834**

Transactions with non-controlling interests

Due to capital increases at all4cloud GmbH & Co. KG in January and March 2016, the percentage of the direct equity investment was diluted from 75.00% to 65.63%. Non-controlling interests in partnerships are reported in the consolidated financial statements as debt.

During the current financial year, a capital increase at Günther Holding SE resulted in the reduction of the share of non-controlling interests by 1.27% to 12.79%. The capital increases carried out in order to preserve the majority shareholding were presented as equity transactions.

In the comparative period there were no significant transactions with non-controlling interests.

Changes in basis of consolidation

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 legally transformed from Günther Holding AG into Günther Holding SE.

For information regarding the disposal in connection with the deconsolidation of the Orga Group and ALPHA Business Solutions AG in 2015, please refer to section VI.E.

On 11 April 2015, all4cloud GmbH & Co. KG was spun off from Alpha Business Solutions AG and its registered office was moved from Kaiserslautern to Viernheim.

With effect from 1 June 2015, Othello Eins Beteiligungs GmbH & Co. KG and Othello Zwei Beteiligungs GmbH & Co. KG were absorbed by Günther Services GmbH and Othello Eins Beteiligungs-Management GmbH and Othello Zwei Beteiligungs-Management GmbH were merged with Günther Services GmbH.

On 17 August 2015, Integrated Health Services GmbH was merged with Günther Holding SE (formerly GmbH).

In addition, Günther Beta Beteiligungs GmbH & Co. KG was absorbed by Günther Holding SE with effect from 31 December 2015.

Additions and disposals in financial year 2016 and 2015 are discussed in section VI.E.

E. ACQUISITIONS AND DISPOSALS

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. The following information relates to acquisitions and disposals from 2015.

Acquisition of subsidiaries

Acquisition of Lotto24 AG

With effect from 16 July 2015, Günther Holding GmbH increased its shareholding in Lotto24 AG to 41.62% in the course 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 Lotto24 AG in the Günther Group consolidated financial statements. Lotto24 AG was fully consolidated for the first time as at 30 September 2015. The acquisition date and measurement date for the PPA was therefore 30 September 2015.

Lotto24 AG is a provider of state-licensed lotteries online. The company enters into gaming contracts for various lottery products on behalf of its customers. Since 3 July 2012, Lotto24 AG has been listed on the Prime Standard segment of the Frankfurt Stock Exchange. Full consolidation is part of the strategic expansion of the Günther Group's lottery business and the company is allocated to the Lotteries division.

Since no consideration was transferred in the course of this business combination, e.g., in the form of cash, the Günther Group must determine the fair value of the shares in Lotto24 AG as at the acquisition date and use that in place of the fair value of the transferred consideration to determine the amount of goodwill. The fair value of the Group's 41.62% interest in Lotto24 AG immediately prior to 30 September 2015 amounted to EUR 40,217 thousand. In 2015, the revaluation of the shares resulted in a EUR 25,556 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 33 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.

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	31,957
Property, plant and equipment	1,654
Deferred tax assets	3,397
Non-current assets	**37,008**
Trade receivables	177
Other financial assets	9,806
Other non-financial assets	232
Cash	4,570
Current assets	**14,785**
Other provisions	1,056
Deferred tax liabilities	10,110
Other financial liabilities	3,370
Non-current liabilities	**14,536**
Other provisions	805
Trade payables	2,077
Other financial liabilities	5,407
Other non-financial liabilities	263
Current liabilities	**8,552**
Net assets	**28,705**
Cash consideration	0
Fair value of shares in Lotto24	40,217
Non-controlling interests	16,757
Sub-total	**56,975**
Goodwill	**28,270**

The fair value of trade receivables reported under "Trade receivables" is EUR 177 thousand. The gross amount of contractual receivables is EUR 790 thousand.

The non-controlling interest of 58.38% was recognised as at the acquisition date and measured with a fair value of net assets of EUR 16,757 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 41.62% share in Lotto24 AG held by the Günther Group against the acquired, revalued net assets of Lotto24 AG gives rise to goodwill amounting to EUR 28,270 thousand. The PPA was provisional as at 31 December 2015. This was finalised without adjustment within the measurement period of one year. 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 Lotto24 AG's first-time full consolidation will be tax deductible.

In the 2015 financial statements, losses amounting to EUR -685 thousand (before amortisation of newly identified intangible assets and the associated deferred taxes amounting to EUR -452 thousand in total) were reported from the additional business generated by Lotto24 AG. The attributable revenue for the 2015 financial year included EUR 3,564 thousand from Lotto24 AG.

Had the first-time consolidation taken place as at 1 January 2015, consolidated revenue would have amounted to EUR 43,397 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 37,827 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.

Disposals

Loss of control over Orga Group

On 1 April 2015, Orga Systems Holding GmbH and Orga Systems GmbH & Co. KG filed for insolvency with the Local Court (*Amtsgericht*) of Paderborn. Due to poor market conditions the forecasted revenues had recently dropped sharply and the continuing financing of the Group was risky. Upon initiation of insolvency proceedings, Günther lost control over the Orga Group and therefore deconsolidated the affected companies and their subsidiaries. The shares in the companies of the Orga Group have been accounted for as equity investments after the loss of control and recognised at their fair value of EUR 0 thousand as at the transition date.

The result of the loss of control is as follows:

in EUR '000	
Fair value of the remaining shares	0
Net assets given up	4,674
Provision for expected losses from loss of control	-5,814
Result from the loss of control before tax and reclassification of the currency translation reserve	-1,140
Currency translation reserve reclassified from equity upon loss of control	-925
Income tax on loss resulting from loss of control	96
Result from the loss of control	**-1,970**

The net assets given up upon deconsolidation consisted of the following:

in EUR '000	Fair value
Intangible assets	2,373
Property, plant and equipment	4,978
Other non-current assets	1,048
Total non-current assets	**8,399**
Inventories	
Gross amount due from customers for contract work	4,137
Current tax assets	1,062
Trade receivables	26,240
Other current financial assets	42
Other current non-financial assets	2,004
Cash and cash equivalents	2,632
Total current assets	**36,116**
Provisions for employee benefits	1,301
Non-current provisions	63
Other non-current financial liabilities	5,903
Other non-current non-financial liabilities	172
Total non-current liabilities	**7,440**
Current provisions	952
Current tax liabilities	66
Gross amount due to customers for contract work	1,677
Trade payables	1,469
Other current financial liabilities	20,840
Other current non-financial liabilities	16,746
Total current liabilities	**41,749**
Net assets given up	**-4,674**

The loss of control resulted in an outflow of EUR 2,632 thousand in cash and cash equivalents for the Group in 2015.

The deconsolidation loss is included in result from discontinued operations; see section VI.G.9.

Disposal of ALPHA Business Solutions AG

Negotiations on the sale of the proAlpha division of ALPHA Business Solutions AG (ABS) began in early 2015. Pursuant to the purchase agreement entered into on 10 April 2015, Günther sold its share in ALPHA Business Solutions AG to proALPHA Software GmbH. Prior to the sale, the SAP division was spun off on 30 April 2015 to be merged with the newly formed all4cloud GmbH & Co. KG. The deal closed on 13 May 2015 and for the sake of simplicity the company was deconsolidated as at 30 April 2015.

The result of the disposal of ABS is as follows:

in EUR '000	
Cash consideration received	13,551
Net assets sold	-10,544
Share of non-controlling interests	2,636
Gain on the sale of ABS before taxes	**5,643**
Income tax on gain on sale	-92
Gain on the sale of ABS	**5,551**

The net assets of ABS can be broken down as follows:

in EUR '000	
Intangible assets	30
Goodwill	7,059
Property, plant and equipment	401
Deferred tax assets	33
Current tax assets	31
Total non-current assets	**7,555**
Current tax assets	15
Trade receivables	2,945
Other current financial assets	1
Other current non-financial assets	1,913
Cash and cash equivalents	4,156
Total current assets	**9,030**
Non-current provisions	228
Total non-current liabilities	**228**
Current tax liabilities	64
Trade payables	797
Other current financial liabilities	182
Other current non-financial liabilities	4,770
Total current liabilities	**5,812**
Net assets	**10,544**

The gain on the sale is included in result from discontinued operations; see section VI.G.9.

The net cash inflow from the sale of ABS is broken down as follows:

in EUR '000	
Cash inflow from purchaser of ABS	13,551
Cash outflow from sale of cash of ABS	-4,156
Net cash inflow from the sale of ABS	**9,395**

Non-current assets held for sale and discontinued operations

Non-current assets held for sale (or groups of assets and liabilities held for sale) are classified as held for sale if their carrying amount will be substantially recovered by a sale and the sale is highly probable. They are measured at the lower of the carrying amount or fair value less costs to sell.

The insolvent Orga Group and ABS, which was sold as at 30 April 2015, were classified as discontinued operations during the 2015 financial year. Please refer to section VI.G.9 for information on the income statement for "results from discontinued operations" and section VI.H for the corresponding notes on the statement of cash flows.

F. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. Intangible assets and goodwill

in EUR '000	Goodwill	Software	Patents, concessions, other rights	Total
Historical cost				
As at 1 Jan. 2015	**14,158**	**11,627**	**5,676**	**31,461**
Change in basis of consolidation	14,112	-5,073	26,684	35,723
Reclassifications	0	92	0	92
Additions	0	85	29	114
Currency effects	0	1	0	1
As at 31 Dec. 2015	**28,270**	**6,733**	**32,390**	**67,392**
As at 1 Jan. 2016	**28,270**	**6,733**	**32,390**	**67,392**
Change in basis of consolidation	0	0	0	0
Reclassifications	0	59	0	59
Additions	0	744	20	764
As at 31 Dec. 2016	**28,270**	**7,526**	**32,410**	**68,206**

The goodwill reported at the end of the financial year and the previous year resulted from the acquisition of Lotto24 AG in 2015.

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. The cash flows in the detailed planning period were discounted using a constant, unadjusted discount rate reflecting a cost of capital of 12.0% which would be appropriate in the context of pure venture capital financing. These discount rates are now at the lower end of the range of returns that would be required by equity investors in comparable entities. The average corresponding pre-tax cost of capital was 11.3%. After the end of the detailed planning period, a perpetual annuity of 9.9% is used for discounting from 2022 onwards; this cost of capital is derived on the basis of the capital asset pricing model (CAPM). The perpetual annuity is calculated starting from a sustainable average rate of growth of 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 6,082 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 19,849 thousand; this, too, would not have triggered an impairment.

Given that the goodwill from the acquisition of Lotto24 AG in the previous year had not yet been conclusively allocated to any cash-generating unit and there were no indications of impairment as at 31 December 2015, no goodwill impairment test was conducted at the end of the 2015 financial year.

The change in the basis of consolidation for goodwill in the previous year resulted from the first-time consolidation of Lotto24 AG and the sale of ABS (see section VI.E).

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 2% 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.

in EUR '000	Goodwill	Software	Patents, concessions, other rights	Total
Accumulated amortisation and impairment				
As at 1 Jan. 2015	**-7,098**	**-7,768**	**-2,275**	**-17,141**
Change in basis of consolidation	7,098	6,200	1,978	15,277
Amortisation	0	-993	-593	-1,586
As at 31 Dec. 2015	**0**	**-2,560**	**-890**	**-3,449**
As at 1 Jan. 2016	**0**	**-2,560**	**-890**	**-3,449**
Change in basis of consolidation	0	0	0	0
Amortisation	0	-1,682	-2,176	-3,857
Disposals (-)	0	8	0	8
As at 31 Dec. 2016	**0**	**-4,233**	**-3,066**	**-7,299**
Net carrying amounts				
As at 1 Jan. 2015	7,060	3,860	3,401	14,321
As at 31 Dec. 2015	28,270	4,173	31,500	63,943
As at 1 Jan. 2016	28,270	4,173	31,500	63,943
As at 31 Dec. 2016	28,270	3,293	29,344	60,908

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 9.42% (previous year: 9.44%) and was derived on the basis of the relevant yield curves. The growth rate beyond the planning horizon was 1% (previous year: 1%).

The trademark was not impaired as at 31 December 2015 or 2016.

No impairment losses were recognised in respect of intangible assets during the current or previous financial year. Amortisation amounting to EUR 3,857 thousand (previous year: EUR 1,586 thousand) was presented in the consolidated income statement under "Depreciation and amortisation". 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.17.

The changes to the basis of consolidation in the prior-year period related to the acquisition of Lotto24 AG, the deconsolidation of the Orga Group and the disposal of ABS (see section VI.E).

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. 2015	**1,197**	**548**	**14,285**	**15**	**7,908**	**23,952**
Change in basis of consolidation	-1,061	1,538	-11,737	0	-7,908	-19,168
Reclassifications	0	0	0	0	0	1
Additions	3	382	133	0	0	518
Disposals (-)	0	-2	-51	0	0	-53
Currency effects	0	0	80	0	0	79
As at 31 Dec. 2015	**139**	**2,466**	**2,710**	**15**	**0**	**5,330**
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**

In the previous year, the item "Finance leases for buildings and equipment" included a leased building in Paderborn which was disposed of upon deconsolidation of the Orga Group.

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. 2015	**-731**	**-547**	**-11,697**	**0**	**-4,839**	**-17,815**
Change in basis of consolidation	637	0	9,946	0	4,903	15,486
Depreciation	-37	-120	-406	0	-64	-627
Depreciation disposals (-)	0	2	26	0	0	28
Currency effects	1	0	-18	0	0	-17
As at 31 Dec. 2015	**-130**	**-666**	**-2,148**	**0**	**0**	**-2,944**
As at 1 Jan. 2016	**-130**	**-666**	**-2,148**	**0**	**0**	**-2,944**
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**
Net carrying amounts						
As at 1 Jan. 2015	466	1	2,588	15	3,069	6,138
As at 31 Dec. 2015	9	1,800	561	15	0	2,385
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

Depreciation amounting to EUR 825 thousand (previous year: EUR 627 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.

The changes to the basis of consolidation in the prior-year period related to the acquisition of Lotto24 AG, the deconsolidation of the Orga Group and the disposal of ABS (see section VI.E).

3. Investments accounted for using the equity method

With effect from 31 December 2016, two (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.

Company	Registered office	Percentage of equity investment		Comprehensive income - 2016 (EUR '000)	Equity as at 31 Dec. 2016 (EUR '000)
		31 Dec. 2016	31 Dec. 2015		
ZEAL Network SE	London	10.22	10.22	25,867	97,558
MAX Automation AG	Düsseldorf	31.44	31.44	8,634	111,260

In the course of the current financial year there were no changes in the interest in financial assets accounted for in accordance with the equity method.

In the previous year, the Günther Group had reduced its equity investment in ZEAL Network SE from 20.22% to 10.22% as at 1 April 2015. The gain on the disposal is presented in equity. Even after the disposal, Günther continues to exercise a significant influence on the business of the company by nominating two members to the Supervisory Board and influencing the Annual General Meeting as the largest shareholder. Therefore, the equity interest continues to be accounted for in accordance with the equity method.

On 15 July 2015, a further 1,897,270 shares in Lotto24 AG were acquired for EUR 6,621 thousand as part of a cash capital increase, thus increasing the percentage of the shareholding by 4.48% to 41.62%.

Lotto24 AG was accounted for in accordance with the equity method until 30 September 2015 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 prior-year equity (see section VI.E).

On 17 November 2015, 34,502 shares were acquired in MAX Automation AG (named M.A.X. Automation AG in the previous year), thereby increasing the equity interest by 0.14% to 30.00%. Upon exceeding the 30% threshold, Günther was required to issue a mandatory offer for all shares in MAX Automation AG pursuant to section 35 (2) German Securities Acquisition and Takeover Act (*Wertpapierübernahmegesetz*, "WpÜG"). As part of the mandatory offer, Günther was offered a further 385,312 shares at EUR 5.30 per share in December 2015. Its shareholding thus increased by a further 1.44% to 31.44%.

All associates are companies which are listed on stock exchanges in Germany. The investment in companies 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. 2016		31 Dec. 2015	
in EUR '000	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
ZEAL Network SE	31,627	10,210	33,376	9,965
MAX Automation AG	48,445	53,161	48,436	51,710

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

ZEAL Network SE

in EUR '000	31 Dec. 2016	31 Dec. 2015
Non-current assets	4,677	8,198
Current assets	131,339	132,156
Non-current liabilities	2,199	1,474
Current liabilities	36,259	43,711
Group's share of net assets	9,975	9,726

in EUR '000	2016	2015
Revenue	112,935	88,962
Results from continuing operations	25,951	1,346
Earnings after taxes from discontinued operations	0	0
Other comprehensive income	-84	48
Total comprehensive income	25,867	1,394
Group's share of comprehensive income	2,644	142
Dividends received	2,401	2,987

MAX Automation AG

in EUR '000	31 Dec. 2016	31 Dec. 2015
Non-current assets	110,162	117,466
Current assets	196,169	165,721
Non-current liabilities	81,774	72,222
Current liabilities	113,297	104,724
Group's share of net assets	34,980	33,402

in EUR '000	2016	2015
Proceeds	337,138	383,816
Results from continuing operations	8,342	10,588
Earnings after taxes from discontinued operations	0	0
Other comprehensive income	292	-125
Total comprehensive income	8,634	10,463
Group's share of comprehensive income	2,715	3,290
Dividends received	1,264	1,201

4. Equity investments

The other equity investments amounted to EUR 240 thousand as at 31 December 2013 (previous year: EUR 26 thousand).

The addition of EUR 214 thousand in the current financial year related to the 5.89% equity investment in Vofy GmbH, Mehlingen.

The Group had an equity investment of EUR 5 thousand (previous year: EUR 5 thousand) in Zenbrina Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz, amounting to 94%. Given that Günther does not control the company within the meaning set out in IFRS 10, it is not fully consolidated.

Following the deconsolidation of the Orga Group in 2015, the remaining equity interest in Orga Systems GmbH & Co. KG, Orga Systems Holding GmbH and Ophelia GmbH (previous year: Orga Systems Beteiligungs GmbH) was reported at EUR 0 thousand.

The remaining EUR 21 thousand (previous year: EUR 21 thousand) related to the 1.51% equity interest in Günther Vermögens- und Beteiligungs GmbH & Co. KG, Bamberg, and the 4.45% interest in Grundstücksgesellschaft Bismarckstraße 63 bR, Berlin. During the financial year, the equity investments were written down by EUR 0 thousand (previous year: EUR 12 thousand).

5. Other non-current financial assets

in EUR '000	31 Dec. 2016	31 Dec. 2015
Loans to investments	9,476	9,476
Capitalised pension liability insurance	79	72
Miscellaneous other non-current financial assets	19	18
Total	**9,574**	**9,565**

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 capitalised pension liability insurance amounting to EUR 79 thousand (previous year: EUR 72 thousand) related to pension obligations without sufficient plan assets to cover the pension liabilities. In addition, pension liability insurance amounting to EUR 482 thousand (previous year: EUR 466 thousand) was offset against pension obligations (please refer to section VI.F.15 for further information).

6. 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. 2016		31 Dec. 2015	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	0	-10,029	0	-10,445
Property, plant and equipment	0	-242	0	-242
Other non-current financial assets	0	-1	0	-1
Other current assets	3	0	27	0
Non-current provision for pensions and similar benefits	601	0	440	0
Other non-current financial liabilities	17	0	8	0
Other current provisions and liabilities	169	0	70	0
Loss carryforwards	14,146	0	11,844	0
Deferred taxes before set-offs	**14,936**	**-10,272**	**12,388**	**-10,688**
Offsetting	-10,272	10,272	-10,688	10,688
Deferred income taxes – net	**4,663**		**1,700**	

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.

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 32,101 thousand (previous year: EUR 33,845 thousand) and trade tax loss carryforwards of EUR 34,422 thousand (previous year: EUR 36,704 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 2016, an average trade tax rate of 15.85% (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.

7. Other non-current non-financial assets

Prepayments on intangible assets amounting to EUR 35 thousand (previous year: EUR 17 thousand) resulted from the first-time consolidation of Langenscheidt GmbH & Co. KG in 2013.

8. Inventories

in EUR '000	**31 Dec. 2016**	**31 Dec. 2015**
Raw materials, consumables and supplies	122	186
Work in progress	742	732
Finished goods and merchandise	2,927	2,543
Total	**3,791**	**3,462**

The allowances recognised on inventories amounted to EUR 568 thousand in the current financial year (previous year: EUR 605 thousand). These allowances factor in the obsolescence, age and any identifiable warehousing and inventory risks.

In the previous year, raw materials, consumables and supplies and work in progress were issued as collateral for liabilities; see section VI.F.18.

9. Current tax assets

	31 Dec. 2016			**31 Dec. 2015**		
in EUR '000	Non-current	Current	**Total**	Non-current	Current	**Total**
Income tax assets	0	1,482	**1,482**	0	1,076	**1,076**
Total	**0**	**1,482**	**1,482**	**0**	**1,076**	**1,076**

10. Trade and other receivables

in EUR '000	31 Dec. 2016	31 Dec. 2015
Trade receivables before specific valuation allowances	5,866	5,797
Less specific valuation allowances	-769	-737
Trade receivables (net)	**5,098**	**5,060**

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 5,098 thousand (previous year: EUR 5,060 thousand) are due from third parties. Trade receivables of EUR 0 thousand (previous year: EUR 0 thousand) have a maturity of more than one year.

Trade receivables have been provided as security for liabilities, see section VI.F.17.

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	2016	2015
Valuation allowance as at 1 January	**737**	**974**
Additions	249	170
Reversals	0	-167
Derecognition	-217	0
Change in basis of consolidation	0	-239
Valuation allowance as at 31 December	**769**	**737**

The change in the basis of consolidation in 2015 is attributable to the acquisition of Lotto24 and the deconsolidation of Orga and ABS.

The maturities of trade receivables are presented below:

in EUR '000	Carrying amount	Of which impaired	Of which not overdue and not impaired	Of which not impaired but overdue: Up to 90 days	91-180 days	181-360 days	More than one year
31 Dec. 2016							
Trade receivables	5,866	2,501	2,837	505	16	8	0
Less specific valuation allowances	-769	-769					
Trade receivables (net)	5,098	1,733	2,837	505	16	8	0
31 Dec. 2015							
Trade receivables	5,797	3,082	2,548	167	0	0	0
Less specific valuation allowances	-737	-737					
Trade receivables (net)	5,060	2,346	2,548	167	0	0	0

11. Other current financial assets

in EUR '000	31 Dec. 2016	31 Dec. 2015
Receivables from gaming operations	10,149	3,180
Receivables from other long-term investees and investors	4,287	3,917
Purchased receivables	2,384	0
Security deposits	967	967
Other securities	0	4,587
Miscellaneous other financial assets	374	71
Total	**18,161**	**12,722**

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. The other securities in the prior year are available-for-sale financial instruments and comprise floating-rate notes and widely diversified fixed-income and money market fund units with maturities of between 3 and 12 months managed by a bank.

12. Other current non-financial assets

in EUR '000	31 Dec. 2016	31 Dec. 2015
Prepaid expenses	720	448
VAT receivables	245	487
Prepayments	7	89
Receivables from employees	1	1
Receivables from social assistance benefits	1	0
Other assets	99	19
Total	**1,074**	**1,045**

No valuation allowances were recognised on the other assets during the current period or the prior period.

13. Cash and cash equivalents

in EUR '000	31 Dec. 2016	31 Dec. 2015
Bank balances	17,545	39,696
Fixed-term deposits	9,126	125
Trustee accounts	6,540	1,782
Available-for-sale financial instruments	697	2,272
Cash-in-hand	3	3
Total	**33,911**	**43,877**

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. The interest rates during the financial year amounted to between 0% and 0.02% (previous year: 0.0%) for balances in euros. No interest was payable on balances in foreign currencies (previous year: no interest). 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.

14. Equity

The individual components of equity and their development in 2016 and 2015 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. Of the total of 123,000 shares, 121,500 shares carry the right to a single vote and 1,500 shares carry the right to four votes.

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 2016 of EUR 2,105 thousand (previous year: EUR 42,672 thousand) and the net profits generated up to the 2016 financial year by the entities included in the consolidated financial statements. The change in retained earnings in the current period reflects a dividend distribution of EUR -300 thousand (previous year: EUR -300 thousand) and the reduction in shares of non-controlling shareholders amounting to EUR 3,833 thousand. 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 proportional allocation of profits, the change in the current period reflects the reduction in the share of equity of non-controlling shareholders. The change in the prior period was due to the sale of ALPHA Business Solutions AG and the acquisition of Lotto24 AG.

15. 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. 2016	31 Dec. 2015
Present value of the benefit obligation	4,035	3,420
Less plan assets (fair value)	-482	-466
Funding status	**3,554**	**2,954**
Adjustments due to asset ceiling	0	0
Provision for pensions recognised	**3,554**	**2,954**

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. 2016	31 Dec. 2015
Discount rate	1.5	2.4
Future salary increases	0.0	0.0
Future pension increases	3.3	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 380 thousand (previous year: EUR 315 thousand). An increase of 0.5 percentage points, on the other hand, would reduce the present value by EUR 336 thousand (previous year: EUR 278 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	**2016**	**2015**
Pension obligations as at 1 January	3,420	4,984
Current and past service cost	7	8
Interest expense	80	69
Actuarial gains and losses		
from experience adjustments	59	9
from changes in biometric assumptions	0	-288
from changes in financial assumptions	524	0
Benefits paid	-56	-52
Plan settlements	0	0
Change in basis of consolidation	0	-1,310
Pension obligations as at 31 December	**4,035**	**3,420**

The expected pension payments during the next twelve months amount to EUR 63 thousand (previous year: EUR 58 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	**2016**	**2015**
Fair value of plan assets as at 1 January	466	401
Employer contributions to plan	2	2
Interest on plan assets	11	8
Return on plan assets less imputed interest	3	7
Benefits paid	0	0
Transfers	0	0
Change in basis of consolidation	0	47
Fair value of plan assets as at 31 December	**482**	**466**

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	**2016**	**2015**
Current service cost	7	8
Past service cost	0	0
Service cost	**7**	**8**
Expense from interest accrual	80	69
Interest income on plan assets	-11	-8
Net interest expense	**69**	**60**
Total pension expense	**76**	**68**

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.

16. Other non-current and current provisions

in EUR '000	Warranties	Legal costs	Share-based payment	Other	Total
As at 1 Jan. 2016	**15**	**50**	**1,290**	**8,703**	**10,058**
Additions	9	0	1,283	2,595	3,887
Utilisations	0	0	-613	-3,191	-3,803
Reversals	0	0	0	-1,185	-1,185
Reclassification	0	0	0	-5,000	-5,000
As at 31 Dec. 2016	**25**	**50**	**1,960**	**1,922**	**3,957**
Non-current	15	0	0	1,330	1,345
Current	0	50	1,290	7,373	8,713
As at 1 Jan. 2016	**15**	**50**	**1,290**	**8,703**	**10,058**
Non-current	25	0	1,525	36	1,586
Current	0	50	435	1,886	2,371
As at 31 Dec. 2016	**25**	**50**	**1,960**	**1,922**	**3,957**
Net carrying amounts					
As at 1 Jan. 2016	15	50	1,290	8,703	10,058
As at 31 Dec. 2016	25	50	1,960	1,922	3,957

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 50 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 (previous year: EUR 330 thousand) based on the initial value as a result of

the expansion of the board to three board members. 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.

Other provisions

The other provisions mainly comprise provisions for bonuses EUR 1,095 thousand (previous year: EUR 922 thousand), restructuring EUR 94 thousand (previous year: EUR 246 thousand) and provisions for returns amounting to EUR 613 thousand (previous year: EUR 527 thousand). The provisions from the previous year for possible obligations arising from the insolvency of Orga Systems Holding GmbH amounting to EUR 5,700 thousand were reversed in the current financial year in the amount of EUR 700 thousand, and the remaining EUR 5,000 thousand was reclassified to current financial liabilities.

17. Other non-current and current financial liabilities

The financial liabilities are composed of the following:

in EUR '000	31 Dec. 2016 Non-current	Current	Total	31 Dec. 2015 Non-current	Current	Total
Liabilities from gaming operations	0	14,594	**14,594**	0	6,293	**6,293**
Liabilities to banks	3,448	9,389	**12,837**	0	19,958	**19,958**
Other loan liabilities	0	12,579	**12,579**	6,000	6,588	**12,588**
Outstanding invoices	0	1,038	**1,038**	0	503	**503**
Obligations from hire-purchase contracts	257	206	**463**	424	629	**1,053**
Other financial liabilities	1,935	7,871	**9,806**	2,918	929	**3,847**
Total	**5,640**	**45,677**	**51,317**	**9,342**	**34,899**	**44,241**

The current liabilities to banks mainly comprise short-term loans amounting to EUR 9,389 thousand (previous year: EUR 15,789 thousand) and overdraft facilities with a total amount of EUR 0 thousand (previous year: EUR 4,169 thousand). The interest rate payable on liabilities to banks as at 31 December 2016 amounted to 1.65% for fixed interest and to between 3-month EURIBOR + 1.3% (previous year: 3-month EURIBOR + 1.3 to 1.8) and 1-month EURIBOR + 2.29 (previous year: 1-month EURIBOR + 2.65) for variable interest. The interest rate payable on the other loans as at 31 December 2016 amounted to between 3.10% and 10.0% for fixed interest (previous year: 3.1% and 10%) and to 3-month EURIBOR + 1.0 (previous year: 3-month EURIBOR + 1.0) for variable interest.

According to management's calculations, the financial covenants agreed were complied with at the 31 December 2016 reporting date and in the prior years.

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 2016 in ZEAL Network SE and Lotto24 AG (previous year: ZEAL Network SE, Lotto 24AG and MAX Automation AG)
- Pledge of the Langenscheidt brand name including the assignment of related licensing income

At the reporting date, the Group had unused credit facilities amounting to EUR 2,552 thousand (previous year: EUR 76,831 thousand); all the conditions necessary for utilising these facilities have been met. In the previous year, EUR 75,000 thousand of the total amount related to a credit facility arranged in the context of the mandatory offer for MAX

Automation AG and then terminated again on 12 January 2016 due to the low level of acceptances for the offer.

For 2017, contractual redemption payments for liabilities to banks and other loan liabilities must be made in the amount of EUR 13,789 thousand (previous year: EUR 18,540 thousand).

The other loan liabilities in the current and prior periods relate primarily to loans received by the Günther Group from a related entity, see section VI.I.2. In the prior period, they also included financings related to IT insourcing as a result of the acquisition of Lotto24 AG.

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. 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. At the reporting date, the resulting purchase price obligation amounted to EUR 3,214 thousand (previous year: EUR 2,918 thousand). Also in 2015, non-controlling interests in all4cloud GmbH & Co. KG amounting to EUR 200 thousand were added and increased by two capital increases in 2016. The settlement entitlement on termination amounted to EUR 708 thousand as at 31 December 2016. The fair value measurement was reported through profit or loss in the financial result.

18. 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).

19. Current tax liabilities

	31 Dec. 2016			31 Dec. 2015		
in EUR '000	Non-current	Current	**Total**	Non-current	Current	**Total**
Income tax liability	0	1	**1**	0	3	**3**
Corporation tax provision	0	21	**21**	0	47	**47**
Trade tax provision	0	204	**204**	0	315	**315**
Total	**0**	**226**	**226**	**0**	**364**	**364**

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

20. Other current non-financial liabilities

in EUR '000	**31 Dec. 2016**	**31 Dec. 2015**
Bonuses	1,116	2,868
VAT liabilities	861	677
Residual vacation not taken	358	308
Liabilities for wages and church taxes	220	303
Deferred income	123	97
Payments received on account of orders	72	41
Severance payments	36	0
Social security	3	4
Miscellaneous other liabilities	526	2,420
Total	**3,314**	**6,719**

All current liabilities have a remaining term of up to one year. The miscellaneous other liabilities consist mainly of liabilities to authors. In the prior year, they represented liabilities in connection with the mandatory offer for MAX Automation AG.

G. NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. Revenue

Revenue generated is broken down as follows:

By division:

in EUR '000	31 Dec. 2016	31 Dec. 2015
Ventures (previous year: Software/IT)	2,558	1,509
Lotteries	36,269	17,645
Languages	12,734	14,078
Real estate	180	180
Total	**51,741**	**33,412**

By geographical market:

in EUR '000	31 Dec. 2016	31 Dec. 2015
Germany, Europe	51,357	33,040
Russia, Asia	162	143
Americas	102	104
Other	120	126
Total	**51,741**	**33,412**

2. Other income

in EUR '000	2016	2015
Reversals of provisions	975	239
Reversals of valuation allowances	139	161
Income from sponsorship	96	32
Damages and reimbursements	63	427
Income from the disposal of non-current assets	4	0
Income from exchange differences	1	2
Compensation payments	0	324
Miscellaneous other operating income	365	291
Total	**1,642**	**1,477**

Miscellaneous other operating income for the current financial year consisted mainly of one-time income resulting from the tax audit of EUR 88 thousand, other non-cash remuneration of EUR 101 thousand and rental income amounting to EUR 16 thousand (previous year: EUR 16 thousand). In the previous year, the item also included income from cooperation arrangements in the amount of EUR 43 thousand.

3. Expenses for raw materials, consumables, supplies

in EUR '000	2016	2015
Expenses for raw materials, consumables, supplies	9,493	9,273
Cost of purchased services	2,368	2,120
Total	**11,861**	**11,393**

The cost of materials for the financial year mostly comprises expenses for raw materials, consumables and supplies for the Languages division amounting to EUR 3,697 thousand (previous year: EUR 3,822 thousand) and incoming goods for the Ventures division of EUR 774 thousand (previous year: EUR 680 thousand), for the Lotteries division in the amount of EUR 4,928 thousand (previous year: EUR 4,556 thousand) and for the Languages division of EUR 94 thousand (previous year: EUR 215 thousand). It also includes the cost of purchased services in the Ventures division amounting to EUR 148 thousand (previous year: EUR 39 thousand), for the Lotteries division in the amount of EUR 1,319 thousand (previous year: EUR 1,224 thousand) and for the Languages division of EUR 901 thousand (previous year: EUR 857 thousand).

4. Expenses for employee benefits

in EUR '000	2016	2015
Wages and salaries	15,824	12,259
Social security, post-employment, and other employee benefit costs	2,235	1,504
Total	**18,059**	**13,762**

Expenses for defined contribution benefit plans, in particular the state pension scheme, amounting to EUR 1,042 thousand (previous year: EUR 592 thousand) were recorded in the current financial year.

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

in EUR '000	2016	2015
Amortisation of intangible assets excluding goodwill	3,857	1,393
Depreciation of property, plant and equipment	825	388
Depreciation and amortisation	**4,682**	**1,781**
Write-downs of intangible assets and property, plant and equipment	0	0
Reversals of write-downs (expense for write-downs) recorded in profit or loss	**0**	**0**
Total	**4,682**	**1,781**

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 effects from the amortisation of intangible assets identified in the context of purchase price allocation amounting to EUR 2,672 thousand (previous year: EUR 668 thousand).

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

6. Other expenses

in EUR '000	2016	2015
Advertising and selling expenses	12,829	4,283
Other advisory costs	3,722	4,184
Other administrative expenses	2,902	1,540
Occupancy costs	1,494	1,214
IT expenses	1,090	1,093
Costs of legal advice	943	607
Valuation allowances on receivables	750	754
Other production costs	699	237
Other personnel expenses	503	358
Travel expenses	457	459
Office costs	248	240
Insurance expenses	247	136
Other taxes	5	6
Losses on disposals of assets	3	56
Expense from currency translation	0	7
Miscellaneous other expenses	290	719
Total	**26,183**	**15,894**

The increase in advertising and selling expenses and also in the other administrative expenses is mainly attributable to the full consolidation of Lotto24 AG. Higher advisory costs were also incurred as a result of the SE reorganisations in the current financial year and the mandatory offer to the shareholders of MAX Automation AG in the earlier period.

7. Financial result

in EUR '000	2016	2015
Other income from equity investments	**306**	**311**
Interest income from other creditors	0	2
Interest income from banks	6	11
Other interest and similar income	141	115
Finance income	**147**	**127**
Interest expense to other capital providers	0	-38
Interest expense to banks	-296	-502
Interest cost for pensions IAS 19	-69	-60
Write-downs on long-term financial assets	0	-12
Other interest and similar expenses	-1,057	-369
Finance costs	**-1,422**	**-982**
Financial result	**-969**	**-543**

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

290 thousand (previous year: EUR 92 thousand) and the adjustment of a purchase price liability in connection with former minorities of EUR 295 thousand.

8. Income taxes

in EUR '000	2016	2015
Current income taxes	7	-934
Deferred income taxes	2,818	2,960
Income Taxes	**2,825**	**2,027**

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 15.85% (previous year: 15.85%), produces an overall tax rate of 31.68% (previous year: 31.68%).

in EUR '000	2016	2015
Earnings before taxes	**-2,802**	**45,283**
Weighted average tax rate (in %)	31.68%	31.68%
Tax expense at the weighted average tax rate	**888**	**-14,346**
Reasons for higher/lower amounts:		
Use of tax loss carryforwards not recognised	743	0
Deferred taxes not recognised on temporary differences and loss carryforwards	73	779
Other expenses not deductible for tax purposes incl. withholding tax	-24	-29
Tax-free income	1,598	16,686
Additional payments and reimbursements of taxes from prior periods	-16	-9
Change in tax rates	-367	-367
Other effects	-70	-688
Reported income tax expense	**2,825**	**2,027**

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.

9. Profit/loss from discontinued operations

In the 2015 financial year, the Orga Group was deconsolidated and ABS was sold. Taken together, they represent the greater part of the software/IT division and were classified as a discontinued operation during the financial year. The prior-year figures in the income statement were restated for the purposes of comparability.

The profit/loss from discontinued operations, which included only the months from January to April in 2015, breaks down as follows:

in EUR '000	**1 Jan. 2015 - 30 Apr. 2015**
Revenue	13,187
Other income	805
Expenses for raw materials, consumables, supplies	-3,302
Expenses for employee benefits	-8,846
Depreciation and amortisation	-412
Other expenses	-3,136
Finance income	17
Finance costs	-158
Earnings before taxes	**-1,845**
Income Taxes	-291
Current loss from discontinued operations	**-2,136**
Disposal costs	0
Gain on disposal of the discontinued operation	3,578
Attributable income taxes	3
Profit/loss from discontinued operations	**1,445**

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 and discontinued operations for all three types of cash flows represents 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 -1,833 thousand (previous year: EUR 45,826 thousand). The cash flow from operating activities for the continuing operations of EUR -514 thousand (previous year: EUR 3,910 thousand) includes changes in working capital and other net assets as well as other non-cash transactions.

The cash flow from operating activities for the discontinued operations in 2016 amounted to EUR 0 thousand (previous year: EUR -1,371 thousand) and in the prior period mainly reflected the build-up of working capital during the year.

Cash inflows and outflows from investing activities
The net cash flow from investing activities for the continuing operations in 2016 amounted to EUR -1,441 thousand (previous year: EUR 43,161 thousand). The major outflows in 2016 resulted from purchases of property, plant and equipment and intangible assets, and from a capital increase of a related entity.

The inflows in 2015 mostly reflect the pro rata sale of shares in associates, the sale of ABS and the initial consolidation of Lotto24 AG; the outflows relate primarily to capital increases of associates.

The net cash flow from investing activities for the discontinued operations in 2016 amounted to EUR 0 thousand (previous year: EUR -38 thousand).

Cash inflows and outflows from financing activities
The continuing operations generated cash flows from financing activities in the 2016 financial year of EUR -8,011 thousand (previous year: negative cash flow amounting to EUR -15,515 thousand). The outflows in 2016 and 2015 were mostly attributable to repayments of debt.

The net cash flow from financing activities for the discontinued operations in 2016 amounted to EUR 0 thousand (previous year: EUR 2,598 thousand) and mainly represented the proceeds of new borrowings from banks.

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 -9,966 thousand (previous year: EUR 32,797 thousand). Of the total amount for 2016, EUR -9,966 thousand (previous year: EUR 31,556 thousand) related to the continuing operations and EUR 0 thousand (previous year: EUR 1,189 thousand) to the discontinued operations. The changes in value due to exchange rate movements were attributable in their entirety to the discontinued operations.

The Günther Group's liquid funds declined from EUR 43,877 thousand at the start of the financial year to EUR 33,911 thousand at the end of the financial year.

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 three and twenty 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. 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**

	31 Dec. 2015			
in EUR '000	Maturity up to 1 year	Maturity 2-5 years	Maturity over 5 years	**Total**
Real estate	1,278	894	45	2,217
Motor vehicles	111	177	0	289
Operating and office equipment	181	288	0	470
Other	10	0	0	10
Total	**1,581**	**1,360**	**45**	**2,986**

Expenses from operating leases amounting to EUR 1,578 thousand (previous year: EUR 1,049 thousand) were recorded in the financial year.

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 749 thousand (previous year: EUR 1,043 thousand), of which EUR 749 thousand (previous year: EUR 1,043 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 carriage and forwarding contracts and from marketing services agreements, amounted to EUR 5,792 thousand as at 31 December 2016 (previous year: EUR 3,815 thousand).

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 (previous year: Managing Directors of Günther GmbH and Günther Holding GmbH).

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 13,599 thousand (previous year: EUR 14,046 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 480 thousand (previous year: EUR 479 thousand) incurred in connection with transactions with other related parties. As at 31 December 2016, receivables from other related parties amounted to EUR 2,258 thousand (previous year: EUR 2,037 thousand) while liabilities were EUR 171 thousand (previous year: EUR 147 thousand). The trading and services transactions relate mainly to the lotteries division.

Loans to other related parties

As at 31 December 2016, loan receivables and associated interest due from other related parties amounted to EUR 13,661 thousand (previous year: EUR 13,243 thousand). Of the total amount, EUR 9,476 thousand was non-current as at 31 December 2016 (previous year: EUR 9,476 thousand). Interest income in this connection amounted to EUR 300 thousand in the current period (prior period: EUR 304 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 2016, the Group had recognised loan liabilities and associated interest due to other related parties amounting to EUR 9,596 thousand (previous year: EUR 9,636 thousand). The associated interest expense in the current financial year amounted to EUR 139 thousand (prior period: EUR 181 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 722 thousand (previous year: EUR 2,581 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.

The material risks affecting the outlook for the Group's future development are also presented in the following paragraphs:

1) Global economic developments and resulting general economic and industry risks

While the past year saw influential economic institutions such as the IMF successively cut their forecasts for global economic growth in 2016, the widespread expectation is that the growth rate will pick up slightly to 3.4% in 2017. Many industrialised nations will experience a slight economic upturn, while the outlook for the emerging economies remains mixed.

Overall growth in the eurozone is likely to remain subdued in 2017. In particular, the political risks in the major EU member states will fuel uncertainty in the first half of the year. By contrast, economic development will in all likelihood be bolstered by the notable upswing in the US economy and the ECB's continued expansionary monetary policy.

Overall, the economic forecasts are subject to a high degree of uncertainty due to the threat of escalating geopolitical risks, in particular in the Middle East, the rise of protectionist policies, and uncertainty over the political stability of the EU in light of Brexit and the refugee crisis.

2) Operating developments and risks (by division)

Lotteries division

The management of Günther Direct Services GmbH ("GDS") expects that the overall class lottery market will see subdued development in the current financial year. While stable demand is forecast in Germany, the regulatory conditions in foreign markets are considered challenging. For 2017, the management of GDS anticipates that revenue will decline while it continues to optimise costs.

Stable growth is expected overall in the Lotteries division in 2017. 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 market leadership. Assuming that the recurrence and amounts of jackpots remain at the statistical average, the executive board believes that an overall higher transaction volume and broadly stable expenses will result in earnings growth. The executive board sees opportunities for further business development in moves to optimise the product portfolio, the partial lifting of regulatory restrictions, and the continuing shift towards digital sales channels.

Languages division

In the Languages division, the management of Langenscheidt forecasts a decline in overall revenue in 2017. The publishing sector will be affected by this industry trend. The focus remains on Langenscheidt's strategic realignment. While the aim is to leverage customer-focused new product strategies to strengthen the competitive position of the business in existing sub-markets, Langenscheidt Digital GmbH & Co. KG ("LS Digital") was spun off to establish the digital business models in 2017. The development of LS Digital is based on establishing expertise in-house and via cooperation models with external partners. The investments in structural requirements associated with the digital transformation and the establishment of digital partnerships will weigh on the results of operations in 2017.

Ventures division

In the Ventures division, the management of all4cloud expects that revenue growth will remain high in 2017. There is sustained demand for ERP cloud solutions. The company will continue to invest heavily in 2017, with a focus on further add-ons developed in-house on the basis of SAP Business ByDesign. Despite this, management is aiming to achieve a balanced result in 2017.

Property management investment strategy

In property management, agreed fees are also expected to see stable development in 2017 due to growth in the relevant real estate markets.

The investment strategy for liquid assets will remain conservative in 2017, avoiding interest and exchange rate risk to the greatest possible extent. However, 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 closely observed, and risks will be identified, quantified and actively managed.

3) Financial risks

For the Group overall, management generally expects stable development in the 2017 financial year with moderate revenue growth and positive earnings development. This estimate is supported in particular by the high order backlog from 2016, a promising sales pipeline, and the long-term investments in expanding the customer base and product development made in the previous years.

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

Following the deconsolidation of the Orga Group, the operating business is not subject to any significant exchange rate risk, since income and expenditure is mainly agreed in euros.

Interest rate risks

The majority of the current liabilities and non-current loan liabilities bear variable rates of interest. The associated interest rate risk is classified as not material; a change in interest rates of 50 bp would result in a change in the net profit for the current period of around EUR 58 thousand (previous year: EUR 147 thousand).

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. 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.

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. 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 financial liabilities	25,438	25,438	23,503	1,935	0

31 Dec. 2015	Carrying amount	Contractual cash flows	Up to one year	1 - 5 years	More than 5 years
Liabilities to banks	19,958	20,161	20,161	0	0
Other loan liabilities	12,588	7,042	7,042	0	0
Obligations from hire-purchase contract	1,053	1,100	505	595	0
Trade payables	3,005	3,005	3,005	0	0
Other financial liabilities	10,643	10,643	7,643	3,000	0

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. 2016	31 Dec. 2015
Equity attributable to owners of the parent company	112,168	106,690
in % of total capital	68.61%	70.69%
Current financial liabilities	45,678	34,899
Non-current financial liabilities	5,640	9,342
in % of total capital	31.39%	29.31%
Total capital	163,486	150,931

	31 Dec. 2016	31 Dec. 2015
Equity attributable to owners of the parent company	112,168	106,690
Total equity and liabilities	204,357	206,553
Equity ratio	54.89%	51.65%

5. Financial instruments

The analysis of financial assets and liabilities according to the IAS 39 measurement categories for financial years 2016 and 2015 is as follows:

	Category per IFRS 7.8	Carrying amount 31 Dec. 2016	Recognised under IAS 39			Recognised under IAS 17	Fair value 31 Dec. 2016
Financial assets by class			**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

Financial assets by class	Category per IFRS 7.8	Carrying amount 31 Dec. 2015	Recognised under IAS 39 Amortised cost	Recognised under IAS 39 Fair value, directly in equity	Recognised under IAS 39 Fair value, through profit or loss	Recognised under IAS 17	Fair value 31 Dec. 2015
Equity investments [1]	AfS	26	26				26
Other financial assets	LaR						
- other securities	AfS	4,587		4,587			4,587
- other financial assets	LaR	17,700	17,700				17,700
Trade receivables	LaR	5,060	5,060				5,060
Cash and cash equivalents			0				0
- available-for-sale financial instruments	AfS	2,272		2,272			2,272
- other cash and cash equivalents	LaR	41,605	41,605				41,605

[1] Equity investments measured at cost.

Financial liabilities by class							
Liabilities to banks	FLAC	19,958	19,958				19,958
Trade payables	FLAC	3,005	3,005				3,005
Other financial liabilities							
- settlement entitlements	FLHfT	200			200		200
- other financial liabilities (within the scope of IAS 39)	FLAC	24,083	24,083				24,293

Summary by category							
Available-for-sale financial assets (AfS)		6,885	26	6,859			6,885
Loans and receivables (LaR)		64,365	64,365				64,365
Financial liabilities held for trading (FLHfT)		200			200		200
Financial liabilities measured at amortised cost (FLAC)		47,046	47,046				47,256

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:

Net gains or losses EUR '000	**2016**	**2015**
Available-for-sale financial assets (AfS)	68	2
Loans and receivables (LaR)	113	-317
Financial liabilities held for trading (FLHfT)	-290	-92
Financial liabilities measured at amortised cost (FLAC)	-1,062	-822
Total	**-1,172**	**-1,230**

The total interest income for financial assets not measured at fair value through profit or loss amounted to EUR 453 thousand (previous year: EUR 437 thousand) and the total interest expense for financial liabilities not measured at fair value through profit or loss amounted to EUR 1,062 thousand (previous year: EUR 890 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.
Fixed-interest loan liability	Level 2	Discounted cash flows based on observable market yield curves on the measurement date.
Measurement of Lotto24 AG	Level 3	DCF procedure based on the business plan of Lotto24 AG.

In the previous year, the Lotto24 AG share was classified as not liquid as at 30 September 2015 in view of the relatively low trading volume and the relatively high bid-ask spread. For the purposes of the purchase price allocation (PPA), therefore, the exchange price was not used as the fair value; instead, the shares in Lotto24 were measured using the DCF procedure in the context of the initial consolidation. The significant inputs were the WACC (post-tax) of 8.1% and 8.3%, respectively, and the growth rate for the cash flows in the perpetual annuity of 1.5%.

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	2016	2015
Salaried employees	208	204
Temporary staff	4	8
Trainees	1	1
Total	**213**	**213**

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	**2016**	**2015**
Financial statement audit services	115	130
Other assurance services	106	0
Tax advisory services	0	0
Other services	3	0
Total auditors' fees for the financial year	**224**	**130**

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 and stock exchange-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.

11. Events after the end of the reporting period

Gemeinsame Klassenlotterie der Länder ("GKL"), the public operator of class lotteries in the federal German states, as the principal of the lottery collectors related to the Günther Group, announced in a circular dated 14 March 2017 that, with immediate effect, existing or new customers resident outside Germany may no longer participate in games or be supplied with products of *Nordwestdeutsche Klassenlotterie* ("NKL") or *Süddeutsche Klassenlotterie* ("SKL") without express authorisation by GKL. The lottery collectors related to the Günther Group complied with these instructions by terminating relevant sales activities, since a corresponding authorisation from GKL has not been issued. The financial effects arising in this context for the Lotteries division are currently being analysed. This could have an impact on earnings as a result of a reduction in the services performed by subsidiaries of the Günther Group for the operating business of the lottery collectors.

There were no other material events after the reporting date.

Bamberg, 17 May 2017

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Niklas Friedrichsen
Managing Director of Günther SE, Bamberg

GROUP MANAGEMENT REPORT FOR THE 2016 FINANCIAL YEAR

1. General information about the Group

The Günther Group is a diversified corporate group comprising the Lotteries, Languages, and Ventures divisions. Its investments in the respective divisions are held as majority equity interests. The Group also invests in the Industrial Automation and Environmental Technology divisions through associates.

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. In order to support the management of the respective Group company in strategically enhancing value, the aim is to acquire majorities of voting rights under corporate law.

The key performance indicators used to measure value enhancement in the divisions are revenue growth and return on capital employed (ROCE).

2. Report on economic position

The general economic conditions remained challenging in 2016. Global economic growth slowed to 3%, dampened in particular by globally high levels of debt and subdued global trade. Growth in the industrialised economies proved particularly disappointing, despite the expansionary monetary policy pursued by key central banks.

Overall growth in the eurozone slowed to 1.7% in 2016. This was mainly due to a slowdown in exports and came despite lower prices for commodities, in particular oil. The continuing expansive monetary policy had a supportive effect.

Economic growth in Germany expanded to 1.9% and was underpinned by an upswing in consumer spending.

Growth in the United States recorded its weakest figure since 2011, at 1.6%. It was likewise dampened by exports but supported by consumer spending. Growth in China slowed to 6.7%, with a stabilising effect due to government spending.

a) Business development

The Group's overall business development was satisfactory in the 2016 financial year.

In the Lotteries division, the Group through its companies primarily focuses on nationwide brokerage of state-licensed lottery products to public operators.

The division continued to expand in the core strategic area of online brokerage in the reporting period. In an encouraging development, listed company Lotto24 AG ("Lotto24"), Hamburg, increased its market share in online distribution to 31% (previous year: 26%) and extended its market leadership, in particular with respect to the in-house distribution activities of the state lottery companies. According to data from the German Association of State Lottery Companies (*Deutscher Lotto- und Totoblock*) and the German Lottery Association (*Deutscher Lottoverband*), the online stakes generated from these in-house activities and from private brokers grew by 25% to approximately EUR 650 million in the reporting period (2015: EUR 520 million). Online distribution now accounts for 9% of the overall market (2015: 7%).

Lotto24 continued to grow rapidly in the reporting period, with revenue increasing by 68%. As expected, the costs associated with the disproportionately high number of new customers resulted in an operating loss, which nevertheless narrowed significantly as against the prior period. The product offering was also expanded to include "Keno", lotto clubs (*Spielgemeinschaften*) and the "Deutsche Fernsehlotterie".

Lotto24 remains subject to full 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 last annual general meeting.

Within the Lotteries division, Günther Direct Services GmbH ("GDS"), Bamberg, provides services for the operating business of various lottery collectors working on behalf of Gemeinsame Klassenlotterie der Länder ("GKL"), the public operator of class lotteries in the federal German states. The overall class lottery market recorded a slight year-on-year increase in revenue. By contrast, the lottery collectors supported by GDS saw a slight decline in market share, with revenue and earnings in the reporting period falling just short of the prior-year figures.

GBenefit GmbH, Munich, offers cross-sectoral consulting, development and operating services for direct sales and subscription-based business models. Business performance was stable.

Within the Lotteries division, the Günther Group also holds a 10% equity interest in listed associate ZEAL Network SE ("ZEAL"), London. 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. Furthermore, ZEAL announced that it has been granted lottery licenses in Norway and the Netherlands. ZEAL reported a significant year-on-year improvement in earnings in the reporting period despite a slight decline in gross revenue due to statistically higher winnings paid out. The company also announced that its ongoing dividends would be reduced in connection with possible VAT liabilities.

In the Languages division, the markets remain in a state of structural transition as a result of digitalisation. Sub-markets experienced a significant boost in the reporting period from the increased demand for language learning products and dictionaries to help integrate refugees in the German-speaking countries. These market developments were also reflected in the encouraging business performance at Langenscheidt GmbH & Co. KG ("Langenscheidt"), Munich, in the current financial year, with the company posting its first profit.

The Günther Group bundles its early stage investments in the Ventures division. all4Cloud GmbH & Co. KG, Viernheim, offers customers ERP process optimisation services based on SAP Business ByDesign. Two years after it was founded, the company continued to record significant revenue increases in all segments. Both order intake and capacity utilisation were highly satisfactory in the financial year. The loss recorded in the previous year was significantly reduced beyond the budgeted figure.

The Industrial Automation division comprises listed company MAX Automation AG ("MAX"), Düsseldorf, and primarily focuses on the strategic business segments of Mobility Automation, Life Science Automation, Process Technologies and New Automation Technologies. Business development in the division was muted overall in 2016, with the first half of the year in particular seeing declines in revenues and earnings. The division did however report its highest ever order backlog at the end of the reporting period.

In the Environmental Technology division, MAX subsidiary Vecoplan AG, Bad Marienberg, and its subsidiaries in Europe and the United States are one of the world's leading suppliers of system solutions and components for processing wood and residual materials in production and resource recycling, both for reuse and as a substitute fuel for energy recovery. Vecoplan AG also offers its customers solutions and services aimed at reducing emissions. Revenue and earnings declined in the reporting period due to subdued demand in the recycling and waste segments, most notably in the United States and as a result of the continuing low oil prices.

Income from property management also remained stable in 2016. The occupancy and income situation of the managed properties saw a slight improvement due to growth in the real estate markets at all locations.

b) Group position

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 2015	206,553
Total assets as at 31 December 2016	204,357

There were no material corporate transactions in 2016. Despite significantly higher gross revenue, total assets remained slightly below the prior-year figure due to sustained working capital management.

b.2. Financial position

The financial position is completely satisfactory. 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. Nevertheless, the Group's net cash flows from operating activities amounted to EUR -0.5 million (previous year: EUR 2.5 million).

A considerable number of liabilities to banks were repaid for the purposes of optimising the financial result. This reduced utilised credit facilities to EUR 12.8 million at the end of 2016 (2015: EUR 20.0 million). The Group had unused credit facilities amounting to EUR 2,552 thousand as at the reporting date. Furthermore, strategic equity investments contributed to a decline in cash and cash equivalents. Stable dividends paid by the associates had an offsetting effect. The Group had a total of EUR 33.9 million in cash and cash equivalents available as at 31 December 2016 (2015: EUR 43.9 million).

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

	in percent
Equity ratio as at 31 December 2015	67
Equity ratio as at 31 December 2016	68

The high equity ratio remained level year on year despite a number of equity investments that were still in the growth phase and the costs associated with this.

b.3. Results of operations

The Günther Group reported the following results in financial year 2016:

	1 Jan. – 31 Dec. 2016	1 Jan. – 31 Dec. 2015
	EUR '000	EUR '000
Gross revenue for the period	53,677	34,686
Gross result	41,816	23,293
Operating result (EBIT) before depreciation and amortisation	2,850	47,608
Operating result/EBIT	839	46,494
Financial result	-969	-543
EBT	-2,802	45,283
Income taxes	2,825	2,027
Profit/loss from discontinued operations	0	1,445
Consolidated profit/loss	23	48,755

The significant increase in consolidated gross revenue in the reporting period is encouraging. The operating result is satisfactory. The result for the previous year was impacted by gains on corporate transactions and earnings effects stemming from the first-time consolidation of Lotto24 AG.

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.

The Group is particularly exposed to exchange rate, price, and interest rate risk in the course of its business activities. The management of Günther SE, Bamberg, counters these 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.4. of the notes for risk management with respect to the use of financial instruments.

Current economic developments also impact the Group's business performance. 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

While the past year saw influential economic institutions such as the IMF successively cut their forecasts for global economic growth in 2016, the widespread expectation is that the growth rates will pick up slightly to 3.4% in 2017. Many industrialised nations will experience a slight economic upturn, while the outlook for the emerging economies remains mixed.

The global inflation rate is expected to gain pace on the back of higher commodity prices.

Overall growth in the eurozone is likely to remain subdued in 2017. In particular, the political risks in the major EU member states will fuel uncertainty in the first half of the year. By contrast, economic development will in all likelihood be bolstered by the notable upswing in the US economy and the ECB's continued expansionary monetary policy.

The Bundesbank continues to see a solid upturn in the German economy. This will now also be underpinned by domestic demand, while foreign demand has tapered off recently due to the subdued global economic growth. The Bundesbank forecasts growth of 1.8% in 2017.

Economic growth in the United States is expected to rise to 2.6% in 2017, buoyed by consumer spending, the Fed's monetary policy, and the economic policies announced by the incoming administration.

China continues to face economic challenges and the economy is undergoing the necessary structural change. However, the IMF expects that the various steps taken by the government will result in slightly higher growth for 2017 than most recently forecast.

Overall, the economic forecasts are subject to a high degree of uncertainty due to the threat of escalating geopolitical risks, in particular in the Middle East, the rise of protectionist policies, and uncertainty over the political stability of the EU in light of Brexit and the refugee crisis.

For the Group overall, management generally expects stable development in the 2017 financial year with moderate revenue growth and positive earnings development. This estimate is supported in particular by the high order backlog from 2016, a promising sales pipeline, and the long-term investments in expanding the customer base and product development made in the previous years.

In the Industrial Automation division, the executive board of MAX forecasts a year-on-year increase in revenue and earnings for 2017. As part of its Strategy 2021 initiative, management intends to achieve above-average growth in the Process Technologies, Life Science Automation, Mobility Automation, and New Automation Technologies business segments.

Stable growth is expected overall in the Lotteries division in 2017. 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 market leadership. Assuming that the recurrence and amounts of jackpots remain at the statistical average, the executive board believes that an overall higher transaction volume and broadly stable expenses will result in earnings growth. The executive board sees opportunities for further business development in moves to optimise the product portfolio, the partial lifting of regulatory restrictions, and the continuing shift towards digital sales channels.

The management of GDS expects that the overall class lottery market will see subdued development in the current financial year. While stable demand is forecast in Germany, the regulatory conditions in foreign markets are considered challenging. For further details, please see the notes. For 2017, the management of GDS expects a downward revenue trend and is planning ongoing cost optimisation.

The executive board of ZEAL forecasts revenue and earnings growth at the prior-year level, barring jackpot payouts that are unusually high or frequent from a statistical viewpoint. Growth in ZEAL's target markets remains mixed. 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. Expanding these activities is a strategic focus. Activities in the secondary lottery markets remain challenging. The company's risk report refers to regulatory and tax risks. The dividend of EUR 1.00 per share for 2017 is expected to be paid out in 2018.

In the Languages division, the management of Langenscheidt forecasts a decline in overall revenue in 2017. The publishing sector will be affected by this industry trend. The focus remains on Langenscheidt's strategic realignment. While the aim is to leverage customer-focused new product strategies to strengthen the competitive position in existing sub-markets, Langenscheidt Digital GmbH & Co. KG ("LS Digital") was spun off to establish the digital business models in 2017. The development of LS Digital is based on acquiring expertise in-house and via cooperation models with external partners. For example, an equity interest in online and music-based vocabulary training provider Vofy GmbH, Mehlingen, was acquired in the reporting period. The investments in structural requirements associated with the digital transformation and the establishment of digital partnerships will weigh on the results of operations in 2017.

In the Ventures division, the management of all4cloud expects that revenue growth will remain high in 2017. There is sustained demand for ERP cloud solutions. The company will continue to invest heavily in 2017, with a focus on further add-ons developed in-house on the basis of SAP Business ByDesign. Despite this, management is aiming to achieve a balanced result in 2017.

In the Environmental Technology division, the managing board of Vecoplan AG anticipates a slight recovery in the commodity markets and consequently stable revenue growth. The managing board assumes that the structural changes implemented in 2016 will result in improved earnings growth in 2017.

In property management, agreed fees are also expected to see stable development in 2017 due to growth in the relevant real estate markets.

The investment strategy for liquid assets will remain conservative in 2017, avoiding interest and exchange rate risk to the greatest possible extent. However, 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 2017

AUDIT OPINION

We have audited the consolidated financial statements prepared by Günther SE (former Günther GmbH), Bamberg - comprising the balance sheet, the statement of comprehensive income, statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements - as well as the group management report for the business year from 1 January 2016 to 31 December 2016. 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 315a (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 expected 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 315a (1) HGB and give a true and fair picture of the Group's net assets, financial 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, 17 May 2017

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

Dr. Niemann — Auditor

Dunkel — 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.