# ANNUAL REPORT 2017

eventim

# KEY GROUP FIGURES

| | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] |
| Revenue | 1,033,980 | 829,906 | 834,227 | 690,300 |
| EBITDA | 201,626 | 193,589 | 180,502 | 155,135 |
| EBITDA margin | 19.5% | 23.3% | 21.6% | 22.5% |
| EBIT | 165,730 | 161,973 [1] | 150,204 | 126,909 |
| EBIT margin | 16.0% | 19.5% [1] | 18.0% | 18.4% |
| | | | | |
| Normalised EBITDA | 204,741 | 194,451 | 180,996 | 156,390 |
| Normalised EBIT before amortisation from purchase price allocation | 181,542 | 174,060 [1] | 161,741 | 139,104 |
| *Normalised EBITDA margin* | *19.8%* | *23.4%* | *21.7%* | *22.7%* |
| *Normalised EBIT margin before amortisation from purchase price allocation* | *17.6%* | *21.0%* [1] | *19.4%* | *20.2%* |
| Non-recurring items [2] | 3,115 | 861 | 494 | 1,255 |
| Amortisation resulting from purchase price allocation | 12,698 | 11,226 [1] | 11,043 | 10,940 |
| | | | | |
| Earnings before tax (EBT) | 170,792 | 155,475 [1] | 145,357 | 122,118 |
| Consolidated net income | 112,808 | 94,560 [1] | 89,029 | 77,171 |
| Cash flow | 144,270 | 137,452 [1] | 127,595 | 114,937 |
| | [EUR] | [EUR] | [EUR] | [EUR] |
| Earnings per share [3], undiluted (= diluted) | 1.18 | 0.99 | 0.93 | 0.80 |
| | [Qty.] | [Qty.] | [Qty.] | [Qty.] |
| Number of employees [4] | 3,020 | 2,384 | 2,215 | 2,117 |
| Of which temporary | (580) | (427) | (426) | (373) |

[1] Adjusted prior-year figures due to the final purchase price allocation of the Venuepoint Group

[2] Cf. page 31 for non-recurring items for the years 2017 and 2016

[3] Number of shares: 96 million

[4] Number of employees at end of year (active workforce)

# CONTENT

# 1. LETTER TO THE SHAREHOLDERS

Klaus-Peter Schulenberg
Chief Executive Officer

Ladies and Gentlemen,

In 2017, CTS EVENTIM achieved an historical milestone. For the first time, we generated revenue in excess of the one billion Euro mark.

The reason we have advanced to this new dimension is that we have maintained and implemented our growth strategy over the years. By expanding our digital and international operations, we have once again created value: for over 250 million ticket buyers in Europe and South America, for innumerable artists and promoters all over the world, and last but not least, for you, our esteemed shareholders.

Our sales record is accompanied by various positive trends:

- Both segments, Ticketing and Live Entertainment, have contributed to this growth.
- We have also delivered our best-ever earnings.
- Thanks to our growing online businesses, we have increased our ticketing margin yet again.
- In the Live Entertainment segment, we have broadened our revenue base still further with new festival formats and acquisitions.

In view of the above, we are very satisfied with our business performance. Let me shine a light on our most important figures.

Group revenue grew year-on-year by almost a quarter to EUR 1.034 billion. Normalised EBITDA increased 5.3% to EUR 204.7 million, with Ticketing accounting for a major proportion – revenue in that segment rose by 5.9% to EUR 418.4 million, while normalised EBITDA climbed 6.8% to EUR 178.6 million. This means we improved our normalised EBITDA margin in that segment yet again – to no less than 42.7%.

This was mainly attributable to the expansion of our online operations: in 2017, CTS EVENTIM sold almost 50 million tickets via the Internet, a growth rate of approximately 12.0%. This encouraging performance stems not only from our core markets, but also from our new activities in South America and Scandinavia.

The digitalisation and internationalisation of our ticketing activities are in full swing. This can be read not only from our figures, but also from the fact that our online platform has the capacity to sell hundreds of thousands of tickets within just a few minutes, for example for the Rolling Stones or Ed Sheeran. Or from the fact that we were also involved in the flawless success of a major transboundary sporting event, as exclusive ticketing provider for the Ice Hockey world championship in Paris and Cologne.

We will continue to invest in the efficiency, usability and security of our ticketing systems, while at the same time exploiting the knowledge gained from analysing big data.

We also play a major role in shaping other trends within our industry, such as the secondary ticketing market. In our view, this is an important instrument in order to give our customers a legal option if they want to resell their tickets to other potential buyers. In early 2018, our fanSALE portal became the very first German provider to obtain Google AdWords certification for display advertising. The reason why we fulfilled the criteria so quickly was because transparent communication has always been essential for us. On this basis, we want to establish fanSALE not just as one of the leading, but also as the fairest ticketing platform for the secondary market.

Our Live Entertainment segment also looks back on a successful year. Thanks to the strong growth of FKP SCORPIO, in which we acquired a majority stake, and thanks also to further acquisitions and to a greater number of tours attracting large audiences, revenue in that segment increased by no less than 42.7% to EUR 626.7 million. EBITDA retreated a little from EUR 27.2 million to EUR 25.5 million, but this was mainly due to start-up losses of around EUR 10 million. The latter were incurred in establishing new festival brands, relaunching existing formats and in the form of advance costs for future events.

The tremendous creativity that these investments involve could be seen live in August at the début of our 'New Horizons' festival on the Nürburgring. Straight out of the gate, our new format attracted 55,000 visitors. This shows how strong the fascination is for high-calibre live events, also and especially in this digital age – and on top of that among a target group consisting of young people who are prepared to spend money to enjoy themselves.

This explains why we also invested in our content pipeline in 2017, acquiring Vertigo and Friends & Partners, two of Italy's most renowned promoters. This means we will be able to bring not only international big names such as David Gilmour, Metallica and Iron Maiden to venues between Milan and Palermo, but also Italian stars such as Gianna Nannini, Laura Pausini and Zucchero. By acquiring D'Alessandro e Galli, another promoter, in February 2018, we have meanwhile advanced to become Italy's leading live entertainment company.

The performance of our venues for live events was also very encouraging over the past financial year. In Germany, record visitor numbers were notched up by the LANXESS arena and also by the Waldbühne in Berlin. The Eventim Apollo in London can likewise look back on an excellent year, thanks to gigs by the likes of James Blunt, Van Morrison, Sting and Steve Winwood. We are also looking forward enormously to similar success stories in Denmark. At the end of this year, the newly refurbished K.B. Hallen in Copenhagen will be re-opening to the public. So venues, too, are another area of growth at CTS EVENTIM.

Sadly, our industry has also discovered in recent months that live events, which stand for diversity, enjoyment and freedom like no other, have become a target for those with none of our appreciation for diversity, enjoyment and freedom. The cowardly attacks in Manchester and Las Vegas have shaken our industry to the core. Our deepest sympathies go out to the victims and their loved ones.

We have to learn how to deal with such situations. It fills me with hope to see that the vast majority of people refuse to be intimidated. I remember with some pride how professionally and promptly we evacuated more than 80,000 people from the 'Rock am Ring' festival area in early June, and above all that many fans were unified in such an extreme situation in sending out a loud signal against terrorism.

We were also delighted in 2017 when, with our support, the new endowed Chair at the German Cancer Research Centre (DKFZ) in Heidelberg commenced its work. CTS EVENTIM is providing one million Euro for innovative basic research, the findings of which will hopefully benefit many cancer patients.

This year, in our first nonfinancial Report, we will be informing you in detail about these and other aspects of our social responsibility. The Report will be published alongside our Annual Report, in which, as usual, you will find all the details concerning our business performance.

We derive confidence from the fact that the latter is obviously acknowledged by large sections of the equity market. At the end of January 2018, shortly after the reporting period ended, CTS EVENTIM was worth more than four billion Euro on the stock market, for the first time ever.

Our strong performance is also reflected in our proposed dividend. Just as we develop our company strategically and with continuity, so, too, are we synonymous for reliability with our distribution rate equal to 50% of Group earnings.

The fact that we can present satisfying results once again this year is owed first and foremost to the dedication and commitment of our more than 3,000 colleagues. I extend my thanks to them for the successful year that 2017 proved to be, and wish you, dear Readers, an informative and stimulating read in the form of our Annual Report.

With best regards,

Klaus-Peter Schulenberg
Chief Executive Officer

EVENTIM Management AG,
general partner of
CTS EVENTIM AG & Co. KGaA

Dr. Bernd Kundrun
Chairman

# 2. REPORT BY THE SUPERVISORY BOARD

**REPORT BY THE SUPERVISORY BOARD OF CTS EVENTIM AG & CO. KGaA (HEREINAFTER: CTS KGaA) ON THE ANNUAL FINANCIAL STATEMENTS, THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT FOR THE COMPANY AND THE GROUP AS A WHOLE FOR THE FINANCIAL YEAR FROM 1 JANUARY 2017 TO 31 DECEMBER 2017.**

I. During the period under review, the members of the Supervisory Board included Dr. Bernd Kundrun (Hamburg) and Prof. Jobst W. Plog (Hamburg) as well as Dr. Juliane Thümmel (St. Gilles). Justinus J.B.M. Spee was elected as a new member of the Supervisory Board at the Annual Shareholders' Meeting of CTS KGaA on 9 May 2017. After intensive discussion on the further development of its own competence profile, the Supervisory Board proposed the addition of an additional member to the Supervisory Board and very much welcomed the fact that the Annual General Meeting accepted this proposal and elected a proven expert in the person of Mr. Spee, who now brings valuable experience in the work of the Supervisory Board.

Dr. Bernd Kundrun acted as chairman of the Supervisory Board and Prof. Jobst W. Plog acted as Deputy Chairman. No committees were formed.

II. During the reporting year, the Supervisory Board fulfilled its responsibilities as required by law and the articles of association. It was regularly informed by the Management Board of the general partner of CTS KGaA, EVENTIM Management AG, Hamburg, Germany (hereinafter: corporate management), promptly and extensively, both in writing and verbally, about all issues relevant for corporate planning and strategic development, about the progress of business activities and about the situation of the Group, including risks and risk management. The Supervisory Board regularly provided corporate management with advice concerning the management of the company and monitored how the company and the Group were managed. It ensured that management of the company was lawfully conducted and was involved in all decisions of fundamental importance for the company. After thorough examination and consultation, the Supervisory Board submitted its opinion on corporate management's reports and resolutions to the extent required by law and by the provisions of the articles of association. Decisions were also made using the written procedure, whenever so required.

The Supervisory Board was kept informed by corporate management not only at Supervisory Board meetings, but also outside of such meetings, such as in the case of transactions of special importance or urgency. In the reporting year, the Supervisory Board met on 17 March 2017 ('financial statements meeting'), 8 May 2017, 9 May 2017 (constitutive meeting after new election), 24 August 2017 and on 9 November 2017. Corporate management also took part in these meetings and had an opportunity to comment on transactions of importance for the company. In addition, the Supervisory Board met on 23 February 2017 for a full-day strategy meeting with the corporate management.

On the basis of the submitted reports and other information, the Supervisory Board examined the general business development of the company and its subsidiaries and placed a special focus on the achievement of the budgeted key performance indicators for revenue and earnings as well as the development of cash flow and the main projects of the company and the Group.

III. At the company's Annual Shareholders' Meeting held in Bremen, Germany, on 9 May 2017, KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, Germany, was chosen to audit the annual financial statements as at 31 December 2017 and the consolidated financial statements as at 31 December 2017. The audit mandate was duly granted by the Chairman of the Supervisory Board Chairman on behalf of all Supervisory Board members.

The 2017 annual financial statements, the 2017 consolidated financial statements, the combined management report and the respective audit reports were submitted by the general partner to the Supervisory Board in a timely manner and were examined by the Supervisory Board.

At the Supervisory Board meeting on 16 March 2018, corporate management and the Supervisory board discussed in detail the annual financial statements and the consolidated financial statements for 2017 as well as the combined management report and the general partner's proposal for appropriation of profits. The Supervisory Board was able to confer with the auditor, who also attended the meeting.

The annual financial statements were prepared by the general partner in compliance with the statutory regulations and were issued with unqualified audit opinions by the auditor.

According to the conclusive findings of its examination, the Supervisory Board raises no objections to the annual financial statements prepared by corporate management and recommends that the Annual Shareholders' Meeting approve the annual financial statements. The Supervisory Board also approves the consolidated financial statements prepared by the general partner for the 2017 financial year, to which no objections are raised. The Supervisory Board has reviewed and approved the general partner's proposal for appropriation of the balance sheet profit as it feels it appropriately takes into account the interests of the company and its shareholders.

IV. The general partner has prepared a report on the relationships with affiliated companies (dependency report) for the financial year from 1 January to 31 December 2017 in accordance with § 312 German Stock Corporation Act (AktG). The report states that, judging from the circumstances known at the time legal transactions requiring disclosure were conducted, the company received adequate consideration in each case and that measures requiring disclosure were neither effected nor waived at the behest or in the interest of affiliated companies within the meaning of § 312 AktG in the 2017 financial year.

The auditing firm provided the following unqualified audit opinion regarding the findings obtained during its audit of the report on dependencies. The Supervisory Board has likewise examined the dependencies report and concurs with the audit findings. According to the conclusive findings of the Supervisory Board's examinations, no objections are raised against the final declaration by the general partner contained in said report.

V. For the first time, a German law intended to strengthen non-financial reporting in companies (CSR Directive Implementation Act – CSR-Richtlinie-Umsetzungsgesetz) requires the CTS Group to report separately on non-financial aspects of its activities for the 2017 financial year. In line with its legal options, the company decided to prepare a separate combined non-financial report for the group as required by §§ 315b, 315c in conjunction with 289b-289e HBG in addition to the combined management report. The combined non-financial report is permanently available on the company's website.

In January 2018, the Supervisory Board commissioned the auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, to carry out a limited assurance engagement on the non-financial report for the group. KPMG AG Wirtschaftsprüfungsgesellschaft issued an unqualified opinion on the basis of this engagement. This means that, on the basis of the assurance engagement procedures performed and the evidence obtained, the auditor did not become aware of any matters that would lead to the view that the non-financial statements for the group for the period 1 January to 31 December 2017 had not been prepared, in all material respects, in accordance with §§ 315b, 315c in conjunction with 289b-289e HBG.

The non-financial report for the group and the audit opinion of KPMG AG Wirtschaftsprüfungsgesellschaft were submitted to the members of the Supervisory Board in a timely manner. The Supervisory Board intensively discussed, reviewed and approved the non-financial report for the group at its meeting on 16 March 2018. Indications for objection to the non-financial report for the group or the opinion on the results of the limited assurance engagement performed by KPMG AG Wirtschaftsprüfungsgesellschaft have not become apparent.

VI. Conflicts of interest, as defined by the German Corporate Governance Code, did not arise in connection with the members of the Supervisory Board in the reporting year. On 20 December 2017, the Supervisory Board and the general partner issued their most recently updated joint declaration of compliance with the German Corporate Governance Code, in accordance with § 161 AktG. This declaration was published on the company website at www.eventim.de.

The Supervisory Board would like to thank the corporate management and all of the company's employees for their work in the 2017 financial year.

16 March 2018

Dr. Bernd Kundrun
Chairman

Prof. Jobst W. Plog
Vice-Chairman

Dr. Juliane Thümmel

Justinus J.B.M. Spee

# 3. CTS EVENTIM SHARES

As in the previous year, the capital market environment seemed to be affected by ongoing speculations about the future of a united Europe in the 2017 financial year. Alongside elections in France, the Netherlands and Germany, the ongoing Brexit negotiations and the resurgence of Catalan aspirations towards independence were the focus of the capital markets.

Moreover, latent speculations about the extent and timing of potential key interest increases in the United States and Europe created temporary volatility in the capital markets. For the time being, growth rates and expectations underpinned by positive economic growth and low unemployment rates in the US and Europe are providing central banks with the flexibility they require to be able to turn away from their expansionary monetary policy while protecting the markets.

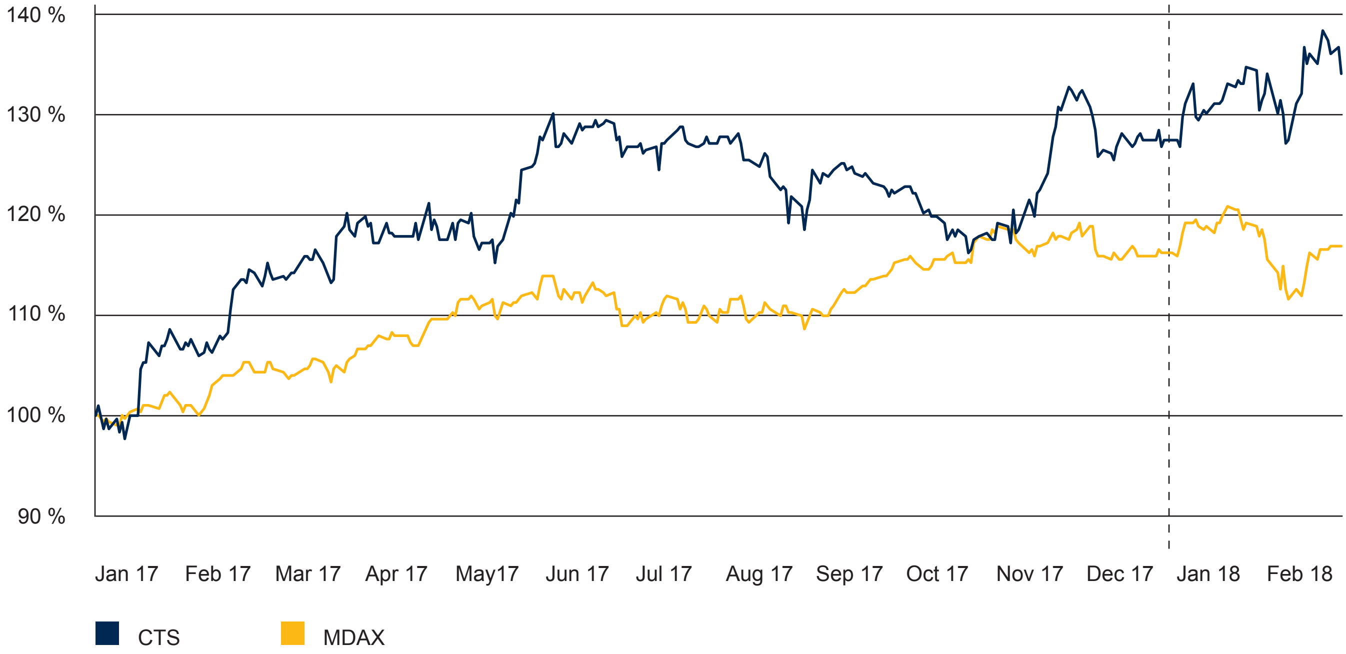
In this environment, the stock of CTS KGAaA was once again able to buck the market trend and, as in the past, deliver a disproportionately high price development compared with the lead DAX and MDAX indices. With performance of 32.8%, in contrast to 12.8% (DAX) and 18.3% (MDAX), CTS KGaA once again underlined its character as a growth stock in 2017. This equates to increases of 20% and 14.5% above the DAX and MDAX respectively.

Alongside the positive CTS KGaA share performance, something entirely new took place as part of the 13th dividend payment: in addition to a payment of 50% of net profit 2016 in line with the long-standing dividend policy, CTS KGaA distributed a special dividend, which meant that the total payment was EUR 0.98 per share. This results in a total of EUR 343 million that CTS KGaA has paid to its shareholders since 2006 as part of its dividend policy.

In the 2017 financial year, CTS KGaA shares received a lot of attention from different capital market analysts. Analysts from Berenberg, Commerzbank, DZ Bank, Equinet, Kepler Cheuvreux and from ODDO BHF all unreservedly rated CTS KGaA stock a Buy. Bankhaus Lampe, M.M. Warburg and NordLB recommend that their customers hold CTS KGaA shares in their securities accounts.

As it has done for many years, CTS KGaA was also represented at a number of domestic and international capital market conferences, at investor roadshows and during individual meetings in 2017. In the 2018 financial year, CTS KGaA will continue to strengthen its excellent relationships with nationally and globally operating capital market players in order to continuously increase awareness of CTS Eventim shares. Objective, transparent communications with existing and potential investors around the world remain the unchanged goal of the CTS Eventim Investor Relations strategy.

## THE CTS SHARE PRICE (1 JANUARY 2017 TO 27 FEBRUARY 2018 – INDEXED)




| | |
|---|---|
| Type of shares | No-par value ordinary bearer shares |
| Securities code | 5 4 7 0 3 0 |
| ISIN number | DE 000 547 030 6 |
| Symbol | EVD |
| First listed | 01.02.2000 |
| Stock exchange segment | Prime Standard |
| Indices | MDAX; Prime All Share |
| Sectoral index | Prime Media |

| | 2017<br>EUR | 2016<br>EUR |
|---|---|---|
| Earnings per share | 1.18 | 0.99 |
| High (Xetra) | 40.95 | 36.03 |
| Low (Xetra) | 29.53 | 26.25 |
| Year-end-price (Xetra) | 38.83 | 29.95 |
| Market capitalisation (based on year-end-price) | 3,727,680,000 | 2,875,200,000 |
| Shares outstanding on 31.12. | 96,000,000 | 96,000,000 |
| Share capital after IPO | 12,000,000 | 12,000,000 |

# 4. CORPORATE GOVERNANCE REPORT OF CTS EVENTIM AG & CO. KGaA

CTS Eventim AG & Co. KGaA complied with nationally and internationally accepted standards of good and responsible enterprise management. For us, Corporate Governance is a fundamental standard applying to all areas of the company. External directorships held by corporate management and Supervisory Board members are shown under section 6.12 in the notes to the consolidated financial statements. Related party disclosures are made under section 6.10 in the notes to the consolidated financial statements. The corporate management provides the following report on corporate governance within the company – simultaneously on behalf of the Supervisory Board – in accordance with item 3.10 of the German Corporate Governance Code (GCGC):

## 4.1 CORPORATE GOVERNANCE DECLARATION PURSUANT TO § 161 AKTG

Pursuant to Section 161 of the Stock Corporation Act (Aktiengesetz - AktG), and in analogous application of the stipulations of the German Corporate Governance Code, the management and the Supervisory Board of CTS Eventim AG & Co. KGaA have on 20 Dezember 2017 made the following declaration of compliance:

'Since submitting the last declaration of compliance, CTS Eventim AG & Co. KGaA has complied, and complies currently and going forward, with the recommendations of the Government Commission on the German Corporate Governance Code (GCGC) in the version published on 24. April 2017 in the electronic Bundesanzeiger with the exception of the following recommendations:

In compliance with the regulations governing the Prime Standard segment of the Frankfurt Stock Exchange, interim reports are published within 60 days after the end of each reporting period, since this makes it easier to ensure that reliable figures may also be obtained from the various unlisted group companies in Germany and abroad (GCGC 7.1.2).

No Supervisory Board committees are formed because the Board consists of only four members. Given this situation, the company does not believe the formation of committees to be conducive to increasing the efficiency of the Supervisory Board's work (GCGC 5.3.1, 5.3.2 and 5.3.3). For the same reason, the Supervisory Board continues to refrain from specifying and publishing concrete objectives for its composition or profiles on skills and expertise (GCGC 5.4.1). A regular limit of length of membership for the members of the Supervisory Board (GCGC 5.4.1) has not been specified, since the company believes personnel continuity has proved its worth and regular replacement would negatively impact efficiency.

No age limit has been specified by the Supervisory Board as yet for members of the Management Board because the company sees no cause for limiting the options available to the Supervisory Board – and hence to shareholders – when appointing members of the Management Board (GCGC 5.1.2).

The D&O policies for the members of the Supervisory Board do not contain own-risk deductions, since such risk contributions appear to be neither required, nor appropriate, nor reason-able in view of the moderate amount of compensation paid (GCGC 3.8).

Although the agenda of the Annual Shareholders' Meeting and required Management Board reports (if any) may be published on the Internet in addition to the Annual Report, other documents pertaining to agenda items, such as contracts or annual financial statements, are not published in order to protect the company's confidential information. These documents are made available to company shareholders only, in accordance with statutory requirements (GCGC 2.3.1).'

In addition, CTS Eventim AG & Co. KGaA already adheres in large measure to the additional GCGC suggestions regarding good corporate governance.'

## 4.2 CHANGES IN COMPANY SHARES OR FINANCIAL DERIVATIVES RELATING TO SUCH SHARES ON THE PART OF CORPORATE MANAGEMENT AND SUPERVISORY BOARD MEMBERS

During the reporting period, the following transactions were carried out by members of the the corporate management and Supervisory Board of the CTS KGaA with no-par value bearer shares of the company.

| Name | Position | Transaction | Date | Number of shares |
|---|---|---|---|---|
| Prof. Jobst W. Plog | Member of Supervisory Board | Purchase | 19.01.17 | 400 |
| Klaus-Peter Schulenberg | Member of corporate management | Sale | 25.04.17 | 6.720.000 |

## 4.3 WORKING METHODS OF THE CORPORATE MANAGEMENT AND SUPERVISORY BOARD

The corporate management and the Supervisory Board work closely together for the benefit of the company and are in regular contact. At CTS KGaA the Supervisory Board holds four ordinary meetings a year, at regular intervals. The corporate management keeps the Supervisory Board informed in good time of all relevant business developments, plans, potential risks and risk management. The activities of the corporate management and the Supervisory Board are specified in the standing orders. The standing orders of the corporate management provide guidance on the departmental responsibilities of its individual members and on the adoption of resolutions. The Chief Executive Officer exchanges information regularly with the Chairman of the Supervisory Board.

The corporate management normally meets on a weekly basis. As a rule, its resolutions are adopted by simple majority. The allocation of responsibilities to the members of the Management Boards of the general partner involves three main positions: Chief Executive Officer (CEO), Chief Finance Officer (CFO) and Chief Operating Officer (COO).

# 5. COMBINED MANAGEMENT REPORT

## 1. PRELIMINARY STATEMENTS

In addition to the annual financial statements for CTS EVENTIM AG & Co. KGaA, Munich (hereinafter: CTS KGaA) in accordance with the accounting legislation in the German Commercial Code (Handelsgesetzbuch – HGB), the corporate management has also prepared consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), complying thereby with all IFRSs and with interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as applicable in the European Union (EU) on the balance sheet date. The annual financial statements of CTS KGaA for the 2017 financial year were drawn up in accordance with the accounting regulations of the German Commercial Code (Handelsgesetzbuch) for large corporations and the supplementary provisions of the German Stock Corporation Act (Aktiengesetz).

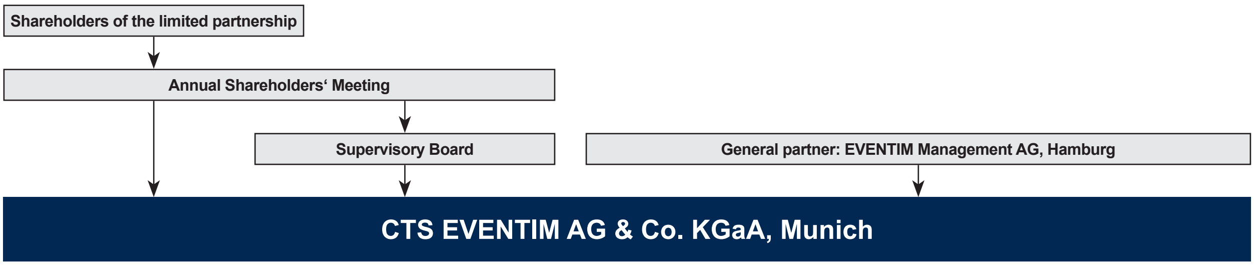
The management report of CTS KGaA and the Group management report have been combined. Unless stated otherwise, the information contained in this combined management report relates to the financial situation and business development of the Group and CTS KGaA. In addition, information on the financial situation and business development of CTS KGaA as a standalone company is provided in separate sections of this report or is indicated as such by a reference to 'CTS KGaA'.

The accounting policies and consolidation methods are the same as those applied in the consolidated financial statements as at 31 December 2016. The comparative figures in the income statement and the balance sheet relate to the consolidated financial statements as at 31 December 2016, provided they were not adjusted as a result of the finalisation of purchase price allocations.

Segment revenue is reported after consolidation within the segments but before consolidation between the segments.

## 2. EXPLANATION OF CORPORATE AND ORGANISATIONAL STRUCTURE OF CTS KGaA

The organisational structure of CTS KGaA is as follows:




The corporate management of CTS KGaA is exercised by EVENTIM Management AG, Hamburg (hereinafter: EVENTIM Management AG). EVENTIM Management AG is represented by the Management Board.

In addition to managing its own operating business, the most important tasks of CTS KGaA as the parent company include corporate strategy, risk management and in some respect the financial management of the CTS Group.

According to the articles of association, CTS KGaA as the parent company has its registered office in Munich; the administrative head office is located in Bremen.

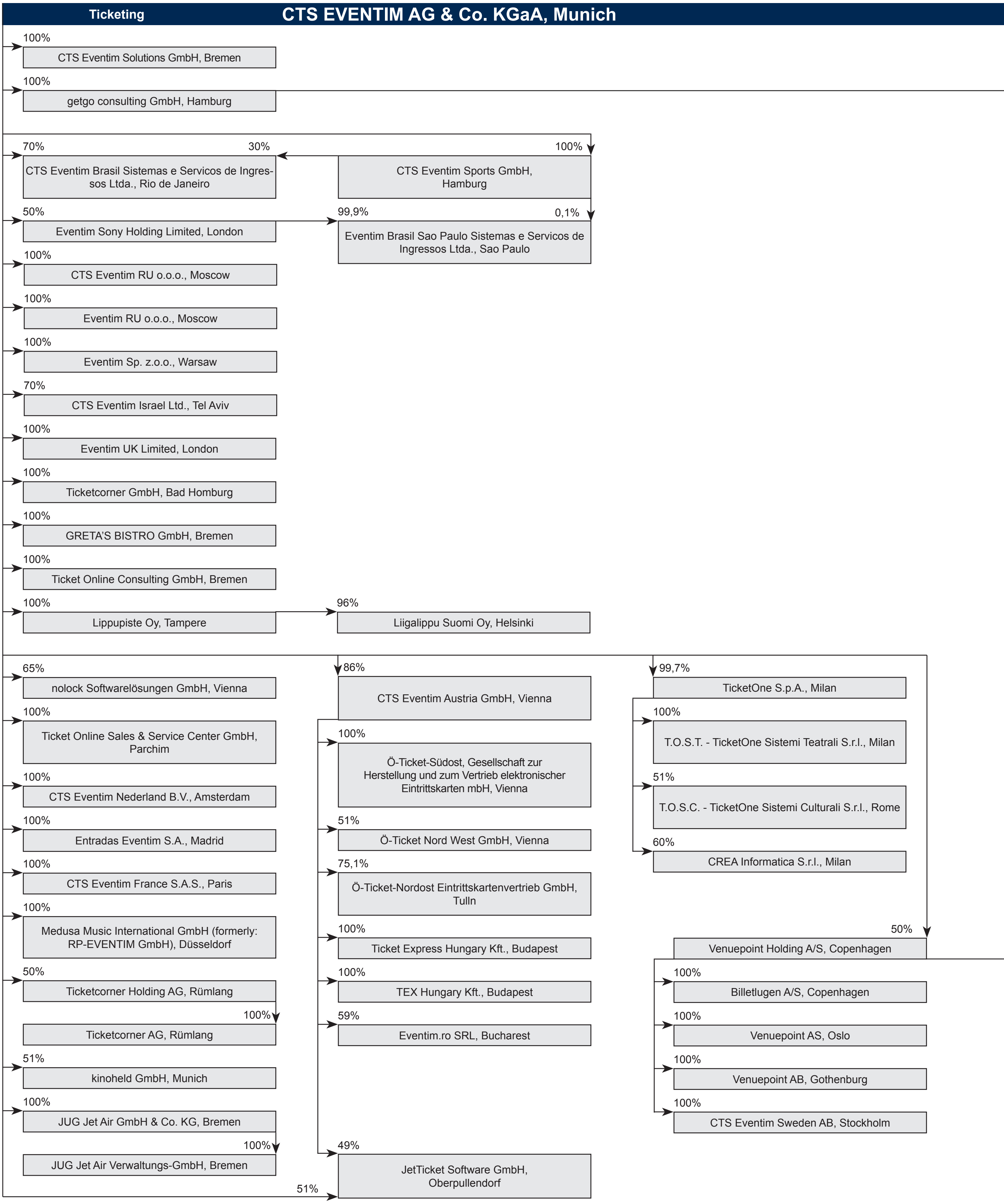
## 3. BUSINESS AND MACROENVIRONMENT

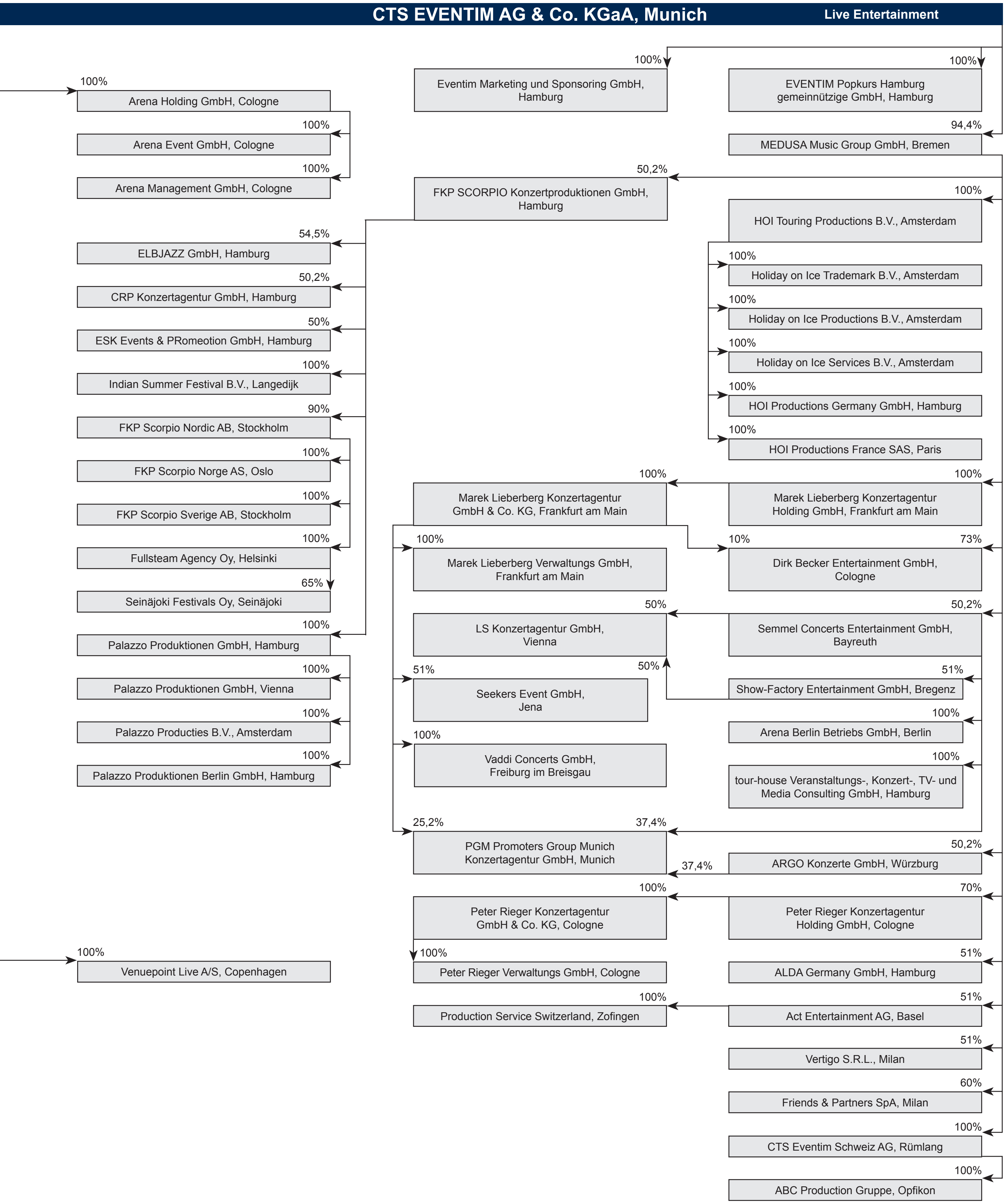
## 3.1 CORPORATE STRUCTURE AND BUSINESS OPERATIONS

### 3.1.1 CORPORATE STRUCTURE

In addition to CTS KGaA as parent company, the consolidated financial statements also include all relevant subsidiaries. The CTS Group is managed on a decentralised basis to ensure a high degree of market transparency and a fast response to potential changes in the respective markets. This means that the subsidiaries have considerable discretion in all market- and customer-related activities. The management and control structures as well as the compensation system are compliant with statutory requirements and are geared to long-term business success.

The following overview includes all companies included in the consolidated financial statements by means of full consolidation as at 31 December 2017:




CTS EVENTIM AG & Co. KGaA, Munich
Live Entertainment
100%
Arena Holding GmbH, Cologne
100%
Arena Event GmbH, Cologne
100%
Arena Management GmbH, Cologne
54,5%
ELBJAZZ GmbH, Hamburg
50,2%
CRP Konzertagentur GmbH, Hamburg
50%
ESK Events & PRomeotion GmbH, Hamburg
100%
Indian Summer Festival B.V., Langedijk
90%
FKP Scorpio Nordic AB, Stockholm
100%
FKP Scorpio Norge AS, Oslo
100%
FKP Scorpio Sverige AB, Stockholm
100%
Fullsteam Agency Oy, Helsinki
65%
Seinäjoki Festivals Oy, Seinäjoki
100%
Palazzo Produktionen GmbH, Hamburg
100%
Palazzo Produktionen GmbH, Vienna
100%
Palazzo Producties B.V., Amsterdam
100%
Palazzo Produktionen Berlin GmbH, Hamburg
100%
Venuepoint Live A/S, Copenhagen
100%
Eventim Marketing und Sponsoring GmbH, Hamburg
50,2%
FKP SCORPIO Konzertproduktionen GmbH, Hamburg
100%
Marek Lieberberg Konzertagentur GmbH & Co. KG, Frankfurt am Main
100%
Marek Lieberberg Verwaltungs GmbH, Frankfurt am Main
50%
LS Konzertagentur GmbH, Vienna
51%
50%
Seekers Event GmbH, Jena
100%
Vaddi Concerts GmbH, Freiburg im Breisgau
25,2%
37,4%
PGM Promoters Group Munich Konzertagentur GmbH, Munich
37,4%
100%
Peter Rieger Konzertagentur GmbH & Co. KG, Cologne
100%
Peter Rieger Verwaltungs GmbH, Cologne
100%
Production Service Switzerland, Zofingen
100%
EVENTIM Popkurs Hamburg gemeinnützige GmbH, Hamburg
94,4%
MEDUSA Music Group GmbH, Bremen
100%
HOI Touring Productions B.V., Amsterdam
100%
Holiday on Ice Trademark B.V., Amsterdam
100%
Holiday on Ice Productions B.V., Amsterdam
100%
Holiday on Ice Services B.V., Amsterdam
100%
HOI Productions Germany GmbH, Hamburg
100%
HOI Productions France SAS, Paris
100%
Marek Lieberberg Konzertagentur Holding GmbH, Frankfurt am Main
10%
73%
Dirk Becker Entertainment GmbH, Cologne
50,2%
Semmel Concerts Entertainment GmbH, Bayreuth
51%
Show-Factory Entertainment GmbH, Bregenz
100%
Arena Berlin Betriebs GmbH, Berlin
100%
tour-house Veranstaltungs-, Konzert-, TV- und Media Consulting GmbH, Hamburg
50,2%
ARGO Konzerte GmbH, Würzburg
70%
Peter Rieger Konzertagentur Holding GmbH, Cologne
51%
ALDA Germany GmbH, Hamburg
51%
Act Entertainment AG, Basel
51%
Vertigo S.R.L., Milan
60%
Friends & Partners SpA, Milan
100%
CTS Eventim Schweiz AG, Rümlang
100%
ABC Production Gruppe, Opfikon

## CHANGES TO THE GROUP STRUCTURE

In the 2017 reporting period, the following changes in the structure of the Group occurred:

### TICKETING

In December 2017, the remaining 49% shares in RP-EVENTIM GmbH, Düsseldorf, were acquired. The entry in the commercial register took place on 19 January 2018. On 24 January 2018, the company was renamed Medusa Music International GmbH, Düsseldorf.

ÖTS, Gesellschaft zur Vertrieb electronic Eintrittskarten mbH, Stainz, was merged in June 2017 with CTS Eventim Austria GmbH, Vienna.

With a contract dated 2 November 2017, CTS Eventim Austria GmbH, Vienna, acquired 29% of the shares in Ticket Express Hungary Kft., Budapest, and 29% of the shares in TEX Hungary Kft., Budapest, and now holds 100% of the shares.

### LIVE ENTERTAINMENT

Marek Lieberberg Konzertagentur GmbH & Co. KG, Frankfurt am Main, acquired 100% of the shares in MOKO Concerts GmbH, Freiburg im Breisgau, at the beginning of January 2017. The object of the company is primarily the organisation and realisation of concerts. With entry in the commercial register on 27 January 2017, the company was renamed Vaddi Concerts GmbH (hereinafter: Vaddi Concerts), Freiburg im Breisgau.

At the beginning of January 2017, the Bundeskartellamt cleared the acquisition of additional 5.2% of the shares in FKP SCORPIO Konzertproduktionen GmbH, Hamburg (hereinafter: FKP SCORPIO) by MEDUSA Music Group GmbH, Bremen. With the approval of the share purchase by the Federal Cartel Office, FKP SCORPIO and its subsidiaries (hereinafter: FKP SCORPIO Group) are included in the CTS consolidated financial statements as part of full consolidation.

With a contract dated 27 February 2017, Arena Event GmbH, Cologne, was founded by Arena Holding GmbH, Cologne. The object of the company is the organisation and realisation of events as well as services of promotion and marketing.

On 23 January 2017, CTS KGaA founded Eventim Marketing und Sponsoring GmbH, Hamburg. The object of the company is marketing and sponsorship.

MEDUSA Music Group GmbH, Bremen, acquired 51% of the shares in the Italian concert and event company Vertigo S.r.l., Milan, on 8 September 2017. With this acquisition, the CTS Group is driving forward its internationalisation and is now also represented in the Live Entertainment segment in Italy.

On 6 November 2017 MEDUSA Music Group GmbH, Bremen, acquired a 60% stake in the newly established Italian concert and event promoter Friends & Partners SpA, Milan.

By contract dated 7 November 2017, CTS Eventim Schweiz AG, Rümlang, bought 20% of the shares in ABC Production AG, Opfikon, 20% of the shares in 360Grad Show Production AG, Opfikon, 20% of the shares in the You Are Special - Events AG, Opfikon, and 20% of the shares in ALL IN ONE Communication AG, Opfikon. CTS Eventim Schweiz AG, Rümlang, now owns 100% of the four companies mentioned above.

With its entry in the commercial register on 14 November 2017, FKP Scorpio Norge AS, Oslo, was founded. FKP Scorpio Nordic AB, Stockholm, holds 100% of the shares in the company. The purpose of the company is the organisation and realisation of concerts and other events.

### 3.1.2 BUSINESS AREAS AND ORGANISATIONAL STRUCTURE

The **Group** operates in the leisure events market with its Ticketing and Live Entertainment segments. CTS KGaA, the parent company of the Group, operates in the field of ticketing and is the dominant player in that segment on account of its sheer economic importance. Statements made in respect of the Ticketing segment therefore apply specifically to CTS KGaA as well.

The CTS Group is one of the leading international providers in the ticketing and live entertainment sectors. With one of the most sophisticated ticketing platforms in existence and a complex, extensive distribution network, the Group enables music promoters to sell tickets through a high-performance system. On the basis of these CTS EVENTIM systems, ticket buyers are provided with permanently accessible internet portals where tickets for different events can be purchased online.

The Group companies are assigned to two segments, Ticketing and Live Entertainment.

The objects of the **Ticketing** segment are to produce, sell, broker, distribute and market tickets for concert, theatre, art, sports and other events in Germany and abroad, using state-of-the-art data processing and data transmission technologies. The events (tickets) are professionally marketed through its leading network platform (EVENTIM.net), its inhouse ticketing product (EVENTIM.inhouse) and the sports ticketing product (EVENTIM.tixx) and the self-service product for event organisers (EVENTIM.Light). This enables promoters to achieve high levels of attendance at events by selling all available ticket quotas quickly on a broad scale. Due to the networking and internationalisation of ticketing software at network, web and inhouse level, it is also possible for tickets to be offered across the border in a standardised global ticketing system.

For cinema operators the software ‘kinoheld’ and for the resale of tickets from end customer to end customer the platform ‘fanSALE’ is offered.

The extensive range of activities in online sales are continuously developed and expanded specifically to meet the needs of ‘networked consumers’, namely by

- online reservation of specific seats by means of an interactive venue plan,
- mobile ticket sales via innovative iPhone/iPad and Android Apps
- additional social media activities, especially Facebook, Instagram, WhatsApp and Twitter.

The events for which tickets are sold using proprietary CTS EVENTIM ticket-software range from concerts of classical music, through rock and pop, plays, festivals, fairs and exhibitions to sports events, especially football.

As the leading ticket supplier, the CTS Group is superbly positioned in the market. That position in the ticketing market has been further reinforced and extended by a broad distribution system featuring a full-coverage network of box offices, sales via call centres and Internet ticket shops. In addition to ongoing ticket sales, the CTS Group is also the ticketing partner for national and international major sports events.

The objects of the **Live Entertainment** segment are to plan, prepare and execute tours and events, especially music events and concerts, and to market music productions. Internationally well-known venues are also operated. Promoters of leisure or music events consider professional sales of their tickets to be the critical factor for their success.

### 3.1.3 KEY REGIONS

In addition to the German market, the Group's Ticketing segment also operates in Italy, Switzerland, Austria, Great Britain, Finland, Sweden, Norway, Danmark, the Netherlands, Russia, Poland, Israel, Hungary, Romania, Croatia, the Slovak Republic, Slovenia, Bulgaria, Serbia, Spain, France and Brasil.

In the Live Entertainment segment, the Group operates in addition to the German market in Austria, Switzerland, the Netherlands, Italy, Sweden, Norway, Danmark, and Finland. The joint venture Hammersmith Apollo Ltd., London, opertes in Great Britain.

### 3.1.4 SUSTAINABILITY INFORMATION

Sustainable action and responsible conduct help to ensure the trust of customers, employees, investors and other stakeholders. Sustainability is therefore of great importance to the long-term economic success of the CTS Group. This is why the corporate management of CTS KGaA defined initial sustainability standards for an energy management system back in late 2015. An energy management system was implemented and certified for the first time in the 2016 financial year in accordance with DIN ISO 50001. The repeat audit is performed annually.

Based on in-house analysis concerning the further development of sustainability processes, the CTS Group identified the following relevant areas of focus for its long-term growth in the 2017 financial year: customer focus, product safety, compliance management, employee matters, corporate citizenship, and climate and environmental issues.

On 22 March 2018, CTS KGaA will be publishing sustainability information in a separate non-financial statement for the 2017 financial year on the company website at http://www.eventim.de/Tickets.html?affiliate=GMD&fun=investor&doc=eventim/default/info/de/investor.

### 3.1.5 LEGAL AND ECONOMIC FACTORS

In the context of administrative proceedings, the German Federal Cartel Office (Bundeskartellamt) has been investigating the market position and market conduct of CTS KGaA, particularly regarding whether CTS KGaA exploits its market position in the Ticketing segment to an unreasonable extent or puts market partners at a disadvantage, as well as the content of specific regional cooperation agreements. On 4 December 2017, the German Federal Cartel Office closed the administrative proceedings that had been under way since October 2014. As part of these proceedings, it raised objections concerning a limited number of exclusive existing agreements and also restricted the scope and duration of future exclusive agreements. CTS KGaA has lodged an appeal with the Higher Regional Court (Oberlandesgericht) in Düsseldorf contesting this decision in its entirety; it has also filed for the enforcement of part of the decision to be suspended. In addition, one consumer protection suit in Germany and Austria respectively, and one instance of administrative proceedings in Italy and Switzerland respectively, are still pending. Their outcome is still uncertain. It cannot be ruled out that antitrust authorities, consumer protection organisations or other institutions will take issue with individual practices or agreements during ongoing or future proceedings and issue an order for modification. Further details are provided in the risk and opportunities report shown in section 7.2.6.

## 3.2 CORPORATE MANAGEMENT

The corporate strategy of the Group is focused on sustained value growth for the company.

In order to manage the Group according to value-based principles, a system of performance indicators is used.

The key criteria (key financial figures) for assessing the value growth of the operating business on the Group level and for each segment, are sustained increase in revenue, EBITDA (earnings before interest, taxes, depreciation and amortisation), normalised EBITDA, EBIT (earnings before interest and taxes), normalised EBIT before amortisation from purchase price allocation, and Group earnings per share (EPS, earnings per share). Non-recurring items are removed from normalised EBITDA. These items mainly relate to legal and consulting fees for the performance of due diligence for acquisitions that have been carried out or are being planned. Non-recurring items and amortisation resulting from purchase price allocations are removed from normalised EBIT before amortisation resulting from purchase price allocations. In the context of the following reporting, the key figures EBITDA, normalised EBITDA , EBIT, normalised EBIT before amortisation from purchase price allocation are referred to collectively as 'earnings figures' summarised for both the Group and the segments. Reporting for the EPS takes place at Group level.

By focusing on sustained increases in the value of the Group, temporary non-recurring items are adjusted by normalisation, which ensures that key assessment criteria can be compared over several years.

From the 2010 financial year onwards, a new key figure called 'normalised EBIT before amortisation from purchase price allocation' was defined due to the acquisitions made and the overall effects resulting from remeasurement of intangible assets acquired (trademark, customer base and software). When purchase price allocation is conducted in accordance with IFRS, the intangible assets of the target companies must be remeasured with their fair values as at the date of first inclusion in consolidation within the Group. These remeasured intangible assets are amortised on the basis of redefined useful lives in the Group.

The amount of internet tickets was defined as non-financial key figure in the ticketing segment. Internet ticket volume includes the number of tickets purchased over the Internet.

## 3.3 RESEARCH AND DEVELOPMENT

Due to its business model, the CTS Group does not pursue research and development in the real sense.

However, further advancements are constantly being made in the software engineering field. In order to broaden the range of ticketing-related services, to tap into additional sales channels and to continue meeting the requirements of event promoters, box offices and Internet customers, the ticket distribution system is being constantly improved and expanded. In the year under review, investments were made in the further development of the Ticket distribution systems of EUR 14.816 million and were capitalised. In the reporting year, EUR 8.863 million capitalised development costs were amortised. The number of employees in the field of software development and operation is about 300.

When penetrating new markets, the Group's plans include further advancements in new technologies within the online reservation system, the sales network and the sales platform. The objective is the proprietary development of one of the most advanced, high-performance ticketing platforms, the further advancement of specific seat reservations, mobile ticketing and electronic access control systems. Other areas of focus include additional developments, such as the use of RFID solutions and extended functions for personalising tickets.

The progressive digitalisation of ticketing means that data is becoming increasingly important for the creation of added-value. Over the past few years, the CTS Group has responded to the trend generally circumscribed as 'Big Data' by creating a new department for Information Science. In addition to implementing a best-in-class infrastructure for data management, compliant with all data protection requirements, efforts are also focused on creating an international competence centre staffed with highly skilled experts for analytical solutions. The focus of the past few years has been on the development of data-based solutions in the fields of application: customer relationship management, business performance monitoring and analytical services for B2B partners, which have been successfully launched in Germany and abroad. Additional areas of focus include recommendation systems that suggest relevant events based on the customer's individual purchase history, which serves to significantly minimise dependency on top sellers in the mid- and long tail.

Software development services are capitalised in the annual financial statements of CTS KGaA and in the consolidated financial statements if the requirements of HGB and IAS 38 are met. The capitalised software development services are depreciated on a straight-line basis; depreciation is always broken down into the cost of sales.

There is no separate disclosure of expenses under research and development. Non-capitalisable software development services are generally broken down into the cost of sales.

## 3.4 OVERVIEW OF THE COURSE OF BUSINESS

### 3.4.1 MACROECONOMIC CONDITIONS

The growth of the global economy experienced an increase in momentum in 2017, due to the fact that economic developments faced reduced risk, among other things. Fears that there would be an increase in protectionism did not materialise. During elections in various European countries, eurosceptic parties were not able to make any decisive victories, contrary to some expectations. This contributed to the eurozone undergoing significantly more growth than expected. Uncertainty resulting from the Brexit vote had less of an effect on continental Europe than on the Great Britain, where economic growth slowed, although without coming to a downturn.

The US continued to record a solid upswing, although the expected fiscal policy measures that might have provided economic growth with additional impetus have still for the most part failed to eventuate. The Chinese economy resumed its robust growth of previous years – thanks in part to its expansionary monetary policy. Stable energy and commodity prices generated higher growth rates relative to the previous year for many commodity-exporting emerging economies.

End of 2017 the German Council of Economic Advisors (hereinafter: the German Council) expects this upswing to continue and has forecast global GDP growth of 3.2% for both 2017 and 2018. Similarly strong growth is expected from the US, China, the eurozone, the Great Britain and Japan in 2017 and 2018. Beyond this period, these growth rates are likely to decrease slightly, while core inflation should increase moderately, according to the German Council.

Although there is a healthier balance between economic opportunities and risk than in the previous year, the global economy is still facing a series of risks: alongside increasing geopolitical tensions, there are also protectionist tendencies, recurring uncertainty about political stability in the eurozone and a potential slump in growth in China. It is also not possible to rule out the possibility of inflation in the US and/or the eurozone increasing more sharply than expected, which could prompt central banks to increase interest rates.

The economic upswing in the eurozone picked up noticeable speed and continues to be accompanied by extremely high levels of both consumer and business confidence. The German Council believes that the economy is currently exceeding its growth potential due to ongoing, highly expansionary monetary policy. However, structural adjustments in many EU states in connection with the financial crisis have made a considerable contribution to the upswing. Because there has been a simultaneous sharp increase in investments, there is a chance that positive developments in the eurozone will continue. However, there are still structural problems, in particular a comparatively high unemployment rate and public debt. For 2017 and 2018, the German Council expects eurozone GDP growth of 2.3% and 2.1% respectively.

In 2017, Germany recorded economic growth that even exceeded the positive developments in the eurozone as a whole. The German Council anticipates growth rates of 2.0% and 2.2% for 2017 and 2018 respectively. In this scenario, the German economy will grow more quickly in these two years than its estimated potential of around 1.4% for each year would otherwise indicate.

### 3.4.20 INDUSTRY CONDITIONS

One of the most important megatrends shaping consumer behaviour across a wide range of industries is digitalisation. This is particularly true of the media and entertainment industry, whose growth is being fuelled by digital services to a considerable extent.

According to the study 'German Entertainment and Media Outlook 2017-2021' (status October 2017) carried out by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (hereinafter: PwC), the media and entertainment industry turned over more than EUR 76 billion in Germany alone in 2016. Digital products were primarily responsible for this growth, and their revenues increased by 8.3%, in contrast to the decrease in analogue activities (-0.2%).

This is occurring to an even greater extent in the retail sector, where e-commerce services are increasingly replacing bricks-and-mortar trade. The comprehensive high-speed internet access available in more and more countries is enabling an increasing number of users to make orders and complete transactions on their computers or mobile devices (e.g. tablets or smartphones). This development is making it necessary for companies to adjust their value chains and offers accordingly. This affects a range of different business areas in the Ticketing segment – from marketing to customer retention and from payments to the utilization of large volumes of data ('big data').

At the same time, advancing digitalisation in the Live Entertainment segment has led to artists of all genres relying to a much greater degree on takings from live performances than they did back when conventional sound recording media were their main sources of income. The live entertainment industry is continuing on its path of uninterrupted growth, even in the digital age: according to the PwC study, live entertainment offerings generated total revenues of EUR 1.9 billion in Germany alone in 2016– which included turnover from ticket sales amounting to EUR 1.5 billion and sponsoring to the tune of EUR 415 million.

PwC is predicting a moderate continuation of the current trend for both branches of the live music market. Based on an average annual growth rate of 1.6%, revenues to the tune of EUR 1.6 billion are expected from ticket sales in 2021. At the same time, revenues of EUR 2 billion are being forecast for the live music market for the same year.

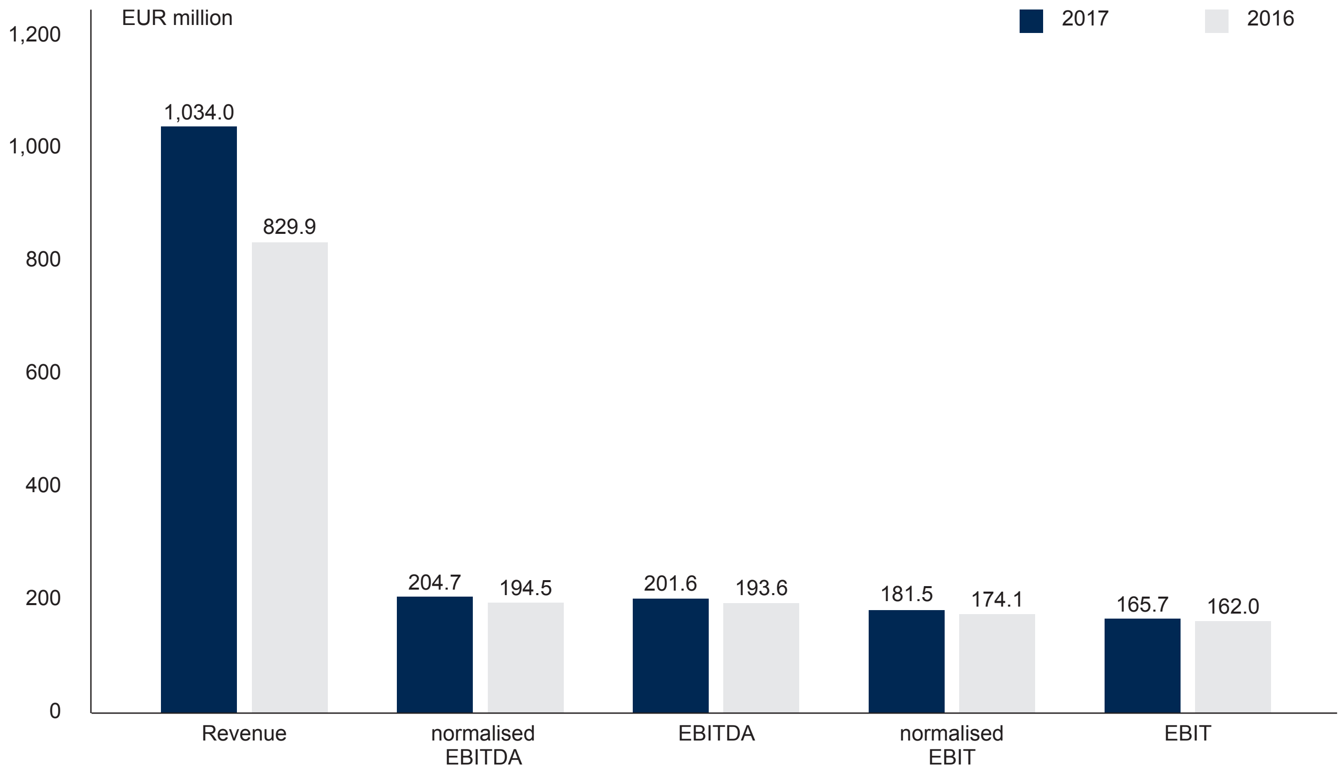
The huge momentum in the development of new solutions in the E-Commerce sector is also presenting the ticketing sector with a range of opportunities to utilise the changes in its end customers' consumer behaviour that have been brought about by digitalisation – for example, when it comes to announcing relevant events, additional offerings relating to the event or direct communications with existing and potential users. Insights gained from analysing large volumes of data offer special potential in this regard: with EVENTIM Analytics, the CTS Group has an innovative, market-ready tool that offers the customers significantly increased efficiency and greater knowledge in numerous relevant areas.

### 3.4.3 BUSINESS PERFORMANCE OF THE CTS GROUP

In the CTS Group revenue increased by 24.6% while EBITDA rose by 4.2%. Alongside the trend towards sustained growth in the Ticketing segment, in particular due to growth in online ticket volumes, the Live Entertainment segment was also able to increase its revenues.

## KEY GROUP FIGURES

Key financial **Group figures** are shown in the table below:




Group-EPS increased from EUR 0.99 to EUR 1.18 in the reporting period.

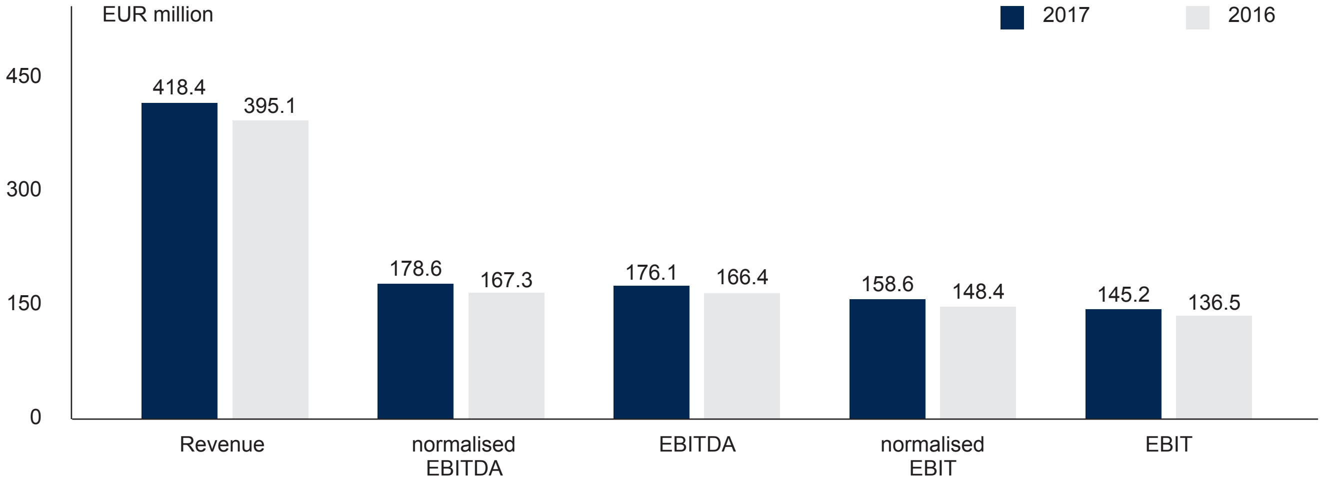
## SEGMENT KEY FIGURES

Segment revenue is reported after consolidation within the segments but before consolidation between the segments.

The dynamic growth of online ticket volumes in the **Ticketing segment** has not changed its momentum, and there were no changes to the segment's traditionally strong business in the fourth quarter. Significantly higher online ticketing volumes and international expansion are both having positive effects.

Significant growth in organic revenue and earnings in the core markets contrasted with negative effects on earnings due to developing business in new markets.

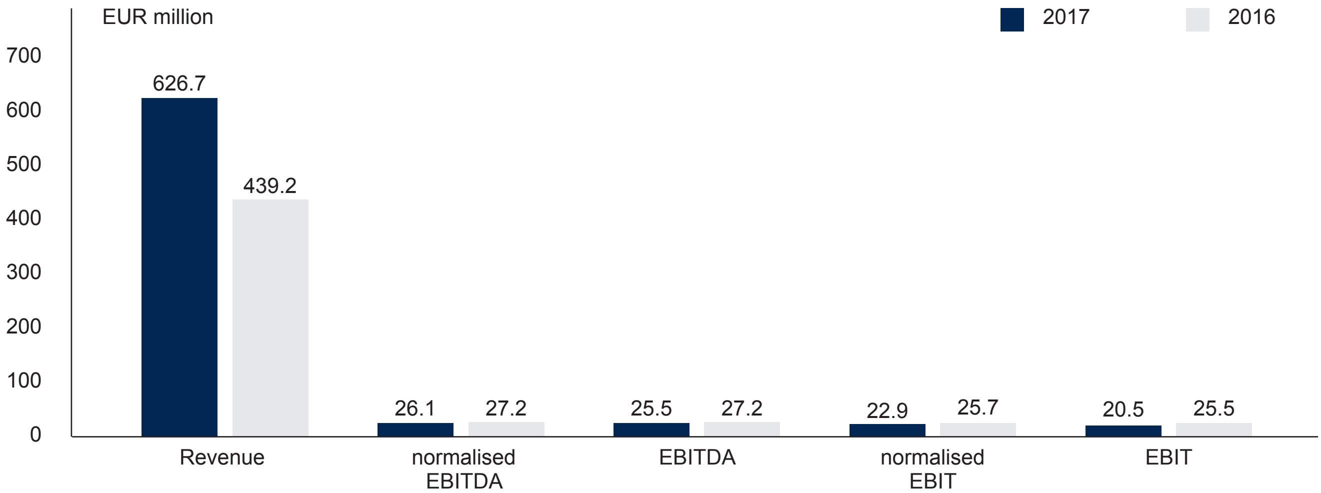
Key financial figures in the Ticketing segment are shown in the table below:




The Internet ticket volume (non-financial key figure) achieved with 48.9 million tickets an increase of 11.9% compared to previous year (43.7 million tickets).

In the **Live Entertainment segment**, the CTS Group benefited in the 2017 financial year from the expansion of the scope of consolidation and from a continuing increase in the number of events with large audiences. However, temporary costs incurred for the establishment of new festival brands, the relaunch of existing formats and advanced expenses for events are having a negative impact on the positive earnings developments of the operating business.

Key financial figures in the Live Entertainment segment are shown in the table below:



### 3.4.4 CTS EVENTIM SHARE PERFORMANCE

As in the previous year, the capital market environment seemed to be affected by ongoing speculations about the future of a united Europe in the 2017 financial year. Alongside elections in France, the Netherlands and Germany, the ongoing Brexit negotiations and the resurgence of Catalan aspirations towards independence were the focus of the capital markets.

Moreover, latent speculations about the extent and timing of potential key interest increases in the United States and Europe created temporary volatility in the capital markets. For the time being, growth rates and expectations underpinned by positive economic growth and low unemployment rates in the US and Europe are providing the central banks with the flexibility they require to be able to turn away from their expansionary monetary policy while protecting the markets.

In this environment, the stock of CTS KGAaA was once again able to buck the market trend and, as in the past, deliver a disproportionately high price development compared with the lead DAX and MDAX indices. With a performance of 32.8%, in contrast to 12.8% (DAX) and 18.3% (MDAX), CTS KGaA once again underlined its character as a growth stock in 2017. This equates to increases of 20% and 14.5% above the DAX and MDAX respectively.

# 4. EARNINGS PERFORMANCE, FINANCIAL POSITION AND CASH FLOW

## 4.1 EARNINGS PERFORMANCE

### 4.1.1 GROUP EARNINGS PERFORMANCE

| | 2017 | 2016 | Change | |
|---|---|---|---|---|
| | [EUR'000] | [EUR'000] | [EUR'000] | [in %] |
| **Revenue** | **1,033,980** | **829,906** | **204,074** | **24.6** |
| **Gross profit** | **305,213** | **283,955** | **21,258** | **7.5** |
| **EBITDA** | **201,626** | **193,589** | **8,037** | **4.2** |
| **Depreciation and amortisation** | **-35,897** | **-31,617** [1] | **-4,280** | **13.5** |
| **EBIT** | **165,730** | **161,973** [1] | **3,757** | **2.3** |
| Financial result | 5,062 | -6,497 | 11,559 | >100.0 |
| **Earnings before tax (EBT)** | **170,792** | **155,475** [1] | **15,317** | **9.9** |
| Taxes | -52,460 | -49,996 | -2,464 | 4.9 |
| **Net income attributable to shareholders of CTS KGaA (consolidated net income)** | **112,808** | **94,560** [1] | **18,249** | **19.3** |
| Net income attributable to non-controlling interests | 5,524 | 10,920 | -5,396 | -49.4 |

[1] Adjusted prior-year figures due to the final purchase price allocation of the Venuepoint Group

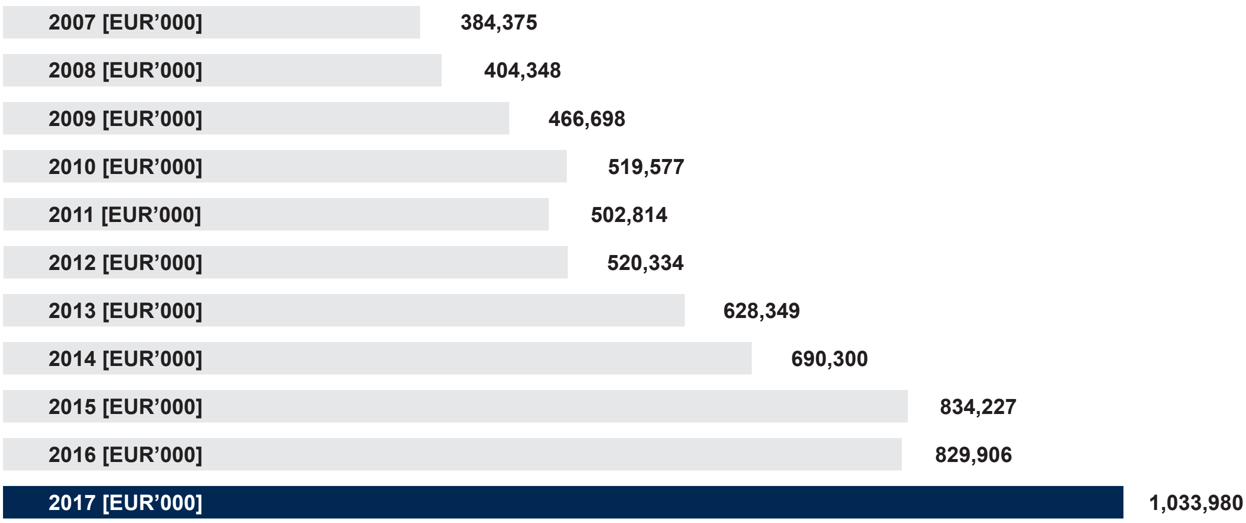
Non-recurring items (acquisition costs) are removed from normalised EBITDA. Non-recurring items and amortisation from purchase price allocation are removed from normalised EBIT before amortisation from purchase price allocation.

| | 2017 | 2016 | Change | |
|---|---|---|---|---|
| | [EUR'000] | [EUR'000] | [EUR'000] | [in %] |
| **EBITDA** | **201,626** | **193,589** | **8,037** | **4.2** |
| Non-recurring items | 3,115 | 861 | 2,254 | >100.0 |
| **Normalised EBITDA** | **204,741** | **194,451** | **10,290** | **5.3** |
| Depreciation and amortisation | -35,897 | -31,617 | -4,280 | 13.5 |
| Amortisation from purchase price allocation | -12,698 | -11,226 [1] | -1,472 | 13.1 |
| **Normalised EBIT before amortisation from purchase price allocation** | **181,542** | **174,060** [1] | **7,482** | **4.3** |

[1] Adjusted prior-year figures due to the final purchase price allocation of the Venuepoint Group

### 4.1.1.1 REVENUE PERFORMANCE

Group revenue growth is shown in the following table:



The **CTS Group** achieved an excellent growth in revenue in the last ten years with an average growth rate (CAGR) of around 10.4%.

In the 2017 financial year, the business development in the CTS Group outperformed expectations with an increase in revenue. The business model of the CTS Group once again proved to be very robust.

In the reporting period EUR 1.033.980 million in revenue was generated (previous year: EUR 829.906 million; 24.6%). Revenue (before consolidation between segments) breaks down into EUR 418.394 million in the Ticketing segment (previous year: EUR 395.132 million; +5.9%) and EUR 626.655 million in the Live Entertainment segment (previous year: EUR 439.231 million; 42.7%).

Group revenue amounted in the reporting year to EUR 1.033.980 million (previous year: EUR 829.906 million) and breaks down as follows: Germany EUR 692.532 million (previous year: EUR 531.071 million), Austria EUR 51.093 million (previous year: EUR 53.906 million), Switzerland EUR 107.042 million (previous year: EUR 121.058 million), Italy EUR 61.216 million (previous year: EUR 55.440 million), Great Britain EUR 11.491 million (previous year: EUR 10.899 million), Finland EUR 22.564 million (previous year: EUR 10.212 million), Spain EUR 8.894 million (previous year: EUR 8.485 million), Netherlands EUR 20.428 million (previous year: EUR 9.365 million) and other countries EUR 58.720 million (previous year: EUR 29.470 million). 10% of the growth in revenue in Germany came from the Ticketing segment, while 90% was primarily due to the expansion of the scope of consolidation in the Live Entertainment segment. Revenue increases were achieved in the Ticketing segment in Italy, the Great Britain, Spain and the Netherlands. The increase in revenue in Finland was primarily due to the expansion of the scope of consolidation in the Live Entertainment segment. In Switzerland and Austria, revenue increased in the Ticketing segment, while the Live Entertainment segment recorded a decline due to a lower number of major events. The increase in revenue in other countries was mainly due to the expansion of the scope of consolidation in Norway and Sweden in the Live Entertainment segment.

The **Ticketing segment** shows unchanged growth dynamics. In 2017 the organic growth of the Internet ticket volume was 9.0% to around 44.5 million tickets. As a result of the expansion in South America and Scandinavia the total volume of online tickets rose by 11.9% to around 48.9 million tickets. With a growth rate of 5.9% to EUR 418.394 million (previous year: EUR 395.132 million) the Ticketing segment meets the expectations. Both, in Germany and abroad revenue growth was achieved; the revenue share of foreign companies decreased to around 45.4% (previous year: 46.9%).

In the **Live Entertainment segment** segment, revenue increased significantly by EUR 187.424 million (+42.7%) to EUR 626.655 million (previous year: EUR 439.231 million). The majority takeover of the promoter FKP SCORPIO, other acquisitions and an increased number of tours and events with large audiences had a particular impact in this regard.

### 4.1.1.2 EARNINGS PERFORMANCE

#### GROSS PROFIT

The gross profit of the **CTS Group** for the 2017 reporting period is EUR 305.213 million, compared to the previous year figure of EUR 283.955 million (+7.5%). The Group's gross margin was negatively influenced by the rise in the proportion of the Group's revenue attributable to the low-margin Live Entertainment segment and decreased from 34.2% to 29.5%.

In the **Ticketing segment**, the gross margin increased in the 2017 reporting period from 59.6% to 60.2%. The gross margin increased due to a disproportional operating profit contribution as a result of a continuous increased in the number of online tickets but is still being negatively affected by newly consolidated subsidiaries with lower earnings contributions and higher personnel expenses related to ongoing internationalisation and technological development.

In the **Live Entertainment segment**, the gross margin was below previous year's level with 8.6% due to temporary negative impacts on earnings (previous year: 11.0%).

#### NON-RECURRING ITEMS

In the period under review, **CTS Group** earnings were negatively impacted due to non-recurring items in the Ticketing segment amounting to EUR 2.555 million (previous year: EUR 861 thousand) and in the Live Entertainment segment due to implemented and planned acquisitions amounting to EUR 560 thousand. Non-recurring items comprise both legal and consulting fees for the performance of due diligence and contractual retention payments.

#### NORMALISED EBITDA / EBITDA

The normalised **CTS Group** EBITDA figure increased by EUR 10.290 million (+5.3%) from EUR 194.451 million to EUR 204.741 million. This growth in normalised EBITDA of EUR 10.290 million breaks down into EUR 11.390 million in the Ticketing segment and EUR -1.100 million in the Live Entertainment segment. The decline in normalised EBITDA in the Live Entertainment segment was overcompensated by the excellent business development in the Ticketing segment. The normalised EBITDA margin decreased to 19.8% due to temporary negative impacts, compared to 23.4% the year before. Foreign subsidiaries accounted for 26.4% of normalised Group EBITDA (previous year: 30.5%).

CTS Group EBITDA improved by EUR 8.037 million or 4.2% to EUR 201.626 million (previous year: EUR 193.589 million). This growth in EBITDA of EUR 8.037 million breaks down into EUR 9.696 million in the Ticketing segment and EUR -1.659 million in the Live Entertainment segment. The Group EBITDA margin amounts up to 19.5% (previous year: 23.3%).

In the **Ticketing segment**, the normalised EBITDA figure rose by EUR 11.390 million (+6.8%) from EUR 167.253 million to EUR 178.643 million. The normalised EBITDA margin was 42.7% to (previous year: 42.3%). The 11.9% growth in online ticket volumes both nationally and internationally contributed significantly to this increase in earnings. In the reporting period, the development of Ticketing in South America and the expansion of the number of consolidated companies in Scandinavia resulted in temporary negative effects on earnings. The share of normalised EBITDA generated by foreign subsidiaries increased to 31.2% (previous year: 31.1%).

In the Ticketing segment, the EBITDA figure rose by EUR 9.696 million (+5.8%) to EUR 176.088 million (previous year: EUR 166.392 million). The EBITDA margin was at previous year's level with 42.1%.

In the **Live Entertainment segment**, the normalised EBITDA figures decreased from EUR 27.198 million by EUR -1.100 million to EUR 26.098 million. Normalised EBITDA margin was 4.2% (previous year: 6.2%). In addition to the successful event business, venue operations made particularly positive contributions towards earnings. Temporary negative effects resulted from the establishment of new festival brands, relaunch of existing formats and increased advanced expenses for future events.

EBITDA in the Live Entertainment segment decreased from EUR 27.198 million by EUR -1.659 million (-6.1%) to EUR 25.538 million. The EBITDA margin was 4.1%, after 6.2% the year before.

## NORMALISED EBIT BEFORE AMORTISATION FROM PURCHASE PRICE ALLOCATION / EBIT

Normalised **CTS Group** EBIT before amortisation from purchase price allocation increased by EUR 7.482 million from EUR 174.060 million to EUR 181.542 million. The normalised EBIT margin was 17.6%, compared to 21.0% the year before. The Group EBIT figure, at EUR 165.730 million, is higher at 2.3% year-on-year (EUR 161.973 million). The EBIT margin decreased to 16.0% (previous year: 19.5%).

Total depreciation and amortisation within the **CTS Group**, at EUR 35.897 million, is higher than the previous year (EUR 31.617 million) and include EUR 12.698 million (previous year: EUR 11.226 million) in amortisation from purchase price allocations for companies acquired from 2010 onwards. The increase in depreciation is mainly attributable to depreciation on capitalised development costs (Global Ticketing System); the ticket distribution systems are constantly improved to develop new sales channels and future revenue potential.

In the **Ticketing segment**, the normalised EBIT before amortisation from purchase price allocation rose from EUR 148.372 million by EUR 10.277 million to EUR 158.650 million (+6.9%). The normalised EBIT margin was 37.9%, compared to 37.6% the year before. The EBIT rose from EUR 136.519 million to EUR 145.249 million (+6,4%). The EBIT margin was 34.7% (previous year: 34.6%).

The **Live Entertainment segment** achieved a normalised EBIT before amortisation from purchase price allocation of EUR 22.893 million, compared to EUR 25.688 million the year before. The normalised EBIT margin decreased to 3.7% (previous year: 5.9%). EBIT decreased to EUR 20.480 million compared to EUR 25.453 million the year before (-19.5%). The EBIT margin was 3.3% (previous year: 5.8%).

## FINANCIAL RESULT

The financial result, at EUR 5.062 million (previous year: EUR -6.497 million) mainly includes EUR 10.196 million in financial income (previous year: EUR 3.882 million), EUR 7.923 million in financial expenses (previous year: EUR 10.346 million) and EUR 2.755 million result from investments in associates accounted for at equity (previous year: EUR -155 thousand). As a result of the full consolidation of a group of companies in January 2017, which had previously been accounted for at equity, the difference between the equity value and the fair value of the former shares as at the acquisition date had to be recognised as financial income (EUR 5.373 million) in the income statement pursuant to IFRS 3.42. In addition, there was increased financial income from the updated fair value measurement of liabilitites from put options granted to minority shareholders (EUR 3.443 million).

## TAXES

Tax expenses increased in fiscal 2017 by EUR 2.464 million to EUR 52.460 million. Tax expenses include deferred tax income (EUR 7.639 million; previous year: EUR 1.972 million) and actual tax expenses of the consolidated standalone companies (EUR 60.099 million; previous year: EUR 51.968 million). The increase in deferred tax income results amongst other things from the increase in deferred tax assets from tax loss carry forward in the Live Entertainment segment.

## NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF CTS KGaA (CONSOLIDATED NET INCOME)

The consolidated net income amounts to EUR 112.808 million (previous year: EUR 94.560 million). Earnings per share (EPS) for the 2017 financial year improved significantly to EUR 1.18, compared to EUR 0.99 the year before. In addition to the successful business development within the CTS Group, factors such as the improved positive financial result from the fair value measurement of a subsidiary that had previously been accounted for using the equity method and is now fully consolidated also led to a disproportionate increase in earnings per share.

## NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST

Non-controlling interest comprises the share in current profits allocated to other shareholders and decreased from EUR 10.920 million by EUR 5.396 million to EUR 5.524 million. The decline is primarily the result from temporary lower earnings contributions as part of acquisitions in the scope of consolidation in Scandinavia as well as investments in the establishment of new festival brands, relaunch of existing formats and higher preproduction costs for future events in the business year 2018 in the Live Entertainment segment.

### 4.1.1.3 ADDITIONAL NOTES TO SINGLE ITEMS IN THE CONSOLIDATED INCOME STATEMENT

| | 2017 | 2016 | Change | |
|---|---|---|---|---|
| | [EUR'000] | [EUR'000] | [EUR'000] | [in %] |
| Selling expenses | 87,604 | 79,027 | -8,577 | 10.9 |
| General administrative expenses | 60,292 | 50,983 | -9,309 | 18.3 |
| Other operating income | 24,753 | 19,888 | 4,865 | 24.5 |
| Other operating expenes | 16,341 | 11,861 | -4,480 | 37.8 |
| *thereof non-recurring items* | *3,115* | *861* | *2,253* | *>100,0* |

#### SELLING EXPENSES

Selling expenses rose by EUR 8.577 million to EUR 87.604 million. The increase in selling expenses is mainly due to higher personnel expenses (EUR +5.247 million), depreciation (EUR +750 thousand) and other operating expenses (EUR +2.580 million). The personnel expenses and other operating expenses mainly increased due to the expansion of the scope of consolidation. As a percentage of revenue, selling expenses decreased from 9.5% to 8.5%.

#### GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses rose by EUR 9.309 million to EUR 60.292 million. The increase in general administrative expenses is principally due to higher personnel expenses (EUR +6.027 million), depreciation (EUR +686 thousand) and other operating expenses (EUR +2.596 million). The personnel expenses and other operating expenses mainly increased due to the expansion of the scope of consolidation. As a percentage of revenue, general administrative expenses decreased from 6.1% to 5.8%.

#### OTHER OPERATING INCOME

Other operating income increased by EUR 4.865 million to EUR 24.753 million. In the year under review, income from derecognised liabilities and from the reversal of individual value adjustments as well as income from insurance compensation led to higher other operating income.

#### OTHER OPERATING EXPENSES

Other operating expenses increased by EUR 4.480 million year-on-year to EUR 16.341 million. The increase resulted amongst other things from higher expenses for third-party services as well as non-recurring items. As a percentage of revenue, other operating income increased from 1.4% to 1.6%.

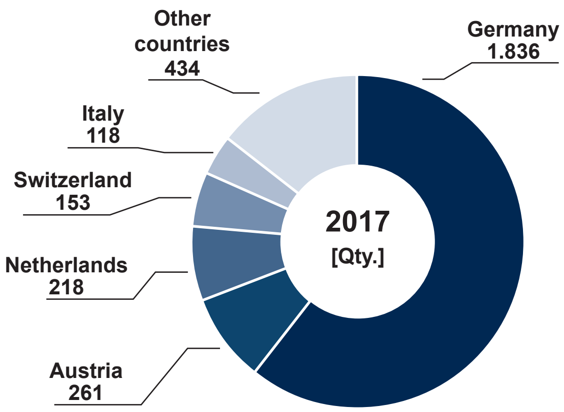
### 4.1.1.4 PERSONNEL

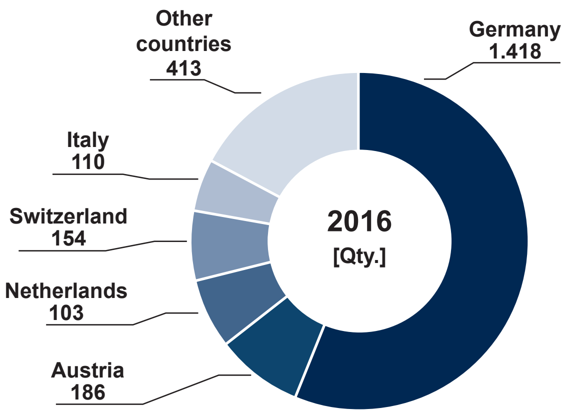
Personnel expenses increased by EUR 23.492 million (+20.7%) to EUR 137.010 million (previous year: EUR 113.518 million). The increase in personnel expenses relates to the Live Entertainment segment with EUR 17.619 million and to the Ticketing segment with EUR 5.874 million. The increase in personnel expenses in the Live Entertainment segment is due to the expansion of the number of companies included in consolidation. The increase in the Ticketing segment is due to the expansion of the number of companies included in consolidation in the previous year 2016 on the one hand and the expanding internationalisation and further technological development on the other hand.

Breakdown of workforce by segment (permanent and temporary employees), year-end figures:

| | 2017 | 2016 | Change | |
|---|---|---|---|---|
| | [Qty.] | [Qty.] | [Qty.] | [in %] |
| Ticketing | 1,746 | 1,699 | 47 | 2.8 |
| Live Entertainment | 1,274 | 685 | 589 | 86.0 |
| **Total** | **3,020** | **2,384** | **636** | **26.7** |

Breakdown of workforce by region (year-end figures):




On average during 2017, the Group had 399 more employees than in the 2016 financial year.

### 4.1.1.5 DEVELOPMENT OF THE TICKETING AND LIVE ENTERTAINMENT SEGMENTS

#### TICKETING

| | 2014 [EUR million] | 2015 [EUR million] | 2016 [EUR million] | 2017 [EUR million] |
|---|---|---|---|---|
| Revenue | 319.2 | 346.2 | 395.1 | 418.4 |
| Gross profit | 184.6 | 201.9 | 235.4 | 251.9 |
| Gross margin | 57.8% | 58.3% | 59.6% | 60.2% |
| EBITDA | 128.9 | 142.4 | 166.4 | 176.1 |
| Normalised EBITDA | 130.2 | 142.9 | 167.3 | 178.6 |
| EBIT | 103.3 | 114.5 | 136.5 | 145.2 |
| Normalised EBIT before amortisation from purchase price allocation | 115.0 | 125.5 | 148.4 | 158.6 |

In the years 2014 - 2017 annual revenue growth in the Ticketing segment averaged 9.4% (CAGR). Of the total revenue in this segment in the 2017 reporting year, EUR 311.468 million (previous year: EUR 279.820 million) were generated via the Internet, equivalent to Internet revenue growth of around 11.3%. Revenue generated via the Internet increased year-on-year at 74.4% (previous year: 70.8%) of total Ticketing segment revenue in the 2017 financial year.

In the years 2014 - 2017 EBITDA improved annually by an average of 11.0% (CAGR) and normalised EBITDA improved annually by 11.1%.

#### LIVE ENTERTAINMENT

| | 2014 [EUR million] | 2015 [EUR million] | 2016 [EUR million] | 2017 [EUR million] |
|---|---|---|---|---|
| Revenue | 379.2 | 494.9 | 439.2 | 626.7 |
| Gross profit | 45.2 | 60.5 | 48.3 | 54.2 |
| Gross margin | 11.9% | 12.2% | 11.0% | 8.6% |
| EBITDA | 26.2 | 38.1 | 27.2 | 25.5 |
| Normalised EBITDA | 26.2 | 38.1 | 27.1 | 26.1 |
| EBIT | 23.6 | 35.7 | 25.5 | 20.5 |
| Normalised EBIT before amortisation from purchase price allocation | 24.1 | 36.2 | 25.7 | 22.9 |

In the years 2014 – 2017 annual revenue growth in the Live Entertainment segment averaged by 18.2%. The increase in revenue in the 2017 reporting year resulted primarily from the majority takeover of the promoter FKP SCORPIO, further acquisitions and a higher number of tours and events with large audiences.

### 4.1.2 EARNINGS PERFORMANCE OF CTS KGaA (HGB)

| | 2017 | 2016 | Change | |
|---|---|---|---|---|
| | [EUR'000] | [EUR'000] | [EUR'000] | [in %] |
| **Revenue** | **225,063** | **207,135** | **17,927** | **8.7** |
| **Gross profit** | **132,823** | **124,178** | **8,644** | **7.0** |
| **EBITDA** | **99,631** | **91,356** | **8,274** | **9.1** |
| **EBIT** | **81,370** | **74,208** | **7,162** | **9.7** |
| **Non-recurring items:** | | | | |
| Acquisition costs | 1,172 | 861 | 310 | 36.0 |
| **Normalised EBITDA** | **100,802** | **92,218** | **8,585** | **9.3** |
| **Normalised EBIT before amortisation from purchase price allocation** | **82,542** | **75,069** | **7,473** | **10.0** |
| Financial result | 52,299 | 37,854 | 14,445 | 38.2 |
| **Earnings before tax (EBT)** | **133,668** | **112,061** | **21,606** | **19.3** |
| Taxes | -38,276 | -30,526 | -7,750 | 25.4 |
| **Net income for the year** | **95,392** | **81,535** | **13,856** | **17.0** |

#### 4.1.2.1 REVENUE PERFORMANCE

In the financial year 2017, CTS KGaA revenue increased by EUR 17.927 million from EUR 207.135 million to EUR 225.063 million; this equates to a 8.7% growth in revenue. The main factor accounting for this improvement in revenue was the further growth in the number of tickets sold via the Internet by 2.3 million (+13.0%) from 17.7 million up to 20.0 million tickets. Furthermore, other revenue from services, commissions and in connection with the operation of the Waldbühne increased.

#### 4.1.2.2 EARNINGS PERFORMANCE

##### GROSS PROFIT

Gross profit increased by EUR 8.644 million year-on-year due to the high-margin internet business. The decrease in the gross margin to 59.0% (previous year: 60.0%) resulted from a rise in personnel expenses due to increasing technological development and ongoing internationalisation, as well as higher consulting expenses.

##### NON-RECURRING ITEMS

CTS KGaA earnings in the reporting year were reduced by non-recurring items consisting of EUR 1.172 million (previous year: EUR 861 thousand) for planned and implemented acquisitions.

##### NORMALISED EBITDA / EBITDA

A successful business performance in 2017 due to a further increase in the volume of tickets sold online were the main factors accounting for the strong growth in normalised EBITDA. The normalised EBITDA increased to EUR 100.802 million (previous year: EUR 92.218 million). In contrast, higher personnel costs in connection with further technological development and the internationalisation as well as higher consulting fees led to burdend margins. The normalised EBITDA margin increased nevertheless to 44.8% (previous year: 44.5%). The EBITDA improved to EUR 99.632 million (previous year: EUR 91.356 million). The EBITDA margin increased to 44.3% (previous year: 44.1%).

##### NORMALISED EBIT BEFORE AMORTISATION FROM PURCHASE PRICE ALLOCATION / EBIT

Normalised EBIT increased by EUR 7.473 million to EUR 82.542 million. The normalised EBIT margin was 36.7% (previous year: 36.2%). The EBIT figure for the reporting year increased to EUR 81.370 million (previous year: EUR 74.208 million), and the EBIT margin rose to 35.8% (previous year: 36.2%).

## FINANCIAL RESULT

The financial result increased by EUR 14.445 million, from EUR 37.854 million to EUR 52.299 million.

The financial result includes mainly income in the form of dividends and transferred profits from participations EUR 53.686 million (previous year: EUR 40.091 million), EUR 690 thousand in interest income (previous year: EUR 625 thousand), EUR 1.353 million in interest expenses (previous year: EUR 1.536 million) and other financial expenses amounting to EUR 725 thousand (previous year: EUR 1.446 million).

The increase in income in the form of profit transfer agreements and income in the form of dividends from participations accounts for EUR 14.225 million for profit transfer agreements from participations. This is offset by a decrease in income in the form of dividends from participations (EUR -630 thousand).

Interest expense and other financial expenses mainly relate to borrowing costs (particularly interest expenses and other borrowing costs) from financing of business transactions in previous years.

## TAXES

Tax expenses increased by EUR 7.750 million from EUR 30.526 million to EUR 38.276 million. These tax expenses include EUR 38.276 million in taxes on income (previous year: EUR 30.676 million). In the previous year income from other taxes amounted to EUR 150 thousand. The taxation rate (taxes on income / earnings before tax) increased to 28.6 % (previous year: 27.4%)

## NET INCOME FOR THE YEAR

The net income for the year, according to HGB, increased by EUR 13.856 million from EUR 81.535 million to EUR 95.392 million. The distributable earnings per share amounted to EUR 0.99 (previous year: EUR 0.85).

## 4.1.2.3 ADDITIONAL NOTES TO SINGLE ITEMS IN THE INCOME STATEMENT

| | 2017 | 2016 | Change | |
|---|---|---|---|---|
| | [EUR'000] | [EUR'000] | [EUR'000] | [in %] |
| Selling expenses | 36,080 | 29,865 | 6,215 | 20.8 |
| General administrative expenses | 19,374 | 18,427 | 946 | 5.1 |
| Other operating income | 10,855 | 5,716 | 5,138 | 89.9 |
| Other operating expenses | 6,854 | 7,395 | -541 | -7.3 |
| *thereof non-recurring items* | *1,172* | *861* | *310* | *36.0* |

### SELLING EXPENSES

The increase in selling expenses by EUR 6.215 million to EUR 36.080 million results among other things from depreciation, expenses for purchased services (EUR +956 thousand), legal and consulting fees (EUR +722 thousand), higher personnel expenses (EUR +658 thousand) and marketing expenses (EUR +327 thousand).

### GENERAL ADMINISTRATIVE EXPENSES

The EUR 946 thousand increase in general administrative expenses in the reporting year, to EUR 19.374 million, is mainly the result of higher expenses for purchased services (EUR +889 thousand) and higher personnel expenses (EUR +702 thousand). This was offset by lower costs for external staff (EUR -451 thousand).

### OTHER OPERATING INCOME

Other operating income increased by EUR 5.138 million to EUR 10.855 million. The increase mainly results from a gain of EUR 2.453 million from the integration of GSO Gesellschaft für Softwareentwicklung und Organisation & Co. KG, Bremen, and increased income from the reimbursement of expenses incurred (EUR +1.809 million).

### PERSONNEL

Personnel expenses increased year-on-year by EUR 2.401 million from EUR 23.889 million to EUR 26.290 million. The main reason for this is the further development of the workforce in line with business development and further internationalisation and technological development.

At the end of the 2017 financial year, CTS KGaA had 364 employees on its payroll (previous year: 313 employees). The average number of employees over the year increased from 306 the previous year to 338 in the reporting period.

## 4.2 FINANCIAL POSITION

The CTS Group's balance sheet is characterised by solid key figures and financial strength. The good equity ratio of 28.0% and high liquidity of EUR 640.726 million both ensure the degree of independence required for the Group's long-term development and stands for reliability and stability. The equity ratio declined by 4.1%. Return on equity of 28.7% shows that a conservative balance sheet structure can also lead to an attractive return on capital.

The balance sheet total of the CTS Group increased in the reporting year primarily due to the higher business volume. It amounted to EUR 1.405.358 million as at the closing date of 31 December 2017 and was thus 17.4% higher year-on-year. Capital expenditure in the reporting year was up EUR 34.643 million compared to the previous year (EUR 32.939 million).

Working capital (current assets less current liabilities) declined from EUR 88.465 million by EUR 66.818 million (75.5%) to EUR 21.647 million compared to the previous year. The reason for this is the higher amount of maturity matching reclassification from non-current to current financial liabilities and the special dividend paid out in 2017 in addition to the basic dividend.

Non-current liabilities amounted to EUR 118.125 million as of the closing date, and were 26.0% or EUR 41.389 million below the previous year (EUR 159.515 million). Financial liabilities saw the strongest decline at EUR 40.552 million, where loans were reclassified to short-term financial liabilities. The share of non-current liabilities in the balance total dropped from 13.3% to 8.4%. Current liabilities grew by EUR 240.937 million mainly due to the higher number of consolidated companies.

### 4.2.1 GROUP FINANCIAL POSITION

| | 31.12.2017 | | 31.12.2016 | | Change |
|---|---|---|---|---|---|
| | [EUR'000] | [in %] | [EUR'000] | [in %] | [EUR'000] |
| **Current assets** | | | | | |
| Cash and cash equivalents | 640,726 | 45.6 | 553,640 | 46.3 | 87,086 |
| Marketable securities and other investments | 837 | 0.1 | 1,817 | 0.2 | -980 |
| Trade receivables | 60,541 | 4.3 | 41,660 | 3.5 | 18,881 |
| Receivables from affiliated and associated companies accounted for at equity | 2,218 | 0.2 | 3,118 | 0.3 | -900 |
| Inventories | 4,600 | 0.3 | 4,875 | 0.4 | -276 |
| Payments on account | 46,084 | 3.3 | 33,705 | 2.8 | 12,378 |
| Other financial assets | 116,795 | 8.3 | 81,584 [1] | 6.8 | 35,211 |
| Other non-financial assets | 43,281 | 3.1 | 20,561 [1] | 1.7 | 22,719 |
| **Total current assets** | **915,080** | **65.1** | **740,962** [1] | **61.9** | **174,118** |
| **Non-current assets** | | | | | |
| Goodwill | 296,839 | 21.1 | 288,521 [1] | 24.1 | 8,317 |
| Fixed assets | 168,822 | 12.0 | 149,426 [1] | 12.5 | 19,396 |
| Trade receivables | 20 | 0.0 | 18 | 0.0 | 2 |
| Other financial assets | 4,605 | 0.3 | 3,970 | 0.3 | 635 |
| Other non-financial assets | 1,000 | 0.1 | 1,033 | 0.1 | -33 |
| Deferred tax assets | 18,993 | 1.4 | 13,093 | 1.1 | 5,900 |
| **Total non-current assets** | **490,278** | **34.9** | **456,062** [1] | **38.1** | **34,216** |
| **Total assets** | **1,405,358** | **100.0** | **1,197,023** [1] | **100.0** | **208,335** |

[1] Adjusted prior-year figures due to the final purchase price allocation of Venuepoint Group and HOI Group

| | 31.12.2017 | | 31.12.2016 | | Change |
|---|---|---|---|---|---|
| | [EUR'000] | [in %] | [EUR'000] | [in %] | [EUR'000] |
| **Current liabilities** | | | | | |
| Financial liabilities | 59,418 | 4.2 | 28,988 | 2.4 | 30,430 |
| Trade payables | 103,889 | 7.4 | 80,764 [1] | 6.7 | 23,125 |
| Payables to affiliated and associated companies accounted for at equity | 554 | 0.0 | 1,314 | 0.1 | -760 |
| Advance payments received | 286,454 | 20.4 | 157,363 | 13.1 | 129,091 |
| Provisions | 45,451 | 3.2 | 34,315 | 2.9 | 11,136 |
| Other financial liabilities | 333,024 | 23.7 | 296,065 | 24.7 | 36,959 |
| Other non-financial liabilities | 64,642 | 4.6 | 53,686 | 4.5 | 10,956 |
| **Total current liabilities** | **893,433** | **63.6** | **652,496 [1]** | **54.5** | **240,937** |
| **Non-current liabilities** | | | | | |
| Financial liabilities | 87,781 | 6.2 | 128,333 | 10.7 | -40,552 |
| Advanced payments received | 1,132 | 0.1 | 0 | 0.0 | 1,132 |
| Provisions | 4,598 | 0.3 | 4,821 | 0.4 | -223 |
| Other financial liabilities | 260 | 0.0 | 976 | 0.1 | -716 |
| Pension provisions | 9,925 | 0.7 | 12,245 | 1.0 | -2,320 |
| Deferred tax liabilities | 14,429 | 1.0 | 13,139 [1] | 1.1 | 1,290 |
| **Total non-current liabilities** | **118,125** | **8.4** | **159,514 [1]** | **13.3** | **-41,389** |
| **Shareholders' equity** | | | | | |
| Share capital | 96,000 | 6.8 | 96,000 | 8.0 | 0 |
| Capital reserve | 1,890 | 0.1 | 1,890 | 0.2 | 0 |
| Statutory reserve | 7,200 | 0.5 | 7,200 | 0.6 | 0 |
| Retained earnings | 266,993 | 19.0 | 250,728 [1] | 20.9 | 16,265 |
| Other reserves | -2,278 | -0.2 | -181 | 0.0 | -2,097 |
| Treasury stock | -52 | 0.0 | -52 | 0.0 | 0 |
| **Total equity attributable to shareholders of CTS KGaA** | **369,753** | **26.3** | **355,586** | **29.7** | **14,167** |
| Non-controlling interest | 24,047 | 1.7 | 29,428 [1] | 2.5 | -5,381 |
| **Total shareholders' equity** | **393,800** | **28.0** | **385,013 [1]** | **32.2** | **8,787** |
| **Total shareholders' equity and liabilities** | **1,405,358** | **100.0** | **1,197,023 [1]** | **100.0** | **208,335** |

[1] Adjusted prior-year figures due to the final purchase price allocation of Venuepoint Group and HOI Group

**CURRENT ASSETS** increased by EUR 174.118 million to EUR 915.080 million due to an increase in cash and cash equivalents (EUR +87.086 million), trade receivables (EUR +18.881 million), payments on account (EUR +12.378 million), other financial assets (EUR +35.211 million) and other non-financial assets (EUR +22.719).

The EUR 87.086 million increase in **cash and cash equivalents** mainly results from higher liabilities in respect of ticket monies at the reporting date, higher advance payments received and the net income of the year. This is offset by increased cash outflows related to dividend payments (basic dividend and special dividend), repayments of financial loans, investments particularly for IT infrastructure and the development of ticketing distribution system as well as the expansion of the scope of consolidation.

Cash and cash equivalents, at EUR 640.726 million (previous year: EUR 553.640 million) include ticket monies from not yet invoiced presales for events (ticket monies not yet invoiced in the Ticketing segment), which are reported in other financial liabilities (EUR 314.483 million; previous year: EUR 277.047 million). Other financial assets also include receivables relating to ticket monies from presales in the Ticketing segment (EUR 78.664 million; previous year: EUR 48.661 million) and factoring receivables (EUR 22.266 million; previous year: EUR 18.929 million).

**Trade receivables** increased due to the expansion of the scope of consolidation in the Live Entertainment segment (EUR +18.881 million).

The EUR 12.378 million increase in **payments on account** was a result of production cost payments for future events in the Live Entertainment segment.

**Other financial assets** increased by EUR 35.211 million, mainly because of higher receivables relating to ticket monies from presales (EUR +28.578 million) and factoring receivables (EUR +3.337 million) in the Ticketing segment. Other financial assets also include claims related to insurance refunds receivables in the Live Entertainment segment.

**Other non-financial assets** increased by EUR 22.720 million, mainly because of higher payments on account for business combinations in the Live Entertainment.

**NON-CURRENT ASSETS** increased by EUR 34.216 million to EUR 490.278 million due to an increase in goodwill (EUR + 8.317 million), fixed assets (EUR +19.396 million) and deferred tax assets (EUR +5.900 million).

The EUR 8.317 million increase in **goodwill** was mainly the result of an expansion in the scope of consolidation mainly through acquisitions in Italy and the acquisition in additional shares in companies in Germany in the Live Entertainment segment. This was offset by negative currency translation effects in Swiss Francs as at the closing date of 31 December 2017.

The EUR 19.396 million increase in **fixed assets** mainly relates to higher investments in property, plant and equipment and intangible assets mainly in the Ticketing segment.

Assets tied up for the long-term account for 34.9% of the balance sheet total (previous year: 38.1%); therefore, assets tied up for the long-term are predominately financed by shareholders' equity.

**CURRENT LIABILITITES** increased by EUR 240.937 million to EUR 893.433 million. This rise is mainly attributable to short-term financial liabilities (EUR + 30.430 million), to trade payables (EUR +23.125 million) to advance payments received (EUR +129.091 million) and to other financial liabilities (EUR +36.959 million).

**Short-term financial liabilities** (EUR +30.430 million) mainly increased due to matching maturity reclassification from long-term financial liabilities.

**Trade payables** increased by EUR 23.125 million in the context of ongoing business operations and expansion in the scope of consolidation in the Live Entertainment segment.

The EUR 129.091 million increase in **advance payments received** is mainly attributable to the expansion in the scope of consolidation in the Live Entertainment segment. The increase is due to the fact that in the fourth quarter 2017 more ticket monies were received from presales for future events.

The EUR 36.959 million change in **other financial liabilities** is predominantly due to higher liabilities in the Ticketing segment in respect of ticket monies that have not yet been invoiced. Compared to the previous year, there were more events that had not yet been invoiced, as at 31 December 2017, so that the liabilities for ticket monies not yet invoiced increased accordingly.

**NON-CURRENT LIABILITIES** decreased by EUR 41.389 million mainly due to the timely reclassification of long-term financial liabilities (EUR -40.552 million) in short-term financial liabilities.

**SHAREHOLDERS' EQUITY** increased by EUR 8.787 million to EUR 393.800 million. The increase in retained earnings (EUR +16.265 million) is offset by a decline in non-controlling interests (EUR -5.381 million). The change the retained earnings result from the consolidated net income of EUR 112.808 million which is offset by increased dividend payment (basic dividend and special dividend) for financial year 2016 of EUR 94.071 million.

The equity ratio (shareholders' equity divided by the balance sheet total) is 28.0% below previous year's level at 32.2%. The decline of the equity ratio results from the disproportionately high increase in total assets (mainly due to the increased advance payments received and liabilities from ticket monies not yet invoiced) to shareholders' equity. The return on equity (consolidated net income divided by shareholders' equity) is 28.7%, compared to 24.6% in the previous year.

## 4.2.2 FINANCIAL MANAGEMENT

The strength of the CTS Group is particularly evident in its ability to generate the funds required for revenue and earnings growth on its own. With cash flow from operating activities of EUR 220.971 million, the CTS Group can strengthen its financial basis and secure the degree of flexibility and speed required to achieve future growth and additional market shares.

### PRINCIPLES AND OBJECTIVES OF FINANCIAL MANAGEMENT

The aim of financial management is to ensure solvency and to maintain financial balance within the Group. The objective of the CTS Group's financial policy is to keep the Group's financial strength at a high level, thereby securing the company's financial independence through sufficient liquidity. Risks are to be largely avoided or effectively counteracted.

The capital structure of the CTS Group comprises debt, cash and cash equivalents and shareholders' equity owed to investors in the CTS KGaA. This in particular is comprised of issued shares and consolidated net income.

When it comes to investing excess liquidity, the emphasis is on short-term availability as opposed to maximising earnings in order to be able to have swift access to cash and cash equivalents in the event of potential acquisitions or large project prefinancing schemes. Pure financial goals – such as optimising financial income – are therefore of secondary importance compared to the acquisition strategy and the company's growth. Guidelines state, for example, that speculative investments (including foreign exchange, securities and related forward transactions) are not permitted. Investments may only be carried out with debtors with an investment grade. Investments with appropriate deposit protection are preferred when it comes to financial investments within the European Union. Treasury is responsible for managing and monitoring the liquidity situation centrally.

One focus of financial management is to hedge the Group's currency, the euro. Instruments are used to hedge shareholders' equity in euro while having a neutral impact in profit or loss as well as instruments that hedge against cash flows in foreign currencies, thereby largely minimising the currency risk in the income statement. As a rule, derivate financial instruments are only used to hedge the operating business. Foreign exchange derivatives were used in 2017 to hedge currency risks. In the reporting year, this specifically involved forward foreign exchange transactions in Swiss francs and US dollars. Forward foreign exchange transactions in Swiss francs were used to hedge against currency risks from future royalties in the Ticketing segment. In addition, individual foreign exchange forward transactions in USD were carried for contracts with performers in the Live Entertainment segment.

The CTS Group manages its capital with the aim of maximising profits for shareholders by optimising the equity-to-debt ratio. The Group companies operate under the going concern premise.

## STRATEGIC FINANCING MEASURES

The operating business and necessary replacement investments were financed with cash and cash equivalents and operating cash flow in 2017. The funds required for the acquisitions in financial year 2017 were partly covered by cash and cash equivalents and partly through taking out loans.

Cash reserves, in the form of credit lines and cash, as well as a syndicated credit line (revolving credit facility) are held. In October 2015, CTS KGaA agreed on a syndicated credit facility (revolving credit facility) of EUR 200 million with a maturity of 5 to a maximum of 7 years (2 years maturity option). In October 2016 and 2017 respectively, CTS KGaA utilised the maturity option so that the term of the syndicated credit line would be extended by a total of two years until 30 October 2022. As at the balance sheet date of 31 December 2017, utilisation of credit facilities amounted to EUR 12 million.

The Group has a solid equity ratio of 28.0% and is therefore essentially geared towards being largely independent of lenders. The financing strategy requires the constant review and optimisation of the capital structure, however.

Short- and long-term financial liabilities declined from EUR 157.321 million to EUR 147.199 million. As of the closing date of 31 December 2017, they accounted for 10.5% of the Group's balance sheet total (previous year: 13.1%).

The financial liabilities recognised on the balance sheet date amounting to EUR 147.199 million (previous year: EUR 157.321 million) include loans of EUR 117.206 million (previous year: EUR 127.204 million) as well as EUR 29.993 million (previous year: EUR 30.117) in purchase price obligations and put options liabilities of non-controlling shareholders. Of the external loans, EUR 68.410 million (previous year: EUR 78.534 million) are tied up at the balance sheet date to comply with standard ‘financial covenants’ for companies with good creditworthiness ratings. Other than fulfilment of these financial covenants, there are no specific restrictions that might adversely affect the availability of funds. The CTS Group assumes that the financial covenants will be also honoured in the years ahead.

A key variable used in capital risk management is the gearing ratio; the ratio between net consolidated debt and Group shareholders’ equity according to IFRS. Risk considerations mean that the aim must be to have a healthy net debt-equity ratio. In addition to improving leverage and the related optimisation of the capital structure, the objective is to achieve a stable equity ratio as a basis for greater borrowing potential and the financial flexibility to be able to exploit acquisition opportunities at short notice in particular. The CTS Group therefore keeps most of its funds in liquid form as well as in occasional investments with short-term availability.

The **net debt/equity ratio** is as follows:

| | 31.12.2017 | 31.12.2016 |
|---|---|---|
| | [EUR’000] | [EUR’000] |
| Debt [1] | 379,553 | 386,771 |
| Cash and cash equivalents | -640,726 | -553,640 |
| **Net debt** | **-261,173** | **-166,869** |
| Shareholders‘ equity [2] | 393,800 | 385,013 |
| Net debt to shareholders‘ equity | -66.3% | -43.3% |

[1] Debt is defined as non-current and current financial liabilities and other financial liabilities. The other financial liabilities are set off against receivables from ticket monies that have not yet been invoiced (including factoring receivables from ticket monies).
[2] Adjusted previous year figures due to the final purchase price allocation of Venuepoint and HOI Group

Net debt indicates the amount of debt a company has after all financial liabilities have been repaid with cash and cash equivalents. The CTS Group had more cash and cash equivalents than debt at the end of 2017. The negative net debt-equity ratio means that the Group is de facto debt free. The leverage from utilised loan capital is expected to have positive effects on return on equity.

The CTS Group pursues the objective of having sufficient access to a broad range of financing sources at all times.

### 4.2.3 FINANCIAL POSITION OF CTS KGaA (HGB)

| | 31.12.2017 | | 31.12.2016 | | Change |
|---|---|---|---|---|---|
| | [EUR'000] | [in %] | [EUR'000] | [in %] | [EUR'000] |
| **Current assets** | | | | | |
| Cash and cash equivalents | 231,348 | 35.5 | 209,841 | 35.2 | 21,507 |
| Trade receivables | 7,757 | 1.2 | 7,207 | 1.2 | 550 |
| Receivables from affiliated companies and participations | 53,334 | 8.2 | 20,411 | 3.4 | 32,923 |
| Inventories | 295 | 0.0 | 744 | 0.1 | -450 |
| Other assets and prepaid expenses | 45,274 | 7.0 | 38,599 | 6.5 | 6,675 |
| **Total current assets** | **338,008** | **51.9** | **276,803** | **46.4** | **61,205** |
| **Non-current assets** | | | | | |
| Fixed assets | 270,668 | 41.6 | 268,823 | 45.1 | 1,845 |
| Goodwill | 34,422 | 5.3 | 42,071 | 7.1 | -7,649 |
| Receivables from affiliated companies and participations | 6,462 | 1.0 | 5,520 | 0.9 | 941 |
| Other assets and prepaid expenses | 1,512 | 0.2 | 2,820 | 0.5 | -1,309 |
| Deferred tax assets | 96 | 0.0 | 14 | 0.0 | 82 |
| **Total non-current assets** | **313,159** | **48.1** | **319,249** | **53.6** | **-6,090** |
| **Total assets** | **651,167** | **100.0** | **596,052** | **100.0** | **55,115** |

| | 31.12.2017 | | 31.12.2016 | | Change |
|---|---|---|---|---|---|
| | [EUR'000] | [in %] | [EUR'000] | [in %] | [EUR'000] |
| **Current liabilities** | | | | | |
| Short-term financial liabilities | 44,384 | 6.8 | 14,351 | 2.4 | 30,032 |
| Trade payables | 11,102 | 1.7 | 6,742 | 1.1 | 4,360 |
| Payables to affiliated companies and participations | 2,855 | 0.4 | 4,445 | 0.6 | -1,590 |
| Provisions | 43,410 | 6.7 | 30,291 | 5.0 | 13,119 |
| Other liabilities and deferred income | 211,757 | 32.5 | 171,418 | 28.8 | 40,338 |
| **Total current liabilities** | **313,507** | **48.1** | **227,247** | **38.1** | **86,260** |
| **Non-current liabilities** | | | | | |
| Long-term financial liabilities | 49,000 | 7.5 | 81,286 | 13.6 | -32,286 |
| Deferred tax liabilities | 1,113 | 0.2 | 1,292 | 0.2 | -179 |
| **Total non-current liabilities** | **50,113** | **7.7** | **82,578** | **13.9** | **-32,465** |
| **Shareholders' equity** | | | | | |
| Share capital | 96,000 | 14.7 | 96,000 | 16.1 | 0 |
| less par value of treasury stock | -9 | 0.0 | -9 | 0.0 | 0 |
| Capital reserve | 2,400 | 0.4 | 2,400 | 0.4 | 0 |
| Statutory reserve | 7,200 | 1.1 | 7,200 | 1.2 | 0 |
| Balance sheet profit | 181,955 | 27.9 | 180,635 | 30.3 | 1,320 |
| **Total shareholders' equity** | **287,546** | **44.2** | **286,226** | **48.0** | **1,320** |
| **Total shareholders' equity and liabilities** | **651,167** | **100.0** | **596,052** | **100.0** | **55,115** |

The balance sheet total of CTS KGaA increased year-on-year by EUR 55.115 million (9.2%) to EUR 651.167 million.

**CURRENT ASSETS** increased by EUR 61.205 million to EUR 338.008 million (+22.1%). The changes mainly derive from an increase in cash and cash equivalents (EUR +21.507 million) and receivables from affiliated companies and participations (EUR +32.923 million) other assets and prepaid expenses (EUR +6.675 million).

**Cash and cash equivalents** increased by EUR 21.507 million. This increase is attributable to the higher net income in the reporting year, liquidity inflows from ticket monies. In contrast, cash outflows for higher disbursement of dividends (higher basic dividend and special dividend).

Cash and cash equivalents, at EUR 231.348 million (previous year: EUR 209.841 million) include ticket monies from not yet invoiced presales for events (ticket monies not yet invoiced), which are reported in other liabilities (EUR 187.662 million; previous year: EUR 151.102 million). Other assets also include receivables relating to ticket monies from presales (EUR 17.567 million; previous year: EUR 14.707 million) and factoring receivables from ticket monies (EUR 22.266 million, previous year: EUR 18.929 million).

**Receivables from affiliated companies and participations** (EUR +32.923 million) increased due to newly granted loans to affiliated companies in the amount of EUR 25.715 million in the course of the expansion of the scope of consolidation in the Live Entertainment segment.

Short-term **receivables from other assets and prepaid expenses** increased by EUR 6.675 million mainly because of receivables relating to ticket monies from presales (EUR +2.860 million) and factoring receivables from ticket monies (EUR +3.337 million).

**NON-CURRENT ASSETS** declined by EUR 6.090 million to EUR 313.159 million. A major portion of that decrease relates to goodwill (EUR -7.649 million). This was offset by an increase in fixed assets (EUR +1.845 million).

The EUR 7.649 million decrease in **goodwill** derives mainly from the scheduled amortisation of goodwill according to HGB.

Additions to **fixed assets**, at EUR 1.845 million mainly relate to intangible assets for further development of the Global Ticketing System (EUR +9.123 million), ticketing distribution rights (EUR +2.145 million) and IT hardware for operating the data centre and for connecting box offices to the Global Ticketing System (EUR +1.167 million). These are offset by systematic depreciation (EUR -10.613 million).

**CURRENT LIABILITIES** increased by EUR 86.260 million to EUR 313.507 million, mainlydue to the increase in short-term financial liabilities (EUR +30.032 million), provisions (EUR + 13.119 million) and other liabilities and deferred income (EUR + 40.338 million).

**Financial liabilities** increased by EUR 30.032 million due to the timely reclassification of long-term financial liabilities to short-term financial liabilities.

The increase in **provisions** mainly derives from other provisions (EUR +708 thousand) and tax provisions (EUR +12.411 million). Tax provisions increased mainly due to higher income of profit and loss transfer agreements and the positive development of operating results.

The EUR 40.338 million change in **other liabilities and deferred income** is mainly caused by higher liabilities in respect of ticket monies that have not yet been invoiced (EUR +36.559 million). As at 31 December 2017, the amount of liabilities for ticket monies not yet invoiced was higher compared to previous year. In addition, there was an increase of EUR 2.368 million in liabilities for gift vouchers sold but not yet redeemed.

**NON-CURRENT LIABILITIES** decreased by EUR 32.465 million to EUR 50.113 million, due to the timely reclassification of long-term financial liabilities to short-term financial liabilities.

**SHARHOLDERS' EQUITY** rose by EUR 1.320 million to EUR 287.546 million. The net income for the reporting year, at EUR 95.392 million, is offset by a higher dividend payment of EUR 94.071 million (basic dividend of EUR 0.50 plus special dividend of EUR 0.48) that was adopted at the Annual Shareholders' Meeting in May 2017.

The reduction in the equity ratio (shareholders' equity / balance sheet total) from 48.0% to 44.2% primarily results from the fact that, due to the distributed record dividend, shareholders' equity was only slightly higher year-on-year. Furthermore, the balance sheet total increased due to provisions and liabilities due to the positive business development.

The year-on-year increase in net income leads due to an almost unchanged level of shareholders' equity to an increased return on equity (net income / shareholders' equity) of 33.2% (previous year: 28.5%).

## 4.3 CASH FLOW

### 4.3.1 CONSOLIDATED CASH FLOW

| | 2017 | 2016 | Change |
|---|---|---|---|
| | [EUR'000] | [EUR'000] | [EUR'000] |
| **Cash flow from:** | | | |
| Operating activities | 220,971 | 153,872 | 67,098 |
| Investing activities | -23,134 | -32,016 | 8,882 |
| Financing activities | -106,763 | -70,772 | -35,992 |
| **Net increase / decrease in cash and cash equivalents** | **91,074** | **51,084** | **39,988** |
| Net increase / decrease in cash and cash equivalents due to currency translation | -3,988 | 1,740 | -5,728 |
| Cash and cash equivalents at beginning of period | 553,640 | 500,816 | 52,824 |
| **Cash and cash equivalents at end of period** | **640,726** | **553,640** | **87,086** |

The amount of cash and cash equivalents shown in the cash flow statement corresponds to the cash and cash equivalents stated in the balance sheet. Compared to 31 December 2016, cash and cash equivalents increased by EUR 87.086 million from EUR 553.640 million to EUR 640.726 million.

Cash flow from operating activities is derived indirectly from the consolidated net income for the year, whereas cash flow from investing and financing activities is calculated on the basis of payments.

## CASH FLOW FROM OPERATING ACTIVITIES

**Cash flow from operating activities** increased year-on-year by EUR 67.098 million from EUR 153.872 million to EUR 220.971 million. The main reason for this increase in cash flow from operating activities is the change in liabilities (EUR +107.053 million), in consolidated net income (EUR +12.853 million). This was offset by a negative cash flow effect from receivables and other assets (EUR -40.882 million).

The EUR 107.053 million positive cash flow effect due to the change in **liabilities** mainly results from higher advance payments received in the Live Entertainment segment (EUR +88.981 million). Advance payments received in the financial year 2017 include EUR 39.913 million from the acquisition-related change of the scope of consolidation in the year under review in the Live Entertainment segment. The operational increase of the advance payments received result from higher ticket monies from the presale of events in 2018. Compared to the same period of the previous year, trade payables rose by EUR 19.853 million within the current business activities and the expansion of the scope of consolidation.

As at the end of the year, owing to the seasonally very high level of ticket presales in the fourth quarter, there is usually a large amount of liabilities in respect of ticket monies that have not yet been invoiced in the Ticketing segment, which leads in the course of the following year to cash outflows of ticket monies to promoters due to many events being held and invoiced. In the Live Entertainment segment, ticket revenue generated in the presales period is posted by the promoter on the liabilities side as advance payments received. When the event is subsequently held, these advance payments are transferred to revenue.

## CASH FLOW FROM INVESTING ACTIVITIES

The negative cash flow from investing activities rose by EUR 8.882 million from EUR 32.016 million to EUR 23.134 million. The negative change in cash flow from investing activities was the result in higher investments in intangible and tangible assets (EUR -10.761 million). The positive cash flow effect (EUR +19.643 million) comprise cash and cash equivalents of newly consolidated companies.

## CASH FLOW FROM FINANCING ACTIVITIES

The negative cash flow from financing activities rose year-on-year by EUR 35.992 million from EUR 70.772 million to EUR 106.763 million. The positive change in cash flow from financing activities is the result of a lower repayment of financial loans (EUR +10.005 million). This was offset by a higher dividend payment (due to higher basic dividend and an additional special dividend) to shareholders (EUR -49.916 million) which led to a negative cash flow effect.

With its current funds, the CTS Group is able to meet its financial commitments and to finance its planned investments and ongoing operations from its own funds.

## 4.3.2 CASH FLOW CTS KGaA (HGB)

| | 2017 | 2016 | Change |
|---|---|---|---|
| | [EUR'000] | [EUR'000] | [EUR'000] |
| **Cash flow from:** | | | |
| Operating activities | 130,469 | 117,013 | 13,456 |
| Investing activities | -12,426 | -23,359 | 10,932 |
| Financing activities | -96,357 | -58,442 | -37,917 |
| **Net increase / decrease in cash and cash equivalents** | **21,686** | **35,212** | **-13,526** |
| Net increase / decrease in cash and cash equivalents due to currency translation | -179 | 0 | -179 |
| Cash and cash equivalents at beginning of period | 209,841 | 174,629 | 35,212 |
| **Cash and cash equivalents at end of period** | **231,348** | **209,841** | **21,507** |

The amount of cash and cash equivalents shown in the cash flow statement corresponds to the cash and cash equivalents stated in the balance sheet. Compared to 31 December 2016, cash and cash equivalents increased by EUR 21.507 million from EUR 209.841 million to EUR 231.348 million.

**Cash flow for operating activities** increased by EUR 13.456 million to EUR 130.469 million. The year-on-year increase in 2017 mainly results from changes in liabilities (EUR +24.661 million) and a higher net income for the year (EUR +13.856 million). These were offset by negative cash flow effects due to the change in receivables (EUR -28.561 million) and to other provisions (EUR -3.993 million).

The positive cash flow effect in respect of liabilities, at EUR 24.661 million, is due to changes of liabilities in respect of ticket monies (EUR +19.625 million). With the operation of many major tours in the reporting year 2016, the high level of liabilities from ticket monies resulted in cash outflows as at 31 December 2016. This was offset by higher liabilities in respect of ticket monies in particular through the presale of a higher number of events in the fourth quarter 2017.

The EUR 28.561 million negative cash flow effect in respect of receivables mainly relates to changes in receivables from affiliated companies and participations.

The negative cash flow effect in respect of the change of other provisions (EUR -3.993 million) result mainly from lower provisions for outstanding invoices and for credit notes.

Negative **cash flow from investing activities** decreased by EUR 10.932 million from EUR 23.359 million to EUR 12.426 million. The decline in cash outflow mainly comprises lower purchase price payments related to acquisitions of shares in acquired companies (EUR -7.602 million) and capital increases at subsidiaries (EUR -3.846 million). This was offset by positive cash flow effects relate to the integration of the GSO Gesellschaft für Softwareentwicklung und Organisation & Co. KG (EUR +2.452 million).

Negative **cash flow from financing activities** increased year-on-year by EUR 37.917 million from EUR 58.442 million to EUR 96.357 million. The negative change in cash flow from financing activities is primarily the result of higher borrowings (EUR +2.000 million) and a lower repayment of financial loans (EUR +10.000 million). Furthermore, higher dividends paid to shareholders (due to higher basic dividend and additional special dividend) (EUR -49.916 million) led to negative cash flow effect.

## 4.4 GENERAL ASSESSMENT OF THE GROUP'S BUSINESS SITUATION

The business model of the **CTS Group** again proved to be very robust in the 2017 reporting period. Based on the business development of dynamically growing online ticket volumes in the Ticketing segment and strong revenue growth in the Live Entertainment segment through acquisitions and the establishment of new festival brands, CTS Group was able to improve revenue and earnings year-on-year. Thanks to the improved positive financial result in particular and also among other things to the fair value measurement of a subsidiary previously recorded at equity and now fully consolidated, earnings per share was well above the annual forecast.

In the **Ticketing segment**, the forecasts for revenue and earnings were achieved in the reporting year 2017. The main growth engine was the constant expansion of online ticketing in Germany and other countries as well as the introduction and development of innovative products and services. The planned growth in online ticket volumes was exceeded in financial year 2017. The expansion into South America in Ticketing and the increase in the number of consolidated companies through acquisitions had a negative impact on earnings, on the other hand.

In the **Live Entertainment segment**, the CTS Group, continued to benefit in terms of revenue from the increase in the number of consolidated companies and a further increase in the number of events with large audiences in financial year 2017. It was consequently able to exceed forecasts. Unlike what was expected in the annual forecast for 2017, the operating result was negatively affected by temporary costs relating to the development of new festival brands, relaunch of existing formats and advance expenses for events. The unique offering of attractive events and an exclusive portfolio of renowned event locations are the main contributors to the success of the Live Entertainment segment. The extensive network of participations and CTS Group's long-standing contacts in the events industry forms the basis for the broad variety of events on offer.

An actual-target comparison of financial and non-financial indicators:

| | Ticketing | | Live Entertainment | | Group | |
|---|---|---|---|---|---|---|
| | Growth Forecast 2017 | Actual | Growth Forecast 2017 | Actual | Growth Forecast 2017 | Actual |
| Revenue | mid single-digit percentage range | 5.9% | lower double-digit percentage range | 42.7% | upper single-digit percentage range | 24.6% |
| Earnings figures | mid single-digit percentage range | 5.8% up to 6.9% | lower double-digit percentage range | -4.0% up to -19.5% | mid single-digit percentage range | 2.3% up to 5.3% |
| EPS | | | | | upper single-digit percentage range | 19.3% |
| Internet tickets | upper single-digit percentage range | 11.9% | | | | |

Corporate management rates the economic position of the CTS Group at the time of preparing the management report as positive. The CTS Group is well positioned on the market with its service portfolio and financial profile.

## 5. APPROPRIATION OF EARNINGS BY CTS KGaA

In the 2016 financial year, CTS KGaA generated net income for the year (according to HGB) of TEUR 81.535 million. The Annual Shareholders' Meeting on 9 May 2017 adopted a resolution to distribute EUR 94.071 million (EUR 0.98 per eligible share) of the balance sheet profit of EUR 180.635 million as at 31 December 2016 to shareholders. The remaining balance sheet profit of EUR 86.564 million was carried forward to the new account.

In the 2017 financial year, CTS KGaA generated EUR 95.392 million in net income (according to HGB). The Management Board of the General partner and the Supervisory Board of the company propose to the Shareholders' Meeting to distribute a dividend of EUR 56.635 million (EUR 0.59 per eligible share) out of the balance sheet profit of EUR 181.955 million as at 31 December 2017 and to carry the remaining amount forward to the blance sheet profit.

## 6. DEPENDENCIES REPORT FOR CTS KGaA

According to § 17 (1) AktG, a dependent relationship exists at the closing date with Mr. Klaus-Peter Schulenberg (indirectly the controlling company), and with companies with which he is associated. In accordance with § 312 AktG, a report was submitted which was also be presented for review to the Supervisory Board and the auditor.

The report pursuant to section § 312 AktG finishes with the following statement by the Management Board of EVENTIM Management AG:

'Judging from the circumstances known to the Management Board at the time legal transactions requiring disclosure were conducted, the company received adequate consideration in each case. No measures or legal transactions with third parties requiring disclosure were either effected or waived in the business at the behest of or in the interest of the controlling company or an affiliated company within the meaning of section § 312 AktG.'

## 7. RISK AND OPPORTUNITIES REPORT

The Group's risk and opportunity policy is geared towards systematic and continuous growth in enterprise value. It is therefore a major component of business policy. The reputation of CTS KGaA and the Group, as well as the individual brands is of outstanding importance for the Group.

Reasonable, transparent and manageable risks are accepted if these are related to the expansion and exploitation of the Group's core competencies. The associated rewards must entail an appropriate increase in reasonable value added. Risks and opportunities are defined as deviations from planned targets.

The corporate management is broadly guided by the following principles of risk policy:

a) achieving business success invariably involves risk,

b) no action or decision may involve a risk to the company as a going concern,

c) risks in respect of earnings must be associated with corresponding returns,

d) risks, to the extent that they are economically acceptable, must be hedged accordingly and

e) residual risks must be controlled by means of a risk management system.

Opportunity and risk management is laid down in a corporate policy and is based on a comprehensive, multi-stage approach which comprises the segments' operating management, control and management systems (risk management in a more limited sense) and internal audit activities. The risk management system is integrated as a continuous process (control loop) into business processes, its aim being to identify, assess, control and document material risks and risks that threaten the continued existence of the company as a going concern and to seize, identify and realise opportunities.

The CTS Group primarily aims to enhance the company's value and achieve a good balance between opportunities and risks.

## 7.1 STRUCTURE AND OPERATION OF THE RISK MANAGEMENT SYSTEM

In order to identify, assess, manage and document risks at an early stage, the Group operates a systemic and appropriate risk management system. Operational risk management includes the process of systematic risk analysis of business processes. The risk management system is carried out at operating process, department and company level in the segments and subsidiaries.

The risk management system is an integral part of company management and company monitoring.

CTS KGaA and its consolidated subsidiaries are informed in the risk management guideline about the risk policies, risk management principles, operational risk management and risk identification, the structure of the risk management system, the risk management process and reporting flows.

All major subsidiaries of the Ticketing and Live Entertainment segment are integrated into the risk management system via a model which defines roles and responsibilities. Officers must be appointed by all reporting entities. The risk management system has been integrated into Group controlling. An authorised representative is responsible for the compliance with processes, the systematic development of the system and the support of the segments and subsidiaries. The risk committee at CTS KGaA validates and questions the evaluations and reports to corporate management. The Supervisory Board is informed of the risk reports and monitors the efficiency of the system.

Quarterly reports ensure that the company's management is promptly informed of potential risks affecting the company's future development. They are evaluated according to impact and likelihood and the status of measures is monitored. The period under review comprises the current year 2018 and the following business year 2019.

The risk management system operated by the CTS Group thus serves the purpose not only of detecting existential risks at an early stage, as required by the German Corporate Control and Transparency Act (KonTraG), but also detects any identified risks which might materially impair the earnings performance of the Group.

For the risks recognisable in the current business, appropriate precautions were taken to the extent that the prerequisites for accounting were taken into account during the preparation of the consolidated financial statements. The effectiveness, appropriateness and functionality of the risk management system of the CTS Group is reviewed and further developed in collaboration with the internal auditors. The process is supported by the risk management software 'R2C_risk to chance'. With a new release during the financial year, risk monitoring is simplified by means of the software's automatic monitoring status. The risk monitoring is simplified by means of the automatic monitoring status of the software. The risks and their impact, occurrence probability and expected value, status, management report and measures are displayed. The risks are assessed by means of the risk committee set up at CTS KGaA with reporting to the corporate management. The Supervisory Board is informed about the risk profiles and monitors the effectiveness of the risk management system.

The auditor evaluates the efficiency of the system for early detection of risks and reports on his findings to corporate management and the Supervisory Board after completing his audit of the annual financial statements. These findings are then also used to further improve the early detection and management of risks.

In principle, the risk identified is minimized by the implemented Internal control system, which consists of process-integrated and process-independent measures. If necessary, individual measures are implemented and their effectiveness is monitored. In preparing the consolidated financial statements, sufficient precautions were taken to cover all discernible risks in the ongoing business, to the extent that the conditions for taking account of such risks in the consolidated financial statements have been met. Risks are transferred to insurers by taking out insurance policies with appropriate amounts of coverage. These policies mainly cover property damage and third-party liability claims. Some specific operational risks are also covered by insurance policies. In addition, corporate management receives extensive advice from both internal and external experts when important decisions are to be taken.

Other instruments, such as the reporting system with consolidated budgets, monthly financial statements and regular review meetings, are also used to identify and analyse various risks, and to inform corporate management of the business development in the individual entities.

The CTS Group divides risks into seven risk categories:

| Risk category | Risk area |
|---|---|
| **1. Strategy** | Risks which represent a significant threat which arise from strategic decisions:<br>• Risks of future economic development<br>• Sector, market and competition |
| **2. Market** | Risks based on changes in the market (prices, competition etc.):<br>• Products, services, innovations |
| **3. Performance** | Risks related to services provided and the required resources:<br>• Stability and safety of IT infrastructure<br>• Risks from security threats from the internet<br>• Procurement<br>• Personnel risks |
| **4. Projects** | Risks arising from large projects |
| **5. Finance** | Financially-based risks:<br>• Liquidity risks<br>• Credit risks<br>• Currency risks<br>• Interest risks<br>• Other price risks<br>• Taxes<br>• Litigation and claims for damages<br>• Risks relating to reporting and budgeting<br>• Capital management |
| **6. Social/political/ legal** | Risks arising from changes in the social or political or legal framework |
| **7. Compliance** | Risks arising from non-compliance with laws, regulations and sector standards |

## 7.2 MAJOR RISK AREAS

Of all the identified risks facing the Group, the general and specific risks that may have an adverse impact on the financial position, cash flow and earnings performance are briefly described below.

Risk assessment includes the assessment of the risks as a negative EBIT-forecast deviation with regard to the probability of occurrence and the maximum theoretical loss that could occur. The maximum theoretical loss multiplied by the likelihood of the risk materialising is the expectation value. Risks are classified as 'high' (expectation value of the risk impairs EBIT more than 10%), 'medium' (expectation value of the risk impairs EBIT by ≥ 1% and ≤ 10%) and 'low' (expectation value of the risk impairs EBIT by less than 1%). The risk classification is based on the highest individual risk per risk area.

Unless otherwise specified, the risks described below relate to both segments.

### 7.2.1 STRATEGIC RISKS

#### RISKS RELATING TO FUTURE MACROECONOMIC TRENDS

The German Council of Economic Experts is now taking a more balanced view of the opportunities and risks for the global economy than in recent years, in which the potential dangers dominated. According to the Council, economic development currently appears more resilient than before, especially as various political risks associated with events such as the elections in France and the Netherlands have failed to materialize. However, the potential for risk remains, including geopolitical crises, the politically uncertain situation in the USA, a reduction in the substantially debt-financed growth of the Chinese economy and uncertainties on international financial markets. It is reportedly also impossible to rule out that the US administration could take protectionist measures.

In addition, the German Council of Economic Experts believes that the expansionary monetary policy predominant in many economies could be associated with risks, since it might result in misallocation as a consequence of market price distortion. Although consumer price inflation is low at the present time, the situation could change due to the current monetary environment and rising capacity utilisation. Central banks could initiate a sudden interest rate hike in this scenario, which would result in risks for private and public borrowers, as such debtors currently have to pay comparatively little to service their debts on account of the low interest rates. These conditions could also result in interest rate risks, particularly for those banks that have in some cases granted long-term loans at low interest rates in the past.

Furthermore, there is a possibility that changed expectations regarding future monetary strategy could result in consequences for global capital and foreign exchange markets. The risk of a substantial fall in bond prices could result in this situation.

Although the political risks for the monetary union have receded in Europe in the wake of last year's election results, the separatist ambitions and political conflicts in Catalonia indicate that political tensions are still an issue in the EU. What is more, sympathy for Eurosceptical positions and parties remains rather high in a number of European countries, according to various surveys.

The situation could have a noticeable impact on the outcome of the Italian parliamentary elections, for example, which are scheduled to be held this year. This and the general political climate illustrate that a rekindling of the Euro crisis may have grown less likely in recent months, but cannot be fully ruled out. The banking sector in some EU member states, such as Italy, also continue to pose a risk. In Italy and elsewhere, banks still have a large number of non-performing loans on their books.

The outcome of the Brexit negotiations is another pivotal factor for future economic development in Europe. There is still no certainty as to whether those involved will actual be able to achieve the target of finding a consensus by early 2019. In all probability, the failure of negotiations would have a negative economic impact on the United Kingdom in particular and, to a lesser extent, on the country's European trading partners. The same applies in the event of a 'hard' Brexit, albeit less markedly. All told, however, neither outcome is likely to have a lasting effect on the global economy.

As past business trends have shown, the events market of the CTS Group develop fairly independently of economic trends.

The risk is classified as low.

## INDUSTRY, MARKET AND COMPETITION

The CTS Group is a leading international provider of ticketing services and live entertainment. It is not certain that this market position can be maintained. In providing their services, the Group companies compete with regional and supraregional providers both in Germany and abroad, as well as with direct ticket sales by event promoters. However, efforts are being made to reinforce the company's position as market leader by expanding the distribution network and improving the range of services on offer. This includes, for example, an exclusive presale service, online reservation of specific seats via an interactive seating plan, ticket sales by mobile shops and apps for iPhone and Android, cross-selling and upselling solutions, state-of-the-art applications for promotions and VIP package deals, an internet-based ticket exchange, the high-quality FanTicket, special business offers, print-at-home and smartphone solutions, and the powerful mobile access control system eventim.access.

Potential market trends may lead to modification in business models or in the value chain due to intensified globalisation and concentration in Ticketing and Live Entertainment. The Group monitors the market closely for possible changes in order to respond flexibly should the need arise.

Changes in the competitive environment in the core markets of the Ticketing segment can lead to changes in the market. The causes of this may include market regulation measures, stricter consumer protection laws, competition/anti-trust restrictions (of organic and acquisition-based growth) and contractual stipulations, as well as the risk-relevant influence of consumer protection organisations and authorities.

Changes in the competitive environment in the core markets of the Live Entertainment segment can lead to changes in the market. The success in the Live Entertainment segment is based on existing promoters, attractive events and tours, leading venues and collaborations developed with artists over the years. The CTS Group has a variety of brands, particularly in the area of festivals, renowned venues, extensive contacts with artists and their management, reputation in event management, distribution strength and financial strength.

The risk is classified as medium.

### 7.2.2 MARKET RISKS

#### PRODUCTS, SERVICES, INNOVATION, BUSINESS AND ENTERPRISE VALUE

Further development of the CTS ticketing software ('Global Ticketing System' and inhouse products in sports and cultural aspects) occurs in a context of very rapid changes in the information technology field, which produces a constant flow of new industry standards, new products and new services. It is uncertain that the CTS Group can always launch new technologies in a timely manner and without impairing the speed and responsiveness of the system. The CTS Group uses technologies developed by external specialists from whom licences have been purchased. If the rights to use these technologies are lost for whatever reason, this could delay development and limit operation of the products, or could result in higher royalties being paid.

The Group's business operations and the enterprise value of its assets in the Ticketing segment depend significantly on promoters selling their admission tickets via the CTS sales network and providing a certain proportion of the available tickets. The Group believes that event promoters will continue to use these services in future, on account of the diversified structure of products and their distribution. This risk is minimised by acquiring interests in various well-known concert promoters at regional and supraregional level and in other markets by entering into long-term contractual relationships.

The Group's business operations and the enterprise value of its assets in the Live Entertainment segment are dependent to a significant degree on promoters continuing to offer artists of national and international renown, thus ensuring high attendance rates at events.

Uncertainties on markets worldwide may have negative impacts on the events and ticketing market and hence on the business development of the CTS Group. The CTS Group will respond to any competitive and price-related pressures arising by new industry-specific or customer-specific services and sales initiatives.

Market risks are classified at low risk.

### 7.2.3 PERFORMANCE RISKS

#### STABILITY AND RELIABILITY OF THE IT INFRASTRUCTURE BEING USED

The availability and reliability of the software and hardware used in Germany and other countries is a key prerequisite for business success, in that any malfunctioning or failures may cause sustained damage to the Group's internal and external processes or to the services it performs for its customers.

These risks are countered with many measures that are defined in an IT security policy adopted by the corporate management.

Technical and organisational measures are taken to safeguard the availability and security of the platforms operated, the IT infrastructure and the data stored and processed on those platforms.

To ensure its physical security, for example with protection against fire, power failures, natural disasters or burglary, the infrastructure is operated in an external, equipped with multi-redundant power and Internet connections, separate fire protection zones and permanent surveillance.

IT systems are operated in accordance with documented rules and procedures. Data protection guidelines, stipulations for handling information and for operating and servicing systems and networks, staff training, regular risk reports and planning for emergencies are core measures in that regard.

System malfunctions and failures are prevented with a highly redundant system architecture and permanent monitoring of all system components. A mirrored system architecture, with multi-redundant system components and backup systems, does not of itself guarantee platform availability, but allows peak loads to be handled by intelligent load distribution algorithms, both automatically and manually controlled.

A multi-threaded test environment ensures that changes to software and systems do not enter productive operations unless they have successfully completed quality assurance and load testing procedures and do not compromise productive operations in any way.

A multi-layered security system with firewalls and intrusion detection blocks attacks on the productive infrastructure. To that end, the security of all platforms is tested and continuously improved on the basis of regular security tests conducted on the networks, servers and software by independent organisations.

In 2017, as in previous years, the CTS Group invested in the performance, security and stability of the ticketing platform. The constant optimisation of infrastructure and processes leads not least to an extremely high rate of availability of the ticketing sales platforms.

The risk is classified as low risk in the Ticketing segment.

## RISKS FROM INTERNET SECURITY THREATS

Processes within the CTS Group, such as software development, networking of ticketing systems, online ticketing operations, data exchange between the system and financial transactions are dependent on the IT infrastructure and IT applications. In order to ensure the security of the processed information in the IT systems, appropriate measures are taken accordingly.

Unauthorised users may nevertheless attempt to access CTS systems by conducting cyberattacks to perpetrate theft, unauthorised use or sabotage of intellectual property and confidential data. Any infringement of the IT security policy and any abuse or theft could have a negative impact on business operations and on earnings performance, financial position and cash flow.

The risk is classified as a medium risk in the Ticketing segment.

## PROCUREMENT

Being an IT-based service provider, operator and supplier of ticketing systems and a promoter of live events, the CTS Group works together with very different suppliers. Potential risks in this area are countered by establishing quality standards in the supply and procurement process, and by procedures for tendering and project costing.

The risk is classified as low.

## PERSONNEL RISKS

The financial successes achieved to date in the Ticketing segment are attributable in large measure to the activity and special commitment of certain key people with important leadership roles. Financial success will continue to depend on these managers remaining in employ, and on whether the Group can continue to recruit new, highly skilled personnel in Germany and abroad. The management development program provides dedicated support for, and advancement of management potential, as well as incentive systems.

The objects of the business activities in the Live Entertainment segment are to plan, prepare and execute tours and events, especially music events and concerts, and to market music productions. Contacts with artists and their managers, combined with the professional organisation and execution of events are key success factors in this regard. The positive business development in the Live Entertainment segment is based in large measure on the activities and special commitment of certain key persons with important management positions. Financial success will continue to depend on these skilled managers remaining in the employ of the company.

The risk is classified as low.

### 7.2.4 PROJECT-RELATED RISKS

Risks may arise in conjunction with larger projects, in particular. These risks are primarily quality risks, meaning the risk that the goals of projects are not met in full, but they may also take the form of cost risks, risks relating to deadlines, foreign exchange risks, and political and legal risks. Examples include, but are not limited to major projects for customers, IT projects (software development, provision and/or technical handling and implementation) and new types of events. Project-related risks are identified and managed with an appropriate system of project management. Project handling often involves the customer deploying a considerable amount of resources, as well as exposure to many risks over which the CTS Group often has no control.

The risk is classified as low risk.

### 7.2.5 FINANCIAL RISKS

#### CASH FLOW RISKS

Cash flow risks arise if the payment obligations of the Group cannot be covered with available cash or credit lines.

Cash flow is planned and managed to ensure permanent solvency and financial flexibility. Monies generated by advance ticket sales are deposited in separate service accounts until accounting for the respective event has been completed.

Standard credit agreements are in place with various banks. The extension risk is minimised by varying credit terms. In addition to existing financing of acquisitions, a medium- to long-term working capital credit facility is also available as part of general corporate financing. The Group had sufficient cash reserves as at the balance sheet date of 31 December 2017.

As at 31 December 2017, the Group has bank liabilities of EUR 117.206 million (previous year: EUR 127.204 million). Of the external loans, EUR 68.410 million (previous year: EUR 78.534 million) are tied up to comply with standard financial covenants for companies with good creditworthiness ratings. There is no certainty that the covenants will be honoured in the future. However, based on current budget planning, the CTS Group assumes that the covenants will also be honoured in the years ahead.

The risk is classified as low.

#### CREDIT RISKS

Credit risks exist when there is a risk of debtors being unable to settle their debts. The maximum credit risk is equal in theory to the value of all receivables, minus liabilities owed to the same debtor if set-off is possible. In the annual financial statements of CTS KGaA and the Group, allowances for doubtful accounts were made to offset identified credit risks. These are formed on the basis of historical default rates and future expectations for recovery of the receivables. Individual impairments are made as soon as there is an indication that the respective receivable is irrecoverable in part or in whole. These indications are also based on intensive contact with the respective debtors in the context of receivables management.

For reconciliation of the impairment accounts and the age structure of receivables, reference is made to the additional disclosures on financial instruments (IFRS 7) in item 4 of the notes to the consolidated financial statements.

In the 2017 business year, collaterals amounting to EUR 9.742 million (previous year: EUR 9.323 million) were provided for Group companies, mainly to hedge the risks in ticket presales by various box offices (EUR 9.616 million, previous year: EUR 9.306 million).

The risk is classified as low.

## FOREIGN EXCHANGE RISKS

The foreign exchange risks to which the Group is exposed ensue from investments, financing activities and operating activities in foreign currencies. Within the Group, some contracts with performers as well as licensing agreements are transacted in foreign currencies.

Foreign exchange risks which do not affect the cash flow of the Group (that is, the risks which result from translating the assets and liabilities of foreign entities into the Group reporting currency) remain unsecured, as a basic principle. Currency risks that may affect the cash flow of the Group are reviewed on a regular basis and hedged where necessary. Within the CTS Group, derivatives are used solely to hedge risks, but not as vehicles for speculation.

A currency risk may also arise when intercompany receivables or liabilities exist in a currency other than the functional currency of the consolidated financial statements.

In order to disclose financial risk exposure, the CTS Group produces sensitivity analyses in accordance with IFRS 7, showing the effects that hypothetical appreciation and devaluation of the Euro in relation to other currencies will have on net income after tax and on shareholders' equity, where relevant. The periodic effects are determined by relating the hypothetical changes in foreign exchange rates to the financial instruments in place at the closing date. It is assumed that the volume of such instruments at the closing date is representative for the year as a whole. Foreign exchange risks within the meaning of IFRS 7 ensue when financial instruments are denominated in a currency other than the functional currency and are of a monetary nature; currency translation differences relating to the translation of financial statements into the functional currency of the Group are ignored in this regard.

If the Euro had appreciated (or depreciated) in value by 10% against all other currencies as at 31 December 2017, the consolidated net income after tax would have been EUR 707 thousand lower (or higher, respectively) (previous year: EUR 1.826 million lower (higher)). The hypothetical effect on net income after tax results mainly from EUR/CHF currency sensitivity (EUR -422 thousand; previous year: EUR -533 thousand for EUR/CHF), from EUR/USD (EUR +86 thousand; previous year: EUR -65 thousand for EUR/USD), from EUR/ILS (EUR -177 thousand; previous year: EUR -189 thousand for EUR/ILS), from EUR/BRL (EUR -79 thousand, previous year: EUR -737 thousand for EUR/BRL) and from EUR/GBP (EUR -87 thousand; previous year: EUR -183 thousand for EUR/GBP).

If the Euro had appreciated (or depreciated) in value by 10% against all other currencies as at 31 December 2017, the shareholders` equity would have been EUR 262 thousand lower (or higher, respectively). The hypothetical effect on the shareholders` equity results mainly from EUR/CHF currency sensitivity of EUR 52 thousand and from USD/EUR currency sensitivity of EUR -314 thousand.

The risk is classified as low.

## INTEREST RISKS

Fixed-rate loan agreements are mostly in place for long-term loans (with fixed-interest periods of 1, 2 and 3 years). Short-term credit lines are not used continuously throughout the year. An extended and increased syndicated credit line (revolving credit facility) is used for specific projects.

Risks associated with changes in interest rates exist due to potential changes in market interest rates and may lead to a change in fair value in the case of fixed-rate financial instruments, and to variation of interest payments in the case of financial instruments with variable interest rates.

Variable-interest loans and medium-term, fixed-interest loan agreements are regularly reviewed for possible hedging against interest rate changes. Due to the current market situation, it is assumed that interest rates will not rise significantly in the short term.

Since the Governing Council of the European Central Bank (ECB) decided on 5 June 2014 to charge negative interest rates for deposits, banks started to pass on these negative interest rates to commercial clients and to charge negative interest for demand deposits if an individually defined limit is exceeded. Banks with which the CTS Group cooperates also charge negative interest rates on demand deposits when the agreed limits are exceeded. Through active cash management and agreed limits, adverse effects due to negative interest rates occurred to a minor extent in the reporting period. In the event of a general reduction of the limits set by banks, higher costs incurred from negative interest rates are expected.

Changes in the market interest rates of original financial instruments with fixed interest rates affect earnings only when these are recognised at fair value. Accordingly, all financial instruments with fixed interest rates and recognised at current purchase costs are not exposed to any interest risks within the meaning of IFRS 7.

Hypothetical changes in market interest rates as at 31 December 2017 would have effects on ongoing interest payments and/or interest income and expenditure in pre-tax profits and on shareholders' equity. The hypothetical effect on consolidated income results from the potential effects of original cash and cash equivalents and financial debts of EUR 623.232 million (previous year: EUR 455.195 million).

If the level of market interest rates had been 100 base points higher (lower) as at 31 December 2017, consolidated net income after tax would have been EUR 4.313 million higher (EUR 851 thousand lower). The effect on consolidated net income after tax in 2017 concerns exclusively to floating interest rates in cash and cash equivalents and financial debts at banks.

If the level of market interest rates had been 100 base points higher (lower) as at 31 December 2016, consolidated net income after tax would have been EUR 3.074 million higher (EUR 104 thousand lower). The effect on consolidated net income after tax in 2016 concerns exclusively to floating interest rates in cash and cash equivalents.

The risk is classified as low.

## OTHER PRICE RISKS

The marketable securities and other investments held by the CTS Group are subject to market price risks. In accordance with IFRS 7, these market price risks are presented in the form of sensitivity analyses by calculating the effects that hypothetical changes in market prices will have on the recognition of available-for sale financial assets stated under financial assets or other financial assets.

If market prices as at 31 December 2017 had been higher (lower) by one standard deviation from the historical relative changes in value over the financial year, shareholders' equity would have been EUR 1 thousand higher (lower) (previous year: EUR 2 thousand).

The risk is classified as low.

## TAXES

Different opinions on fiscal matters may lead to subsequent tax demands being imposed that have adverse impacts on the financial situation. Tax arrears are evaluated on the basis of a best possible estimate. A Group audit for the years 2010 to 2013 is currently taking place.

The risk is classified as medium.

## LITIGATION AND CLAIMS FOR DAMAGES

The CTS Group is involved in pending proceedings and processes as they arise in the ordinary course of business.

The risk is classified as low.

Additional reporting is made in section 7.2.6 social/political/legal risk area.

## RISKS RELATING TO REPORTING AND BUDGETING

Compliance with all the accounting standards applying to the CTS Group and with all new announcements of relevance is subjected to regular review. Future announcements on accounting methods and standards, for example on recognition of revenue or leasing, may also have effects on financial data. A forecast of revenue in the CTS Group is dependent on many factors and therefore involves uncertainties. These factors include, but are not limited to social trends, geographical markets, seasonal variations, number of events, sales volume per channel, ticket price, genre, market share, budget changes at customers, time slots and assessment for 'artist booking' for annually changing content in the Live Entertainment segment, as well as currency and interest rate premises. Operating expenditures are based on anticipated revenue. If anticipated revenue do not materialise, this may lead to fluctuations in operating profits. The use of estimates by management may have impacts on earnings performance, financial position and cash flow.

The risk is classified as medium.

### CAPITAL MANAGEMENT

The aim of capital management in the CTS Group is to ensure the efficient control of financial resources within the business units in order to have the maximum possible impact on profitability and shareholder value. As an integral component of finance policy within the CTS Group, capital management ensures appropriate equity levels, the financing of investments and the creation or dismantling of debts.

The risk is classified as low.

## 7.2.6 SOCIAL/ POLITICAL / LEGAL RISKS

The Group operates in the market for leisure events in the Ticketing and Live Entertainment segments. Market uncertainties based on social and political instability such as those caused by internal conflicts, terror attacks, civil unrest, war or international conflicts, or by pandemic and natural catastrophes, can negatively impact the financial position and earnings, cash flow and revenue and operating profit figures in both segments.

Political and legal risks may arise, when conditions are stipulated or modified by government activities, in particular by legislation. Examples of political or legal risks are developments in commercial and tax law and competition law, market regulation measures, stricter consumer protection laws, stricter laws and official requirements for events due to an altered security situation (including unrest caused by violence and terror), competition/anti-trust restrictions (of organic and acquisition-based growth) and contractual stipulations and risk-relevant effects of consumer protection organisations. Expert advice is received in all legal matters.

In the context of administrative proceedings, the German Federal Cartel Office (Bundeskartellamt) is investigating the market position and market behaviour of CTS KGaA, particularly whether CTS KGaA exploits its market position in the Ticketing segment to an unreasonable extent and puts market partners at a disadvantage, as well as the content of specific regional cooperation agreements. On 4 December 2017, the Federal Cartel Office completed an administrative proceeding initiated in October 2014. In their findings, the authorities objected to a small number of existing exclusive agreements and limited the scope and terms of future exclusive agreements. CTS KGaA has filed a full appeal against the decision with the higher regional court (Oberlandesgericht) in Düsseldorf. The company has also filed a stay of proceedings for part of the decision. In addition, consumer protection proceedings are pending in one instance each in Germany and Austria, and administrative proceedings are pending in one instance each in Italy and Switzerland. The outcome of the proceedings remains to be seen. It cannot be ruled out that cartel authorities, consumer protection organisations and other institutions will disagree with individual practices or agreements during the ongoing proceedings and issue an order for modification.

The risk is classified as medium.

## 7.2.7 COMPLIANCE RISKS

Compliance risks can arise if any applicable laws, regulations, industry standards and voluntary commitments are not observed. To ensure compliance, a compliance management system modelled after IDW auditing standard 980 was developed and introduced in the 2017 financial year. The relevant compliance risks are minimised through an organisational and role concept and through corporate policies focusing on material aspects of compliance. The processes are subject to a four-eye principle. Questions about specific areas of activity can be reported directly to the compliance officer using an internal whistle-blowing system. In addition, special officers have also been appointed for specific risk areas (PCI compliance, IT security and data protection). Through ongoing consultation and case management,the legal and internal audit departments support the identification and management of compliance risks, particularly against the background of the increasing internationalisation of the Group.

The risk is classified as medium.

## 7.3 OPPORTUNITY MANAGEMENT

Opportunity management within the CTS Group is aimed at identifying and evaluating opportunities at an early stage and taking appropriate steps so that opportunities are exploited and result in successful business development. Contrary to risks, opportunities are regarded as potential positive budget deviations. Risks are not offset against opportunities.

Responsibility for the systematic recognition and exploitation of opportunities that arise lies with the operational managers.

Continuation of the company's growth depends above all on the ability to launch innovative software and product solutions on the market and to create value-added for customers on a continuous basis. In a structured specification process, market requirements and functions are assessed according to selected business administration and strategic criteria to produce a list of priorities.

The aim is to identify and materialise opportunities in both core business segments, Ticketing and Live Entertainment.

Individual growth initiatives are assessed according to strategic and financial criteria based on accounting analyses such as contribution accounting, investment accounting and discounted cash flow accounting.

### 7.3.1 STRATEGIC OPPORTUNITIES

Potential opportunities have been identified in the areas of market and competition.

Significant growth opportunities in the Ticketing segment involve the development and expansion of business in international markets.

Potential for growth in the internet ticket distribution is linked to targeted customer communication. Through efficient multi-channel dialogue, the use of Customer Relationship Management (CRM) systems enables improved purchase activation and an overall higher degree of loyalty among E-Commerce customers. In this context, the CTS Group is focusing on the development of event recommendation, which allows for demand creation also in the mid- and long-tail area. An improved multi-channel campaign management system will be implemented to automate marketing and increase efficiency.

In view of the development and expansion of additional ticket products, market opportunities have been identified in connection with EVENTIM.Fansale, EVENTIM.Guide and EVENTIM.Light. EVENTIM.fanSALE is a resale portal where customers can sell event tickets to other customers. EVENTIM.Guide is an online leisure calendar that closes the gap between ticketing and local leisure planning. With EVENTIM.LIGHT, a new, web-based ticket product was created that offers self-service promoters without specialised knowledge a simple and easy entry into the world of professional ticketing.

The continuing development of new content fields for ticket sales (inter alia cinema) falls within the strategic context of the ongoing expansion of the CTS customer range.

In order to realise other market opportunities, business models are being expanded or newly developed.

Opportunities in the Live Entertainment segment are related to processing attractive major events and establishing new event formats as well as expanding venue operation.

### 7.3.2 PROJECT OPPORTUNITIES

In order to take advantage of additional project opportunities, the CTS Group will continue to apply for ticket processing projects related to major sports events in Germany and abroad.

## 7.4 ASSESSMENT OF THE GROUP'S OPPORTUNITIES AND RISK EXPOSURE

An overview of risks shows that the Group is mainly exposed to performance-related risks, as well as social, political, legal and compliance risks. The assessment of individual opportunities and risks has not changed significantly in relation to the previous year.

The CTS Group sees future opportunities primarily in high-margin internet sales and also on the basis of its excellent market position in Germany and other countries, its technological leadership in the Ticketing segment and its compelling business model combining the Live Entertainment and Ticketing segments. With one of the most sophisticated ticketing platforms in existence and a complex, extensive distribution network, the Group enables many national and international promoters to sell tickets through a high-performance system.

Corporate management currently assumes that the risks, as in the previous year, are limited and transparent on the whole and that they do not jeopardise CTS KGaA and the Group as going concerns. There are no identifiable risks at present that might jeopardise their continued existence as going concerns.

It cannot be ruled out that additional factors will emerge in the future which are not yet known or are currently rated as immaterial and which could jeopardise the continued existence of the CTS Group as a going concern.

# 8. INTERNAL ACCOUNTING CONTROL SYSTEM

The internal accounting control system (IACS) contains the policies, procedures and measure designed to ensure correct and reliable accounting, and is subjected to continuous improvement.

Process-integrated and process-independent monitoring measures are the key elements of the internal control system within the CTS Group. In addition to automatic IT process controls, manual process controls, such as the 'four eyes principle', are also an essential part of the process-integrated measures.

An Accounting Policies and Procedures Manual stipulates accounting, measurement and disclosure rules in accordance with IFRS, and the associated reporting requirements for the relevant subsidiaries, for preparation of the consolidated financial statements and for all financial information to be reported by the companies included in the consolidated financial statements. The Accounting Policies and Procedures Manual contains an overview of the Standards and Interpretations adopted by the EU, as well as the dates from which they have to be applied.

The accounting rules applied in the CTS Group, including the accounting rules laid down in the IFRS, stipulate the standard accounting policies for the German and foreign companies included in the consolidated financial statements of the CTS Group, as well as specific formal requirements to be met by the consolidated financial statements. In addition to defining the scope of consolidation, the accounting rules also contain detailed definitions of the specific elements in the reporting packages to be produced by the Group companies. These formal requirements stipulate, inter alia, the mandatory use of a standardised and complete set of forms.

In the standalone financial statements of the subsidiaries of CTS KGaA, bookkeeping transactions are mainly recorded by the local bookkeeping systems. In order to prepare the consolidated financial statements of the CTS Group, the subsidiaries add to their respective financial statements by submitting further details in standardised reporting packages. All reporting packages are then imported via an interface into the consolidation system of LucaNet AG to produce the consolidated financial statements. The LucaNet consolidation software deployed by CTS KGaA has been used for many years already to prepare the consolidated financial statements of the CTS Group. All the consolidation steps involved in preparing the consolidated financial statements – such as capital consolidation, consolidation of assets or liabilities, or the elimination of intercompany expenses and profits and losses, including equity measurement – are generated and fully documented in LucaNet.

The measures of the internal control system aimed at reliability and correctness of accounting in the Group companies ensure that transactions are recorded promptly and fully, in accordance with statutory regulations and the articles of incorporation. They also ensure that physical inventory is properly conducted, that assets and liabilities are correctly recognised, measured and stated in the consolidated financial statements.

The control activities to ensure that accounting is correct and reliable include, for example, the analysis of facts and trends by conducting specific analyses of key figures. Organisational separation of administrative, executive, settlement and approval functions, and their performance by different persons, reduces the possibility of fraudulent or malicious activities. Organisational measures are aimed at promptly and properly recording, in the Group accounting system, any restructuring at enterprise or Group level, and any changes in the operations of individual business units.

The centralised performance of impairment tests for from the Group's view specific cash-generating units (so called CGU) ensures that consistent and standardized evaluation criteria is used. The cash-generating units correspond to the Group's reporting units (segments) Ticketing and Live Entertainment. The scope of regulations extends at Group level, inter alia, to the central definition of requirements for parameters in the valuation of pension provisions. Furthermore, the preparation and aggregation of additional data for the preparation of the notes and the management report (including significant events after the balance sheet date) is performed at Group level.

By means of the organisational, control and monitoring systems stipulated within the CTS Group, the internal accounting control system makes it possible to record, process and analyse company information and to present it properly in the Group accounting. However, the nature of discretionary personal decisions, errors during checks, criminal acts and other circumstances means that they cannot be excluded entirely, and will result in limited effectiveness and reliability of the internal control and risk management system. This means that even Group-wide application of the deployed systems cannot guarantee absolute security with regard to correct, complete and prompt recording of facts in the Group accounting.

## 9. REPORT ON EXPECTED FUTURE DEVELOPMENT
### 9.1 FUTURE MACROECONOMIC ENVIRONMENT

In 2018, the Institute for the World Economy (IfW) expects a further upswing in the global economy and a production growth rate of 3.9%. Almost all the major economies are displaying a positive trend. However, inflation will only increase slowly. According to the IfW, the global economy is subject to particular risks from the financial environment. The normalisation of monetary policy could result in sudden uncertainty on the capital markets.

In 2019, the IfW expects the rate of global economic growth to slow to 3.6%. Risks to that forecast result, in particular, from political uncertainty – for example in the US – and potential issues relating to the expected imminent normalisation of monetary policy.

According to the IfW, it is becoming clear that there will be a sustainable economic recovery in the eurozone in 2018. Here, the institute expects gross domestic product to increase by 2.3% in 2018 and 2% in 2019. On the one hand, the expansion of the economy has become broader and stronger. On the other hand, the key leading indicators – including the European Commission's Economic Sentiment Indicator, the Purchasing Managers' Index, industrial production and incoming orders in the manufacturing sector – suggest that the increases in production will remain significant. Many factors indicate that this momentum will continue for some time: As a result of the ECB's highly expansive monetary policies and reduced tension in the financial sector, financing conditions remain very favourable.

In its forecast, the European Commission predicts further growth of gross domestic product in the European Union. It forecasts an increase of 2.1% in 2018 and 1.9% in the following year. According to the Commission, the European economy developed better than expected in 2017 – thanks to strong consumption by private households, global economic growth and a decreasing unemployment rate. Meanwhile, investment activity continued to increase significantly as a result of favourable opportunities for financing. The markets will continue to profit from that development in the future, according to the forecast.

For the German economy, the IfW predicts a gross domestic product growth rate of 2.5% in 2018 and 2.2% in 2019. The German economy is going 'full steam ahead' after a further increase in economic momentum in 2017. According to the IfW, the relevant leading indicators suggest that those developments will continue. At the same time, capacity utilisation, which was already significantly higher than normal, made significant steps towards economic boom conditions. Overall, the upswing has a broad base and, in the view of the IfW, will continue to expand dynamically, not least as a result of increased private consumer spending due to greater income growth. Considering the positive development of the economy, the unemployment rate is also expected to decrease, to approximately 5.1% by the end of 2019. Corporate investment should also increase in 2018 and 2019 thanks to a favourable outlook with regard to sales and earnings. However, the phase of low price increases that characterised the past three years is over. There are indications that the inflation rate will be 1.7% in 2018 and approximately 2% in 2019.

## 9.2 EXPECTED EARNINGS PERFORMANCE

### GROUP

Developments in the 2017 financial year underline the fact that the CTS Group's business model remains robust and successful. The improvement in the CTS Group's revenue resulted from both the dynamic growth in online ticket volumes in the Ticketing segment and strong revenue growth in the Live Entertainment segment, which was primarily due to acquisitions and the development of new festival brands. Based on these factors, the CTS Group's revenue increased more than expected in 2017. However, positive revenue development was offset by temporary negative effects on earnings in the Live Entertainment segment.

The CTS Group further strengthened its market position in the 2017 financial year with new strategic partnerships, particularly in the Live Entertainment segment in Europe. The CTS Group's portfolio of services, and its financial profile, put it in a good position to continue the systematic implementation of its growth strategy in the future.

The mutually complementary Ticketing and Live Entertainment segments are the heart of the CTS Group's business model. The combination of a highly sophisticated, high-performing ticket distribution system and a unique, attractive range of music, sport, cultural and leisure events is the basis for the CTS Group's sustainable success. The numerous investments and long-standing contacts in the events industry ensure that the CTS Group has a broad portfolio. Each year, more than 250 million tickets for these events are sold through the globally leading CTS EVENTIM ticketing systems.

The CTS Group will continue to consistently pursue its sustainable growth strategy. This involves organic growth through the constant improvement of its ticketing software, as well as the development of innovative services. The emphasis here is on the further expansion of the highly profitable area of ticketing via E-Commerce. Meanwhile, the company constantly monitors the international ticketing and live entertainment market for opportunities for strategic collaboration and to identify potential acquisitions.

## TICKETING

In the Ticketing segment, revenue and earnings forecasts were fulfilled thanks to growth in the volume of internet tickets, while the development of ticketing in South America and the increase in the number of consolidated companies through acquisitions had a negative effect on earnings.

The main driver of growth was the constant expansion of internet ticketing in Germany and abroad, as well as the introduction and development of innovative products and services. The CTS Group will continue to strengthen its position as one of the world's leading ticketing service providers in the current financial year. It will also continue to systematically develop the highly profitable E-Commerce segment. The consistent trend towards online shopping continues to offer considerable opportunities for growth. The development of innovative ticketing services and the constant optimisation of the Group's systems will also remain a focus of its business activities.

In future, the CTS Group will continue to strengthen the Ticketing segment through additional strategic acquisitions in Germany and other countries.

The CTS Group's leading global ticketing systems, which are constantly optimised, are the foundation for the Ticketing segment's success

With regard to **online ticketing** there is a continued focus on increasing sales across all platforms.

The reach of the Group's shop platforms is therefore constantly extended by means of comprehensive search engine optimisation and marketing measures, along with data-driven marketing campaigns. At the same time, the conversion rates for the relevant touch points are consistently improved through ongoing tests and user experience measures. An extensive range of tools and processes for the competent management of these measures have been implemented within the organisation. Along with the direct optimisation of sales, there is constant investment in the performance and stability of the shop systems – because the best possible service and optimal results can only be delivered by rapid, smooth sales processes.

The trend towards mobile internet use continues, with growing numbers of customers purchasing tickets from their smartphones. All the measures implemented reflect that, so the proportion of tickets sold via mobile end-user devices will continue to increase disproportionately. The Group's websites are consistently developed to offer the best possible user experience, irrespective of the end device used. Optimum presentation allows visitors to rapidly and intuitively understand our services and offers, and also makes purchasing on the go much easier. The EVENTIM apps for smartphones and tablets are already very well established in the market, and their performance has improved further following a full relaunch in 2017. Along with greater usability and numerous new and improved functions, the relaunch offers a better user experience for all mobile display sizes. Another area of focus was the functional and technical development of the EVENTIM.App to allow for the rapid implementation of future requirements. The overall objective of online sales is to offer maximum user friendliness and thereby make the process of buying tickets more convenient, faster and more secure. The CTS Group also promotes the spread of electronic admission controls, which are a key requirement for the use of mobile online tickets.

Exclusive, specially designed FanTickets are offered for numerous top sellers in the web shop. The CTS Group's FanTicket is a unique offering for its customers – the patented tickets are specially designed for most large events and are a very special souvenir of major live experiences. Promoters and artists are consistently impressed by the emotional resonance of this product. The FanTicket has set new standards in the market.

The CTS Group's objective is to utilise its expertise as a leading ticket seller to sell more tickets for its customers than the competition through its 'conversion-optimised' online shops and network of box offices. In this regard, data-based campaigns are also conducted by e-mail, online and by means of search engine marketing. In terms of the product, this is achieved by using the latest marketing, tracking and reporting functions.

The CTS Group's unique **distribution network** offers numerous channels to meet customers' various purchasing patterns. Customers who purchase a ticket from an EVENTIM web shop can have it posted to them, use it as a mobile online ticket or print it directly from a home PC. In addition to the growing E-Commerce channel, more than 20,000 points of sale across Europe remain an important pillar of our sales network.

With its diverse range of solutions, CTS EVENTIM is increasing its focus on festival area. To that end, it has introduced a new product for festival promoters that is specifically oriented to their needs. EVENTIM's technology (including use of a festival app) enables promoters to improve customer loyalty and thereby ensure higher festival attendance.

The development of customised e-commerce solutions for event promoters is an area of focus in the Ticketing segment. With **EVENTIM.Light**, the CTS Group has launched a product that is specifically tailored to the needs of online-based promoters from fields such as electronic dance music, poetry slams, family entertainment, dinner shows, and lectures and readings. The intuitive ticketing system is optimised for mobile devices. Promoters can create their own self-service ticket shop and enter events with just a few clicks of a mouse, and without charge.

EVENTIM.Light is a product that facilitates simple, rapid digital ticket sales for numerous promoters of small-to-medium-sized events. The fact that, unlike with other providers, the tickets are not sold exclusively through in-house distribution channels, but instead via all EVENTIM channels including online portals, box offices and call centres, is a unique selling point.

The CTS Group offers **cinema ticketing** in Italy and Spain and through its strategic involvement in the kinoheld GmbH, Munich. This commitment is in the strategic context of the continuous expansion of CTS customer reach.

CTS EVENTIM also offers highly specialised, market-leading ticket management and sales applications – its EVENTIM.Tixx and EVENTIM.FaRM software solutions – in the **sport sector**. Throughout Europe, sports clubs use these systems to benefit from the selling power of the entire CTS Group. Merchandising, catering and sponsorship revenue can also be enhanced by their cross-selling functions.

In 2017, the CTS Group invested in the further development and internationalisation of its software solutions for the sport sector. In particular, the mobile-optimised online ticket shop, which sports clubs can use for direct marketing via their website, was completely redeveloped to strengthen the mobile sales channels. That involved implementing a more customer friendly design and an intuitive user interface for mobile end devices.

Tixx merchandising was expanded in the 2017 financial year. That involved intensive work on a merchandising shop with multi-client capabilities that meets the requirements of the sport sector. In 2018, the Group plans to offer sports clubs the ability to sell tickets and merchandise from a single shop and shopping basket (known as a mixed basket) to help existing and prospective customers exploit attractive revenue potential.

For large, busy sports clubs, Tixx-Clubsale offers the opportunity to resell purchased tickets, or individual games from a season ticket, via the online shop. That allows additional ticket sales to be generated for sold-out events through resales.

The CTS Group also intends to expand its existing customer base continuously over the years ahead and acquire new league sports customers.

In the **cultural field**, leading promoters of cultural events in Europe, such as La Scala Milan, Zurich Opera House, the Finnish National Opera in Helsinki, the Berlin Philharmonic, the Montreux Jazz Festival and the Elbphilharmonie in Hamburg, use the specialised EVENTIM.Inhouse and JetTicket ticketing solutions for the optimum organisation of ticketing operations and visitor management for theatres, opera and concert houses, and festivals.

In the cultural field, the Group also made comprehensive investments in the products listed above in the 2017 financial year. For example, a responsive, mobile-optimised online shop was programmed and, in cooperation with our subsidiary Ticketcorner (among others), successfully used for the Montreux Jazz Festival, which draws more than 230,000 visitors.

The number of tickets sold by promoters of cultural events via the CTS ticket network was further increased by means of successful marketing measures. In 2017, an interface connection gave users of the JetTicket software the opportunity to benefit from the high-performing CTS distribution network for the first time.

In future, the Group plans to further expand its customer base in all core markets. For example, numerous new customers in Norway, Sweden, Denmark and Switzerland and other markets will be introduced to the EVENTIM.Inhouse product in 2018.

The ongoing digitalisation of ticketing means that data is becoming increasingly important for creating added value. The CTS Group is responding to the trend generally described as “big data” with the products and services of its **Information Science** department:

Analytical products have been developed for the following fields in Information Science:

Through efficient multi-channel dialogue, the use of customer relationship management (CRM) systems enables improved purchase activation and an overall higher degree of loyalty among E-Commerce customers. Along with the e-mail, web shop and app channels available in the past, data-driven display advertising will also become possible in the coming year, so that users and customers can be addressed in a cost-optimised manner with event recommendations beyond CTS EVENTIM’s websites, leading to increased activation. In future, the EVENTIM.Campaign solution already successfully in use within the CTS Group will also be made available to partners in the event sector, and will soon go into operation at two pilot customers in the fields of sports and theatre.

Business process monitoring (BPM) uses internationally standardised key performance indicators and systematic reporting of all company processes to ensure transparency, and hence a basis for ongoing monitoring and optimised performance. In order to support the increasingly important field of E-Commerce with real-time analyses for marketing and product management, the BPM solution portfolio has been expanded to include the best-in-class web analytics suite Google Analytics 360 and has also been rolled out internationally.

Analytical solutions for B2B partners (B2B Analytical Services) in the areas of event and customer insights will help promoters achieve efficient event planning and capacity utilization. The highly specialised EVENTIM.Analytics reporting application was designed specifically for this purpose. It provides promoters with almost real-time information about ticket sales and the relevant customer groups, and is also accessible to promoters through their tablets and smartphones. The EVENTIM.Analytics tool allows for substantial efficiency improvements in event marketing. Among other things, the application offers access to anonymised demographic and geographic data about concertgoers and is being constantly developed.

2018 will be marked by a series of new **innovations**. In the current financial year, the CTS Group plans to further strengthen its market position, particularly in Europe, by developing innovative ticketing services in new and existing markets and constantly improving the applied technology.

In future, the CTS Group will also strengthen the Ticketing segment by means of technological innovation and further strategic **acquisitions** in Germany and abroad.

### LIVE ENTERTAINMENT

The Group exceeded its revenue forecasts in the Live Entertainment segment. Together with the rise in the number of consolidated companies, this was due to the further increase in the number of events with large audiences. Operating profit deviated from the forecast for 2017 due to temporary costs relating to the development of new festival brands and relaunch of existing formats, as well as negative effects relating to advance expenses for events.

In the 2017 financial year, the Group's network was further expanded and strengthened through new strategic partnerships in the growth areas of electronic dance music (EDM) and international festivals. 'New Horizons', a new German electronic music festival, was established at the Nürburgring.

Entry into the Italian live entertainment market was achieved with the takeover of Vertigo and Friends & Partners. Friends & Partners is an excellent addition to the Italian live entertainment portfolio. While Vertigo brings numerous international rock acts to Italian stages alongside Italian artists, Friends & Partners is a 'who's who' of the local music scene.

The CTS Group also operates three of the most successful and appealing venues in Europe – the Waldbühne in Berlin, the Eventim Apollo in London and the LANXESS arena in Cologne.

The CTS Group believes its Live Entertainment segment is very well positioned in the market and remains open to acquisitions and strategic partnerships in the future. The unique offering of attractive events and an exclusive portfolio of prestigious venues are the key factors for success in the segment. The Group will continue to pursue the national and international diversification of this business area. The close network established over many years with promoters, artists and their agents is being constantly expanded. The focus is also on creating and further developing new event formats in order to acquire additional market share.

Acquisitions and share purchases of existing associated companies and subsidiaries are both planned as part of a strategic and geographic market expansion.

## 9.3 EXPECTED CASH FLOW

Future investments are partly made from operating cash flow. Owing to current conditions on the lending market for companies with good creditworthiness ratings, external borrowing will continue to be considered as a means of financing acquisitions and sales strategies, in order to retain cash flow within the business.

## 9.4 GENERAL ASSESSMENT OF THE GROUP'S PROSPECTIVE DEVELOPMENT

If its commercial expectations and the strategic objectives are fulfilled, the CTS Group expects positive business development in the 2018 financial year. These expectations are further supported by the constant expansion of online ticketing, ongoing international expansion and the launch of new products and services.

In the 2018 financial year, a mid-single-digit percentage growth in online ticket volumes, and in revenue and earnings figures is expected, in the Ticketing segment.

In the Live Entertainment segment, an improved business development is expected in the 2018 financial year due to a greater number of events, with revenue growth in the mid-single-digit percentage range and earnings growth in the low-double-digit-percentage range.

Based on the segment forecasts for the 2018 financial year, the CTS Group expects a mid-single-digit percentage increase in group revenue and earnings.

In the 2017 financial year, EPS increased disproportionately on a one-off basis due to the fair value measurement of a subsidiary previously accounted for at equity and fully consolidated in 2017. EPS growth in the low-single-digit percentage range is expected in 2018.

Uncertainty on markets worldwide may have a negative impact on the event and ticketing market and hence on the business development of the CTS Group.

The dividend amount will continue to be based on earnings and the strategic development of the Group in future.

## 10. DISCLOSURES REQUIRED UNDER TAKEOVER LAW

Further disclosures required under takeover law refer to CTS KGaA according to §289a and §315a HGB.

### COMPOSITION OF SHARE CAPITAL; RESTRICTIONS RELATING TO VOTING RIGHTS OR THE TRANSFER OF SHARES

The share capital of CTS KGaA amounts to EUR 96,000,000 and is divided into 96,000,000 no-par value bearer shares. Each share entitles the bearer to one vote.

Management is not aware of any restrictions that affect voting rights or transfer of shares.

### DIRECT OR INDIRECT SHAREHOLDINGS

The general partner with no capital contribution is EVENTIM Management AG.

Klaus-Peter Schulenberg has an indirect holding in EVENTIM Management AG and CTS KGaA. On 28 December 2015, Klaus-Peter Schulenberg transferred 48,194,000 shares with voting rights of CTS KGaA (50.2% of share capital) as well as 50,000 shares with voting rights of EVENTIM Management AG (100% of share capital) to KPS Stiftung seated in Hamburg. Klaus-Peter Schulenberg's holdings in CTS KGaA and EVENTIM Management AG are only being converted from a direct into an indirect holding. In April 2017, CTS KGaA was informed by the KPS Stiftung that the KPS Stiftung has completed a sale of 6,720,000 shares of CTS KGaA, so that since then the KPS Stiftung holds 41,474,000 shares (43.2% of the share capital and voting rights).

The company has no knowledge of any other shareholdings, direct or indirect, that exceed 10% of the voting rights.

### HOLDERS OF SHARES WITH SPECIAL RIGHTS

Shares with special rights that grant power of control do not exist.

### PROCEDURES FOR MONITORING VOTING RIGHTS IN THE EVENT OF EMPLOYEE INVESTMENTS IN THE COMPANY

There are no special procedures for monitoring voting rights in the event that employees hold shares in the company's capital.

### LEGAL REGULATIONS AND PROVISIONS OF THE ARTICLES OF ASSOCIATION FOR THE START AND END OF THE LEGAL STATUS OF THE GENERAL PARTNER AS MANAGEMENT AND REPRESENTATION RIGHTS AND CHANGES TO THE ARTICLES OF ASSOCIATION

The company is represented by the general partner, which entered in the CTS KGaA within the change in legal form. Until its departure the authority ceases. The departure of the general partner is governed by § 10 of the articles of association of CTS KGaA. The general partner leaves the company apart from a possible agreement to that effect as soon as all shares in the general partner are no longer held by a person who holds more than 10% of the share capital of the company either directly or indirectly through a dependent company pursuant to § 17 (1) German Stock Corporation Act (AktG); this does not apply if all shares in the general partner are held by the company either directly or indirectly. In addition, the general partner leaves the company if the shares in the general partner are acquired by a person who has not submitted a takeover or mandatory offer to the company's shareholders in accordance with the provisions of the German Securities Acquisition and Takeover Act (WpÜG) and the requirements detailed in the articles of association within a period of twelve months following the acquisition taking effect.

In the case that the general partner leaves the company or that the general partner's departure is foreseeable, the articles of association contain the following clause to prevent the liquidation of CTS KGaA: The Supervisory Board of CTS KGaA is entitled and obliged to assume into CTS KGaA a stock corporation, all shares which are held by CTS KGaA, as general partner immediately after or rather upon the departure of the previous general partner. If EVENTIM Management AG departs CTS KGaA as general partner without a new general partner being assumed simultaneously, CTS KGaA will be managed by the shareholders during a transitional period. In this case, the Supervisory Board of CTS KGaA must request immediately the appointment of an emergency representative to represent CTS KGaA until the assumption of a new general partner, particularly in relation to the acquisition or foundation of said general partner.

In this case, the Supervisory Board of CTS KGaA is entitled to correct the wording of the articles of association in line with the change of general partner.

According to § 179 (1) AktG, the articles of association may be amended by a shareholder resolution, which requires a majority equal to at least three-quarters of the registered capital present at voting (§ 179 (2) AktG). Under § 18 (3) of the articles of association of CTS KGaA, the option provided for in § 179 (2) AktG is utilised, setting forth that resolutions may be adopted with a simple majority of votes cast and, if a majority of share capital is required, with a simple majority of the share capital. Shareholder resolutions, for which a qualified majority of votes or share capital is required by law, are adopted at the Annual Shareholders' Meeting by a two-thirds majority unless otherwise stipulated by mandatory statutory provisions. Any decisions on amendments of articles of association require the approval of the general partner pursuant to § 18 (6) of the articles of association of CTS KGaA.

EVENTIM Management AG is represented both in legal matters and in general terms by its Management Board.

## AUTHORISATION OF THE MANAGEMENT BOARD TO ISSUE AND BUY BACK SHARES

According to § 4 (4) of the articles of association, the general partner was authorised, subject to approval by the Supervisory Board, to increase the share capital in full or in part on one or several occasions by a maximum of EUR 48,000,000 until 7 May 2019 by issuing up to 48,000,000 bearer shares in return for cash deposits and/or contributions in kind (approved capital 2014). Approved capital 2009 was cancelled effective as of the entry of approved capital 2014 into the commercial register.

The share capital is increased conditionally by up to EUR 1,440,000. The contingent capital increase shall be conducted only to the extent that holders of options issued under the Stock Option Plan on the basis of the authorisation granted on 21 January 2000 exercise their stock options. The new shares participate in the profits of the company from the beginning of the financial year in which the stock options are exercised. The general partner is authorised, subject to approval by the Supervisory Board, to specify the further details of the contingent capital increase and its implementation.

The share capital of the company is increased conditionally by up to EUR 44,000,000 by issuing up to 44,000,000 new no-par value bearer shares entitled to participate in profits as of the beginning of the financial year in which they were issued (contingent capital 2013). This contingent increase is for granting shares to the holders of warranty bonds or convertible bonds issued in accordance with the authorisation of the Annual Shareholders' Meeting from 8 May 2013 to 7 May 2018 by the company or by a company in which an interest is directly or indirectly held. The new shares shall be issued at the respective option or conversion price to be specified. The contingent capital increase shall be carried out only to the extent that use is made of the option or conversion rights under the bonds, or conversion obligations in respect of such bonds are honoured, and as far as the company does not honor its obligation to grant shares by transferring treasury shares to the bearers of such bonds. The general partner is authorised to stipulate further details for implementing the contingent capital increase.

The Company is authorised in accordance with the Annual Shareholders' Meeting on 7 May 2015 to purchase by 6 May 2020 up to 9,600,000 treasury shares (up to 10% of the existing share capital) at the price and subject to the conditions defined in the authorisation resolution dated 7 May 2015, and to use these treasury shares for certain purposes, partially also with exclusion of subscription rights for shareholders.

## MATERIAL AGREEMENTS CONTINGENT ON A CHANGE OF CONTROL FOLLOWING A TAKEOVER BID

Credit agreements concluded with major banks contain 'change of control' clauses; these can lead to the revision of existing credit agreements.

## COMPENSATION AGREEMENTS

There are no compensation agreements with the management or employees that shall take effect in the event of a takeover bid.

## 11. COMPENSATION REPORT

The total amount of compensation paid to members of the corporate management in financial year 2017 amounted to EUR 5.101 million (previous year: EUR 5.101 million). Compensation consists of fixed annual emoluments and a variable, performance-based payment. The agreed criteria for granting the variable component, and for the amount paid, are among others revenue and earnings key figures, which are provided with multi-year bonus and malus incentives. In accordance with the malus arrangement, the variable components are reduced disproportionately in the following year if the result is substantially below target. If the result is at least reached in the following two years, the reduced compensation components are balanced again. Clearly defined, auditable and relevant success criteria are applicable that are continuously monitored by the Supervisory Board. The variable compensation components are subject to limits. They take into account positive and negative developments. The members of the corporate management also receive payments in kind, specifically in the form of an appropriate company car.

Stock options or similar components of compensation have not been contractually agreed and are not granted to the corporate management. There are no contractual commitments regarding payments when their responsibility ends.

Compensation (in EUR) paid to corporate management:

| | Klaus-Peter Schulenberg \| CEO | | | |
|---|---|---|---|---|
| **Granted Benefits/Allocations [1]** | **2016** | **2017** | **2017 (Min)** | **2017 (Max)** |
| Fixed salary | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 |
| Benefits | 12,632 | 13,229 | 13,229 | 13,229 |
| **Total (non-performance-related)** | **2,512,632** | **2,513,229** | **2,513,229** | **2,513,229** |
| One-year term variable cash remuneration | 600,000 | 600,000 | 0 | 600,000 |
| Multi-year variable cash remuneration | 150,000 | 150,000 | 0 | 150,000 |
| **Total (performance-related)** | **750,000** | **750,000** | **0** | **750,000** |
| Pension expenses | 0 | 0 | 0 | 0 |
| **Total remuneration** | **3,262,632** | **3,263,229** | **2,513,229** | **3,263,229** |

| | Alexander Ruoff \| COO | | | |
|---|---|---|---|---|
| **Granted Benefits/Allocations [1]** | **2016** | **2017** | **2017 (Min)** | **2017 (Max)** |
| Fixed salary | 600,000 | 600,000 | 600,000 | 600,000 |
| Benefits | 18,426 | 18,959 | 18,959 | 18,959 |
| **Total (non-performance-related)** | **618,426** | **618,959** | **618,959** | **618,959** |
| One-year term variable cash remuneration | 240,000 | 240,000 | 0 | 240,000 |
| Multi-year variable cash remuneration | 60,000 | 60,000 | 0 | 60,000 |
| **Total (performance-related)** | **300,000** | **300,000** | **0** | **300,000** |
| Pension expenses | 0 | 0 | 0 | 0 |
| **Total remuneration** | **918,426** | **918,959** | **618,959** | **918,959** |

| Granted Benefits/Allocations [1] | Volker Bischoff \| CFO 2016 | 2017 | 2017 (Min) | 2017 (Max) |
|---|---|---|---|---|
| Fixed salary | 600,000 | 600,000 | 600,000 | 600,000 |
| Benefits | 20,195 | 18,689 | 18,689 | 18,689 |
| **Total (non-performance-related)** | **620,195** | **618,689** | **618,689** | **618,689** |
| One-year term variable cash remuneration | 240,000 | 240,000 | 0 | 240,000 |
| Multi-year variable cash remuneration | 60,000 | 60,000 | 0 | 60,000 |
| **Total (performance-related)** | **300,000** | **300,000** | **0** | **300,000** |
| Pension expenses | 0 | 0 | 0 | 0 |
| **Total remuneration** | **920,195** | **918,689** | **618,689** | **918,689** |

[1] The benefits granted equal the benefits allocated for the year and include the amount of 100% target achivement.

The compensation paid to members of the corporate management include EUR 1.350 million (previous year: EUR 1.350 million) in variable components and EUR 3.751 million (previous year: EUR 3.751 million) in fixed components. Ancillary benefits include company cars among other things.

The members of the Supervisory Board of CTS KGaA received emoluments totalling EUR 233 thousand (previous year: EUR 100 thousand) as well as reimbursed expenses of EUR 4 thousand (previous year: EUR 6 thousand) for the 2017 financial year. Fixed compensation comprised the following: Dr. Kundrun EUR 100 thousand (previous year: EUR 42 thousand), Prof. Plog EUR 50 thousand (previous year: EUR 25 thousand), Dr. Thümmel EUR 50 thousand (previous year: EUR 17 thousand) and Mr. Spee EUR 33 thousand. Mr. Hug's compensation amounted to EUR 17 thousand and expenses totalled EUR 1 thousand in the previous year. Reimbursed expenses comprised the following: Dr. Kundrun EUR 0 thousand (previous year: EUR 1 thousand), Prof. Plog EUR 2 thousand (previous year: EUR 2 thousand), Dr. Thümmel EUR 1 thousand (previous year: EUR 1 thousand) and Mr. Spee EUR 1 thousand.

## 12. CORPORATE GOVERNANCE DECLARATION

The executive bodies of CTS KGaA are guided in their actions by the principles of responsible and good corporate governance. The Management Board of EVENTIM Management AG submits a report on corporate governance in a declaration of compliance, in accordance with § 289f HGB and § 315d HGB. The current and all previous declarations of compliance are permanently available on the Internet at the website www.eventim.de.

Bremen, 28 February 2018

CTS EVENTIM AG & Co. KGaA
represented by:
EVENTIM Management AG, general partner

The Management Board

# 6. CONSOLIDATED FINANCIAL STATEMENTS 2017

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

| ASSETS | | 31.12.2017 | 31.12.2016 |
|---|---|---|---|
| | | [EUR'000] | [EUR'000] |
| **Current assets** | | | |
| Cash and cash equivalents | (1) | 640,726 | 553,640 |
| Marketable securities and other investments | | 837 | 1,817 |
| Trade receivables | | 60,541 | 41,660 |
| Receivables from affiliated and associated companies accounted for at equity | | 2,218 | 3,118 |
| Inventories | (2) | 4,600 | 4,875 |
| Payments on account | (3) | 46,084 | 33,705 |
| Receivables from income tax | (4) | 6,141 | 6,763 |
| Other financial assets | (5) | 116,795 | 81,584 [1] |
| Other non-financial assets | (6) | 37,140 | 13,798 [1] |
| **Total current assets** | | **915,080** | **740,962** [1] |
| **Non-current assets** | | | |
| Goodwill | (7) | 296,839 | 288,521 [1] |
| Other intangible assets | (8) | 112,722 | 105,758 [1] |
| Property, plant and equipment | (9) | 31,224 | 24,918 |
| Investments | (10) | 1,815 | 2,058 |
| Investments in associates accounted for at equity | (11) | 19,294 | 16,532 |
| Loans | | 3,767 | 160 |
| Trade receivables | | 20 | 18 |
| Other financial assets | (5) | 4,605 | 3,970 |
| Other non-financial assets | (6) | 1,000 | 1,033 |
| Deferred tax assets | (12) | 18,993 | 13,093 |
| **Total non-current assets** | | **490,278** | **456,062** [1] |
| **Total assets** | | **1,405,358** | **1,197,023** [1] |

[1] Adjusted prior-year figures due to the final purchase price allocation of the Venuepoint Group and HOI Group

| SHAREHOLDERS' EQUITY AND LIABILITIES | | 31.12.2017 | 31.12.2016 |
|---|---|---|---|
| | | [EUR'000] | [EUR'000] |
| **Current liabilities** | | | |
| Financial liabilities | (13) | 59,418 | 28,988 |
| Trade payables | | 103,889 | 80,764 [1] |
| Payables to affiliated and associated companies accounted for at equity | | 554 | 1,314 |
| Advance payments received | (14) | 286,454 | 157,363 |
| Other provisions | (15) | 7,884 | 5,611 |
| Tax debts | | 37,568 | 28,705 |
| Other financial liabilities | (16) | 333,024 | 296,065 |
| Other non-financial assets | (17) | 64,642 | 53,686 |
| **Total current liabilities** | | **893,433** | **652,496** [1] |
| **Non-current liabilities** | | | |
| Financial liabilities | (13) | 87,781 | 128,333 |
| Advance payments received | (14) | 1,132 | 0 |
| Other provisions | (15) | 4,598 | 4,821 |
| Other financial liabilities | (16) | 260 | 976 |
| Pension provisions | (18) | 9,925 | 12,245 [1] |
| Deferred tax liabilities | (12) | 14,429 | 13,139 |
| **Total non-current liabilities** | | **118,125** | **159,514** [1] |
| **Shareholders' equity** | (19) | | |
| Share capital | | 96,000 | 96,000 |
| Capital reserve | | 1,890 | 1,890 |
| Statutory reserve | | 7,200 | 7,200 |
| Retained earnings | | 266,993 | 250,728 [1] |
| Other reserves | | -2,278 | -181 |
| Treasury stock | | -52 | -52 |
| **Total equity attributable to shareholders of CTS KGaA** | (20) | **369,753** | **355,586** |
| Non-controlling interests | | 24,047 | 29,428 [1] |
| **Total shareholders' equity** | | **393,800** | **385,013** [1] |
| **Total shareholders' equity and liabilities** | | **1,405,358** | **1,197,023** [1] |

[1] Adjusted prior-year figures due to the final purchase price allocation of the Venuepoint Group and HOI Group

## CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2017

| | | 01.01.2017 - 31.12.2017 | 01.01.2016 - 31.12.2016 |
|---|---|---|---|
| | | [EUR'000] | [EUR'000] |
| Revenue | (1) | 1,033,980 | 829,906 |
| Cost of sales | (2) | -728,767 | -545,950 [1] |
| **Gross profit** | | **305,213** | **283,955** |
| Selling expenses | | -87,604 | -79,027 [1] |
| General administrative expenses | | -60,292 | -50,983 [1] |
| Other operating income | (3) | 24,753 | 19,888 |
| Other operating expenses | (4) | -16,341 | -11,861 |
| **Operating profit (EBIT)** | | **165,730** | **161,973** [1] |
| Income / expenses from participations | | 35 | 122 |
| Expenses / income from investments in associates accounted for at equity | | 2,755 | -155 |
| Financial income | (5) | 10,196 | 3,882 |
| Financial expenses | (6) | -7,923 | -10,346 |
| **Income before tax (EBT)** | | **170,792** | **155,475** [1] |
| Taxes | (7) | -52,460 | -49,996 [1] |
| **Net income** | | **118,332** | **105,479** [1] |
| **Net income attributable to** | | | |
| **Shareholders of CTS KGaA (consolidated net income)** | | **112,808** | **94,560** [1] |
| Non-controlling interests | | 5,524 | 10,920 |
| Earnings per share (in EUR); undiluted (= diluted) | | 1.18 | 0.99 |
| Average number of shares in circulation; undiluted (= diluted) | | 96 million | 96 million |

[1] Adjusted prior-year figures due to the final purchase price allocation of the Venuepoint Group

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2017

| | 01.01.2017 - 31.12.2017 | 01.01.2016 - 31.12.2016 |
|---|---|---|
| | [EUR'000] | [EUR'000] |
| Net income | 118,332 | 105,479 [1] |
| Remeasurement of the net defined benefit obligation for pension plans | 2,205 | -1,787 |
| **Items that will not be reclassified to profit or loss** | **2,205** | **-1,787** |
| Exchange differences on translating foreign subsidiaries | -3,733 | 1,071 [1] |
| Available-for-sale financial assets | -2 | -38 |
| Cash flow hedges | -29 | 45 |
| Share of other comprehensive income (exchange differences) of investments accounted for using the equity method | -559 | -2,232 |
| **Items that will be reclassified subsequently to profit or loss when specific conditions are met** | **-4,323** | **-1,154** [1] |
| **Other results (net)** | **-2,118** | **-2,941** [1] |
| **Total comprehensive income** | **116,214** | **102,538** [1] |
| **Total comprehensive income attributable to** | | |
| Shareholders of CTS KGaA | 110,711 | 92,088 |
| Non-controlling interests | 5,503 | 10,450 |

[1] Adjusted prior-year figures due to the final purchase price allocation of the Venuepoint Group

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | | | | | Other reserves | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital reserve | Statutory reserve | Retained earnings | Currency translation | Available-for- sale financial assets | Hedging instru-ments | Associated companies accounted for at equity | Remeas-urement of the net defined benefit obligation for pension plans | Treasury stock | Total equity attributable to shareholders of CTS KGaA | Non-con-trolling interests | Total shareholders' equity |
| | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] |
| **Status 01.01.2016** | **96,000** | **1,890** | **7,200** | **225,962** | **4,233** | **52** | **-45** | **-36** | **-1,913** | **-52** | **333,291** | **20,881** | **354,171** |
| Consolidated net income | 0 | 0 | 0 | 94,560 | 0 | 0 | 0 | 0 | 0 | 0 | **94,560** [3] | 10,920 [2] | **105,479** |
| Other results | 0 | 0 | 0 | 0 | 1,071 | -38 | 42 | -2,408 | -1,139 | 0 | **-2,472** | -470 | **-2,941** |
| **Total comprehen-sive income** | | | | | | | | | | | **92,088** | **10,450** | **102,538** |
| Dividends | 0 | 0 | 0 | -44,156 | 0 | 0 | 0 | 0 | 0 | 0 | **-44,156** | -9,581 | **-53,737** |
| Capital increase / decrease | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 3,250 | **3,250** |
| Changes in the scope of consolidation | 0 | 0 | 0 | -6,106 | 0 | 0 | 0 | 0 | 0 | 0 | **-6,106** | 4,428 | **-1,678** |
| Other changes [1] | 0 | 0 | 0 | -19,531 | 0 | 0 | 0 | 0 | 0 | 0 | **-19,531** | 0 | **-19,531** |
| **Status 31.12.2016** | **96,000** | **1,890** | **7,200** | **250,728** | **5,304** | **14** | **-3** | **-2,444** | **-3,052** | **-52** | **355,586** [3] | **29,428** [2] | **385,013** |
| Consolidated net income | 0 | 0 | 0 | 112,808 | 0 | 0 | 0 | 0 | 0 | 0 | **112,808** | 5,524 | **118,332** |
| Other results | 0 | 0 | 0 | 0 | -3,733 | -2 | -15 | 360 | 1,293 | 0 | **-2,097** | -21 | **-2,118** |
| **Total comprehen-sive income** | | | | | | | | | | | **110,711** | **5,503** | **116,214** |
| Dividends | 0 | 0 | 0 | -94,071 | 0 | 0 | 0 | 0 | 0 | 0 | **-94,071** | -6,834 | **-100,906** |
| Capital increase / decrease | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 1,737 | **1,737** |
| Changes in the scope of consolidation | 0 | 0 | 0 | -622 | 0 | 0 | 0 | 0 | 0 | 0 | **-622** | -5,787 | **-6,409** |
| Other changes [1] | 0 | 0 | 0 | -1,850 | 0 | 0 | 0 | 0 | 0 | 0 | **-1,850** | 0 | **-1,850** |
| **Status 31.12.2017** | **96,000** | **1,890** | **7,200** | **266,993** | **1,571** | **12** | **-18** | **-2,084** | **-1,759** | **-52** | **369,753** | **24,047** | **393,800** |

[1] Other changes relate to the recognition of the put option of a minority shareholder

[2] Prior-year adjustments due to the final purchase price allocation of HOI Group

[3] Prior-year adjustments due to the final purchase price allocation of Venuepoint Group

## CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2017

| | 01.01.2017 - 31.12.2017 [EUR'000] | 01.01.2016 - 31.12.2016 [EUR'000] |
|---|---|---|
| **A. Cash flow from operating activities** | | |
| Net income | 118,332 | 105,479 [1] |
| Depreciation and amortisation on fixed assets | 35,897 | 31,617 [1] |
| Changes in pension provisions | -2,320 | 2,330 |
| Deferred tax expenses / income | -7,639 | -1,973 [1] |
| **Cash flow** | **144,270** | **137,452 [1]** |
| Other non-cash transactions | -11,117 | 2,144 [1] |
| Profit / loss from disposal of fixed assets | 219 | -811 |
| Interest expenses / Interest income | 3,002 | 2,607 |
| Income tax expenses | 60,099 | 51,968 |
| Interest received | 521 | 737 |
| Interest paid | -2,876 | -3,279 |
| Income tax paid | -49,739 | -51,351 |
| Increase (-) / decrease (+) in inventories | 619 | -1,023 |
| Increase (-) / decrease (+) in payments on account | -7,054 | -5,562 |
| Increase (-) / decrease (+) in marketable securities and other investments | 978 | 5,061 |
| Increase (-) / decrease (+) in receivables and other assets | -64,127 | -23,246 [1] |
| Increase (+) / decrease (-) in provisions | -1,654 | -1,606 |
| Increase (+) / decrease (-) in liabilities | 147,832 | 40,779 [1] |
| **Cash flow from operating activities (1)** | **220,971** | **153,872** |
| **B. Cash flow from investing activities** | | |
| Payments for investments in intangible assets | -21,105 | -17,439 |
| Payments for investments in property, plant and equipment | -13,538 | -15,500 |
| Payments for investments in non-current financial assets | -1,884 | -1,041 |
| Proceeds from sales of property, plant and equipment | 289 | 8,782 |
| Proceeds from sales of investments | 713 | 433 |
| Proceeds/payments from the acquisition of consolidated companies less cash and cash equivalents acquired | 12,391 | -7,252 |
| **Cash flow from investing activities (2)** | **-23,134** | **-32,016** |
| **C. Cash flow from financing activities** | | |
| Proceeds from borrowing financing loans | 12,000 | 10,066 |
| Payments for redemption of financing loans | -19,594 | -29,599 |
| Proceeds from equity transfers of non-controlling interests (capital increases) | 1,737 | 3,250 |
| Payments for the acquisition of consolidated companies | 0 | -752 |
| Dividend payments to non-controlling interest | -6,834 | -9,581 |
| Dividend payments to shareholders of CTS KGaA | -94,071 | -44,156 |
| **Cash flow from financing activities (3)** | **-106,763** | **-70,772** |
| **D. Net increase / decrease in cash and cash equivalents** | **91,074** | **51,084** |
| Net increase / decrease in cash and cash equivalents due to currency translation | -3,988 | 1,740 |
| Cash and cash equivalents at beginning of period | 553,640 | 500,816 |
| **E. Cash and cash equivalents at end of period** | **640,726** | **553,640** |
| **F. Composition of cash and cash equivalents** | | |
| Cash and cash equivalents | 640,726 | 553,640 |
| **Cash and cash equivalents at end of period** | **640,726** | **553,640** |

[1] Adjusted prior-year figures due to the final purchase price allocaiton of Venuepoint Group and HOI Group

# CONTENT
# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM 1 JANUARY – 31 DECEMBER 2017

## 1. PRELIMINARY STATEMENTS

### 1.1 STRUCTURE AND BUSINESS OPERATIONS OF THE GROUP

The consolidated financial statements include all significant subsidiaries in addition to the CTS EVENTIM AG & Co. KGaA, Munich, (hereinafter: CTS KGaA) as the parent company. The CTS KGaA, Rablstrasse 26, D-81669 Munich, Germany, is registered in the Commercial Register at Munich Local Court under no. HRB 212700. The company's head office is in Bremen, Germany. Shares in CTS KGaA are traded under securities code 547030 in the MDAX segment of the Frankfurt Stock Exchange.

The corporate management of the CTS KGaA is perceived by the EVENTIM Management AG, Hamburg. The representative of EVENTIM Management AG, Hamburg, is given by the Management Board.

The Group is organized in two segments, Ticketing and Live Entertainment and operates in the market for leisure events. The objects of the company in the Ticketing segment are to produce, sell, broker, distribute and market tickets for concerts, theatre, art, sports and other events in Germany and abroad, in particular by using electronic data processing and modern communication and data transmission technologies. The objects of the Live Entertainment segment are to plan, prepare and execute events, in particular music events and concerts, market music productions and to operate venues.

The annual financial statements of CTS KGaA and the consolidated financial statements of CTS KGaA, bearing an unqualified audit opinion of KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, are published in the electronic Federal Gazette (Bundesanzeiger).

These consolidated financial statements and the combined management report were approved by the Management Board of EVENTIM Management AG, Hamburg, on 28 February 2018, for presentation to the Supervisory Board. The approval of the financial statements are to be presented at the meeting of the Supervisory Board on 16 March 2018.

### 1.2 ACCOUNTING PRINCIPLES

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), in the form applicable within the European Union (EU), and in accordance with the supplementary accounting regulations pursuant to § 315e (1) of the German Commercial Code (HGB). The consolidated financial statements were prepared using the historical cost convention, limited by the recognition of derivative financial instruments and available-for-sale financial assets at fair value.

A distinction is made in the balance sheet between current and non-current assets and liabilities. The layout of the income statement is based on the 'cost of sales' method. Expenses incurred are set in relation to the revenue generated and are classified according to their function as costs of sales, selling expenses and general administrative expenses.

The comparative figures in the income statement and the comparative figures in the balance sheet relate to the consolidated financial statements as at 31 December 2016 adjusted due to the final purchase price allocations. Detailed explanations are provided in the section 2.2. of the notes.

The consolidated financial statements are denominated in Euro. All amounts in the Annual Report are rounded to thousand euros. This may lead to minor deviations on addition.

### 1.3 NEW AND AMENDED STANDARDS IN 2017

The following new and amended standards have been applied for the first time on or after 1 January 2017:

- Amendments to IAS 7 ‚Statement of Cash Flows' – Disclosure initiative
- Amendments to IAS 12 ‚Income Taxes' – Recognition of deferred assets for unrealised losses
- Amendment within the Annual Improvements Process 2014–2016: Improvements to IFRS 12

As a result of the mandatory application as of 1 January 2017, there have been no material changes to the net assets, financial position and results of operations.

### 1.4 NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

The IASB and the International Financial Reporting Interpretations Committee (IFRIC) have adopted additional standards and interpretations that are not yet mandatory for the 2017 financial year and which have not been applied to the consolidated annual financial statements as at 31 December 2017.

Applicable on or after 1 January 2018:

- IFRS 9 ‚Financial instruments'
- IFRS 15 ‚Revenue from contracts with customers'
- Amendments to IFRS 2 'Share-based payment transactions' – clarification of classification and measurement of share-based payment
- Amendments to IFRS 4 ‚Insurance Contracts' – Application of IFRS 9 with IFRS 4 Insurance contracts
- Amendment to IAS 40 'Investment property' – Transfer of investment property
- Amendment within the Annual-Improvements-Process 2014–2016: Amendments to IFRS 1, IFRS 12, IAS 28
- IFRIC 22 'Foreign currency transactions and advance consideration'

Applicable on or after 1 January 2019:

- IFRS 16 'Leasing'
- IFRIC 23 'Uncertainty over income tax treatments'
- Amendments to IAS 28 'Investments in Associates andj ventures'
- Amendments to IFRS 9 'Prepayment features with negative compensation'
- Amendments to the Annual Improvement Process 2015-2017

Applicable on or after 1 January 2021:

- IFRS 17 'Insurance contracts'

Standards that are not applicable until after the balance sheet date have not been prematurely applied. The effects of the new standards to be applied in the future are outlined in the following section. From the other amended standards and interpretations to be applied in the future no material effects on financial position, cash flow and earnings performance are expected.

**IFRS 9 – 'Financial instruments'**: In November 2016, the European Union adopted IFRS 9 – Financial Instruments as part of European law. IFRS 9 includes comprehensive revisions to the recognition, disclosure and measurement of financial instruments as well as corresponding disclosures in the notes and will supersede the current IAS 39 from 1 January 2018. In accordance with the transitional regulations, the classification and measurement provisions of IFRS 9 are to be applied retroactively. The previous year's figures do not require adjustment. The transitional effects are recognised as cumulative items in the retained earnings.

In future, all equity instruments are to be recognised at fair value through profit or loss or directly in equity. Under the new requirements on the classification of financial instruments pursuant to IFRS 9, certain debt instruments will still be recognised at fair value through profit or loss. The first-time adoption of this standard has no material effect.

The new standards concerning the recognition of impairments will have further effects. According to IFRS 9, expected losses are to also be recognised in future – in contrast to the IAS 39 standard, which only provided for the recognition of actual losses. The first-time adoption of the expected loss model to the financial assets of the CTS Group will result in an increase of impairments and impact the earnings reserve in the amount of approximately EUR 1.0 million as at 1 January 2018.

The CTS Group is not exercising the option to retain hedge accounting regulations pursuant to IAS 39. The switch to IFRS 9 – hedge accounting does not have any effects.

**IFRS 15 – 'Revenue from contracts with customers'**: The Group's business models in the Ticketing and Live Entertainment segments were investigated in a detailed contractual analysis. The analysis of the identified contractual components found that the first-time adoption of IFRS 15 would have no material effects. This applies particularly to the recognition of revenue over time or the recognition of revenue at a certain point in time, as well as to the recognition of assets and liabilities in relation to the contracts. The revised regulations concerning the definition of principals and agents also do not have any material effects. However, this standard will require an increased number of disclosures to be made in the notes to the financial statements. The CTS Group has opted for a modified, retroactive first-time adoption of IFRS 15.

**IFRS 16 – 'Leasing'**: It is assumed that adopting IFRS 16 will have material effects on the CTS Group's financial position, cash flow and earnings performance. The balance sheet total is expected to increase due to the rise in lease liabilities as well as an increase of a similar magnitude in fixed assets due to capitalisable usage rights (primarily from long-term real estate leases). In future, depreciation and amortisation and interest expenses will be recorded on the income statement instead of leasing expenses. The impact of IFRS 16 on the CTS Group is currently still under review. Findings so far suggest that the balance sheet total will increase by several hundred million euros. The CTS Group has chosen modified retroactive adoption for its transition to IFRS 16.

## 1.5 SIGNIFICANT ACCOUNTING POLICIES

### CONSOLIDATION POLICIES

The consolidated financial statements include all relevant subsidiaries that are controlled directly or indirectly by CTS KGaA. Control exists where CTS KGaA holds control over the decisive activities, is exposed to variable return flows and has the ability to exercise its control to influence the amount of the variable return flows. The option of the power to control is usually related to an indirect or direct majority holding of voting rights. If the CTS Group no longer holds the majority of voting rights in its subsidiaries, the power to control can exist based on contractual agreements or similar arrangements. When evaluating whether control exists, the existence and effect of material potential voting rights that are currently exercisable or convertible are taken into consideration. Consolidation is carried out as at the time of acquisition, when control is acquired, or when the minimum significance levels for inclusion in consolidation are exceeded.

As a basic principle, the financial statements of the companies included in the consolidated financial statements are prepared in accordance with uniform accounting policies. The balance sheet date of the fully consolidated companies is principly identical to that of the CTS KGaA parent company. The financial year of HOI Group and Palazzo companies does not correspond to the reporting date of CTS KGaA and HOI Group and Palazzo companies prepare interim financial statements as of the balance sheet date, 31 December.

Some smaller regional subsidiaries, in both the Ticketing segment and the Live Entertainment segment, have not been included in the consolidated financial statements because of their insignificance for establishing a fair view of the Group's earnings performance, financial position and cash flow but accounted for as participations. Revenue, net income and total assets of these companies in total per position is less than 1.5% of the comparable values of the Group. In case that the limit of 1.5% at one of these values exceeds, the Group examines, taking into account long-term investment development and consolidation effects, which companies are to be included in the consolidated financial statements. In addition to the quantitative criteria also qualitative criteria is used to assess the materiality of a company for the scope of consolidation.

A joint venture exists if CTS KGaA has joint control of the entity together with one or more parties based on a contractual arrangement and the parties exercising joint management have rights to the net assets of the entity. Joint ventures also include entities in which the CTS Group in fact holds a majority or minority of the voting rights, but decisions regarding the decisive activities can only be taken unanimously as a result of contractual agreements. These joint ventures are accounted for by applying the equity method.

Investments in companies in which a significant influence can be exercised are valued according to the equity method, this is normally the case when voting rights are between 20% and 50%.

Investments measured at equity are initially carried at the proportionate interest in the investee's revalued shareholders' equity. Changes in the proportionate shareholders' equity with effects on net income are recognised in the income statement as profit or loss from investments in associates. If the Group's share in losses from an associate accounted for at equity is equal to or greater than the Group's share in that company, the Group does not post any further losses unless it has entered into obligations in respect of the associate, or has made payments for the associate.

Revenue, interim results, expenses and income, as well as receivables and payables are eliminated between consolidated companies.

## BUSINESS COMBINATIONS AND NON-CONTROLLING INTERESTS

Business combinations are recognised according to the acquisition method where the purchase price is offset against the revalued net assets of the acquired company on a pro rata basis (capital consolidation). In this context, the values at the time of the acquisition – the point in time when the company assumes control of the acquired company – are used as underlying values. Differences in value are fully capitalised, while recognisable assets, debts and contingent liabilities of the subsidiary are reported in the consolidated balance sheet at fair value irrespective of non-controlling interests. The fair values of individual assets are determined by referring to published stock exchange or market prices at the time of acquisition, for example. If reference to stock exchange or market prices is not possible, the fair values are determined using the most reliable information available based on market prices for comparable assets, according to appropriate valuation methods. Intangible assets must be recognised separately if they are clearly definable or their recognition is based on a contractual or other law. They are not included in goodwill.

If the paid purchase price is higher than the revalued pro rata net assets at the time of acquisition, the positive difference is recognised as goodwill. A negative difference is dissolved in profit or loss after another review of the valuation of assets and liabilities. The valuation of non-controlling interests are either valued at cost (partial goodwill method) or fair value (full goodwill method) and the option can be utilised on a case-by-case basis. The CTS Group generally applies the partial goodwill method.

Transactions with non-controlling interest are treated as transactions with shareholders. If a difference arises between the costs for these shares and the carrying amount of the acquired minority shares, it must be fully recognised in shareholders' equity. Gains and losses from the sale of shares in subsidiaries, if they do not involve a loss of control, are also recognised in shareholders' equity.

Contracts which obligate the group to purchase the equity instruments of its subsidiaries are recognised as financial liabilities carried at the present value of the purchase price. This principle also applies when the obligation to purchase such instruments is conditional on the contractual partner exercising an option, and is independent of the probability of such option being exercised. This principle is also applicable to the forward purchase of non-controlling shares and to put options granted to non-controlling interests in the CTS Group. The first time recognition of the obligation from put options of minority shareholders is a reduction of the non-controlling interests, if the opportunities and risks have already been transferred to the CTS Group and as a reduction of shareholders' equity of the CTS Group if this is not the case. Subject to the exercise of the put options, the liabilities are recognised at amortised cost using the effective interest rate method. The current interest rate is calculated on the basis of the original effective interest rate. Changes in expected payments due to changed expectations regarding the exercise price lead to an adjustment to the carrying amount of the liabilities recognised in the income statement. The new carrying amount is the present value of the adjusted expected cash flows using the original effective interest rate as the discount rate. If put options are granted as part of a merger, it will be analysed on a case-by-case basis whether the risks and opportunities arising from these shares will already be transferred to the CTS Group or stay with the minority shareholders. When fair value options are agreed, it is assumed that the minority shareholders bear the risks and opportunities.

## CURRENCY TRANSLATION PRINCIPLES

Business transactions which are made by Group companies in currencies other than the local currency are translated at the rate applying on the date of transaction.

The financial statements of foreign subsidiaries whose currency is not the Euro are translated using the functional method. The functional currency used for those parts of the company outside Germany is the local currency in each case. Accordingly, assets and liabilities of entities outside Germany or outside the Eurozone are translated to Euro using the rate of exchange on the balance sheet date. Income and expenses are translated using the average exchange rate for the respective financial year. Currency translation differences are disclosed as a separate item in other reserves.

## INVENTORIES

Inventories are carried at cost of purchase, taking ancillary expenses into account and deducting any bonuses or discounts received, or at cost of sales, or at the net realisable value on the balance sheet date.

## PAYMENTS ON ACCOUNT

Payments on account are carried at cost of purchase.

## LEASING

CTS Group is lessor as well as lessee.

Lease transactions, in which the CTS Group as the lessee bears all material opportunities and risks and thus acts as the owner (finance lease), are stated at the lower fair value or lower net present value of future minimum lease payments over the estimated useful life or shorter lease term. The payment obligation arising from the finance lease is recognised under financial liabilities in the same amount, with lease rates being divided into an interest and a repayment component. The interest component is recognised in the income statement with an impact on profit or loss. Obligations under which the CTS Group is the lessee and not the beneficial owner of the leased asset (operating lease) are recognised as an expense.

All lease transactions where the CTS Group is the lessor are classified as operating leases. In this case, the leased object remains in the consolidated balance sheet and is amortised. The lease payments are recognised as income over the term of the lease.

## FINANCIAL INSTRUMENTS

The stated values of the Group's financial instrument, include cash and cash equivalents, marketable securities and other investments, loans, financial investments, trade receivables and payables, receivables from and payables to affiliated companies and associates included at equity, other financial assets and liabilities, financial liabilities and derivative financial instruments.

As a basic principle, financial assets are classified into the following categories in accordance with IAS 39:

- loans and receivables
- financial assets carried at fair value through profit or loss,
- held-to-maturity investments
- available-for-sale financial assets

Original financial liabilities are stated at amortised cost using the effective interest method.

Classification of the original financial assets depends on the respective purpose for which these were acquired. Management determines how financial assets are to be classified when they are initially recognised, and reviews this classification at every closing date.

At the reporting date the Group classifies no original financial assets as 'at fair value through profit and loss'. At the balance sheet date, financial assets are classified as 'loans and receivables', 'held-to-maturity investments' and as 'available-for-sale financial assets'.

Derivative financial instruments must be classified as a basic principle in the 'held for trading' category, in accordance with IAS 39, and carried as financial assets or liabilities according to their positive or negative market value. The CTS Group selectively uses derivative financial instruments such as forward exchange contracts to hedge exchange rate risks. The foreign exchange risks result mainly from operating activities.

The changes in the fair values must be recognised through profit and loss. Exceptions to this rule are derivatives which are designed as cash flow hedging instruments and which are effective as such (hedge accounting).

In the reporting period, the CTS Group hedged current foreign exchange payments based on hedge ratios. At company level future transactions, that have a very high probability to occur, are partially hedged against currency translation risks. Within the CTS Group a 12 month budget plan is applied, on which basis maturity-congruent forward foreign exchange hedges are acquired. These cash flow hedges are continuously accounted for in accordance with IAS 39.

The effective portion of the gains or losses from cash flow hedges are recognised in shareholders´ equity and are transferred to the income statement as soon as the hedge payments affect the income statement. The ineffective portion of the hedging transaction is immediately recognised in the income statement.

If the derivative financial instruments expire as hedging instruments, are sold, or no longer satisfy the hedge accounting criteria, the accumulated gain or loss not recognised through profit and loss remains in shareholders´ equity and is not recognised through profit and loss until the originally hedged future transaction actually occurs. If the future transaction is irrevocably no longer expected to occur, the cumulative gain or loss that has been recognised in equity has to be reclassified immediately to profit or loss.

'Held-to-maturity investments' are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group intends to hold until maturity and is also capable of holding these until maturity. These financial instruments are measured at amortised cost.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor without any intention to trade the receivables. Loans and receivables are carried in the balance sheet under cash and cash equivalents, marketable securicites and other investments (term deposits), loans, trade receivables, receivables from affiliated companies and associates accounted for at equity, and under other assets. Loans and receivables are carried at amortised cost. At each reporting date, the carrying values of financial assets are reviewed to determine whether there are any objective material indications of impairment. Objective evidence of an occurred impairment loss can be for example, indications of financial problems of a customer and information about insolvency applications. Any impairment expense is carried through profit or loss.

Other financial assets include factoring receivables from an external service provider that arise in connection with the introduction of new types of payment to secure customer receivables from ticket sales. With regard to the sale of receivables (real factoring), all significant opportunities and risks are transferred without giving rise to a sustained engagement.

The available-for-sale financial assets include investments in other companies and marketable securities and other investments (investment funds). The investments in other companies are generally shown at their respective acquisition costs, because for those companies no active market exists and fair values can not be determined at reasonable expense. Unless there are indications of lower fair values, they are recognized. Marketable securities and other investments are initially recognised at their fair value on the settlement date. Gains and losses are recognised in other comprehensive income, not through profit and loss.

## INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets with a definite useful life and property, plant and equipment are carried at their cost of purchase or cost of sales, minus systematic straight-line depreciation and amortisation.

Development costs for proprietary software are recognised as assets if they meet the criteria specified in IAS 38. The costs directly attributable to software include the personnel expenses for the employees involved in development, as well as an appropriate proportion of the relevant indirect costs. Capitalised development costs for software are amortised over their estimated lifetime.

Systematic depreciation of intangible assets and property, plant and equipment is mainly based on the following useful economic lives:

- Software, licences and similar rights: 2 - 10 years
- Trademarks: 5 - 10 years
- Customer base: 4 - 15 years
- Other real estate, land rights and buildings, including buildings on third-party properties: 4 - 15 years
- Technical equipment and machinery: 4 - 5 years
- Other property, plant and office equipment: 3 - 20 years

In accordance with IAS 36, goodwill is not amortised systematically, but is reviewed for impairment on the basis of the recoverable amount for the cash-generating unit to which the goodwill is allocated. For the impairment test, the goodwill is subdivided and allocated to the cash-generating units. The goodwill is allocated to those cash-generating units expected to derive benefits from the business combination in which the goodwill arose. The cash-generating units correspond to the segments. The Group tests its goodwill for impairment at least once a year on the balance sheet date. Impairments of goodwill may not be reversed.

In compliance with IAS 36, the Group routinely assesses the carrying values of all assets for possible impairment. If events or changes in circumstances provide basis for believing that the carrying value of such an asset might no longer reach the applicable amount, the Group makes a comparison between the recoverable amount and the carrying value of the particular asset (impairment test). If the asset is impaired, the Group records an impairment loss so that the asset is written down to the recoverable amount. In no case did the carrying values of reporting entities exceed the respective fair value, so there were no indications of impairments to the stated value of any reporting entity in the 2017 financial year.

## DEFERRED TAXES

Deferred tax assets and liabilities are recognised for temporary differences between the carrying amounts in the consolidated balance sheet and in the fiscal balance sheets of the standalone companies, as well as for fiscal loss carryforwards. Deferred tax assets are recognised if it is likely that taxable earnings will be available against which the deductible temporary difference or the loss carryforwards can be applied. In particular for tax loss carryforwards an appropriate business-related planning horizon is used per company. Deferred tax assets and liabilities are valued at the applicable taxation rates that must prospectively be applied to the taxable income in those years in which the temporary differences are expected to be recovered or settled. The impact of a changed taxation rate on deferred assets and liabilities is carried as tax income or expense.

## PROVISIONS

Other provisions are formed when commitments towards third parties exist that are reasonably likely to require settlement. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the closing date. Long-term provisions, are recognised with the present value to the extent that discounting results have a significant effect. A maturity and currency-adequate, risk-free interest rate is used. A discounting with negative interest rates is not done.

Provisions for pensions and similar obligations are formed for defined benefit plans. These are obligations on the part of the company resulting from pension expectancies and ongoing benefits paid to active employees who are eligible for benefits. Pension obligations are dependent on years of service and the pay level of the respective employee. The calculation is based on actuarial expertises. The pension provisions were measured on the basis of actuarial expertise, using the projected unit credit method. As far as assets exist that meet the criteria for plan assets their fair value is offset against the actuarial liability. The net obligation is recognised as provision in the balance sheet.

## RECOGNITION OF REVENUE AND EXPENSES

Revenue is recognised on the condition that there is a reasonable likelihood that the company will derive economic benefits that can be reliably determined in terms of amount. When selling goods revenue is stated when the significant opportunities and risks associated with the goods are transferred to the customer. For services, the realisation takes place when the service has been provided.

Revenue in the ordinary course of business in the Ticketing segment mainly relate to the provision of services and the realisation of user charges. These services include basically ticket fees, license fees, commissions and other service charges and are provided for various partners such as ticket outlets, promoter and ticket buyers / end customers. With regard to the disclosure of the revenue in the Ticketing segment it has to be differentiated according to whether the company acts as principal or as agent. As a principal, the company bears all significant opportunities and risks. In this case, the company bears the supply risk, the risk of default, is primarily responsible for the performance of the service to the customer and has the option of direct or indirect pricing. In this case, revenues are disclosed gross, that means to show them separately from the expenses associated with the service. If the company does not bear the significant opportunities and risks, or it will receive a pre-determined amount for the performance, it acts as an agent. In this case, a net statement of revenue is made. In the Ticketing segment the services associated with the sale of tickets to end customers are realised, when the sale and delivery of the tickets has taken place.

In the Live Entertainment segment, revenues from services are mainly generated by entertainment offerings (including operating venues) and sponsoring. The received ticket monies during the presale period are deferred as advance payments received. When the event is subsequently held, these advance payments are transferred to revenue and the profits are realised. In addition, revenue is also generated through the sale of catering and merchandising products. They are collected, when the significant opportunities and risks associated with the goods are transferred to the customer.

User charges are accrued, in accordance with the terms of the underlying agreement and dividends are recorded on the formation of the right to payment. Services for software development are recognised as expenses if they do not meet the conditions set out in IAS 38, and are predominantly included in the cost of sales. Interest rates are recognised proportional to time, taking into account the effective interest rate detected.

## ESTIMATES AND ASSESSMENTS BY MANAGEMENT

When preparing the consolidated financial statements, it is necessary to a certain degree to make estimates and assumptions (measurement uncertainties) that affect the assets and liabilities, the disclosure of contingent liabilities as at the balance sheet date and the statement of income and expenditure during the financial year. In particular, it is necessary to make assumptions when performing the annual impairment test on goodwill and when recognising deferred tax assets. The actual amounts may deviate from the respective estimates.

The Group conducts annual reviews, in conformity with the accounting policies described above, to determine whether there is any impairment of goodwill (see notes to the consolidated balance sheet page 115 et seq.). The recoverable amount of cash-generating units was measured on the basis of calculated fair value minus costs of sale. These calculations must be derived from assumptions based on management estimates. If trends arise that are beyond the control of management, future carrying values may deviate from the estimated values as originally anticipated. If actual developments diverge from expectations, the assumptions and, if necessary, the carrying values of the goodwill amounting to EUR 296.839 million (previous year: EUR 288.521 million) are adjusted accordingly.

Deferred tax assets in respect of fiscal loss carryforwards amounting to EUR 13.162 million (previous year: EUR 7.113 million) and temporary differences amounting to EUR 5.831 million (previous year: EUR 5.980 million) recognised in the consolidated financial statements. When recognising deferred tax assets, the management must make estimates regarding recoverability. Deferred tax assets are recognised to the extent that it is likely that they can be used. The use of deferred tax assets depends on the possibility of generating sufficient taxable income in the respective tax category and in the respective fiscal jurisdiction. Assessing the likelihood of future usability depends on a variety of factors, such as past earnings performance, operative planning and tax planning strategies. If estimates diverge from actual events, carrying values must be adjusted accordingly if there is any doubt.

## 2. CONSOLIDATED SUBSIDIARIES

In addition to the parent company's financial statements, the CTS Group comprises the annual financial statements of 95 subsidiaries (previous year: 82) in the consolidated financial statements.

In the reporting year, the number of fully consolidated companies in the Ticketing segment was reduced largely due to from mergers of 49 companies to 44 companies.

In the Live Entertainment segment, the number of fully consolidated companies increased primarily due to acquisitions and start-ups from 33 companies to 51 companies.

In the Live Entertainment segment, 2 joint ventures (previous year: 2 joint ventures) and 10 investments in associates (previous year: 4) are included in the consolidated financial statements using the equity method. Additions to investments in associates accounted for at equity results from the investments of a newly acquired subsidiary. The joint venture HAL Apollo is the only significant investment that is included in the consolidated financial statements using the equity method. The CTS Group holds 50% stake in Stage C Ltd. based in Great Britain. It operates the venue Eventim Apollo in London and holds 100% of the shares in the company Hammersmith Apollo Ltd.

Due to the insignificance, 8 subsidiaries (previous year: 7 subsidiaries) are designated as shares in affiliated companies included in investments.

## 2.1 SIGNIFICANT CHANGES IN THE LIVE ENTERTAINMENT SEGMENT

Marek Lieberberg Konzertagentur GmbH & Co. KG, Frankfurt am Main, acquired 100% of the shares in MOKO Concerts GmbH, Freiburg im Breisgau, as at 2 January 2017. The object of the company is primarily the organisation and realisation of concerts. With entry in the commercial register on 27 January 2017, the company was renamed Vaddi Concerts GmbH (hereinafter: Vaddi Concerts), Freiburg im Breisgau.

As at 3 January 2017, the Bundeskartellamt cleared the acquisition of further 5.2% of the shares in FKP SCORPIO Konzertproduktionen GmbH, Hamburg (hereinafter: FKP SCORPIO) by MEDUSA Music Group GmbH, Bremen. With the approval of the share purchase by the Federal Cartel Office, FKP SCORPIO and its subsidiaries (hereinafter: FKP Scorpio Group) are included in the CTS consolidated financial statements as part of full consolidation.

MEDUSA Music Group GmbH, Bremen, acquired 51% of the shares in the Italian concert and event company Vertigo S.r.l., Milan, on 8 September 2017 at a purchase price of EUR 2.685 million. With this acquisition, the CTS Group is driving forward its internationalisation and is now also represented in the Live Entertainment segment in Italy.

On 6 November 2017 MEDUSA Music Group GmbH, Bremen, acquired a 60% stake in the newly established Italian concert and event promoter Friends & Partners SpA, Milan. Friends & Partners is headed by Ferdinando Salzano, the managing minority partner. Ferdinando Salzano founded the F&P Group in 2001. Over the past ten years, the company has worked with Warner Music to become the leading concert promoter of Italian-language artists. Tours for more than 40 artists were organised, including national stars such as Ligabue, Gianna Nannini, Nek, Laura Pausini, Umberto Tozzi and Zucchero. In addition, the company produces concert films as well as music TV concepts for all major Italian television stations. Due to currently existing business relationships with third parties the transfer of business operations within the meaning of IFRS 3 takes place only until October 2018. The purchase price already paid, which correspond to the total purchase price, amounts to EUR 22.0 million and is recorded as advance payment on a business combination.

### PROVISIONAL PURCHASE PRICE ALLOCATION

### VERTIGO

Since its initial consolidation at the beginning of Septermber 2017, Vertigo contributed with EUR 3.773 million to revenue and with EUR 0 thousand to earnings. Cash and cash equivalents of EUR 347 thousand were taken over in the course of acquisition.

Based on the provisional purchase price allocation, the following table shows the fair values at the time of initial consolidation of Vertigo:

| | Fair value at the time of initial consolidation - provisional purchase price allocation - |
|---|---|
| | [EUR'000] |
| Cash and cash equivalents | 347 |
| Inventories | 351 |
| Payments on account | 338 |
| Trade receivables | 1,693 |
| Other assets | 59 |
| Accrued expenses | 20 |
| **Total current assets** | **2,808** |
| Property, plant and equipment | 13 |
| Intangible assets | 14 |
| Deferred tax assets | 760 |
| **Total non-current assets** | **787** |
| Pension provisions | -6 |
| Trade payables | -1,394 |
| Payables to affiliated companies | -1,856 |
| Other liabilities | -247 |
| Advance payments received | -2,170 |
| **Total current liabilities** | **-5,673** |
| Deferred tax liabilities | -98 |
| **Total non-current liabilities** | **-98** |
| **Total net assets** | **-2,176** |

At the time of initial consolidation, order backlog was recognised of EUR 351 thousand and deferred tax liabilities of EUR 98 thousand respectively. As at 31 December 2017 the purchase price allocation is still provisional because investigations regarding the order backlog and the assessment of legal aspects are still pending. A final assessment of recognised assets and liabilities will be conclusively determined within the first twelve month of the acquisition.

The following table shows the reconciliation of consideration transferred as at initial consolidation:

| | [EUR'000] |
|---|---|
| **Consideration transferred** | **2,685** |
| | |
| **Total net assets** | **-2,176** |
| **Pro rata net assets** | **-1,047** |
| | |
| **Goodwill** | **3,732** |

The goodwill mainly reflects future earnings potential and non-separable intangible assets assets, such as artist contacts of employees. Goodwill is not tax deductible.

## FINAL PURCHASE PRICE ALLOCATION

### VADDI CONCERTS

The preliminary purchase price allocation of Vaddi Concerts was prepared in January 2017 and has finally been completed in compliance within the 12-month deadline in December 2017. The final purchase price allocation resulted in no adjustments. Intangible assets (customer base) were included in the purchase price allocation a fair value of EUR 1.235 million. On the temporary differences from the revaluation of intangible assets deferred tax liabilities of EUR 377 thousand were recognised.

The following table shows the reconciliation of consideration transferred as at initial consolidation:

| | [EUR'000] |
|---|---:|
| **Consideration transferred** | **900** |
| | |
| Cash and cash equivalents | 23 |
| Other assets | 171 |
| Intangible assets | 2,082 |
| Trade payables | -2 |
| Other liabilities | -1,071 |
| Deferred tax liabilities | -377 |
| **Total net assets** | **826** |
| **Pro rata net assets** | **780** |
| | |
| **Goodwill** | **120** |

The goodwill mainly reflects future earnings potential and non-separable intangible assets assets, such as artist contacts of employees. Goodwill is not tax deductible.

## FKP SCORPIO

The preliminary purchase price allocation of the **FKP SCORPIO Group** was prepared in January 2017 and has finalised been completed in compliance the 12-month deadline in December 2017.

The following values resulted from the final purchase price allocation of FKP SCORPIO Group:

| | **Fair value at the time of initial consolidation - final purchase price allocation -** | **Fair value at the time of initial consolidation - provisional purchase price allocation -** | **Change** |
|---|---|---|---|
| | **[EUR'000]** | **[EUR'000]** | **[EUR'000]** |
| Cash and cash equivalents | 17,366 | 17,366 | 0 |
| Inventories | 368 | 368 | 0 |
| Payments on account | 5,297 | 5,297 | 0 |
| Trade receivables | 6,063 | 6,063 | 0 |
| Receivables from affiliated companies | 1,097 | 1,097 | 0 |
| Other assets | 9,659 | 9,659 | 0 |
| Accrued expenses | 692 | 692 | 0 |
| **Total current assets** | **40,542** | **40,542** | **0** |
| Property, plant and equipment | 1,378 | 1,378 | 0 |
| Intangible assets | 12,362 | 17,619 | -5,257 |
| Investments | 4,655 | 4,655 | 0 |
| Deferred tax assets | 1,481 | 1,481 | 0 |
| **Total non-current assets** | **19,876** | **25,133** | **-5,257** |
| Liabilities due to banks | -30 | -30 | 0 |
| Trade payables | -10,701 | -10,701 | 0 |
| Payables to affiliated companies | -2,261 | -2,261 | 0 |
| Other liabilities | -10,205 | -10,205 | 0 |
| Advance payments received | -38,529 | -39,186 | 657 |
| Other provisions | -316 | -316 | 0 |
| Tax provisions | -1,836 | -1,836 | 0 |
| **Total current liabilities** | **-63,878** | **-64,535** | **657** |
| Deferred tax liabilities | -4,024 | -5,381 | 1,357 |
| **Total non-current liabilities** | **-4,024** | **-5,381** | **1,357** |
| **Total net assets** | **-7,484** | **-4,241** | **-3,243** |

At the time of initial consolidation, intangible assets (customer base and trademark) were recognised at EUR 17.611 million. Deferred tax liabilities of EUR 5.399 million were recorded on the temporary difference arising from the remeasurement of the intangible assets.

Within the first twelve months following the acquisition, a lower fair value of intangible assets (EUR 5.257 million) and advance payments received (EUR 657 thousand) were determined within the final purchase price allocation, which led to a decrease in deferred tax liabilities of EUR 1.357 million. The change in the valuation of intangible assets resulted from adjusted valuation parameters. These were in the best estimate of the preliminary purchase price allocation. The subsequent correction was based on the analysis of historical data and contracts that were not reviewed in detail as part of the preliminary purchase price allocation.

Due to the final purchase price allocation, the customer base at the time of acquisition amounts to EUR 1.860 million and the trademark EUR 10.502 million. Both are amortised over a useful life between 4 and 12 years.

On the contrary goodwill increased from EUR 8.072 million by EUR 1.537 million (shareholding of CTS KGaA in MEDUSA is 94.4%).

The following table shows the reconciliation of consideration transferred as at initial consolidation:

| | [EUR'000] |
|---|---|
| **Consideration transferred** | **6,062** |
| | |
| **Total net assets** | **-7,484** |
| **Pro rata net assets** | **-3,547** |
| | |
| **Goodwill** | **9,609** |

The goodwill mainly reflects future earnings potential and non-separable intangible assets assets, such as artist contacts of employees. Goodwill is not tax deductible.

The consideration transferred reflects the fair value of the shares in the FKP SCORPIO Group previously accounted for using the equity method in the amount of EUR 5.373 million.

## 2.2 EFFECTS OF FINAL PURCHASE PRICE ALLOCATIONS ON THE CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT OF THE PREVIOUS YEAR

According to IFRS 3.49, adjustments to the provisional fair values are to be recognised as if the accounting for the business combination was completed at the time of acquisition. Comparative information for the reporting periods before completion of the initial accounting of the acquisition transaction should be presented retrospectively as if the purchase price allocation has already been completed.

No adjustment needed to be made in respect of the final purchase price allocations for Liigalippu Suomi Oy, Helsinki, and JetTicket Software GmbH, Oberpullendorf.

At Venuepoint Group, a higher fair value of the acquired intangible assets (customer base) of TEUR 6 thousand was recognised in the context of the final purchase price allocation, resulting in an increase in deferred tax liabilities of EUR 1 thousand. Furthermore, the fair value of other assets increased (EUR 154 thousand). In return, goodwill decreased by EUR 159 thousand.

As part of the final purchase price allocation of the HOI Group, a lower fair value of other assets (EUR 352 thousand) and other liabilities (EUR 75 thousand) was recorded. In return, the goodwill increased to EUR 254 thousand (shareholding of CTS KGaA in MEDUSA amounts to 94.4%).

The comparative figures as at 31 December 2016 were due to Venuepoint's final purchase price allocation Group and the HOI Group as follows:

**Consolidated Income Statement**

| | final purchase price allocation 31.12.2016 | provisional purchase price allocation 31.12.2016 | Change |
|---|---|---|---|
| | [EUR'000] | [EUR'000] | [EUR'000] |
| Revenue | 829,906 | 829,906 | 0 |
| EBIT | 161,973 | 161,974 | -1 |
| EBT | 155,475 | 155,477 | -2 |
| Taxes | -49,996 | -49,996 | 0 |
| Consolidated net income | 94,560 | 94,561 | -1 |

**Consolidated Balance Sheet**

| | final purchase price allocation 31.12.2016 | provisional purchase price allocation 31.12.2016 | Change |
|---|---|---|---|
| | [EUR'000] | [EUR'000] | [EUR'000] |
| **ASSETS** | | | |
| Other financial assets (current) | 81,584 | 81,430 | 154 |
| Other non-financial assets (current) | 13,798 | 14,150 | -352 |
| Goodwill | 288,521 | 288,426 | 95 |
| Intangible assets | 105,758 | 105,753 | 5 |
| | | | **-98** |
| **Liabilities and shareholders' equity** | | | |
| Trade payables | 80,764 | 80,839 | -75 |
| Deferred tax liabilities | 13,139 | 13,138 | 1 |
| Retained earnings | 250,728 | 250,729 | -1 |
| Non-controlling interest | 29,428 | 29,451 | -23 |
| | | | **-98** |

## 2.3 PRO-FORMA DISCLOSURES

The following pro-forma statement presents the financial data of the CTS Group, including the consolidated Group companies which were acquired during the financial year 2017, under the assumption that these companies had already been integrated in the consolidated financial statements at the beginning of the financial year 2017 with their actual acquisition conditions.

| | 2017 |
|---|---|
| | [EUR'000] |
| **Revenue** | |
| Reported | 1,033,980 |
| Pro forma | 1,044,088 |
| **Consolidated net income** | |
| Reported | 112,808 |
| Pro forma | 111,926 |

When determining the pro-forma disclosures, amortisation of recognised hidden reserves and deferred taxes from remeasuring the intangible assets in the process of the purchase price allocation were taken into account. Material intercompany relations were eliminated for the entire financial year 2017 when recognising revenue.

## 2.4 LIST OF INVESTMENTS

The disclosures pursuant to § 313 (2) HGB are stated online at the CTS KGaA website, under www.eventim.de/tickets.html?affiliate=TUG&fun=tdoc&doc=eventim/default/info/de/investor/investorStructure.

## 3. NOTES TO THE CONSOLIDATED BALANCE SHEET

### CASH AND CASH EQUIVALENTS (1)

Cash and cash equivalents are predominantly bank balances. Cash and cash equivalents include ticket money from presales for events in subsequent quarters (ticket money not yet invoiced in the Ticketing segment).

### INVENTORIES (2)

Inventories comprised the following items:

| | 31.12.2017 | 31.12.2016 |
|---|---|---|
| | [EUR'000] | [EUR'000] |
| Raw materials and supplies | 663 | 586 |
| Work in progress | 2,110 | 2,361 |
| Finished goods and merchandise | 1,827 | 1,928 |
| | **4,600** | **4,875** |

Raw materials and supplies mainly comprise ticket blanks. Work in progress relate in particular to production costs for Holiday on Ice Shows. Finished goods and merchandise mainly include IT hardware, merchandising and catering articles. No impairments on inventories were made.

### PAYMENTS ON ACCOUNT (3)

Payments on account, at EUR 46.084 million (previous year: EUR 33.705 million) pertain to prepaid production costs in the Live Entertainment segment (e.g. artists' fees) for events taking place in 2018.

### RECEIVABLES FROM INCOME TAX (4)

Receivables from income tax, at EUR 6.141 million (previous year: EUR 6.763 million), relate in particular to capital gains tax and advance prepayments.

## OTHER FINANCIAL ASSETS (5)

Other short-term financial assets, at EUR 116.795 million (previous year: EUR 81.584 million) comprise receivables relating to ticket monies from presales in the Ticketing segment at EUR 78.429 million (previous year: EUR 48.661 million), factoring receivables from an external service from ticket monies at EUR 22.266 million (previous year: EUR 18.929 million) and current loans and borrowings, at EUR 6.404 million (previous year: EUR 4.190 million) and relate to receivables from promoters in the course of ordinary business activities. Other long-term financial assets, at EUR 4.605 million (previous year: EUR 3.970 million) primarily include loans and borrowings.

As at 31 December 2017, there were collaterals amounting to EUR 2.094 million (previous year: EUR 1.050 million), including EUR 1.167 million for rental deposits (previous year: EUR 946 thousand).

## OTHER NON-FINANCIAL ASSETS (6)

The other short-term non-financial assets, at EUR 37.140 million (previous year: EUR 13.798 million) relate mainly to prepayments of an acquisition in the Live Entertainment segment (EUR 22.000 million) and accruals of EUR 8.284 million (previous year: EUR 8.866 million), which relates, inter alia, to production costs for events in the Live Entertainment segment and in the Ticketing segment to accrued payments for IT hardware and software support. Furthermore refund claims in respect of sales tax and other taxes, at EUR 5.277 million (previous year: EUR 2.688 million) were recognised. The other long-term non-financial assets, at EUR 1.000 million (previous year: EUR 1.033 million), mainly relate to accrued payments.

## GOODWILL (7)

| | 2017 [EUR'000] | 2016 [EUR'000] |
|---|---|---|
| **Historical cost** | | |
| 1 January | 293,202 | 282,903 |
| Addition from change in scope of consolidation | 13,863 | 9,702 [1] |
| Currency differences | -5,545 | 597 |
| **31 December** | **301,520** | **293,202** |
| **Accumulated depreciation and amortisation** | | |
| 1 January | 4,681 | 4,681 |
| Addition | 0 | 0 |
| **31 December** | **4,681** | **4,681** |
| **Carrying value as at 31 December** | **296,839** | **288,521** |

[1] Adjusted prior-year figures due to the purchase price allocation of Venuepoint Group and HOI Group

The disclosed goodwill totalling EUR 296.839 million (previous year: EUR 288.521 million) breaks down into EUR 241.915 million in the Ticketing segment (previous year: EUR 247.093 million) and EUR 54.923 million in the Live Entertainment segment (previous year: EUR 41.429 million). Both segments are applied as cash-generating unit (CGU) for goodwill impairment testing according to IAS 36.

In the Ticketing segment, the decline in goodwill by EUR 5.178 million was due to currency translation effects resulting from the measurement of goodwill in foreign currency (Euro to Swiss franc) as at the closing date of 31 December 2017. In the Live Entertainment segment, the goodwill increased by EUR 13.495 million mainly due to the acquisition in additional shares in FKP SCORPIO (EUR 9.609 million) and the acquisition of Vertigo S.r.l., Milan, (EUR 3.732 million). This was offset by negative currency translation effects of EUR 367 thousand.

Impairment tests are performed on goodwill to determine the recoverable amount of a CGU, equal to the fair value minus costs of sale. The fair value is the best possible estimate of the amount for which an independent third party would acquire the cash-generating unit on the balance sheet date, minus the costs of sale. The fair value is calculated on the basis of a discounted cash flow (DCF) determined valuation model and can be assigned to level three in the fair value hierarchy according to IFRS 13. This procedure and the basic assumptions apply to all CGUs with goodwill that is subject to impairment tests. The calculations are based on forecast cash flows derived from five-year planning. When determining budget figures, the management took into account current and future likelihoods, business and economic trends, economic development and other circumstances. At the beginning of the detailed planning period, an EBITDA margin of around 42% (previous year: 42%) in the Ticketing segment and around 4.5% (previous year: 5.7%) in the Live Entertainment segment was used as a basis. In subsequent years, a moderately rising EBITDA margin is assumed, based on an anticipated increase in high-margin ticket sales via the Internet. In the Ticketing segment a discount rate of 8.5% (previous year: 8.0%) and in the Live Entertainment segment a discount rate of 7.8% (previous year: 7.7%) was applied for this purpose. The discount rates used are interest rates after tax and reflect the specific risks to which the respective CGUs are exposed. The Group applies constant growth rates of 1% (previous year: 1%) to extrapolate cash flows after the detailed planning period. This growth rate is derived from past experience and does not exceed the long-term growth of the respective markets in which the entity operates. The growth rates take external macroeconomic data and trends within the industry into account. No impairment of goodwill, subdivided according to segment, was required in the 2017 financial year. If the estimated discount factor was one percentage point higher or the EBITDA margin in the Ticketing segment or in the Live Entertainment segment were 10% lower, no impairment of goodwill would have been required in the respective segment.

The corporate management assumes that any reasonably possible change in the key assumptions on which the recoverable amount of the CGUs is based will not lead to the carrying value of the CGUs exceeding the recoverable amount.

With the exception of goodwill, there are no intangible assets with unlimited useful life.

## OTHER INTANGIBLE ASSETS (8)

| | Software, licences and similar rights | Capitalized development costs | Customer base | Payments on account / Proprietary software in progress | Total |
|---|---|---|---|---|---|
| **2016** | **[EUR'000]** | **[EUR'000]** | **[EUR'000]** | **[EUR'000]** | **[EUR'000]** |
| **Historical cost** | | | | | |
| 1 January 2016 | 102,470 | 52,031 | 93,236 | 2,718 | 250,455 |
| Addition from change in scope of consolidation | 4,062 | 0 | 4,644 [1] | 0 | 8,706 [1] |
| Addition | 2,510 | 9,358 | 3 | 5,568 | 17,439 |
| Disposal | -5,783 | -809 | 0 | -80 | -6,672 |
| Reclassification | 51 | 3,297 | 0 | -3,348 | -1 |
| Currency differences | -364 | 68 | 169 | 0 | -128 |
| **31 December 2016** | **102,947** | **63,945** | **98,052** [1] | **4,857** | **269,800** [1] |
| **Accumulated depreciation and amortisation** | | | | | |
| 1 January 2016 | 65,722 | 17,699 | 59,521 | 0 | 142,942 |
| Addition from change in scope of consolidation | 671 | 0 | 0 | 0 | 671 |
| Addition | 8,921 | 7,082 | 8,951 [1] | 0 | 24,954 [1] |
| Disposal | -3,633 | -808 | 0 | 0 | -4,441 |
| Currency differences | -309 | 62 | 163 | 0 | -84 |
| **31 December 2016** | **71,371** | **24,036** | **68,635** [1] | **0** | **164,042** [1] |
| **Carrying value as at 31 December 2016** | **31,576** | **39,909** | **29,417** [1] | **4,857** | **105,758** [1] |
| **2017** | | | | | |
| **Historical cost** | | | | | |
| 1 January 2017 | 102,947 | 63,945 | 98,052 | 4,857 | 269,800 |
| Addition from change in scope of consolidation | 13,148 | 8 | 1,476 | 0 | 14,632 |
| Addition | 6,119 | 11,497 | 170 | 3,319 | 21,105 |
| Disposal | -1,513 | -235 | 0 | -33 | -1,780 |
| Reclassification | -1,335 | 5,643 | 0 | -4,398 | -90 |
| Currency differences | -730 | -385 | -1,568 | -8 | -2,691 |
| **31 December 2017** | **118,636** | **80,473** | **98,130** | **3,737** | **300,976** |
| **Accumulated depreciation and amortisation** | | | | | |
| 1 January 2017 | 71,371 | 24,036 | 68,635 | 0 | 164,042 |
| Addition from change in scope of consolidation | 558 | 0 | 0 | 0 | 558 |
| Addition | 10,105 | 8,863 | 8,838 | 0 | 27,806 |
| Disposal | -1,445 | -221 | 0 | 0 | -1,666 |
| Currency differences | -628 | -350 | -1,508 | 0 | -2,486 |
| **31 December 2017** | **75,853** | **36,436** | **75,964** | **0** | **188,254** |
| **Carrying value as at 31 December 2017** | **42,783** | **44,037** | **22,165** | **3,737** | **112,722** |

[1] Adjusted prior-year figures due to the final purchase price allocation of the Venuepoint Group

Additions to software, licences and similar rights (EUR 6.119 million; previous year: EUR 2.510 million) include, inter alia, payments for licences for third-party software connected with the ticket distribution systems, brand and ticket distribution rights.

Additions to capitalised development costs (EUR 11.497 million; previous year: EUR 9.358 million) relate to the development of ticket distribution systems. Of those investments, EUR 9.222 million (previous year: EUR 7.075 million) are for proprietary software and EUR 2.275 million (previous year: EUR 2.283 million) for external software development.

The amortisation from purchase price allocation amounting to EUR 12.698 million (previous year: EUR 11.226).

## PROPERTY, PLANT AND EQUIPMENT (9)

| | Other real estate, land rights and buildings, including buildings on third-party properties | Technical equipment and machinery | Other facilities, operating and office equipment | Payments on account | Total |
|---|---|---|---|---|---|
| **2016** | **[EUR'000]** | **[EUR'000]** | **[EUR'000]** | **[EUR'000]** | **[EUR'000]** |
| **Historical cost** | | | | | |
| 1 January 2016 | 2,704 | 2,047 | 55,510 | 146 | 60,407 |
| Addition from change in the scope of consolidation | 0 | 0 | 4,271 | 0 | 4,271 |
| Addition | 277 | 80 | 14,904 | 239 | 15,500 |
| Disposal | -146 | -53 | -14,092 | 0 | -14,291 |
| Merger | 0 | 53 | -53 | 0 | 0 |
| Reclassification | 146 | 0 | 1 | -146 | 1 |
| Currency differences | 15 | 11 | 116 | 0 | 143 |
| **31 December 2016** | **2,996** | **2,138** | **60,659** | **238** | **66,032** |
| **Accumulated depreciation and amortisation** | | | | | |
| 1 January 2016 | 881 | 1,319 | 37,634 | 0 | 39,833 |
| Addition from change in the scope of consolidation | 0 | 0 | 3,142 | 0 | 3,142 |
| Addition | 339 | 295 | 6,028 | 0 | 6,662 |
| Disposal | 0 | -53 | -8,498 | 0 | -8,551 |
| Reclassification | 0 | 51 | -51 | 0 | 0 |
| Currency differences | 3 | 2 | 22 | 0 | 27 |
| **31 December 2016** | **1,223** | **1,614** | **38,277** | **0** | **41,114** |
| **Carrying value as at 31 December 2016** | **1,774** | **524** | **22,382** | **238** | **24,918** |
| **2017** | | | | | |
| **Historical cost** | | | | | |
| 1 January 2017 | 2,996 | 2,138 | 60,659 | 238 | 66,032 |
| Addition from change in the scope of consolidation | 102 | 802 | 3,017 | 0 | 3,921 |
| Addition | 4,330 | 193 | 7,920 | 1,095 | 13,538 |
| Disposal | -191 | -69 | -2,624 | -11 | -2,895 |
| Reclassification | 154 | 0 | 108 | -172 | 90 |
| Currency differences | -62 | 6 | -266 | 0 | -322 |
| **31 December 2017** | **7,330** | **3,070** | **68,813** | **1,150** | **80,364** |
| **Accumulated depreciation and amortisation** | | | | | |
| 1 January 2017 | 1,223 | 1,614 | 38,277 | 0 | 41,114 |
| Addition from change in the scope of consolidation | 72 | 633 | 1,823 | 0 | 2,527 |
| Addition | 376 | 279 | 7,436 | 0 | 8,091 |
| Disposal | -191 | -69 | -2,242 | 0 | -2,502 |
| Currency differences | -6 | 4 | -88 | 0 | -90 |
| **31 December 2017** | **1,473** | **2,461** | **45,206** | **0** | **49,140** |
| **Carrying value as at 31 December 2017** | **5,857** | **609** | **23,607** | **1,150** | **31,224** |

Additions to other property, plant and office equipment mainly relate to hardware for new IT infrastructure, stage and event technology as well as office equipment.

## INVESTMENTS (10)

Investments include participations at EUR 868 thousand (previous year: EUR 654 thousand), held-to-maturity marketable securities at EUR 710 thousand (previous year: EUR 717 thousand) as well as shares in affiliated companies that are not consolidated due to insignificance at EUR 238 thousand (previous year: EUR 687 thousand).

## INVESTMENTS IN ASSOCIATES ACCOUNTED FOR AT EQUITY (11)

| | HAL Apollo | | Other Joint Ventures | | Associates | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] |
| **Net book value at 1 January** | **15,624** | **16,944** | **42** | **2,420** | **865** | **123** | **16,532** | **19,486** |
| Addition | 0 | 0 | 0 | 0 | 930 | 538 | 930 | 538 |
| Disposal | 0 | 0 | 0 | -1,105 | -32 | 0 | -32 | -1,105 |
| Dividends | 0 | 0 | 0 | 0 | -332 | 0 | -332 | 0 |
| Proportionate result of the period | 1,830 | 916 | 60 | -1,273 | 865 | 201 | 2,755 | -155 |
| Proportionate other comprehensive income | -559 | -2,235 | -3 | 0 | 3 | 3 | -559 | -2,232 |
| **Net book value at 31 December** | **16,896** | **15,624** | **99** | **42** | **2,298** | **865** | **19,294** | **16,532** |

The key figures below represent the financial information on the joint venture HAL Apollo based on a 100% shareholding:

| | 31.12.2017 [EUR'000] | 31.12.2016 [EUR'000] |
|---|---|---|
| Current assets | 7,610 | 3,931 |
| thereof cash and cash equivalents | 6,154 | 2,940 |
| Non-current assets | 42,332 | 42,064 |
| Current liabilities | 9,082 | 6,862 |
| Non-current liabilities | 6,959 | 7,775 |
| | | |
| Revenue | 10,403 | 9,008 |
| EBITDA | 5,829 | 4,926 |
| Depreciation | -942 | -2,107 |
| Interest income | 2 | 0 |
| Interest expense | -390 | -525 |
| Taxes | -889 | -461 |
| Result of the period | 3,660 | 1,832 |
| Other results | -1,117 | -4,470 |
| Total comprehensive income | 2,543 | -2,638 |

## DEFERRED TAXES (12)

The deferred tax assets, at EUR 18.993 million, pertain to the following:

| | 31.12.2017 [EUR'000] | 31.12.2016 [EUR'000] |
|---|---|---|
| Tax loss carryforwards | 13,162 | 7,113 |
| Temporary differences | 5,831 | 5,980 |
| | **18,993** | **13,093** |

It is assumed that there is sufficient likelihood that the deferred tax assets on loss carryforwards of EUR 13.162 million (previous year: EUR 7.113 million) as at 31 December 2017, can be used, as the respective companies will generate tax profits of at least the same amount as in future periods.

The total amount of unrecognised temporary differences relating to shares in subsidiaries, associates and joint ventures amounts to EUR 4.704 million. The group does not expect this to be a burden, since there is currently no release of deferred taxes planned due to a sale or a distribution.

The deferred tax assets and liabilities relate to the following balance sheet items and losses carryforwards:

| | 31.12.2017 | | 31.12.2016 | |
|---|---|---|---|---|
| | Deferred tax assets [EUR'000] | Deferred tax liabilities [EUR'000] | Deferred tax assets [EUR'000] | Deferred tax liabilities [EUR'000] |
| Receivables | 279 | 74 | 249 | 64 |
| Other assets | 249 | 20 | 291 | 7 |
| **Current assets** | **528** | **94** | **540** | **71** |
| Property, plant and equipment | 142 | 35 | 178 | 70 |
| Intangible assets | 2,920 | 14,390 | 2,963 | 13,669 |
| Loans | 0 | 80 | 0 | 81 |
| **Non-current assets** | **3,062** | **14,505** | **3,141** | **13,820** |
| Other provisions | 240 | 0 | 378 | 0 |
| Other liabilities | 248 | 20 | 363 | 268 |
| **Current liabilities** | **488** | **20** | **741** | **268** |
| Financial liabilities | 73 | 0 | 139 | 0 |
| Pension provisions | 1,871 | 0 | 2,440 | 0 |
| **Non-current liabilities** | **1,944** | **0** | **2,579** | **0** |
| Loss carryforwards | 13,162 | 0 | 7,113 | 0 |
| **Total** | **19,184** | **14,619** | **14,114** | **14,159** |
| Offset | -191 | -191 | -1,021 | -1,021 |
| **Deferred taxes** | **18,993** | **14,429** | **13,093** | **13,139** |

The deferred tax liabilities mainly result from temporary differences arising from the fair value measurement of intangible assets in the context of the purchase price allocations. The increase in deferred tax liabilities is mainly due to the purchase price allocations in the reporting period.

The rate of deferred domestic taxation was between 29.3% and 33.0%. This rate includes corporation tax at 15%, the solidarity supplement at 5.5% of the corporation tax and municipal trade tax at between 13.5% and 17.2%. For foreign subsidiaries, the respectively applicable local tax rates were applied.

As at 31 December 2017, the fiscal loss carryforwards were as follows:

| | 31.12.2017 [EUR'000] | 31.12.2016 [EUR'000] |
|---|---|---|
| **Loss carryforwards international** | | |
| up to 10 years | 6,192 | 5,554 |
| indefinite | 28,107 | 17,969 |
| | **34,299** | **23,523** |
| **Loss carryforwards national** | | |
| Loss carryforward national corporation tax (indefinitely) | 14,079 | 3,627 |
| Loss carryforward municipal trade tax (indefinitely) | 13,241 | 1,680 |
| | **61,619** | **28,830** |

It is assumed that there is sufficient likelihood that the EUR 61.619 million (previous year: EUR 28.830 million) in fiscal loss carryforwards as at 31 December 2017 can be used, as the respective companies will generate tax profits of at least the same amount in future periods. The increase of loss carryforwards are mainly the result of temporary burdens in relation to the establishment of new festival brands and the relaunch of existing formats in the Live Entertainment segment.

Deferred tax assets were formed in respect of international income and national corporation tax losses amounting to EUR 31.465 million (previous year: EUR 8.887 million), and to EUR 13.241 million (previous year: EUR 1.680 million) in respect of national municipal trade tax losses, even though the respective companies have a history of losses and no corresponding deferred tax liabilities do exist. However, positive earnings are planned for these companies after start-up losses.

No deferred tax assets were recognised for losses carryforwards for national municipal trade tax purposes of EUR 2.819 million (previous year: EUR 796 thousand) and for international income tax as well as national corporation tax of EUR 7.234 million (previous year: EUR 6.175 million), as the arising tax benefits are not expected to be realised in the planning period. Within the next six to ten years an expiry of the tax loss carryforwards of EUR 1.943 million (previous year: EUR 1.905 million) is possible; within the next five years tax loss carry forwards do not expire (previous year: EUR 2.250 million). EUR 8.110 million (previous year: EUR 2.816 million) is indefinitely usable.

As of 31 December 2017, deferred taxes at EUR 496 thousand (previous year: EUR 918 thousand) were recognised directly under other reserves in shareholders' equity.

## FINANCIAL LIABILITIES (13)

As of the balance sheet date financial liabilities of EUR 147.199 million (previous year: 157.321 million) include loans of EUR 117.206 million (previous year: EUR 127.204 million), of which EUR 46.015 million (previous year: EUR 16.104 million) are due in short-term. In addition, purchase price obligations from the acquisition of shares in subsidiaries already included in consolidation (primarily purchase price commitments with put options of existing non-controlling interests) amounting to EUR 29.993 million (previous year: EUR 30.117 million) are reported under financial liabilities, thereof EUR 13.403 million (previous year: EUR 12.884 million) short-term.

As at 31 December 2017, the loans include the following main items:

- EUR 49.000 million final-maturity loan with a remaining term of 3 years
- EUR 14.286 million annuity loan with a remaining term of 1 year
- EUR 24.125 million annuity loan with a remaining term of 2 years. This loan was taken out in Swiss Francs and is subject to variations in carrying amount due to the translation of foreign currency liabilities as at the closing date.
- EUR 18.000 million final-maturity with a remaining term less than 1 year
- EUR 12.000 million final-maturity with a remaining term less than 1 year (drawing from the syndicated credit facility)

The major part of the loans is at fixed interest rates for periods between 1 and 3 years.

Cash reserves, in the form of credit lines and cash, as well as a syndicated credit line (revolving credit facility) are held. In October 2015, CTS KGaA agreed on a syndicated credit facility (revolving credit facility) of EUR 200 million with a maturity of 5 to a maximum of 7 years (2 years maturity option). In October 2016 and 2017 respectively, CTS KGaA utilised the maturity option so that the term of the syndicated credit line would be extended by a total of two years until 30 October 2022. As at the balance sheet date of 31 December 2017, utilisation of credit facilities amounted to EUR 12 million. Liabilities to banks were subject to interest at market rates.

According to IAS 7, the reconciliation of movements in financial liabilities to cash flows from financing activities is shown below:

| | Short-term financial liabilities [EUR'000] | Long-term financial liabilities [EUR'000] |
|---|---|---|
| **Balance as at 1 January 2017** | **28,987** | **128,333** |
| Proceeds from borrowing financing loans | 12,000 | |
| Payments for redemption of financing loans | -16,018 | -3,576 |
| **Total change in cash flow from financing activities** | **-4,018** | **-3,576** |
| Changes in Fair Value | 675 | -644 |
| Changes due to currency translation | -153 | -2,405 |
| Other changes | 33,927 | -33,927 |
| **Total other changes, referring to financial liabilities** | **34,449** | **-36,976** |
| **Balance as at 31 December 2017** | **59,418** | **87,781** |

## ADVANCE PAYMENTS RECEIVED (14)

The advance payments received, at EUR 287.586 million (previous year: EUR 157.363 million), mainly include ticket monies already received for future events in the Live Entertainment segment. The increase is due to the fact that in the fourth quarter of 2017, a higher amount of ticket monies from the presale have been collected. EUR 1.132 million advance payments received are long-term.

## OTHER PROVISIONS (15)

| | Maintenance | Other | Total |
|---|---|---|---|
| | [EUR'000] | [EUR'000] | [EUR'000] |
| **1 January 2017** | **8,362** | **2,070** | **10,432** |
| Change in scope of consolidation | 0 | 323 | 323 |
| Consumption | -615 | -603 | -1,219 |
| Reversal | -3,838 | -672 | -4,510 |
| Addition | 5,412 | 2,078 | 7,489 |
| Currency differences | 0 | -33 | -33 |
| **31 December 2017** | **9,321** | **3,161** | **12,482** |
| thereof long-term | 4,059 | 539 | 4,598 |

The provisions for maintenance concerns in particular contracted maintenance and modernisation measures for a venue. The addition to the other provisions mainly concerns a provision for legal costs in the Ticketing segment and onerous contracts in the Live Entertainment segment.

## OTHER FINANCIAL LIABILITIES (16)

The other short-term financial liabilities (EUR 333.024 million; previous year: EUR 296.065 million) include liabilities in respect of ticketing monies that have not yet been invoiced, at EUR 314.390 million (previous year: EUR 276.828 million), liabilities from ticket insurance, at EUR 1.871 million (previous year: EUR 1.828 million), liabilities from third-party concerts in the Live Entertainment segment, at EUR 7.124 million (previous year: EUR 7.935 million), liabilities from finance leases, at EUR 126 thousand (previous year: EUR 214 thousand), and EUR 9.514 million in other financial liabilities (previous year: EUR 9.260 million).

The other long-term financial liabilities (EUR 260 thousand; previous year: EUR 976 thousand) primarily relate to liabilities against third-party shareholders, at EUR 98 thousand (previous year: EUR 467 thousand), liabilities in respect of ticketing monies that have not yet been invoiced, at EUR 93 thousand (previous year: EUR 219 thousand) and liabilities from finance leases, at EUR 49 thousand (previous year: EUR 273 thousand).

## OTHER NON-FINANCIAL LIABILITIES (17)

The other non-financial liabilities (EUR 64.642 million; previous year: EUR 53.686 million) result from tax liabilities, at EUR 20.976 million (previous year: EUR 14.423 million), credit voucher liabilities, at EUR 20.694 million (previous year: EUR 17.539 million), liabilities to personnel, at EUR 16.146 million (previous year: EUR 14.296 million), deferred income, at EUR 3.365 million (previous year: EUR 3.981 million), social insurance liabilities, at EUR 1.528 million (previous year: EUR 1.765 million), and other non-financial liabilities, at EUR 1.933 million (previous year: EUR 1.683 million).

## PENSION PROVISIONS (18)

There are pension commitments in the CTS Group that must be classified as defined benefit plans and as defined contribution plans in accordance with IAS 19.

For some German companies in the CTS Group, there are defined benefit plans. These plans provide retirement pensions, early retirement pensions, pensions due to disability and survivor's pensions. The amount pension benefit is calculated using the total pension entitlements acquired during continuous employment in the company. In addition, the contributions to the German pension insurance have to be shown as benefits to a defined contribution plan.

The insurance policies used in Switzerland to provide occupational pensions cover all the benefits according to regulations. The invalidity, mortality and longevity risks are fully underwritten in these pension schemes. The insurers invest the plan assets and provide a 100% guarantee on capital and interest. These 'full-cover' BVG plans (BVG: Swiss Federal Law on Occupational, Survivor's and Invalidity Pension Plans) are classified under IAS 19 as defined benefit plans, because there is no guarantee that the benefit can be continued at the same conditions if the plan is terminated and because different risk and cost premiums can be expected. Benefits which are due are paid out by the insurance companies directly to the beneficiaries.

The pension obligations in Italy are 'Trattamento di Fine Rapporto' (TFR) – a form of severance indemnity pursuant to Article 2120 of the Italian Civil Code (Codice Civile – CC). Benefits accrue from TFR in every employment relationship. This is an additional pension entitlement regulated by public law. The TFR is owed 'on termination of employment' (Article 2120 CC). Until 31 December 2006, the severance indemnity scheme in Italy (TFR) was classified as a defined benefit plan. The legislation governing the scheme was revised by the Law No. 296 dated 27 December 2006 (the 'Finance Act 2007') and by subsequent rules and regulations dating from the first half of 2007. In view of these changes, and with special reference to companies with at least 50 employees, this scheme remains classified as a defined benefit plan only for those benefits for which provisions were made previous to 1 January 2007 (and which were still outstanding at the closing date), whereas commitments after that date are classified as a defined contribution plan.

The pension provisions in Austria relate to 'former severance payments'. Severance payments are once-only payments when employment ends, except when the employee gives notice. In accordance with IAS 19, only those employment relationships entered into until 31 December 2002 are taken into account, when calculating the pension provisions.

In Switzerland and Germany, some pension commitments are financed by reinsurance contracts. There is no quoted market price in an active market for these contracts, rather they are accounted for at the fair value or surrender value calculated by the particular insurance company.

Service costs are recognised as part of the personnel expenses in the income statement; net interest expense/income is recognised in financial expense/income. Revaluations are recognised in other comprehensive income and are part of the other reserves in equity.

| | Defined benefit obligation | Plan assets | Pension provision |
|---|---|---|---|
| | [EUR'000] | [EUR'000] | [EUR'000] |
| **Status 01.01.2017** | **26,575** | **-14,330** | **12,245** |
| **Service costs** | | | |
| Current service costs | 1,214 | - | 1,214 |
| | **1,214** | **-** | **1,214** |
| **(Net) interest expense /income** | **130** | **-45** | **84** |
| **Remeasurements** | | | |
| Experience-based gains (-)/losses | -223 | - | -223 |
| Gain (-)/loss (+) from change in financial assumptions | -2,374 | - | -2,374 |
| Plan asset income, not included in interest income | - | -290 | -290 |
| | **-2,598** | **-290** | **-2,887** |
| **Benefits paid** | **-1,273** | **1,234** | **-38** |
| **Fund allocations** | | | |
| Employer | - | -585 | -585 |
| Employee | 1,258 | -1,258 | 0 |
| | **1,258** | **-1,843** | **-585** |
| **Currency differences** | **-1,246** | **1,139** | **-107** |
| **Status 31.12.2017** | **24,059** | **-14,134** | **9,925** |

| | Defined benefit obligation | Plan assets | Pension provision |
|---|---|---|---|
| | [EUR'000] | [EUR'000] | [EUR'000] |
| **Status 01.01.2016** | **22,256** | **-12,341** | **9,915** |
| Service costs | | | |
| Current service costs | 1,183 | - | 1,183 |
| Past service costs | -340 | - | -340 |
| | **843** | **-** | **843** |
| **(Net) interest expense /income** | **230** | **-102** | **128** |
| **Remeasurements** | | | |
| Experience-based gains (-)/losses | 1,380 | - | 1,380 |
| Gain (-)/loss (+) from change in demographic assumptions | -915 | - | -915 |
| Gain (-)/loss (+) from change in financial assumptions | 2,341 | - | 2,341 |
| Plan asset income, not included in interest income | - | -443 | -443 |
| | **2,806** | **-443** | **2,363** |
| **Benefits paid** | **-1,620** | **1,132** | **-488** |
| **Fund allocations** | | | |
| Employer | - | -665 | -665 |
| Employee | 1,806 | -1,806 | 0 |
| | **1,806** | **-2,471** | **-665** |
| **Currency differences** | **254** | **-105** | **149** |
| **Status 31.12.2016** | **26,575** | **-14,330** | **12,245** |

The defined benefit obligation is allocated as follows:

| | 2017 | 2016 |
|---|---|---|
| | [EUR'000] | [EUR'000] |
| **Defined benefit obligation** | **24,059** | **26,575** |
| Thereof active employees | 19,630 | 21,368 |
| Thereof terminated employees with vested benefits | 2,163 | 2,562 |
| Thereof retirees | 2,266 | 2,645 |

The following table shows the regional allocation of obligations, plan assets and provision:

| | Defined benefit obligations | | Plan assets | | Pension provision | |
|---|---|---|---|---|---|---|
| | 2017 [EUR'000] | 2016 [EUR'000] | 2017 [EUR'000] | 2016 [EUR'000] | 2017 [EUR'000] | 2016 [EUR'000] |
| Germany | 2,629 | 3,029 | -542 | -487 | 2,087 | 2,542 |
| Switzerland | 19,546 | 21,705 | -13,592 | -13,843 | 5,954 | 7,862 |
| Rest of Europe | 1,884 | 1,841 | 0 | 0 | 1,884 | 1,841 |

The current 2005 G Heubeck Tables are applicable for demographic assumptions when accounting for pension obligations in Germany. In Switzerland, the generation tables for 2010 in the Swiss Federal Law on Occupational, Survivors' and Disability Pension Plans (BVG) are used. The Pagler & Pagler tables (AVÖ 2008-P 'Employees' – Principles for calculating pension insurance benefit) were used to calculate the pension provisions for the Austrian companies. In Italy the RG48 tables and a study by the INPS were taken as the basis. In addition, the following key valuation parameters were taken into account.

| | Discount rate | | Future salary increases | | Future pension increases | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Germany | 2.25% | 1.50% | 2.50% | 2.50% | 1.00% | 1.00% |
| Switzerland | 0.70% | 0.30% | 1.00% | 1.00% | 0.00% | 0.00% |
| Rest of Europe | 1.55% | 1.25% | 1.55% | 1.55% | 0.00% | 0.00% |

The calculation of the discount rate in Switzerland is based on the return on high quality corporate bonds in CHF. This takes into account bonds with a maturity of 15 to 20 years, which are traded on the Swiss bond market. The basis for the interest rates used in the euro area is the 'Mercer yield curve approach'. Under this approach, a 'spot rate yield curve' based on the indices of Thomson Reuters Datastream is created. Solely bonds, that do not include interest-distorting options like call or put options, are used. Furthermore, bonds that offer much higher or lower interest rates (statistical outliers) compared to the other bonds in their risk rating are also excluded.

The companies are exposed to various risks in connection with the existing pension plans in the CTS group. The CTS group is exposed to valuation risks, such as interest rate risk, but also to actual risks such as longevity risk. In addition, there are currency and investment risks. An increase or decrease in the main actuarial assumptions would have had the following effects on the present value of the defined benefit obligation:

| 2017 | Change in assumption | Increase of assumption [EUR'000] | Decrease of assumption [EUR'000] |
|---|---|---|---|
| Discount rate | 0.50% | -2,248 | 2,620 |
| Future salary increases | 1.00% | 426 | -438 |
| Future pension increases | 1.00% | 1,946 | -277 |
| Life expectancy | 1 year | 400 | -410 |

| 2016 | Change in assumption | Increase of assumption [EUR'000] | Decrease of assumption [EUR'000] |
|---|---|---|---|
| Discount rate | 0.50% | -2,415 | 2,832 |
| Future salary increases | 1.00% | 517 | -515 |
| Future pension increases | 1.00% | 2,256 | 0 |
| Life expectancy | 1 year | 361 | -373 |

The above sensitivity analysis is based on the change in one assumption, with all other assumptions remaining constant. It is improbable that this scenario would happen in reality, because changes in some assumptions could correlate. When calculating the sensitivity of the commitment to actuarial assumptions, the same method was applied as is used to calculate the pension provisions in the balance sheet.

The weighted average duration of the obligation as of 31 December 2017 is 18.6 years (previous year: 19.4 years). For the following year, employer contributions to the pension plans at EUR 798 thousand (previous year: EUR 856 thousand) are expected.

## SHAREHOLDERS’ EQUITY (19)

The parent company of the Group has the legal form of a partnership limited by shares. The shareholders are liable only to the extent of their capital contribution.

Reference is made to the consolidated statement of changes in equity on page 88.

Share capital of CTS KGaA is EUR 96,000,000 and is divided into 96,000,000 no-par value bearer shares. Each share has a voting right and presents an arithmetic share in the share capital of EUR 1.00. All shares are fully paid. The CTS KGaA holds 8,700 own shares, 95,991,300 shares were in circulation during the entire financial year. Capital and statutory reserve are limited in their use according to AktG.

Shares with special rights, granting power of control, do not exist. The Management Board of EVENTIM Management AG, Hamburg, is not aware of any restrictions, which affect voting rights or transfer of shares.

Based on its option right for measuring internally generated assets in accordance with § 284 (2) HGB, an amount is derived which is bared from distribution. As there are sufficient available reserves compared to the amount bared from distribution, the payout restriction according to § 268 (8) HGB does not come into effect.

## RESOLUTIONS OF THE ANNUAL SHAREHOLDERS’ MEETING:

At the Shareholders’ Meeting on 21 January 2000, a **contingent share capital** increase of EUR 180,000 was agreed (contingent capital 2000/1). This increase shall be affected only to the extent that holders of options issued under the **Stock Option Plan** on the basis of the authorisation granted on 21 January 2000 exercise their stock options. The new shares participate in the profits of the company from the beginning of the financial year in which the stock options are exercised. The Management Board is authorised, subject to approval by the Supervisory Board, to specify the further details of the contingent capital increase and its implementation. As a consequence of the shareholders’ decisions on 23 August 2005, 13 May 2011 and 8 May 2014 to increase the share capital to a total of EUR 96,000,000, this contingent share capital has increased accordingly to a total of EUR 1,440,000 in accordance with section § 218 sentence 1 AktG. No use has been made so far of this authorisation.

The premium (§ 272 (2) No. 1 HGB) for the shares issued on the stock exchange is disclosed under **capital reserve**. As part of the share capital increase using company funds implemented in October 2005, EUR 12,000,000 of the capital reserve was converted to subscribed share capital, and 12,000,000 new no-par value bearer shares were issued. As part of the further share capital increase using company funds implemented in May 2011, a further EUR 24,000,000 of reserve was converted to subscribed share capital, and 24,000,000 new no-par value bearer shares were issued. As at the balance sheet date, 31 December 2017 the capital reserve amounts up to EUR 1.890 million.

The Annual Shareholders’ Meeting of the company held on 23 August 2005 resolved to increase the **share capital** of CTS KGaA, originally amounting to EUR 12,000,000, by adding an additional EUR 12,000,000 from reserves. The Annual Shareholders’ Meeting of the company held on 13 May 2011 resolved to increase the subscribed share capital of CTS KGaA from EUR 24,000,000 to EUR 48,000,000 by adding EUR 24,000,000 from company funds. The Annual Shareholders’ Meeting of the company held on 8 May 2014 resolved to increase the share capital of CTS KGaA from EUR 48,000,000 by converting EUR 48,000,000 from reserves. As at the closing date, the company had thus issued 96,000,000 no-par value bearer shares. Each share represents an arithmetic share in the share capital of EUR 1.00.

By resolution of the Shareholders' Meeting held on 7 May 2015, the general partner was authorised under § 71 (1) No. 8 AktG to purchase **treasury stock** amounting to up to 10% of the registered share capital as at the date of resolution, by 6 May 2020, and to use these for specific purposes except for the purpose of trading as detailed in the resolution, partially with exclusion of subscription rights for shareholders. The counter value paid for these shares may not fall below the traded price by more than 5%. The applicable share price is defined as the mean closing price for shares on the XETRA trading platform during the last five trading days before publication of the offer to purchase the shares. The volume of the offering may be limited. If the total subscription to the bid exceeds said volume, quotas shall be allocated in proportion to the number of shares offered in each case. The authorisation to repurchase own shares may be exercised under the aforementioned restrictions in partial amounts, on one or more occasions, and to pursue one or more aims.

By resolution of the Shareholders' Meeting held on 8 May 2013, the Management Board has been authorised, with a resolution of a **contingent capital**, to issue **warrant bonds and convertible bonds** by 7 May 2018, to a total par value of up to EUR 275,000,000 and with a maximum term of 20 years, contingent on Supervisory Board approval, and to grant the bearers of warrant bonds options and the bearers of convertible bonds conversion rights on up to 22,000,000 new no-par bearer shares of the company, equal to share capital of up to EUR 22,000,000, and excluding the rights of the shareholders to the convertible bonds under certain conditions within the permissible statutory subscription. In view of the possibility to issue shares to the shareholder arising from warrant and convertible bonds resulted through this resolution, a contingent capital of EUR 22,000,000 was formed (contingent capital 2013).

By resolution of the Annual Shareholders' Meeting on 8 May 2014, the company's contingent capital 2013 was increased to EUR 44,000,000 by issuing up to 44,000,000 new no-par bearer shares entitled to participate in profits as from the beginning of the financial year in which they were issued. The new shares shall be issued at the respective option or conversion price to be specified. The contingent capital increase shall be carried out only to the extent that use is made of the option or conversion rights under the bonds, or conversion obligations in respect of such bonds are honoured, and as far as the company does not honour its obligation to grant shares by transferring treasury shares to the bearers of such bonds. The general partner is authorised to stipulate further details for implementing the contingent increase.

Furthermore, by resolution of the Annual Shareholders' Meeting on 8 May 2014, the general partner was authorised to increase the share capital in full or partial amounts, on one or more occasions, by up to EUR 48,000,000 by 7 May 2019, contingent on Supervisory Board approval, by issuing up to 48,000,000 new bearer shares against cash contributions or contributions in kind (approved capital 2014).

## NON-CONTROLLING INTERESTS (20)

The following overview shows the participation rates and non-controlling interests for each subsidiary/subgroup with a group-material non-controlling interest in 2017.

| | | Proportional share of non-controlling interests [1] | Net income attributable to non-controlling interests [2] | Net book value of accumulated non-controlling interests [2] | Effective ratio of the net book value of accumulated non-controlling interests in total shareholders' equity [2] |
|---|---|---|---|---|---|
| | | **31.12.2017** | **31.12.2017** | **31.12.2017** | **31.12.2017** |
| **Name and location** | **Country** | | **[EUR'000]** | **[EUR'000]** | |
| Subgroup Ticketcorner Holding AG, Rümlang | Switzerland | 50.0% | 2,600 | 15,394 | 53.1% |
| Subgroup Austria, Vienna | Austria | 14.0% | 1,085 | 3,191 | 44.9% |
| Subgroup MEDUSA Music Group GmbH, Bremen | Germany | 5.6% | 2,849 | -48 | 0.9% |
| Subsidiaries with individually material non-controlling interests | | | | 18,537 | |
| Subsidiaries with individually immaterial non-controlling interests | | | | 5,510 | |
| **Total non-controlling interests** | | | | **24,047** | |

[1] The proportional share of non-controlling interest includes only the level of the parent company

[2] The values shown here include both the non-controlling interests at the level of the parent company as well as other non-controlling interests within the subgroup

The following overview shows the participation rates and non-controlling interests for each subsidiary/subgroup with a group-material non-controlling interest in 2016.

| Name and location | Country | Proportional share of non-controlling interests [1] 31.12.2016 | Net income attributable to non-controlling interests [2] 31.12.2016 [EUR'000] | Net book value of accumulated non-controlling interests [2] 31.12.2016 [EUR'000] | Effective ratio of the net book value of accumulated non-controlling interests in total shareholders' equity [2] 31.12.2016 |
|---|---|---|---|---|---|
| Subgroup Ticketcorner Holding AG, Rümlang | Switzerland | 50.0% | 3,117 | 13,512 | 51.0% |
| Subgroup Austria, Vienna | Austria | 14.0% | 1,163 | 2,483 | 36.0% |
| Subgroup MEDUSA Music Group GmbH, Bremen | Germany | 5.6% | 7,531 | 6,202 [3] | 64.6% [3] |
| Subsidiaries with individually material non-controlling interests | | | | 22,197 | |
| Subsidiaries with individually immaterial non-controlling interests | | | | 7,231 | |
| **Total non-controlling interests** | | | | **29,428** [3] | |

[1] The proportional share of non-controlling interest includes only the level of the parent company

[2] The values shown here include both the non-controlling interests at the level of the parent company as well as other non-controlling interests within the subgroup

[3] Adjusted prior-year figures due to the final purchase price allocation of the HOI Group

Both the subgroup Ticketcorner Holding AG, Rümlang (hereinafter: subgroup TC AG), and the subgroup CTS Eventim Austria GmbH, Vienna (hereinafter: subgroup Austria), are allocated to the Ticketing segment. The subgroup TC AG includes the Ticketcorner Holding AG, Rümlang, and its subsidiary, the Ticketcorner AG, Rümlang. The subgroup Austria includes the CTS Eventim Austria GmbH, Vienna, as the parent company and its subsidiaries.

The subgroup MEDUSA Music Group GmbH, Bremen (hereinafter: subgroup MEDUSA), represents a substantial part of companies that are allocated to the Live Entertainment segment.

The summarised financial information for each subsidiary / subgroup with non-controlling interest, which is significant for the Group, is presented in the following tables.

Significant non-controlling interests in the Ticketing segment:

| Summarised balance sheet: | Subgroup TC AG | | Subgroup Austria | |
|---|---|---|---|---|
| | 31.12.2017 [EUR'000] | 31.12.2016 [EUR'000] | 31.12.2017 [EUR'000] | 31.12.2016 [EUR'000] |
| Current assets | 44,719 | 45,408 | 63,210 | 49,392 |
| Non-current assets | 62,212 | 69,244 | 3,692 | 4,429 |
| Current liabilities | 50,465 | 51,521 | 59,357 | 46,185 |
| Non-current liabilities | 27,472 | 36,645 | 444 | 744 |

| Summarised income statement: | Subgroup TC AG | | Subgroup Austria | |
|---|---|---|---|---|
| | 31.12.2017 [EUR'000] | 31.12.2016 [EUR'000] | 31.12.2017 [EUR'000] | 31.12.2016 [EUR'000] |
| Revenue | 39,789 | 38,857 | 24,241 | 21,947 |
| Taxes | -1,626 | -1,712 | -2,470 | -1,732 |
| Net income | 5,200 | 6,233 | 6,028 | 5,558 |
| Net income attributable to non-controlling interest | -2,600 | -3,117 | -1,085 | -1,163 |
| Dividend payments to non-controlling interests | -698 | -537 | -1,095 | -560 |

| Summarised cash flow statement: | Subgroup TC AG | | Subgroup Austria | |
|---|---|---|---|---|
| | 31.12.2017 [EUR'000] | 31.12.2016 [EUR'000] | 31.12.2017 [EUR'000] | 31.12.2016 [EUR'000] |
| Cash flow from operation activities | 6,794 | 11,640 | 15,987 | 8,999 |
| Cash flow from investing activities | -814 | -1,162 | -1,595 | -1,861 |
| Cash flow from financing activities | -6,782 | -6,360 | -5,575 | -5,239 |
| Net increase / decrease in cash and cash equivalents | -802 | 4,118 | 8,817 | 1,899 |
| Net increase / decrease in cash and cash equivalents due to currency translation | -2,767 | 322 | -44 | 20 |
| Cash and cash equivalents at beginning of period | 36,882 | 32,442 | 35,883 | 33,964 |
| Cash and cash equivalents at end of period | 33,313 | 36,882 | 44,656 | 35,883 |

Significant non-controlling interests in the Live Entertainment segment:

| **Summarised balance sheet:** | **Subgroup MEDUSA** | |
|---|---|---|
| | **31.12.2017** | **31.12.2016** |
| | **[EUR'000]** | **[EUR'000]** |
| Current assets | 381,576 | 236,604 |
| Non-current assets | 86,157 | 45,825 [1] |
| Current liabilities | 444,385 | 260,343 |
| Non-current liabilities | 18,212 | 12,487 |

| **Summarised income statement:** | **Subgroup MEDUSA** | |
|---|---|---|
| | **31.12.2017** | **31.12.2016** |
| | **[EUR'000]** | **[EUR'000]** |
| Revenue | 573,732 | 401,366 |
| Taxes | -5,352 | -7,294 |
| Net income | 6,153 | 10,048 |
| Net income attributable to non-controlling interest | -2,849 | -7,531 |
| Dividend payments to non-controlling interests | 0 | -424 |

| **Summarised cash flow statement:** | **Subgroup MEDUSA** | |
|---|---|---|
| | **31.12.2017** | **31.12.2016** |
| | **[EUR'000]** | **[EUR'000]** |
| Cash flow from operation activities | 62,433 | 15,495 |
| Cash flow from investing activities | 6,782 | -2,956 |
| Cash flow from financing activities | -3,513 | -15,039 |
| Net increase / decrease in cash and cash equivalents | 65,702 | -2,500 |
| Net increase / decrease in cash and cash equivalents due to currency translation | -1,405 | 152 |
| Cash and cash equivalents at beginning of period | 148,142 | 150,490 |
| Cash and cash equivalents at end of period | 212,439 | 148,142 |

[1] Adjusted prior-year figures due to the final purchase price allocation of HOI Group

# 4. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS (IFRS 7)
## 4.1 CAPITAL MANAGEMENT

The CTS Group manages its capital with the aim of maximising profits for shareholders by optimising the equity-to-debt ratio. The Group companies operate under the going concern premise.

The capital structure of the CTS Group comprises debt, cash and cash equivalents and the shareholders' equity owed to investors in the CTS KGaA. This shareholders' equity is composed, specifically, of issued shares and the retained earnings.

A key variable used in capital risk management is the gearing ratio; the ratio between net consolidated debt and Group shareholders' equity according to IFRS. Risk considerations mean that the aim must be to have a healthy net debt/ equity ratio.

The **net debt/equity ratio** is as follows:

| | 31.12.2017 [EUR'000] | 31.12.2016 [EUR'000] |
|---|---|---|
| Debt [1] | 379,554 | 386,771 |
| Cash and cash equivalents | -640,726 | -553,640 |
| **Net debt** | **-261,172** | **-166,868** |
| Shareholders' equity [2] | 393,800 | 385,013 |
| Net debt to shareholders' equity | -66.3% | -43.3% |

[1] Debt ist defined as non-current and current financial liabilities and other financial liabilities. The other financial liabilities are set off against receivables from ticket monies that have not yet been invoiced (including factoring receivables from ticket monies).

[2] Adjusted prior-year figures due to the final purchase price allocation of Venuepoint and HOI Group

Net debt indicates the amount of debts a company has after all financial liabilities have been redeemed with cash and cash equivalents. The CTS Group has more cash and cash equivalents than debt at the end of 2017. The negative net debt/equity ratio means that the Group is de facto free of debt. The leverage of loan capital is expected to have positive effects on the return on equity.

The financial liabilities recognised on the balance sheet date of EUR 147.199 million (previous year: TEUR 157.321 million) include loans of EUR 117.206 million (previous year: EUR 127.204 million) as well as EUR 29.993 million in purchase price obligations and put options of non-controlling interests (previous year: EUR 30.117 million).

Of the external loans, EUR 68.410 million (previous year: EUR 78.534 million) are tied up at the balance sheet date to comply with standard 'financial covenants' (equity ratio and gearing) for companies with good creditworthiness ratings. Other than fulfilment of these 'financing covenants', there are no specific restrictions that might adversely affect the availability of funds. The CTS Group also assumes that the 'financing covenants' will be honoured in the years ahead.

Cash reserves, in the form of credit lines and cash, as well as a syndicated credit line (revolving credit facility) are held. In October 2015, CTS KGaA agreed on a syndicated credit facility (revolving credit facility) of EUR 200 million with a maturity of 5 to a maximum of 7 years (2 years maturity option). In October 2016 and 2017 respectively, CTS KGaA utilised the maturity option so that the term of the syndicated credit line would be extended by a total of two years until 30 October 2022. As at the balance sheet date of 31 December 2017, utilisation of credit facilities amounted to EUR 12 million.

## 4.2 FINANCIAL ASSETS

The following table shows the maturity of financial assets as at 31 December 2017:

| | | | Thereof: not impaired but overdue at the balance sheet date | | | |
|---|---|---|---|---|---|---|
| | Carrying value 31.12.2017 | Thereof: neither impaired nor overdue at the balance sheet date | Less than 30 days | Between 30 - 90 days | Between 90 - 180 days | More than 180 days |
| | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] |
| Marketable securities and other investments (at fair value not through profit and loss) | 521 | 521 | 0 | 0 | 0 | 0 |
| Marketable securities and other investments (at amortised cost) | 316 | 316 | 0 | 0 | 0 | 0 |
| Trade receivables | 60,561 | 50,239 | 3,863 | 2,795 | 1,702 | 1,805 |
| Receivables from affiliated and associated companies accounted for at equity | 2,218 | 1,898 | 13 | 1 | 1 | 220 |
| Other financial assets | 121,400 | 118,204 | 535 | 81 | 18 | 2,397 |
| Investments (held-to-maturity) | 710 | 710 | 0 | 0 | 0 | 0 |
| Investments (at cost) | 1,105 | 1,105 | 0 | 0 | 0 | 0 |
| Loans | 3,767 | 3,767 | 0 | 0 | 0 | 0 |
| | **190,597** | **176,761** | **4,411** | **2,878** | **1,721** | **4,422** |

The following table shows the maturity of financial assets as at 31 December 2016:

| | Carrying value 31.12.2016 | Thereof: neither impaired nor overdue at the balance sheet date | Thereof: not impaired but overdue at the balance sheet date | | | |
|---|---|---|---|---|---|---|
| | | | Less than 30 days | Between 30 - 90 days | Between 90 - 180 days | More than 180 days |
| | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] |
| Marketable securities (at fair value not through profit and loss) | 539 | 539 | 0 | 0 | 0 | 0 |
| Marketable securities (at amortised cost) | 1,278 | 1,278 | 0 | 0 | 0 | 0 |
| Trade receivables | 41,678 | 34,806 | 4,457 | 1,051 | 731 | 563 |
| Receivables from affiliated and associated companies accounted for at equity | 3,118 | 2,253 | 354 | 464 | 8 | 144 |
| Other financial assets | 85,552 [1] | 82,861 [1] | 1,234 | 462 | 964 | 42 |
| Investments (held-to-maturity) | 717 | 717 | 0 | 0 | 0 | 0 |
| Investments (at amortised cost) | 1,341 | 1,341 | 0 | 0 | 0 | 0 |
| Loans | 160 | 160 | 0 | 0 | 0 | 0 |
| | **134,383** [1] | **123,955** [1] | **6,045** | **1,977** | **1,703** | **749** |

[1] Adjusted prior-year figures due to final purchase price allocation of Venuepoint Group

With regard to receivables that are neither impaired nor overdue, there are no indications as at the closing date that debtors are not honouring their obligations.

Allowances for doubtful accounts for trade receivables and for other assets developed as follows:

| | 2017 | 2016 |
|---|---|---|
| | [EUR'000] | [EUR'000] |
| Allowances for doubtful accounts 1 January | 11,066 | 9,808 |
| Change in consolidated companies | 609 | 15 |
| Consumption | -1,094 | -982 |
| Reversal | -3,239 | -615 |
| Addition | 2,166 | 2,791 |
| Currency differences | -6 | 49 |
| **Allowances for doubtful accounts as at 31 December** | **9,502** | **11,066** |

## 4.3 FINANCIAL LIABILITIES AND FINANCIAL ASSETS

The following table shows the contractually agreed (undiscounted) interest payments and repayments in respect of the original and derivative financial liabilities and derivative financial assets, as at 31 December 2017:

| | Carrying value 31.12.2017 | Redemption < 1 year | Interest < 1 year | Redemption < 2 year | Interest < 2 year | Redemption < 4 year | Interest < 4 year | Redemption > 4 year | Interest > 4 year |
|---|---|---|---|---|---|---|---|---|---|
| | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] |
| Financial liabilities | 147,199 | -60,937 | -1,413 | -8,694 | -686 | -77,681 | -671 | 0 | 0 |
| Trade payables | 103,889 | -103,700 | 0 | -189 | 0 | 0 | 0 | 0 | 0 |
| Payables to affiliated and associated companies accounted for at equity | 554 | -542 | 0 | 0 | 0 | 0 | 0 | -12 | 0 |
| Other original financial liabilities | 333,196 | -329,306 | -54 | -3,134 | -18 | -735 | -6 | -22 | 0 |
| Other derivative financial liabilities | 88 | -63 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other derivative financial assets | -42 | 42 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **584,885** | **-494,506** | **-1,467** | **-12,017** | **-704** | **-78,416** | **-677** | **-34** | **0** |

The carrying amount of the financial liabilities as at 31 December 2017 is lower due to amortisation of the transaction costs at a constant effective interest rate.

The following table shows the contractually agreed (undiscounted) interest payments and repayments in respect of the original and derivative financial liabilities as at 31 December 2016:

| | Carrying value 31.12.2016 | Redemption < 1 year | Interest < 1 year | Redemption < 2 year | Interest < 2 year | Redemption < 4 year | Interest < 4 year | Redemption > 4 year | Interest > 4 year |
|---|---|---|---|---|---|---|---|---|---|
| | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] |
| Financial liabilities | 157,321 | -31,592 | -1,282 | -35,451 | -1,126 | -6,335 | -762 | -84,043 | -746 |
| Trade payables | 80,764 [1] | -80,764 [1] | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Payables to affiliated and associated companies accounted for at equity | 1,314 | -1,314 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other original financial liabi-lities | 297,037 | -295,784 | -10 | -841 | -5 | -410 | -1 | -3 | 0 |
| Other derivative financial liabilities | 4 | -4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **536,440** [1] | **-409,458** [1] | **-1,292** | **-36,292** | **-1,131** | **-6,745** | **-763** | **-84,046** | **-746** |

[1] Angepasste Vorjahreszahlen aufgrund der endgültigen Kaufpreisallokation der HOI Gruppe

The above includes all instruments in place as at the balance sheet date and for which payments had already been contractually agreed. Budget figures for future liabilities are not included. Foreign currency amounts are converted at the spot rates applying on the closing date. The variable interest payments from financial instruments were determined taking into account the respective forward interest rates. For currency derivatives, the cash flows were calculated on the basis of the respective spot exchange rates. Financial liabilities that are repayable at any time are always allocated to the earliest timeframe.

## 4.4 ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

Carrying values, recognition and fair values for the 2017 financial year are shown in the following table according to recognition categories:

| | | Balance sheet value according to IAS 39 | | | | |
|---|---|---|---|---|---|---|
| | Carrying value 31.12.2017 | At amortised cost | At fair value through profit and loss | At fair value not through profit and loss | Purchase cost | Fair value |
| | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] |
| **ASSETS** | | | | | | |
| Cash and cash equivalents | 640,726 | 640,726 | | | | 640,726 |
| Marketable securities and other investments (at fair value not through profit and loss) | 521 | | | 521 | | 521 |
| Marketable securities and other investments (at amortised cost) | 316 | 316 | | | | 316 |
| Trade receivables | 60,561 | 60,561 | | | | 60,367 |
| Receivables from affiliated and associated companies accounted for at equity | 2,218 | 2,218 | | | | 2,224 |
| Other original financial assets | 121,358 | 121,358 | | | | 121,167 |
| Other derivative financial assets (in cash flow hedges) | 42 | | | 42 | | 42 |
| Investments (at amortised cost) | 710 | 710 | | | | 713 |
| Investments (at cost) | 1,105 | | | | 1,105 | |
| Loans | 3,767 | 3,767 | | | | 3,964 |
| **LIABILITIES** | | | | | | |
| Short-term financial liabilities | 59,418 | 59,418 | | | | 60,085 |
| Long-term financial liabilities | 87,781 | 87,781 | | | | 87,636 |
| Trade payables | 103,889 | 103,889 | | | | 103,641 |
| Payables to affiliated and associated companies accounted for at equity | 554 | 554 | | | | 554 |
| Other original financial liabilities | 333,196 | 333,196 | | | | 332,401 |
| Other derivative financial liabilities (in cash flow hedges) | 88 | | | 88 | | 88 |
| **Categories according to IAS 39:** | | | | | | |
| Loans and receivables | 828,946 | 828,946 | | | | 828,764 |
| Financial liabilities at amortised cost | 584,838 | 584,838 | | | | 584,317 |
| Available-for-sale financial assets | 1,626 | | | 521 | 1,105 | 521 |
| Held-to-maturity investments | 710 | 710 | | | | 713 |

Carrying values, recognition and fair values for the 2016 financial year are shown in the following table according to recognition categories:

| | | Balance sheet value according to IAS 39 | | | | |
|---|---|---|---|---|---|---|
| | Carrying value 31.12.2016 | At amortised cost | At fair value through profit and loss | At fair value not through profit and loss | Purchase cost | Fair value |
| | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] | [EUR'000] |
| **ASSETS** | | | | | | |
| Cash and cash equivalents | 553,640 | 553,640 | | | | 553,640 |
| Marketable securities and other investments (at fair value not through profit and loss) | 539 | | | 539 | | 539 |
| Marketable securities and other investments (at armortised cost) | 1,278 | 1,278 | | | | 1,270 |
| Trade receivables | 41,678 | 41,678 | | | | 41,396 |
| Receivables from affiliated and associated companies accounted for at equity | 3,118 | 3,118 | | | | 3,097 |
| Other original financial assets | 85,552 [1] | 85,552 [1] | | | | 85,140 [1] |
| Investments (at amortised cost) | 717 | 717 | | | | 727 |
| Investments (at cost) | 1,341 | | | | 1,341 | |
| Loans | 160 | 160 | | | | 165 |
| **LIABILITIES** | | | | | | |
| Short-term financial liabilities | 28,988 | 28,988 | | | | 28,782 |
| Long-term financial liabilities | 128,333 | 128,333 | | | | 127,903 |
| Trade payables | 80,764 [2] | 80,764 [2] | | | | 80,323 [2] |
| Payables to affiliated and associated companies accounted for at equity | 1,314 | 1,314 | | | | 1,307 |
| Other original financial liabilities | 297,037 | 297,037 | | | | 295,416 |
| Other derivative financial liabilities (in cash flow hedges) | 4 | | | 4 | | 4 |
| **Categories according to IAS 39:** | | | | | | |
| Loans and receivables | 685,426 [1] | 685,426 [1] | | | | 684,708 [1] |
| Financial liabilities at amortised cost | 536,436 [2] | 536,436 [2] | | | | 533,731 [2] |
| Available-for-sale financial assets | 1,880 | | | 539 | 1,341 | 539 |
| Held-to-maturity investments | 717 | 717 | | | | 727 |

[1] Adjusted prior-year figures due to the final purchase price allocation of Venuepoint Group

[2] Adjusted prior-year figures due to the final purchase price allocation of HOI Group

The fair value of a financial instrument is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

If financial instruments are listed on an active market, like fund investments, in particular, the respective listed price signifies the fair value on that market. In the case of unlisted financial instruments, the fair value is calculated as the present value of the future cash flows, taking interest rate curves and the rating-dependent credit risk premium of the CTS Group into account.

For cash and cash equivalents, short-term deposits in marketable securities and other investments, current trade receivables, receivables from affiliated and associated companies accounted for at equity, other financial assets, financial liabilities, payables to affiliated companies and associates included at equity, and other original financial liabilities, the carrying values are substantially equal to the fair values, due to their short remaining term.

The fair values of non-current trade receivables, long-term deposits in marketable securities and other investments, receivables from affiliated companies and associated companies accounted for at equity, other original financial assets, financial liabilities, payables to affiliated companies and associated companies accounted for at equity and other financial liabilities are equal to the present value of the cash flows associated with the financial instruments.

Financial investments, which are held-to-maturity, are measured at amortised cost.

Derivative financial instruments are recognised at their fair value. The carrying amount of the currency derivatives is therefore equal to their respective fair value. Since the fair values are determined on the basis of observable market parameters (quoted forward rates at reporting date and net present value calculation based on yield curves), they qualify as level-2 fair values in the IFRS 13 fair value hierarchy.

Of the total available-for-sale financial assets, EUR 521 thousand (previous year: EUR 539 thousand) in marketable securities and other investments are accounted for at fair value but not through profit and loss, and EUR 1.105 million (previous year: EUR 1.341 million) in investments are accounted for at cost. As the fair values for marketable securities and other investments (EUR 521 thousand; previous year: EUR 539 thousand) correspond to observable market prices, they qualify as level-1 fair values in the IFRS 13 fair value hierarchy.

The available-for-sale financial assets developed as follows:

| | 2017<br>[EUR'000] | 2016<br>[EUR'000] |
|---|---|---|
| Available-for-sale financial assets as at 1 January | 1,880 | 7,454 |
| Addition | 1,143 | 16 |
| Disposal | -15 | -5,113 |
| Depreciation on financial assets | -1,325 | -505 |
| Currency differences | -54 | 84 |
| Other results | -3 | -56 |
| **Available-for-sale financial assets as at 31 December** | **1,626** | **1,880** |

The addition and depreciation on financial instruments classified as 'available-for-sale financial assets' mainly results from valuation adjustments on investments.

### NET PROFIT/LOSS FROM FINANCIAL INSTRUMENTS

| | 2017 | 2016 |
|---|---|---|
| | [EUR'000] | [EUR'000] |
| Loans and receivables | -1,362 | -3,743 |
| Available-for-sale financial assets | -1,026 | -439 |
| Financial liabilities | 2,244 | -3,241 |
| Derivative financial instruments in hedging relationships | -22 | 61 |
| | **-166** | **-7,362** |

The profit and loss of held-to-maturity investments is recorded in the financial result in the income statement.

The net gains/losses in the recognition categories loans and receivables and financial liabilities mainly comprise interest income/expense and impairments of receivables. The total interest expense calculated using the effective interest method is EUR 91 thousand (previous year: EUR 299 thousand).

The gains and losses of available-for-sale financial assets are stated in shareholders' equity are recognised through other comprehensive income for other original financial asset and for investments at cost through profit and loss.

Foreign currency derivative contracts were concluded in some cases to hedge against foreign exchange risks. Derivative financial instruments are recognised at their fair value. The carrying amount of the foreign forward exchange transactions is therefore equal to the respective fair value. The negative change in value of foreign currency derivatives of EUR -68 thousand (previous year: EUR -4 thousand) and the positive change in value of EUR 42 thousand (previous year: EUR 0), designated as cash flow hedge, are recognised through other comprehensive income. The cash flows from the cash flow hedges will mainly affect the period result in first two quarters of 2018.

### FINANCIAL RISKS

Disclosures regarding the risks ensuing from financial instruments are presented in item 7.2.5 risk report of the combined management report, in accordance with IFRS 7.B6.

## 4.5 TRANSFER OF FINANCIAL ASSETS

In 2015, CTS KGaA has concluded an agreement with a factoring company on the sale of trade receivables from private customers to improve liquidity management. The agreement has a term of one year and can be terminated with a period of three months. Under the agreement, outstanding trade receivables are only sold for the payment method 'purchase on account' 'Purchase on instalments' for trade receivables connected with the web shops of the company. The factoring company performs the credit management including credit checks, default payment and collection proceedings of receivables on account for CTS KGaA.

In 2017, an adequate remuneration of EUR 1.830 million (previous year: EUR 1.119 million) is recognised in the cost of sales.

The collection risk associated with the sold receivables was completely transferred to the factor. Hence, all significant risks and rewards of the assigned trade receivables are transferred to the factoring company. As at 31 December 2017, the carrying amount and the fair value of the transferred receivables to the factoring company amounts up to EUR 22.266 million (previous year: EUR 18.929 million).

The only relevant risk for risk assessment represents the possibility of a transfer of costs for default by the factoring company to the CTS KGaA. With notification and exceeding so-called ‘peak times’ (transaction per second), the factoring company can bill the resulting default rate of end customers to the CTS KGaA. In the reporting period 2017 due to the lack of unreported and incurred ‘peak times’ no further defaults were charged.

## 4.6 DERIVATIVE FINANCIAL INSTRUMENTS

### FOREIGN CURRENCY DERIVATIVES AND HEDGES

CTS KGaA concluded forward foreign exchange transactions in the reporting year to hedge against budgeted royalties denominated in Swiss Francs (CHF). Cash flow hedges were formed for the share in expected future royalty income. As at the closing date, the underlying transactions of the hedges (expected share in royalties) amounted to EUR 563 thousand (previous year: EUR 373 thousand). The fair value of the derivatives as at the closing date is EUR 42 thousand (previous year: EUR -4 thousand).

In addition, forward foreign exchange contracts were used to hedge against currency risks from artists fees denominated in US Dollar (USD). Cash flow hedges were formed for the share in expected future artists fee expenses. As at the closing date, the underlying transactions of the hedges (expected share in artist fees) amounted to EUR 3.229 million. The fair value of the derivatives as at the closing date is EUR -88 thousand.

The effectiveness of the hedging instruments is assessed prospectively and retrospectively on the basis of the dollar offset method, in which the absolute changes in the value of the hedged item and the hypothetical derivative are compared.

The hedging instruments for foreign exchange risks are accounted for in accordance with the rules in IAS 39 Hedge Accounting. The risks deriving from foreign exchange rate fluctuations are thus controlled in a deliberate manner and the volatility in earnings is reduced.

The effective portion of a cash flow hedging instrument is recognised in other comprehensive income, whereas the ineffective portion is recognised immediately in profit or loss.

## 4.7 DISCLOSURES REGARDING FAIR VALUE

The principles and methods used to determine fair values are unchanged compared to the year before.

Financial instruments are measured on the basis of uniform valuation methods and parameters.

Cash and cash equivalents, marketable securities and other investments (short-term funds and term deposits), trade receivables and other financial assets generally have short remaining terms. The reported carrying amounts as at the balance sheet date are therefore approximations of fair value.

In the case of marketable securities and other investments (non-current long-term deposits), receivables and other financial assets with remaining terms of more than one year, the fair values represent the present value of the future payments associated with the assets, taking current interest parameters into account.

Trade payables and other financial liabilities generally have short remaining terms. The reported carrying amounts as at the balance sheet date are therefore approximations of fair value.

The fair values of long-term financial liabilities are equal to the present values of the future payments associated with the debts, taking current interest parameters into account.

If financial instruments are listed on an active market, like discount certificates and fund investments, in particular, the respective listed price signifies the fair value on that market. In the case of unlisted financing instruments, the fair value is calculated as the present value of the future cash flows, taking interest rate curves and the rating-dependent credit risk premium of the CTS Group into account.

Derivative financial instruments are recognised at their fair value. The carrying amount of interest derivatives and forward exchange transactions is therefore equal to the respective fair value.

According to IFRS 13, the fair values of financial assets and liabilities are classified according to the three levels of the fair value hierarchy. Level 1 contains fair values of financial instruments for which a market price can be quoted; securities are an example. In Level 2, fair values are based on market data, such as currency rates or interest curves, using market-based valuation techniques. Examples include derivatives. Fair values in Level 3 are derived using valuation techniques based on unobservable inputs, due to the lack of an active or measurable market; in the reporting period no financial instruments were classified in Level 3.

Reclassifications between the levels within the fair value hierarchy are carried out at the beginning of the respective quarter in which the reason or the change in circumstances occurred that results in the reclassification. In 2017, no reclassifications were carried out.

The following table provides an overview of the fair values of financial assets and liabilities, and their allocation to the three levels within the fair value hierarchy according to IFRS 13 as at 31 December 2017:

| | 31.12.2017 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Total |
| | [EUR'000] | [EUR'000] | [EUR'000] |
| **ASSETS** | | | |
| Cash and cash equivalents | 0 | 640,726 | 640,726 |
| Marketable securities and other investments (at fair value not through profit and loss) | 521 | 0 | 521 |
| Marketable securities and other investments (at amortised cost) | 0 | 316 | 316 |
| Trade receivables | 0 | 60,367 | 60,367 |
| Receivables form affiliated and associated companies accounted for at equity | 0 | 2,224 | 2,224 |
| Other original financial assets | 0 | 121,167 | 121,167 |
| Other derivative financial assets (at fair value not through profit and loss) | 0 | 42 | 42 |
| Investments (held-to-maturity) | 713 | 0 | 713 |
| Loans | 0 | 3,964 | 3,964 |
| | **1,234** | **828,806** | **830,040** |
| **LIABILITIES** | | | |
| Short-term liabilities | 0 | 60,085 | 60,085 |
| Long-term financial liabilities | 0 | 87,636 | 87,636 |
| Trade payables | 0 | 103,641 | 103,641 |
| Payables to affiliated and associated companies accounted for at equity | 0 | 554 | 554 |
| Other original financial liabilities | 0 | 332,401 | 332,401 |
| Other derivative financial liabilities (at fair value not through profit and loss) | 0 | 88 | 88 |
| | **0** | **584,405** | **584,405** |

The following table provides an overview of the fair values of financial assets and liabilities, and their allocation to the three levels within the fair value hierarchy according to IFRS 13 as at 31 December 2016:

| | 31.12.2016 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Total |
| | [EUR'000] | [EUR'000] | [EUR'000] |
| **ASSETS** | | | |
| Cash and cash equivalents | 0 | 553,640 | 553,640 |
| Marketable securities and other investments (at fair value not through profit and loss) | 539 | 0 | 539 |
| Marketable securities and other investments (at amortised cost) | 0 | 1,270 | 1,270 |
| Trade receivables | 0 | 41,396 | 41,396 |
| Receivables form affiliated and associated companies accounted for at equity | 0 | 3,097 | 3,097 |
| Other original financial assets | 0 | 85,140 [1] | 85,140 [1] |
| Investments (held-to-maturity) | 727 | 0 | 727 |
| Loans | 0 | 165 | 165 |
| | **1,266** | **684,708** [1] | **685,974** [1] |
| **LIABILITIES** | | | |
| Short-term liabilities | 0 | 28,782 | 28,782 |
| Long-term financial liabilities | 0 | 127,903 | 127,903 |
| Trade payables | 0 | 80,323 [2] | 80,323 [2] |
| Payables to affiliated and associated companies accounted for at equity | 0 | 1,307 | 1,307 |
| Other original financial liabilities | 0 | 295,416 | 295,416 |
| Other derivative financial liabilities (at fair value not through profit and loss) | 0 | 4 | 4 |
| | **0** | **533,735** [2] | **533,735** [2] |

[1] Adjusted prior-year figures due to the final purchase price allocation of Venuepoint Group
[2] Adjusted prior-year figures due to the final purchase price allocation of HOI Group

## 5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

### REVENUE (1)

In the reporting period, the Group generated revenue of EUR 1.033.980 million (previous year: EUR 829.906 million). Revenue to third parties in the Ticketing segment amounting to EUR 411.492 million (previous year: EUR 395.132 million) mainly includes ticket fees of EUR 360.379 million (previous year: EUR 339.478 million), commissions of EUR 11.970 million (previous year: EUR 9.728 million), other service charges of EUR 7.610 million (previous year: EUR 6.642 million) and licence fees of EUR 7.044 million (previous year: EUR 5.583 million). Revenue to third parties in the Live Entertainment segment amounting to EUR 622.488 million (previous year: EUR 438.427 million) mainly relates to entertainment services of EUR 564.351 million (previous year: EUR 403.301 million), catering and merchandising of EUR 29.198 million (previous year: EUR 18.150 million) and sponsoring of EUR 8.586 million (previous year: EUR 2.588 million).

### COST OF SALES (2)

The costs of sales rendered to generate revenue (EUR 728.767 million, previous year: EUR 545.950 million) comprise all material expenses (EUR 633.208 million, previous year: EUR 469.514 million) as well as pro rata personnel expenses (EUR 62.470 million, previous year: EUR 50.252 million), amortisation (EUR 11.505 million, previous year: EUR 8.661 million) and other operating expenses (EUR 21.584 million, previous year: EUR 17.523 million).

### OTHER OPERATING INCOME (3)

| | 2017 | 2016 |
|---|---|---|
| | [EUR'000] | [EUR'000] |
| Income from advertising and marketing | 3,391 | 3,899 |
| Income from currency translation | 1,152 | 1,899 |
| Income from written-off liabilities / written-off receivables | 5,478 | 2,617 |
| Income from passed on expenses | 2,459 | 2,214 |
| Income relating to other periods | 925 | 1,477 |
| Income from insurance compensation | 5,161 | 3,922 |
| Income from the reversal of allowances for doubtful accounts | 3,239 | 615 |
| Other operating income | 2,948 | 3,245 |
| | **24,753** | **19,888** |

## OTHER OPERATING EXPENSES (4)

| | 2017<br>[EUR'000] | 2016<br>[EUR'000] |
|---|---|---|
| Currency translation expenses | 2,765 | 2,090 |
| Expenses for third-party services | 3,352 | 2,132 |
| Expenses passed on from third parties | 2,729 | 1,922 |
| Non-recurring items | 3,115 | 861 |
| Expenses relating to other periods / non-operating costs | 735 | 598 |
| Loss from disposal of fixed assets | 266 | 141 |
| Cost for the supply of goods sold | 208 | 220 |
| Donations | 790 | 627 |
| Other operating expenses | 2,382 | 3,270 |
| | **16,341** | **11,861** |

## FINANCIAL INCOME (5)

Financial income includes EUR 828 thousand in interest income (previous year: EUR 1.272 million) and EUR 9.367 million (previous year: EUR 2.611 million) in other financial income. As a result of the full consolidation of the FKP SCORPIO Group in January 2017 which had previously been accounted for at equity, the difference between the equity value and the fair value of the former shares as at the acquisition date had to be recognised as other financial income (EUR 5.373 million) in the income statement pursuant to IFRS 3.42. In addition, there was increased financial income from the updated fair value measurement of liabilities from put options granted to minority shareholders (EUR 3.443 million).

## FINANCIAL EXPENSES (6)

Financial expenses comprise interest expense, at EUR 3.830 million (previous year: EUR 3.878 million) and EUR 1.318 million in other financial expenses (previous year: EUR 5.464 million). Other financial expenses include changes in variable purchase price liabilities of EUR 524 thousand (previous year: EUR 745 thousand). In the previous year other financial expenses primarily relate to expenses from the fair value measurement from put options granted to minority shareholders and variable purchase price liabilities (EUR 2.431 million). In addition, expenses of EUR 875 thousand arising from the valuation of old shares were recognised in connection with the successive acquisitions of shares.

## TAXES (7)

| | 2017 | 2016 |
|---|---|---|
| | [EUR'000] | [EUR'000] |
| Actual income taxes | 60,099 | 51,968 |
| Deferred taxes | -7,639 | -1,972 |
| | **52,460** | **49,996** |

Actual income taxes comprise current tax expenses of prior periods of EUR 264 thousand (previous year: EUR 366 thousand tax income) due to completed tax audits.

The deferred taxes included in the statement of comprehensive income for the remeasurement of the net liability from defined benefit plans amount to EUR -683 thousand (previous year: EUR 576 thousand), for available-for-sale financial assets amount to EUR 1 thousand (previous year: EUR 18 thousand) and for cash flow hedges amount to EUR 14 thousand (previous year: EUR -20 thousand).

Deferred tax income / expenses developed as follows:

| | 2017 | 2016 |
|---|---|---|
| | [EUR'000] | [EUR'000] |
| Deferred taxes | -7,639 | -1,972 |
| thereof: | | |
| from temporary differences | -3,364 | -1,740 |
| from tax loss carryforwards | -4,276 | -232 |

Deferred tax income from temporary differences mainly result from the purchase price allocations in respect of the acquisitions made from 2010 onwards. Deferred tax income from tax loss carryforwards result mainly from temporary charges relating to the establishment of new festival brands and the relaunch of existing formats in the Live Entertainment segment.

The following table shows the reconciliation of the tax expenses expected in the respective financial year with the tax expense as actually disclosed. To determine the expected tax expense for 2017, an average tax rate of 31.6% (previous year: 31.6%) was multiplied by earnings before tax. The average tax rate is the tax rate for CTS KGaA, which is composed of German corporation tax at a rate of 15.0% (previous year: 15.0%) plus 5.5% solidarity supplement and local municipal trade tax at around 15.8% (previous year: around 15.8%).

| | 2017 | 2016 |
|---|---|---|
| | [EUR'000] | [EUR'000] |
| Earnings before tax (EBT) | 170,792 | 155,475 |
| **Reconciliation to effective tax expenses** | | |
| **Expected income taxes** | **53,970** | **49,131** |
| Deviations from average tax rate | -2,583 | -2,941 |
| Changes in value adjustment of deferred tax assets | 729 | 141 |
| Usage of not capitalised tax loss carry-forward | 43 | -107 |
| Changes of deferred taxes due to changes in tax rates | 0 | 4 |
| Losses without the formation of deferred tax assets | 1,223 | 422 |
| Effects due to municipal trade tax additions and reduction | 791 | 575 |
| Actual taxes referring to previous years | 264 | -366 |
| Non-deductable expenses / Non-taxable income | -2,215 | 2,142 |
| Other | 238 | 995 |
| **Effective income taxes** | **52,460** | **49,996** |

## 6. OTHER NOTES
## 6.1 EARNINGS PER SHARE

Earnings per share were calculated according to IAS 33 by dividing the consolidated net income for the year, after deduction of non-controlling interest, by the number of shares outstanding (basic earnings per share). As at the balance sheet date, there is no dilution as a result of convertible bonds, stock options or similar instruments (potential common stock).

The earnings per share are determined as follows:

| | 2017 | 2016 |
|---|---|---|
| | [EUR] | [EUR] |
| Consolidated net income | 112,808,160 | 94,559,840 |
| Quantity of issued shares | 96,000,000 | 96,000,000 |
| Quantity of treasury shares | -8,700 | -8,700 |
| Quantity of outstanding shares | 95,991,300 | 95,991,300 |
| **Earnings per share** | **1.18** | **0.99** |

In fiscal year 2017, CTS KGaA generated EUR 95.392 million in net income according to commercial law. The Management Board of the general partner and the Supervisory Board of the company propose to the Annual Shareholders' Meeting to distribute a dividend of EUR 56.635 million (EUR 0.59 per eligible share) and to carry forward the remaining amount of EUR 38.757 million to the balance sheet profit.

## 6.2 SEGMENT REPORTING

The Group operates in the leisure events market with its Ticketing and Live Entertainment divisions. Selling tickets for leisure events is the basic object of the Ticketing segment, which markets events (tickets) using the internet (eventim.de) and using its network platform (eventim.net), the inhouse ticketing product (eventim.inhouse), the sport ticketing product (eventim.tixx) and a solution for ticket sales and admission control (eventim.access). The basic object of the Live Entertainment division is to organise and execute events as well as the operation of venues.

The Group is segmented on the basis of the internal reports to the chief operating decision maker (corporate management) and includes the components required by IFRS 8. The chief operating decision maker is responsible for decisions on the allocation of resources to the operating segments and for assessing their performance.

Transfer prices for intercompany services are determined in accordance with normal market conditions.

The segment revenue is shown after consolidation within the segments but before consolidation between the segments.

## NOTES TO THE SEGMENTS

The segment-related data were determined by the main accounting principles and methods described in section 1.5.

Internal revenues between the Group companies in a given segment have already been consolidated at segment level. The assets were allocated to the segments in the course of consolidation. Revenue between the segments is eliminated in the consolidation column. Services were invoiced at the normal market prices charged to third parties. Depending on their business content, individual transactions are allocated to their proper segment, in deviation from their allocation according to corporate structure.

The external and internal revenues of the segments are shown in the following table:

| | Ticketing | | Live Entertainment | | Total for segment | |
|---|---|---|---|---|---|---|
| | 2017 [EUR'000] | 2016 [EUR'000] | 2017 [EUR'000] | 2016 [EUR'000] | 2017 [EUR'000] | 2016 [EUR'000] |
| External revenue | 411,492 | 391,479 | 622,488 | 438,427 | 1,033,980 | 829,906 |
| Internal revenue | 64,303 | 59,251 | 71,427 | 56,771 | 135,730 | 116,022 |
| **Total revenue** | **475,795** | **450,730** | **693,915** | **495,198** | **1,169,710** | **945,928** |
| Consolidation within the segment | -57,401 | -55,598 | -67,260 | -55,967 | -124,661 | -111,565 |
| **Revenue after consolidation within the segment** | **418,394** | **395,132** | **626,655** | **439,231** | **1,045,049** | **834,363** |

Reconciliation of the operating profit (EBIT) of the segments with Group earnings:

| | Ticketing | | Live Entertainment | | Intersegment consolidation | | Group | |
|---|---|---|---|---|---|---|---|---|
| | 2017 [EUR'000] | 2016 [EUR'000] | 2017 [EUR'000] | 2016 [EUR'000] | 2017 [EUR'000] | 2016 [EUR'000] | 2017 [EUR'000] | 2016 [EUR'000] |
| Revenue | 418,394 | 395,132 | 626,655 | 439,231 | -11,069 | -4,457 | 1,033,980 | 829,906 |
| EBITDA | 176,088 | 166,392 | 25,538 | 27,198 | 0 | 0 | 201,626 | 193,589 |
| EBIT | 145,249 | 136,520 [1] | 20,480 | 25,453 | 0 | 0 | 165,730 | 161,973 [1] |
| Depreciation and amortisation | -30,839 | -29,872 [1] | -5,058 | -1,745 | 0 | 0 | -35,897 | -31,617 [1] |
| Financial result | | | | | | | 5,062 | -6,497 |
| Earnings before tax (EBT) | | | | | | | 170,792 | 155,475 [1] |
| Taxes | | | | | | | -52,460 | -49,996 [1] |
| Net income before non-controlling interest | | | | | | | 118,332 | 105,479 [1] |
| Non-controlling interest | | | | | | | -5,524 | -10,920 |
| Net income after non-controlling interest | | | | | | | 112,808 | 94,560 [1] |
| Average number of employees | 1,697 | 1,670 | 1,030 | 658 | | | 2,727 | 2,328 |
| Normalised EBITDA [2] | 178,643 | 167,253 | 26,098 | 27,198 | 0 | 0 | 204,741 | 194,451 |
| Normalised EBIT before amortisation from purchase price allocation [2] | 158,650 | 148,372 [1] | 22,893 | 25,688 | 0 | 0 | 181,542 | 174,060 [1] |

[1] Adjusted prior-year figures due to the final purchase price allocation of the Venuepoint Group
[2] Temporary non-recurring items are adjusted as normalisation

| | Ticketing | | Live Entertainment | | Intersegment consolidation | | Group | |
|---|---|---|---|---|---|---|---|---|
| | 2017 [EUR'000] | 2016 [EUR'000] | 2017 [EUR'000] | 2016 [EUR'000] | 2017 [EUR'000] | 2016 [EUR'000] | 2017 [EUR'000] | 2016 [EUR'000] |
| **EBITDA** | **176,088** | **166,392** | **25,538** | **27,198** | | | **201,626** | **193,589** |
| Non-recurring items | 2,555 | 861 | 560 | 0 | | | 3,115 | 861 |
| **Normalised EBITDA** | **178,643** | **167,253** | **26,098** | **27,198** | **0** | **0** | **204,741** | **194,451** |
| Amortisation | -30,839 | -29,872 | -5,058 | -1,745 | | | -35,897 | -31,617 |
| Amortisation resulting from purchase price allocation | 10,845 | 10,992 [1] | 1,853 | 235 | | | 12,698 | 11,226 [1] |
| **Normalised EBIT before amortisation form purchase price allocation** | **158,650** | **148,372 [1]** | **22,893** | **25,688** | **0** | **0** | **181,542** | **174,060 [1]** |

[1] Adjusted prior-year figures due to the final purchase price allocation of the Venuepoint Group

Key performance indicators for assessing the performance (key financial figures) of the operating business per segment are the sustained increase in revenue, in EBITDA (earnings before interest, taxes, depreciation and amortisation), in normalised EBITDA, in EBIT (earnings before interest and taxes) and in normalised EBIT before depreciation and amortisation from purchase price allocation.

## GEOGRAPHICAL DISCLOSURES

The following table shows the external revenue for the 2017 financial year, broken down by geographical distribution:

| | 2017 | 2016 |
|---|---|---|
| | [EUR'000] | [EUR'000] |
| Germany | 692,532 | 531,071 |
| Austria | 51,093 | 53,906 |
| Switzerland | 107,042 | 121,058 |
| Italy | 61,216 | 55,440 |
| Great Britain | 11,491 | 10,899 |
| Finland | 22,564 | 10,212 |
| Spain | 8,894 | 8,485 |
| Netherlands | 20,428 | 9,365 |
| Other countries | 58,720 | 29,470 |
| | **1,033,980** | **829,906** |

10% of the growth in revenue in Germany came from the Ticketing segment, while 90% was primarily due to the expansion of the scope of consolidation in the Live Entertainment segment. Revenue increases were achieved in the Ticketing segment in Italy, the Great Britain, Spain and the Netherlands. The increase in revenue in Finland was primarily due to the expansion of the scope of consolidation in the Live Entertainment segment. In Switzerland and Austria, revenue increased in the Ticketing segment, while the Live Entertainment segment recorded a decline due to a lower number of major events. The increase in revenue in other countries was mainly due to the expansion of the scope of consolidation in Norway and Sweden in the Live Entertainment segment.

The carrying values of **non-current non-financial assets** for the 2017 financial year are shown in the following table according to geographical distribution:

| | 2017 | 2016 |
|---|---|---|
| | [EUR'000] | [EUR'000] |
| Germany | 358,079 | 326,559 |
| Austria | 1,576 | 1,665 |
| Switzerland | 64,944 | 72,556 |
| Italy | 21,417 | 19,973 |
| Great Britain | 343 | 797 |
| Denmark | 6,447 | 6,360 |
| Other countries | 7,272 | 7,819 [1] |
| | **460,078** | **435,729** [1] |

[1] Adjusted prior-year figures due to the final purchase price allocation of the Venuepoint Group

The long-term non-financial assets include goodwill, property, plant and equipment, intangible assets, investments in associates accounted for at equity and other long-term non-financial assets.

## 6.3 EMPLOYEES

| Personnel expenses | 2017 | 2016 |
|---|---|---|
| | [EUR'000] | [EUR'000] |
| Wages and salaries | 116,153 | 97,006 |
| Social insurance contributions and expenses for pension and employee support | 20,858 | 16,512 |
| | **137,011** | **113,518** |

Personnel expenses were considered with EUR 62.470 million (previous year: EUR 50.252 million) in cost of sales, with EUR 38.375 million (previous year: EUR 33.127 million) in selling expenses and with EUR 36.166 million (previous year: EUR 30.139 million) in general administrative expenses.

The employer's contribution to the statutory pension insurance classified as a contribution-based pension scheme amounted to EUR 8.329 million (previous year: EUR 8.804 million). It is included in social contributions and expenditures for pensions and related employee benefits.

On average over the year, 2,727 salaried staff (previous year: 2,328) were employed by the Group. Of that total, 1,682 (previous year: 1,362) were employed in Germany, and 1,045 (previous year: 966) in foreign countries.

## 6.4 CONTINGENT LIABILITIES

In the context of administrative proceedings, the German Federal Cartel Office (Bundeskartellamt) is investigating the market position and market behaviour of CTS KGaA, particularly whether CTS KGaA exploits its market position in the Ticketing segment to an unreasonable extent and puts market partners at a disadvantage, as well as the content of specific regional cooperation agreements. On 4 December 2017, the Federal Cartel Office completed an administrative proceeding initiated in October 2014. In their findings, the authorities objected to a small number of existing exclusive agreements and limited the scope and terms of future exclusive agreements. CTS KGaA has filed a full appeal against the decision with the higher regional court (Oberlandesgericht) in Düsseldorf. The company has also filed a stay of proceedings for part of the decision. In addition, consumer protection proceedings are pending in one instance each in Germany and Austria, and administrative proceedings are pending in one instance each in Italy and Switzerland. The outcome of the proceedings remains to be seen. It cannot be ruled out that cartel authorities, consumer protection organisations and other institutions will disagree with individual practices or agreements during the ongoing proceedings and issue an order for modification; there are currently no major negative effects on future business developments expected.

CTS KGaA has issued a letter of comfort until 31 March 2019 to FKP SCORPIO Konzertproduktionen GmbH, Hamburg, to secure payment obligations of EUR 2.500 million. Due to the positive budget of FKP SCORPIO a claim is not expected.

The Group is involved in pending procedures and processes as they arise in the ordinary course of business. In the opinion of the legal representatives, the conclusion of these matters will not have a significant impact on the earnings performance, financial position and cash flow of the Group. Provision of EUR 1.833 million were formed for litigation costs at the balance sheet date.

## 6.5 LEASING

### FINANCE LEASE AS LESSEE

Other short-term financial liabilities include liabilities from finance leases, at EUR 126 thousand (previous year: EUR 214 thousand), and the long-term financial liabilities include liabilities from finance leases with a remaining term of up to four years, at EUR 49 thousand (previous year: EUR 273 thousand). The main leases relate to motor vehicles. Leasing agreements for motor vehicles generally do not include renewal or purchase options and have a fixed term after which the vehicle is returned. The leasing rate is based on brand, model and equipment. The interest rates on which the leasing agreements are based vary between 1.8% and 2.8%, depending on the market rates and the date of conclusion. The present value of future minimum lease payments amount to EUR 71 thousand (previous year: EUR 269 thousand) with a remaining term of up to one year and EUR 100 thousand (previous year: EUR 242 thousand) between one and five years.

### OPERATING LEASE AS LESSEE

The rental obligations relate to rental payments for office premises, the LANXESS arena in Cologne and 'Waldbühne' in Berlin. The leasing obligations pertain primarily to maintenance agreements for software and telecommunication as well as vehicles. Other obligations relate to agency agreements and agreements for service contracts.

The rental, leasing and other obligations are shown in the following table:

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | < 1 year [EUR'000] | 1 - 5 years [EUR'000] | > 5 years [EUR'000] | < 1 year [EUR'000] | 1 - 5 years [EUR'000] | > 5 years [EUR'000] |
| Rental obligations | 16,047 | 44,573 | 6,293 | 14,389 | 51,110 | 1,496 |
| Leasing obligations | 668 | 604 | 22 | 744 | 538 | 0 |
| Other obligations | 663 | 508 | 380 | 1,421 | 181 | 14 |
| | **17,378** | **45,685** | **6,694** | **16,554** | **51,828** | **1,510** |

Payments made in operating leases (rental, leasing and other obligations) which are recorded in the reporting period as expenses amounted to EUR 16.249 million (previous year: EUR 17.363 million).

### OPERATING LEASE AS LESSOR

The CTS Group leases IT hardware to box offices as the lessor. Of the minimum lease payments from non-cancellable operating leases of EUR 1.899 million, EUR 1.498 million are due within one year and EUR 402 thousand between one and five years. In the reporting year, income from lease payments of EUR 1.503 million (previous year: EUR 1.576 million) was collected.

The carrying amount of the leased items developed as follows:

| Rented IT hardware | [EUR'000] |
|---|---|
| **Historical cost** | |
| 1 January 2016 | 5,476 |
| Addition | 425 |
| Disposal | -79 |
| **31 December 2016** | **5,822** |
| **Accumulated depreciation** | |
| 1 January 2016 | 4,363 |
| Addition | 456 |
| Disposal | -14 |
| **31 December 2016** | **4,805** |
| **Carrying value as at 31 December 2016** | **1,017** |
| **Historical cost** | |
| 1 January 2017 | 5,822 |
| Addition | 216 |
| Disposal | -82 |
| **31 December 2017** | **5,956** |
| **Accumulated depreciation** | |
| 1 January 2017 | 4,805 |
| Addition | 264 |
| Disposal | -58 |
| **31 December 2017** | **5,011** |
| **Carrying value as at 31 December 2017** | **945** |

## 6.6 EVENTS AFTER THE BALANCE SHEET DATE

MEDUSA Music International GmbH, Bremen, acquired 60% of the shares in the Italian festival and concert promoter DiGi S.r.l., Lido di Camaiore, Italy, at a purchase price of EUR 6.000 million, as at 1 February 2018. The purpose of this company is to organise and conduct concerts. With this acquisition, the CTS Group gets access to an attractive festival and artist portfolio that complements it existing activities in Italy.

## 6.7 DECLARATION OF COMPLIANCE

On 20 December 2017, the Management Board of the general partner and the Supervisory Board of CTS KGaA released a further declaration of compliance with the recommendations of the 'Government Commission on the German Corporate Governance Code' pursuant to § 161 AktG, and made the declaration permanently available to shareholders on the CTS KGaA website (http://www.eventim.de/tickets.html?affiliate=GMD&fun=tdoc&doc=eventim/default/info/en/investor/investorCorporateGovernance).

## 6.8 APPLICATION OF § 264 (3) HGB AND § 264B HGB

Some consolidated corporate companies and business partnerships of CTS KGaA qualify for § 264 (3) HGB and § 264b HGB with regard to the preparation and disclosure of their annual financial statements. Therefore, the consolidated financial statements of CTS KGaA are the exempting consolidated financial statements for these subsidiaries:

- CTS Eventim Solutions GmbH, Bremen
- Ticket Online Sales & Service Center GmbH, Parchim
- CTS Eventim Sports GmbH, Hamburg
- Marek Lieberberg Konzertagentur GmbH & Co. KG, Bremen
- Peter Rieger Konzertagentur GmbH & Co. KG, Cologne
- JUG Jet Air GmbH & Co. KG, Bremen
- JUG Jet Air Verwaltungs-GmbH, Bremen
- getgo consulting GmbH, Hamburg
- Arena Event GmbH, Cologne
- Arena Management GmbH, Cologne
- Arena Holding GmbH, Cologne
- GRETA'S BISTRO GmbH, Bremen
- Ticket Online Consulting GmbH, Bremen

## 6.9 NOTIFIABLE SECURITIES TRANSACTIONS PURSUANT TO § 15A SECURITIES TRADING ACT (WPHG)

During the reporting period 2017, the following transactions were carried out by members of the the corporate management and Supervisory Board of the CTS KGaA with no-par value bearer shares of the company (ISIN DE0005470306).

| Name | Position | Transaction | Date | Number of shares |
|---|---|---|---|---|
| Prof. Jobst W. Plog | Member of Supervisory Board | Purchase | 19.01.17 | 400 |
| Klaus-Peter Schulenberg | Member of corporate management | Sale | 25.04.17 | 6,720,000 |

## 6.10 RELATED PARTY DISCLOSURES

According to IAS 24, companies or persons that exercise control over, or are controlled by the Group must be disclosed if they have not already been included as consolidated companies in the consolidated financial statements of the Group.

The transactions of the CTS Group with related companies and persons pertain to reciprocal services and were concluded only at the arm's-length conditions which normally apply between third parties.

As the majority shareholder of the general partner of EVENTIM Management AG and majority shareholder of CTS KGaA, Mr. Klaus-Peter Schulenberg was the controlling shareholder until 28 December 2015. On 28 December 2015, Klaus-Peter Schulenberg transferred his shares of CTS KGaA as well as his shares of EVENTIM Management AG to KPS Stiftung seated in Hamburg. Klaus-Peter Schulenberg's holdings in CTS KGaA and EVENTIM Management AG are only being converted from a direct into an indirect holding. Therefore Klaus-Peter Schulenberg has to be classified as a controlling person. He is also the controlling shareholder of other companies associated with the KPS Group.

The contractual relationships with related companies and persons resulted in the following goods and services being sold to and bought from related parties in the 2017 reporting period:

| | 2017 | 2016 |
|---|---|---|
| | [EUR'000] | [EUR'000] |
| **Goods and services supplied by the Group** | | |
| Services related to events | 3,295 | 6,832 |
| Passing on of operating costs | 1,127 | 1,150 |
| Supply of ticketing software | 149 | 339 |
| Other | 355 | 584 |
| | **4,925** | **8,905** |

EUR 733 thousand in goods and services were supplied by the Group to subsidiaries not included in consolidation due to insignificance (previous year: EUR 755 thousand), EUR 3.380 million to associates accounted for at equity (previous year: EUR 5.099 million) and EUR 812 thousand to other related parties (KPS Group) (previous year: EUR 3.052 million).

| | 2017 | 2016 |
|---|---|---|
| | [EUR'000] | [EUR'000] |
| **Goods and services received by the Group** | | |
| Fulfillment and customer services, transfer of postage | 20,863 | 17,009 |
| Production costs for events | 1,504 | 3,483 |
| Call center operations | 2,657 | 1,879 |
| Tenancy agreements | 1,357 | 1,317 |
| Agency agreements | 522 | 954 |
| Payment services | 1,134 | 1,133 |
| Other | 126 | 357 |
| | **28,162** | **26,132** |

EUR 641 thousand in goods and services were received by the Group from subsidiaries not included in consolidation due to insignificance (previous year: EUR 444 thousand), while EUR 264 thousand in goods and services were supplied by associates accounted for at equity (previous year: EUR 1.909 million) and EUR 27.258 million were supplied by other related parties (KPS Group) (previous year: EUR 23.778 million).

| | 2017 | 2016 |
|---|---|---|
| | [EUR'000] | [EUR'000] |
| **Receivables from** | | |
| Subsidiaries not included in consolidation due to insignificance | 351 | 1,092 |
| Associates accounted for at equity | 457 | 1,399 |
| Joint venture | 1,298 | 591 |
| Other related parties | 297 | 136 |
| | **2,403** | **3,218** |

| | 2017 | 2016 |
|---|---|---|
| | [EUR'000] | [EUR'000] |
| **Liabilities to** | | |
| Subsidiaries not included in consolidation due to insignificance | 151 | 6 |
| Associates accounted for at equity | 480 | 1,230 |
| Other related parties | 4,372 | 2,987 |
| | **5,003** | **4,223** |

Liabilities to related parties are unsecured.

Compensation paid to managers in key positions are disclosed under item 6.12 in the notes to the consolidated financial statements.

## 6.11 AUDITOR EXPENSES

At the Annual Shareholders' Meeting of CTS KGaA in May 2017, KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, (hereinafter: KPMG) was elected as the new auditor for the 2017 financial year, succeeding PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Osnabrück.

In the 2017 financial year, auditing expenses of EUR 402 thousand, fees amounting to EUR 295 thousand for other services and tax advisory services of EUR 2 thousand were charged.

The other services primarily relate to benefits for the project EU General Data Protection Regulation (EU-GDPR) amounting to EUR 241 thousand. The complex EU-GDPRproject was initiated in early 2017 due to the new Regulation of the European Commission of 27 April 2016 on the protection of personal data set up together with KPMG. The European General Data Protection Regulation aims at a uniform level of data protection and will be mandatory from 25 May 2018 in all EU Member States. Furthermore The auditors provided other due diligence services within the framework of acquisition projects amounting to EUR 20 thousand and services for sustainability reporting of EUR 34 thousand. The other services were already commissioned at the beginning of 2017, before the appointment of KPMG as auditor.

## 6.12 MANDATES AND EMOLUMENTS OF THE CORPORATE MANAGEMENT

The Management Board and the Supervisory Board are members of the management in key positions in the CTS Group.

The remuneration of the Management Board, all short-term benefits within the meaning of IAS 19, totaled EUR 5.101 million (previous year: EUR 5.101 million). This includes performance-related components in the amount of EUR 1.350 million (previous year: EUR 1.350 million), which has not yet been paid out as of the balance sheet date.

During the reporting year, the members of the Management Board of EVENTIM Management AG, Hamburg, did not hold any supervisory board positions requiring disclosure.

The members of the Supervisory Board of CTS KGaA received emoluments totaling EUR 233 thousand (previous year: EUR 100 thousand) as well as reimbursement expenses of EUR 4 thousand (previous year: EUR 6 thousand) for the 2017 financial year. These payments relate solely to short-term benefits within the meaning of IAS 19. Thereof, EUR 118 thousand has not yet been paid out on the balance sheet date.

The members of the Supervisory Board exercised the following mandates in the business year:

**Dr. Bernd Kundrun, Managing Director of Start 2 Ventures GmbH, Hamburg/Germany** – chairman –
other supervisory board positions:

- EVENTIM Management AG, Hamburg (chairman of the board)
- gut.org non-profit limited company, Berlin (honorary chairman)
- RTL Group, Luxembourg, Luxembourg
- NZZ AG, Zurich, Switzerland
- Comecave GmbH, Dortmund

**Prof. Jobst W. Plog, Lawyer, Hamburg/Germany** – deputy chairman –
other supervisory board positions:

- EVENTIM Management AG, Hamburg (deputy chairman)
- Verlagsgesellschaft Madsack GmbH & Co. KG, Hannover (deputy chairman)

**Dr. Juliane Thümmel, Senior Government Official at the Permanent Representation of the Federal Republic of Germany to the European Union, St. Gilles/Belgium**
other supervisory board positions:

- EVENTIM Management AG, Hamburg

**Justinus J.B.M. Spee, Board Member of Stage Entertainment B.V., Amsterdam, Badhoevedorp/Netherlands**
other supervisory board positions:

- EVENTIM Management AG, Hamburg
- Stage Entertainment B.V., Amsterdam, Netherlands
- Brunel N.V., Amsterdam, Netherlands
- Asito Diensten Groep S.E., Almelo, Netherlands
- Redevco B.V., Amsterdam, Netherlands

Individualised information on the remuneration of the Management Board and the Supervisory Board is presented in the compensation report, which is part of the combined management report.

## 6.13 PARTICIPATING PERSONS

The company received notifications under §21 (1) WpHG (Securities Trading Act) concerning investments exceeding 3% or 5% of the voting rights, and investments increasing beyond of falling below 3% or 5% of the voting rights.

Fidelity Investment Trust, Boston, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA fell below the 3% threshold on 27 February 2017 and amounted on the latter date to 2.97% (2,855,908 votes) and that these voting rights of 2.97% (2,855,908 votes) are allocated in their entirely to Fidelity Investment Trust under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FMR LLC, Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 30 March 2017 and amounted on the latter date to 3.67% (3,525,159 votes) and that these voting rights of 3.67% (3,525,159 votes) are allocated in their entirety to FMR LLC under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

BlackRock, Inc., Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 26 April 2017 and amounted on the latter date to 4.09 % (3,929,925 votes) and that these voting rights of 4.09% (3,929,925 votes) are allocated in their entirety to BlackRock under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FMR LLC, Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA fell below the 3% threshold on 27 April 2017 and amounted on the latter date to 2.98% (2,856,830 votes) and that these voting rights of 2.98% (2,856,830 votes) are allocated in their entirety to FMR LLC under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

Ameriprise Financial Inc., Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 28 April 2017 and amounted on the latter date to 3.001% (2,880,888 votes) and that these voting rights of 3.001% (2,880,888 votes) are allocated in their entirety to Ameriprise Financial under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

Ameriprise Financial Inc., Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 23 May 2017 and amounted on the latter date to 3.17% (3,044,073 votes) and that these voting rights of 3.17% (3,044,073 votes) are allocated in their entirety to Ameriprise Financial under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

BlackRock, Inc., Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 30 June 2017 and amounted on the latter date to 3.84% (3,689,779 votes) and that these voting rights of 3.84% (3,689,779 votes) are allocated in their entirety to BlackRock under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

BlackRock, Inc., Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 25 July 2017 and amounted on the latter date to 3.75% (3,597,329 votes) and that these voting rights of 3.75% (3,597,329 votes) are allocated in their entirety to BlackRock under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

BlackRock, Inc., Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA fell below the 3% threshold on 11 August 2017 and amounted on the latter date to 2.95% (2,833,486 votes) and that these voting rights of 2.95% (2,833,486 votes) are allocated in their entirety to BlackRock under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FMR LLC, Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 15 August 2017 and amounted on the latter date to 3.01% (2,893,796 votes) and that these voting rights of 3.01% (2,893,796 votes) are allocated in their entirety to FMR LLC under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FMR LLC, Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA fell below the 3% threshold on 18 August 2017 and amounted on the latter date to 2.99% (2,867,110 votes) and that these voting rights of 2.99% (2,867,110 votes) are allocated in their entirety to FMR LLC under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FMR LLC, Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 25 August 2017 and amounted on the latter date to 3.04% (2,915,691 votes) and that these voting rights of 3.04% (2,915,691 votes) are allocated in their entirety to FMR LLC under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FMR LLC, Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA fell below the 3% threshold on 11 September 2017 and amounted on the latter date to 2.99% (2,879,218 votes) and that these voting rights of 2.99% (2,879,218 votes) are allocated in their entirety to FMR LLC under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FMR LLC, Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 2 October 2017 and amounted on the latter date to 3.01% (2,884,990 votes) and that these voting rights of 3.01% (2,884,990 votes) are allocated in their entirety to FMR LLC under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FMR LLC, Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA fell below the 3% threshold on 23 October 2017 and amounted on the latter date to 2.87% (2,758,692 votes) and that these voting rights of 2.87% (2,758,692 votes) are allocated in their entirety to FMR LLC under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

NN Group N.V., Amsterdam, Netherlands, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA fell below the 5% threshold on 28 November 2017 and amounted on the latter date to 4.99% (4,795,146 votes) and that these voting rights of 4.99% (4,795,146 votes) are allocated in their entirety to NN Group under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

Ameriprise Financial Inc., Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 19 February 2018 and amounted on the latter date to 3.73% (3,582,032 votes) and that these voting rights of 3.73% (3,582,032 votes) are allocated in their entirety to Ameriprise Financial under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

On 28 December 2015, Klaus-Peter Schulenberg transferred his shares of CTS KGaA as well as his shares of EVENTIM Management AG to KPS Stiftung seated in Hamburg. Klaus-Peter Schulenberg's holdings in CTS KGaA and EVENTIM Management AG are only being converted from a direct into an indirect holding and amounts up to 43.2% of the voting rights in the company as at 31 December 2017.

## 7. ASSURANCE BY LEGAL REPRESENTATIVES

To the best of our knowledge, the consolidated financial statements give a true and fair view of the Group's earnings performance, financial position and cash flow, in accordance with the applicable reporting principles, and that the combined management report presents the course of business, including the Group's profits and situation, in a way that accurately reflects actual circumstances and truthfully describes the main opportunities and risks associated with the Group's expected development.

Bremen, 28 February 2018

CTS EVENTIM AG & Co. KGaA

represented by:

EVENTIM Management AG, general partner

| | | |
|---|---|---|
| Klaus-Peter Schulenberg | Volker Bischoff | Alexander Ruoff |

# 7. INDEPENDENT AUDITOR'S REPORT

To CTS Eventim AG & Co. KGaA, Munich

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

### OPINION

We have audited the consolidated financial statements of CTS Eventim AG & Co. KGaA, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholder's equity and consolidated cash flow statement for the financial year from 1 January to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of CTS Eventim AG & Co. KGaA and the Group for the financial year from 1 January to 31 December 2017.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

## BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and EU Audit Regulation No. 537/2014 (referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report” section of our auditor’s report.

We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 (1) of the EU Audit Regulation with the exception of the following. Before KPMG AG Wirtschaftsprüfungsgesellschaft was appointed as auditor of the Company for financial year 2017 by the annual general meeting of 9 May 2017, minor support services for internal audit and tax advisory had been provided in March and April 2017 to two immaterial foreign subsidiaries.

These services are insignificant for the audited consolidated financial statements and, after evaluation for their qualitative and quantitative significance, they did not compromise our independence. The Supervisory Board of CTS Eventim AG & Co. KGaA, after carefully examining the matter, came to the same conclusion by resolution dated 24 August 2017.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

## KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

## IMPAIRMENT TESTING OF GOODWILL

Please refer to note 1.5 and 3.7 to the consolidated financial statements for more information on the accounting policies applied and the assumptions used. Disclosures on the amount of goodwill can be found under note 3.7 to the consolidated financial statements.

## THE FINANCIAL STATEMENT RISK

Goodwill amounted to EUR 296.8 million as at 31 December 2017 and thus represents 75% of consolidated equity, meaning that it has considerable significance for the financial position.

Impairment of goodwill is tested annually at the level of the Ticketing and Live Entertainment operating segments. For this purpose, the carrying amount of the assets is primarily compared with the fair value less costs to sell of the respective operating segment. If the carrying amount exceeds this recoverable amount, there is a need for impairment. The recoverable amount is the higher of the operating segment's fair value less costs to sell and value in use. The date for the annual impairment test is 31 December 2017. Of the goodwill of EUR 296.8 million, EUR 241.9 million is attributable to the Ticketing operating segment and EUR 54.9 million to the Live Entertainment operating segment.

Impairment testing of goodwill is complex and based on a range of assumptions that require judgement. This includes the expected EBITDA margin at the beginning of the detail planning period, which was 42% in the Ticketing operating segment and 4.5% in the Live Entertainment business segment. In addition to this, the assumed long-term growth rates of 1% and the applied discount rate of 8.5% for the Ticketing operating segment and 7.8% for the Live Entertainment operating segment represent significant measurement assumptions. The discount rates used are after-tax interest rates and reflect the specific risks of the respective operating segments.

Based on the impairment tests conducted, the Company did not identify any need to recognise impairment losses. The sensitivity analyses of the Company found that a reasonably possible increase of one percentage point in the discount rate or a fall in the EBITDA margin by 10% in both operating segments would not result in impairment.

There is the risk for the financial statements that an impairment loss existing as at the reporting date was not recognised. There is also the risk that the related disclosures in the notes are not appropriate.

## OUR AUDIT APPROACH

With the involvement of our valuation specialists, we assessed the appropriateness of the significant assumptions and the calculation model of the Company for the impairment test. For this purpose we discussed the expected business and earnings development (including the EBITDA margins) and the assumed long-term growth rates with those responsible for planning. We also reconciled this information with the five-year plan prepared by the Management Board and the budget prepared by the Management Board and approved by the Supervisory Board. Furthermore, we evaluated the consistency of assumptions with external market assessments.

We also confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual results and analysed deviations. Since changes to the discount rate can have a significant impact on the results of impairment testing, we compared the assumptions and parameters underlying the discount rate with our own assumptions and publicly available data. The Group's market capitalisation was also reconciled with the valuation of the two operating segments.

To ensure the computational accuracy of the valuation model used, we verified the Company's calculations on the basis of selected risk-based elements.

To take forecast uncertainty into account, we examined the impact of potential changes in the discount rate and the EBITDA margin in the last detail planning year on the recoverable amount (sensitivity analysis) by calculating alternative scenarios and comparing them with the values stated by the Company. To this end, the discount rate was increased by up to one percentage point and the EBITDA margin reduced by up to four percentage points in the Ticketing operating segment and by up to one percentage point in the Live Entertainment operating segment.

Finally, we assessed whether the disclosures in the notes regarding impairment of goodwill were appropriate. This also included an assessment of the appropriateness of disclosures in the notes according to IAS 36.134(f) on sensitivity in the event of a reasonably possible change in the key assumptions used for measurement.

## OUR OBSERVATIONS

The calculation method used for impairment testing of goodwill is appropriate and in line with the accounting policies to be applied.

The Company's assumptions and parameters used for measurement are balanced overall.

The related disclosures in the notes are appropriate.

## ACQUISITION OF SUBSIDIARIES

Please refer to note 1.5 in the notes to the consolidated financial statements for more information on the accounting policies applied. Explanations on the scope of consolidation can be found under note 2 et seqq.

## THE FINANCIAL STATEMENT RISK

In the Live Entertainment segment, the number of fully consolidated entities increased from 33 entities to 51 entities, largely due to acquisitions and new establishments. In addition to this, shares in six entities were acquired and were accounted for at equity. The acquisition of FKP SCORPIO Konzertproduktionen GmbH in particular had a significant influence on the assets, liabilities and financial performance of the Group in financial year 2017.

In particular, the assessment of control of the entity over these acquired entities can be subject to judgement in individual cases. Judgement is required also to identify and measure the identifiable assets acquired and liabilities assumed.

There is the risk for the financial statements that acquired entities are incorrectly fully consolidated or incorrectly included using the equity method. There is also the risk that the assets acquired and liabilities assumed are identified improperly or measured inaccurately.

## OUR AUDIT APPROACH

We evaluated the underlying agreements concerning the significant newly acquired entities, particularly with regard to the control criteria, to assess the consolidation decisions of the Group.

With the involvement of our valuation specialists, we verified that the purchase price had been allocated appropriately for the newly acquired entities. To do this, we obtained an explanation of the process and the underlying assumptions and parameters of the purchase price allocation by referring to other documentation available, for example long-term corporate planning or valuation opinions. Furthermore, we evaluated the consistency of assumptions with external market estimates concerning revenue and developments in margins.

Where the Company received assistance from external experts for the purchase price allocation concerning the significant newly acquired entities to identify and measure the assets acquired and liabilities assumed, we verified their competence and impartiality and assessed the identification and valuation methods used.

Through a reconciliation of results with values actually entered, an assessment was made as to whether the equity consolidation was presented correctly.

## OUR OBSERVATIONS

The consolidation decisions taken by the Company are appropriate.

The approach used for identifying and measuring the assets acquired and liabilities assumed in first-time consolidation is appropriate and in line with the accounting policies. The Company’s assumptions, estimates and parameters are appropriate.

## OTHER INFORMATION

Management is responsible for the other information. The other information comprises the annual report, with the exception of the audited annual financial statements, consolidated financial statements and combined management report and our auditor's report.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

## RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## OTHER LEGAL AND REGULATORY REQUIREMENTS

### FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the annual general meeting on 9 May 2017. We were engaged by the supervisory board on 9 November 2017. We have been the group auditor of CTS Eventim AG & Co. KGaA since financial year 2017.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

### GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The audit partner primarily responsible for the engagement is Haiko Schmidt.

Hamburg, 1 March 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Schmelzer<br>Wirtschaftsprüfer<br>[German Public Auditor] | Schmidt<br>Wirtschaftsprüfer<br>[German Public Auditor] |

# 8. FINANCIAL STATEMENTS OF CTS KGaA 2017

## BALANCE SHEET OF CTS KGaA AS AT 31 DECEMBER 2017 (HGB)

| ASSETS | 31.12.2017 | 31.12.2016 |
|---|---|---|
| | [EUR] | [EUR] |
| **A. FIXED ASSETS** | | |
| **I. Intangible assets** | | |
| 1. Internally generated industrial property rights and similar rights and assets | 605,487 | 597,065 |
| 2. Aquired concessions, industrial property, rights and similar rights and assets and licences in such right and assets | 52,394,472 | 47,991,548 |
| 3. Goodwill | 34,421,914 | 42,071,226 |
| 4. Payments on account | 2,782,223 | 3,904,440 |
| | **90,204,096** | **94,564,279** |
| **II. Property, plant and equipment** | | |
| 1. Other real estate, land rights and buildings, including buildings on third-party properties | 87,328 | 107,333 |
| 2. Technical equipment and machinery | 1 | 1 |
| 3. Other facilities, operating and office equipment | 3,345,351 | 3,660,709 |
| 4. Payments on account and construction in progress | 771,467 | 169,174 |
| | **4,204,147** | **3,937,217** |
| **III. Investments** | | |
| 1. Shares in affiliated companies | 210,674,824 | 212,386,328 |
| 2. Participations | 6,540 | 6,540 |
| | **210,681,364** | **212,392,868** |
| **B. CURRENT ASSETS** | | |
| **I. Inventories** | | |
| Finished products and goods | 294,532 | 744,460 |
| **II. Receivables and other assets** | | |
| 1. Trade receivables | 7,757,342 | 7,207,038 |
| 2. Receivables from affiliated companies | 59,767,725 | 24,259,910 |
| 3. Receivables from participations | 27,930 | 1,671,741 |
| 4. Other assets | 44,361,020 | 39,192,836 |
| | **111,914,017** | **72,331,525** |
| **III. Cheques, cash in hand and bank balances** | **231,347,913** | **209,840,746** |
| **C. PREPAID EXPENSES** | **2,424,463** | **2,226,585** |
| **D. DEFERRED TAX ASSETS** | **96,154** | **13,878** |
| **Total assets** | **651,166,686** | **596,051,558** |

| SHAREHOLDERS‘ EQUITY AND LIABILITIES | 31.12.2017 | 31.12.2016 |
|---|---|---|
| | [EUR] | [EUR] |
| **A. SHAREHOLDERS‘ EQUITY** | | |
| **I. Share capital** | 96,000,000 | 96,000,000 |
| **./. less par value of treasury stock** | -8,700 | -8,700 |
| **II. Capital reserve** | 2,400,000 | 2,400,000 |
| **III. Statutory reserve** | 7,200,000 | 7,200,000 |
| **IV. Balance sheet profit** | 181,955,231 | 180,635,028 |
| | **287,546,531** | **286,226,328** |
| **B. PROVISIONS** | | |
| 1. Tax provisions | 28,360,019 | 15,949,141 |
| 2. Other provisions | 15,049,539 | 14,341,750 |
| | **43,409,558** | **30,290,891** |
| **C. LIABILITIES** | | |
| 1. Liabilities to banks | 93,383,523 | 95,636,890 |
| 2. Trade payables | 11,102,043 | 6,742,196 |
| 3. Liabilities to affiliated companies | 2,854,792 | 4,445,070 |
| 4. Other liabilities | 211,697,133 | 171,317,637 |
| | **319,037,490** | **278,141,793** |
| **D. DEFERRED INCOME** | **59,896** | **100,102** |
| **E. DEFERRED TAX LIABILITIES** | **1,113,211** | **1,292,444** |
| **Total shareholders‘ equity and liabilities** | **651,166,686** | **596,051,558** |

## INCOME STATEMENT OF CTS KGaA FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2017 (HGB)

| | 01.01.2017 - 31.12.2017 [EUR] | 01.01.2016 - 31.12.2016 [EUR] |
|---|---|---|
| 1. Revenue | 225,062,532 | 207,135,034 |
| 2. Cost of sales | -92,239,726 | -82,956,635 |
| **3. Gross profit** | **132,822,806** | **124,178,399** |
| 4. Selling expenses | -36,079,646 | -29,865,005 |
| 5. General administrative expenses | -19,373,692 | -18,427,295 |
| 6. Other operating income<br>thereof from currency translation EUR 364,492 (2016: EUR 455,429) | 10,854,572 | 5,716,494 |
| 7. Other operating expenses<br>thereof from currency translation EUR 526,197 (2016: EUR 332,192) | -6,854,062 | -7,395,040 |
| 8. Income from participations | 22,800,371 | 23,430,014 |
| 9. Income from loans held as financial assets | 943 | 127,968 |
| 10. Expense from participations | 0 | -7,179 |
| 11. Income from profit transfer agreements | 30,885,680 | 16,660,623 |
| 12. Other interest and similar income | 689,783 | 624,917 |
| 13. Interest and similar expenses | -2,078,025 | -2,982,598 |
| 14. Income taxes<br>thereof from deferred taxes EUR 261,510 (2016: EUR 154,443) | -38,276,145 | -30,676,421 |
| **15. Profit after income taxes** | **95,392,585** | **81,384,877** |
| 16. Other taxes | -908 | 150,474 |
| **17. Net income for the year** | **95,391,677** | **81,535,351** |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2017

### 1. PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the financial year 2017 of the CTS KGaA (registered in the commercial register at Munich local court under no. HRB 212700) were prepared in accordance with the German Commercial Code (Handelsgesetzbuch – HGB) for large companies and the supplementary regulations of the Stock Corporation Act (Aktiengesetz). The financial year is the calendar year. Optional disclosures are made in the notes in order to maintain clarity and transparency. All amounts are rounded to the nearest Euro.

### 2. ACCOUNTING POLICIES
### 2.1 GENERAL DISCLOSURES

The layout of the balance sheet complies with that specified in § 266 HGB in combination with § 152 AktG; the income statement conforms to the German form of income statement showing ‘cost of sales’, pursuant to § 275 (3) HGB. The supplementary disclosures pursuant to § 158 AktG are provided in the notes.

The expenses are presented in the income statement according to functions. The income statement is set up according to the total cost method and via a conversion key method the cost elements to be assigned have been reclassified to the functional costs of the cost of sales method. The assignment of the cost types is either done on a 100% basis or allocated due to the number of employees and the personnel costs. Based on this the conversion key the cost of materials, personnel expenses, depreciation and other operating expenses according to the total cost method are allocated to on cost of sales, selling expenses, general administrative expenses and other operating expenses.

For better clarity and simplicity of presentation, the remarks to be made in accordance with statutory requirements in respect of items in the balance sheet and the income statement, and which may be made in the balance sheet or in the income statement, respectively, are mostly presented in the notes.

On 27 April 2017, GSO Holding GmbH, Bremen, and GSO Verwaltungsgesellschaft mbH, Bremen, were merged with the GSO Gesellschaft für Softwareentwicklung und Organisation mbH & Co. KG, Bremen. The merger became effective upon entry in the commercial register on 29 June 2017. With effect of this merger the property of GSO Gesellschaft für Softwareentwicklung und Organisation mbH & Co. KG, Bremen, was transferred by way of universal succession to CTS KGaA.

## 2.2 RECOGNITION AND MEASUREMENT

**Intangible assets** acquired for consideration are recognised at cost. Internally generated intangible assets are recognised at cost according to the reporting option under § 248 (2) HGB. In the reporting year, internal development costs accounted for the total of recognised costs of EUR 170 thousand. Intangible assets are amortised on a straight-line pro rata temporis in the year of acquisition. A useful life of ten years is assumed for the capitalised releases of the 'Global Ticketing System'. Other intangible assets, such as software and licences, are amortised over a useful life of 2 to 10 years. Trademarks are amortised over 5 to 10 years.

The **goodwill** capitalised in connection with the chain merger of Ticket Online Software and See Tickets Germany as at 1 January 2013 is subject to systematic straight-line amortisation over a useful life of 9.5 years. The useful life of the goodwill capitalised in connection with the chain merger is defined on the basis of an important distribution agreement concluded at the time of acquisition of See Tickets Germany / Ticket Online Group.

**Property, plant and equipment** are measured at cost, minus systematic depreciation if depreciable. Systematic depreciation is performed on a straight-line basis, based on the normal useful life. Depreciation is carried out on a pro rata temporis basis. Systematic depreciation of other property, plant and office equipment is mainly based on a useful life between 3 and 13 years. Extraordinary depreciation to lower fair values is performed where relevant.

**Investments** are recognised at cost, with extraordinary depreciation to the lower fair value, where relevant, for any permanent reduction in value that is expected. Non-interest or low-interest loans are discounted to present value.

**Inventories** are measured at cost, taking ancillary expenses into account, or at the lower market prices. The principles of loss-free measurement have been respected.

**Receivables and other assets** are measured at their nominal value minus adjustments for all discernible risks. Impairments are made to account for any discernible risk exposure in respect of insolvencies or creditworthiness. Overall impairments amounting to 1% of the net amount of receivables are made. Other assets include factoring receivables against an external service provider that arose in connection with the introduction of new types of payment to secure customer receivables from ticket sales. With regard to the sale of receivables (real factoring), all significant opportunities and risks are transferred without giving rise to a sustained engagement. The corresponding receivables are therefore fully booked out.

**Cash in hand and bank balances** are carried at their nominal value on the balance sheet date.

**Prepaid expenses** include payments made before the closing date that represent expenses for a specific period after the closing date.

**Shareholders' equity** is measured at nominal value. Treasury stocks are deducted from 'share capital' and are reported in a separate line.

**Provisions** are recognised at the settlement amount and are formed in appropriate measure to cover discernible risks and contingencies, in accordance with the principles of prudent business judgement. Future increases in prices and costs were taken into account when determining provisions.

**Liabilities** are shown at their settlement amount.

**Deferred taxes** are recognised due to temporary or quasi-permanent differences between the commercial value of assets, liabilities and deferred income and their tax bases or tax loss carryforwards. These differences are valued at the company-specific tax rates at the time the differences are reduced. A discounting of the resulting tax and relief amounts does not occur. Active and passive deferred taxes are not set off against each other. The capitalisation of a surplus of deferred taxes does not occur in the exercise of the right to vote.

**Assets and liabilities denominated in foreign currencies** were recognised in principle with the average spot exchange rate converted at balance sheet date. With a remaining term of more than a year the principle of realisation (§ 252 (1) no. 4 clause 2 HGB) and the cost of acquisition principle (§ 253 (1) Sentence 1 HGB) was observed. The notes on currency translation presented in the income statement include both realised and unrealised exchange rate differences.

If valuation units pursuant to § 254 HGB are formed for **derivative financial instruments**, the following accounting and valuation principles apply:

Economic hedging relationships are reflected in the balance sheet through the formation of valuation units. In cases where both the ‘freezing method’, in which the compensating changes in value from the hedged risk are not accounting for, as well as the ‘book-through method’, according to which the offsetting changes in value from the hedged risk of both the hedged item and the hedging instrument is accounted for, can be applied, the freezing method is applied.

## 3. NOTES AND COMMENTS ON SPECIFIC ITEMS OF THE ANNUAL FINANCIAL STATEMENTS
## 3.1 BALANCE SHEET

### ASSETS

Statement of changes in assets for the period from 1 January to 31 December 2017

| | Historical cost | | | | |
|---|---|---|---|---|---|
| | Status 01.01.2017 [EUR] | Addition [EUR] | Merger [EUR] | Disposal [EUR] | Status 31.12.2017 [EUR] |
| **I. Intangible assets** | | | | | |
| 1. Internally generated industrial property rights and similar rights and assets | 748,530 | 169,496 | 0 | 0 | 918,026 |
| 2. Aquired concessions, industrial property rights and similar rights and assets, and licences in such rights and assets | 108,221,609 | 9,529,646 | 0 | 795,039 | 116,956,216 |
| 3. Goodwill | 77,574,530 | 0 | 0 | 0 | 77,574,530 |
| 4. Payments on account | 3,904,440 | 2,374,685 | 0 | 10,044 | 6,269,081 |
| | **190,449,109** | **12,073,827** | **0** | **805,083** | **201,717,853** |
| **II. Property, plant and equipment** | | | | | |
| 1. Other real estate, land rights and buildings, including buildings on third-party properties | 416,361 | 0 | 0 | 0 | 416,361 |
| 2. Technical equipment and machinery | 572,445 | 0 | 0 | 0 | 572,445 |
| 3. Other property, plant and office equipment | 13,265,475 | 1,497,647 | 0 | 326,654 | 14,436,468 |
| 4. Payments on account and construction in progress | 169,175 | 646,301 | 0 | 7,850 | 807,626 |
| | **14,423,456** | **2,143,948** | **0** | **334,504** | **16,232,900** |
| **III. Investments** | | | | | |
| 1. Shares in affiliated companies | 212,393,507 | 719,996 | -2,431,500 | 7,179 | 210,674,824 |
| 2. Participations | 576,034 | 0 | 0 | 0 | 576,034 |
| | **212,969,541** | **719,996** | **-2,431,500** | **7,179** | **211,250,858** |
| **Total** | **417,842,106** | **14,937,771** | **-2,431,500** | **1,146,766** | **429,201,611** |

| Accumulative depreciation and amortisation | | | | Carrying value | |
|---|---|---|---|---|---|
| Status 01.01.2017 | Addition | Disposal | Status 31.12.2017 | Status 31.12.2017 | Status 31.12.2016 |
| [EUR] | [EUR] | [EUR] | [EUR] | [EUR] | [EUR] |
| 151,465 | 161,075 | 0 | 312,540 | 605,486 | 597,065 |
| 60,230,061 | 8,613,579 | 795,037 | 68,048,603 | 48,907,613 | 47,991,548 |
| 35,503,304 | 7,649,312 | 0 | 43,152,616 | 34,421,914 | 42,071,226 |
| 0 | 0 | 0 | 0 | 6,269,081 | 3,904,440 |
| **95,884,830** | **16,423,966** | **795,037** | **111,513,759** | **90,204,094** | **94,564,279** |
| 309,028 | 20,005 | 0 | 329,033 | 87,328 | 107,333 |
| 572,444 | 0 | 0 | 572,444 | 1 | 1 |
| 9,604,767 | 1,817,803 | 295,295 | 11,127,275 | 3,309,193 | 3,660,709 |
| 0 | 0 | 0 | 0 | 807,626 | 169,174 |
| **10,486,239** | **1,837,808** | **295,295** | **12,028,752** | **4,204,148** | **3,937,217** |
| 7,179 | 0 | 7,179 | 0 | 210,674,824 | 212,386,328 |
| 569,494 | 0 | 0 | 569,494 | 6,540 | 6,540 |
| **576,673** | **0** | **7,179** | **569,494** | **210,681,364** | **212,392,868** |
| **106,947,742** | **18,261,774** | **1,097,511** | **124,112,005** | **305,089,606** | **310,894,364** |

The EUR 14.938 million in additions to **fixed assets** (previous year: EUR 25.272 million) relate to additions to intangible assets (EUR 12.074 million; previous year: EUR 11.165 million), to property, plant and equipment (EUR 2.144 million; previous year: EUR 1.939 million) and to financial assets (EUR 720 thousand; previous year: EUR 12.168 million). The additions to intangible assets result primarily from the development of the Global Ticketing System (EUR 9.123 million; previous year: EUR 10.083 million), Information Science (EUR 608 thousand; previous year: EUR 574 thousand) and ticketing distribution rights (EUR 2.145 million; previous year: EUR 394 thousand). The additions to property, plant and equipment relate primarily to IT hardware for operating the Global Ticketing System (EUR 1.098 million; previous year: EUR 882 thousand), advance payments for the modernisation of the Waldbühne Berlin (EUR 646 thousand; previous year: EUR 125 thousand) and for connecting box offices to the Global Ticketing System (EUR 69 thousand; previous year: EUR 407 thousand). The additions to financial assets in the reporting year relate primarily to the acquisition of further 49% in shares in Medusa Music International GmbH (formerly: RP-Eventim GmbH), Düsseldorf (EUR 23 thousand), payments in shareholders' equity of the newly founded Eventim Marketing und Sponsoring GmbH, Hamburg (EUR 25 thousand), and capital increase of Eventim Sony Holding Ltd, London, Great Britain (EUR 663 thousand).

All **trade receivables** are due within one year.

**Receivables from affiliated companies** include trade receivables amounting to EUR 10.956 million (previous year: EUR 10.068 million) and loan receivables of EUR 31.367 million (previous year: EUR 6.210 million). With an amount of EUR 6.462 million (previous year: EUR 5.520 million) receivables from affiliated companies have a remaining term of more than one year.

**Receivables from participations** include loan receivables amounting to EUR 28 thousand (previous year: EUR 1.586 million). All receivables are due within one year.

**Other assets** include EUR 1.990 million in receivables with a remaining term of between one and five years (previous year: EUR 1.950 million).

**Prepaid expenses** mainly comprise EUR 455 thousand in prepaid financing expenses (previous year: EUR 836 thousand) and EUR 1.170 million in maintenance expenses (previous year: EUR 1.061 million).

## SHAREHOLDERS' EQUITY AND LIABILITIES

As at the closing date, the company had issued 96,000,000 no-par value bearer shares. Each share represents an arithmetic share in the **share capital** of EUR 1.00.

The **contingent capital** totals EUR 44,000,000 as at 31 December 2017.

**Treasury stock** of EUR 8,700 resulting from initial shares of 2,175 shares that were purchased on 31 July 2007 at a price of EUR 28.99 per share due to a shareholder resolution according to § 71 (1) No. 8 AktG. As a result of the share capital increase the number of treasury stock currently amounts to 8,700 shares at an appropriate purchase price of EUR 7.25. They represent 0.009% or EUR 8,700 of the registered share capital. In the context of the current application of the recognition and measurement rules the nominal value of treasury stock was deducted from subscribed capital.

The premium (§ 272 (2) No. 1 HGB) for the shares issued on the stock exchange is disclosed under **capital reserve**. As part of the share capital increase using company funds implemented in October 2005, EUR 12,000,000 of the capital reserve was converted to subscribed share capital, and 12,000,000 new no-par value bearer shares were issued. As part of the further share capital increase using company funds implemented in May 2011, a further EUR 24,000,000 of reserve was converted to subscribed share capital, and 24,000,000 new no-par value bearer shares were issued.

According to § 150 AktG corporations must form a **statutory reserve,** if the capital reserve does not constitute 10% of the registered capital. Annual allocations to the statutory reserve amount to 5% of net income for the year until 10% of subscribed share capital is covered by the capital reserve and statutory reserve. In the financial year 2015, the legal reserve was increased by EUR 1,981,607 for the last time so that the statutory reserve and the capital reserve as of 31 December 2015 totalled 10% of the share capital.

Based on its option right for measuring internally generated assets in accordance with § 248 (2) HGB, an amount of EUR 410 thousand is derived which is barred from distribution. Internally generated intangible assets of EUR 605 thousand were capitalised and based on these deferred tax liabilities of EUR 195 thousand were recognised. As there are sufficient available reserves compared to the amount bared from distribution, the **payout restriction** according to § 268 (8) HGB does not come into effect.

The **balance sheet profit** developed as follows:

| | **2017** | **2016** |
|---|---|---|
| | **[EUR'000]** | **[EUR'000]** |
| Balance sheet profit as at 1 January | 180,635 | 143,256 |
| Net income for the year | 95,392 | 81,535 |
| | **276,027** | **224,791** |
| Dividends | -94,071 | -44,156 |
| **Balance sheet profit as at 31 December** | **181,955** | **180,635** |

## RESOLUTIONS OF THE SHAREHOLDERS' MEETING

At the shareholders' Meeting on 21 January 2000, a **contingent share capital** increase of EUR 180,000 was agreed (contingent capital 2000/1). This increase shall be affected only to the extent that holders of options issued under the **Stock Option Plan** on the basis of the authorisation granted on 21 January 2000 exercise their stock options. The new shares participate in the profits of the company from the beginning of the financial year in which the stock options are exercised. The Management Board is authorised, subject to approval by the Supervisory Board, to specify the further details of the contingent capital increase and its implementation. As a consequence of the shareholders' decisions on 23 August 2005, 13 May 2011 and 8 May 2014 to increase the share capital to a total of EUR 96,000,000, this contingent share capital has increased accordingly to a total of EUR 1,440,000 in accordance with section § 218 sentence 1 AktG. No use has been made so far of this authorisation.

The Annual shareholders' Meeting of the company held on 23 August 2005 resolved to increase the **share capital** of CTS KGaA, originally amounting to EUR 12,000,000, by adding an additional EUR 12,000,000 from reserves. The Annual Shareholders' Meeting of the company held on 13 May 2011 resolved to increase the subscribed share capital of CTS KGaA from EUR 24,000,000 to EUR 48,000,000 by adding EUR 24,000,000 from company funds. The Annual Shareholders' Meeting of the company held on 8 May 2014 resolved to increase the share capital of CTS KGaA from EUR 48,000,000 by converting EUR 48,000,000 from reserves. As at the closing date, the company had thus issued 96,000,000 no-par value bearer shares. Each share represents an arithmetic share in the share capital of EUR 1.00.

By resolution of the shareholders' Meeting held on 7 May 2015, the general partner was authorised under § 71 (1) No. 8 AktG to purchase **treasury stock** amounting to up to 10% of the registered share capital as at the date of resolution, by 6 May 2020, and to use these for specific purposes except for the purpose of trading as detailed in the resolution, partially with exclusion of subscription rights for shareholders. The counter value paid for these shares may not fall below the traded price by more than 5%. The applicable share price is defined as the mean closing price for shares on the XETRA trading platform during the last five trading days before publication of the offer to purchase the shares. The volume of the offering may be limited. If the total subscription to the bid exceeds said volume, quotas shall be allocated in proportion to the number of shares offered in each case. The authorisation to repurchase own shares may be exercised under the aforementioned restrictions in partial amounts, on one or more occasions, and to pursue one or more aims.

By resolution of the shareholders' Meeting held on 8 May 2013, the Management Board has been authorised, with a resolution of a **contingent capital**, to issue **warrant bonds and convertible bonds** by 7 May 2018, to a total par value of up to EUR 275,000,000 and with a maximum term of 20 years, contingent on Supervisory Board approval, and to grant the bearers of warrant bonds options and the bearers of convertible bonds conversion rights on up to 22,000,000 new no-par bearer shares of the company, equal to share capital of up to EUR 22,000,000, and excluding the rights of the shareholders to the convertible bonds under certain conditions within the permissible statutory subscription. In view of the possibility to issue shares to the shareholder arising from warrant and convertible bonds resulted through this resolution, a contingent capital of EUR 22,000,000 was formed (contingent capital 2013).

By resolution of the Annual shareholders' Meeting on 8 May 2014, the company's contingent capital 2013 was increased to EUR 44,000,000 by issuing up to 44,000,000 new no-par bearer shares entitled to participate in profits as from the beginning of the financial year in which they were issued. The new shares shall be issued at the respective option or conversion price to be specified. The contingent capital increase shall be carried out only to the extent that use is made of the option or conversion rights under the bonds, or conversion obligations in respect of such bonds are honoured, and as far as the company does not honour its obligation to grant shares by transferring treasury shares to the bearers of such bonds. The general partner is authorised to stipulate further details for implementing the contingent increase.

Furthermore, by resolution of the Annual shareholders' Meeting on 8 May 2014, the general partner was authorised to increase the share capital in full or partial amounts, on one or more occasions, by up to EUR 48,000,000 by 7 May 2019, contingent on Supervisory Board approval, by issuing up to 48,000,000 new bearer shares against cash contributions or contributions in kind (approved capital 2014).

**Other provisions** include EUR 4.063 million in provisions for personnel expenses (previous year: EUR 3.669 million), EUR 6.684 million for outstanding supplier invoices (previous year: EUR 6.733 million), EUR 2.959 million for outstanding commission (previous year: EUR 2.460 million), EUR 167 thousand for accounting and auditing expenses (previous year: EUR 552 thousand), EUR 118 thousand for Supervisory Board emoluments (previous year: EUR 58 thousand).

Of the **liabilities to affiliated companies**, EUR 1.433 million (previous year: EUR 2.752 million) relate to trade payables and EUR 1.420 million (previous year: EUR 1.418 million) to loan liabilities.

The residual terms of the liabilities as at 31 December 2017 are shown in the following statement of liabilities:

| 2017 | Carrying value | Remaining term | |
|---|---|---|---|
| | 31.12.2017 | ≤ 1 Year | > 1 Year |
| | [EUR] | [EUR] | [EUR] |
| Liabilities to banks | 93,383,523 | 44,383,523 | 49,000,000 |
| Trade payables | 11,102,043 | 11,102,043 | 0 |
| Payables to affiliated companies | 2,854,792 | 1,434,792 | 1,420,000 |
| Other liabilities | 211,697,133 | 211,697,133 | 0 |
| **Liabilities, total** | **319,037,490** | **268,617,490** | **50,420,000** |

The residual terms of the liabilities as at 31 December 2016 are shown in the following statement of liabilities:

| 2016 | Carrying value | Remaining term | |
|---|---|---|---|
| | 31.12.2016 | ≤ 1 Year | > 1 Year |
| | [EUR] | [EUR] | [EUR] |
| Liabilities to banks | 95,636,890 | 14,351,186 | 81,285,704 |
| Trade payables | 6,742,196 | 6,742,196 | 0 |
| Payables to affiliated companies | 4,445,070 | 4,445,070 | 0 |
| Other liabilities | 171,317,637 | 171,317,637 | 0 |
| **Liabilities, total** | **278,141,793** | **196,856,089** | **81,285,704** |

There are no liabilities with a maturity of more than five years.

**Other liabilities**, at EUR 211.697 million, mainly include EUR 187.661 million in liabilities in respect of ticket monies that have not yet been invoiced (previous year: EUR 151.102 million). These liabilities result primarily from presales for future events and tours. The liabilities in respect of ticket monies that have not yet been invoiced are offset by bank balances and by receivables in respect of outstanding ticket monies of EUR 17.558 million (previous year: EUR 14.701 million) and factoring receivables of EUR 22.266 million (previous year: EUR 18.929 million), as stated under other assets. Other liabilities include EUR 34.396 million in liabilities to affiliated companies in respect of ticket monies that have not yet been invoiced (previous year: EUR 8.707 million).

Taxes account for EUR 6.306 million (previous year: EUR 4.962 million) of the other liabilities. As at the balance sheet date no liabilities for social security were recorded, same as last year.

**Deferred tax liabilities** relate primarily to different accounting policies governing the recognition of intangible assets in the commercial balance sheet and fiscal balance sheet in connection with the chain merger of See Tickets Germany GmbH, Hamburg, and Ticket Online Software GmbH, Hamburg, in 2013 (EUR 846 thousand; previous year: EUR 1.027 million) and the recognition of internally generated intangible assets in the reporting year of EUR 195 thousand (previous year: EUR 189 thousand). Furthermore, deferred tax liabilities were recognised for different accounting policies relating to participations in affiliated companies (EUR 78 thousand; previous year: EUR 77 thousand).

Measurement of deferred taxes are based on an effective taxation rate of 32.3%, obtained from a corporate tax rate of 15.0% plus a solidarity supplement of 5.5% on corporation tax and a municipal trade tax rate of 16.5%.

## 3.2 INCOME STATEMENT

**Revenue** is broken down as follows:

| | 2017 | 2016 | Change |
|---|---|---|---|
| | [EUR'000] | [EUR'000] | [EUR'000] |
| **Ticket fees** | 182,098 | 169,699 | 12,399 |
| **Licence fees** | 14,124 | 14,146 | -22 |
| **Other revenues** | | | |
| Other service charges | 10,675 | 9,505 | 1,170 |
| Commissions | 5,074 | 4,034 | 1,040 |
| Recharged services | 3,348 | 2,064 | 1,284 |
| Others | 9,745 | 7,687 | 2,058 |
| | **225,063** | **207,135** | **17,928** |

EUR 19.717 million of total revenue was generated in foreign countries (previous year: EUR 19.617 million).

**Material expenses** comprised the following items pursuant to § 275 (2) 5 HGB:

| Material expenses (according to total cost method) | 2017 | 2016 | Change |
|---|---|---|---|
| | [EUR'000] | [EUR'000] | [EUR'000] |
| Cost of purchased merchandise | 823 | 1,114 | -291 |
| Cost of purchased services | 80,467 | 72,358 | 8,109 |
| | **81,290** | **73,472** | **7,818** |

**Personnel expenses** comprised the following items, pursuant to § 275 (2) No. 6 HGB:

| Personnel expenses (according to total cost method) | 2017 | 2016 | Change |
|---|---|---|---|
| | [EUR'000] | [EUR'000] | [EUR'000] |
| Wages and salaries | 23,532 | 21,401 | 2,131 |
| Social security contributions and expenses for pension and employee support<br>thereof expenses for pension EUR 0 (2016: EUR 0) | 2,757 | 2,487 | 270 |
| | **26,289** | **23,888** | **2,401** |

The **selling expenses** for the financial year 2017 (according to the 'cost of sales' method) include EUR 10.993 million in personnel expenses (previous year: EUR 10.335 million), EUR 10.536 million in other operating expenses (previous year: EUR 8.368 million) and EUR 7.649 million in amortisation of goodwill (previous year: EUR 7.649 million)

**Other operating income** includes non-periodic income of EUR 1.735 million (previous year: EUR 225 thousand) in income from the reversal of allowances for doubtful accounts, EUR 1.198 million in income from derecognised liabilities (previous year: EUR 874 thousand), EUR 654 thousand in income from the reversal of provisions (previous year: EUR 706 thousand),EUR 41 thousand for subsequent reimbursements (previous year: EUR 70 thousand) and EUR 36 thousand income from disposal of fixed assets (previous year: EUR 41 thousand).

In addition, other operating income includes income of EUR 2.453 million from the integration of the GSO Gesellschaft für Softwareentwicklung und Organisation & Co. KG, Bremen.

**Other operating expenses** include EUR 71 thousand (previous year: EUR 539 thousand) in non-periodic expenses from follow-up invoices and granted credit notes and losses from disposal of fixed assets, at EUR 5 thousand (previous year: EUR 174 thousand).

The EUR 22.800 million in **income from participations** was entirely generated by affiliated companies (previous year: EUR 23.430 million).

**Other interest and similar income** includes EUR 436 thousand in income from affiliated companies (previous year: EUR 374 thousand).

**Interest and similar expenses** include expenses of affiliated companies amounting to EUR 25 thousand (previous year: EUR 27 thousand).

**Income Taxes** include EUR 19.117 million in municipal trade tax (previous year: EUR 15.344 million), EUR 17.876 million in corporation tax (previous year: EUR 14.640 million) and EUR 983 thousand (previous year: EUR 805 thousand) in solidarity supplement to corporation tax for the financial year 2017. Taxes on income also include foreign withholding tax expense, at EUR 95 thousand (previous year: EUR 88 thousand), non-periodic expenses for retrospective tax refunds for previous years, at EUR 471 thousand (previous year: EUR 179 thousand), non-periodic income for retrospective tax payments for previous years, at EUR 5 thousand (previous year: EUR 227 thousand).

Furthermore, income taxes include income from the formation of deferred tax assets at EUR 82 thousand (previous year: EUR 14 thousand) and income from the release of deferred liabilities taxes in the amount of EUR 179 thousand (previous year: EUR 140 thousand).

**Other taxes** amounting to EUR 1 thousand (previous year: EUR -150 thousand) relate to vehicle tax expenses (previous year: EUR 4 thousand). In the previous year other taxes include income for subsequent VAT tax at EUR 154 thousand.

In accordance with § 158 AktG, reconciliation of the net income for the year to the balance sheet profit is as follows:

| | 2017 | 2016 |
|---|---|---|
| | [EUR'000] | [EUR'000] |
| Net income for the year | 95,392 | 81,535 |
| Profit carried forward | 86,564 | 99,100 |
| **Balance sheet profit as at 31 December** | **181,955** | **180,635** |

Of the balance sheet profit for the previous year, at EUR 180.635, EUR 94.072 million were distributed to shareholders and EUR 86.564 million were carried forward to the new account.

## 4. OTHER DISCLOSURES

### 4.1 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

The company bears liability for debts owed to banks by CTS Eventim Solutions GmbH, Bremen. As at the closing date, CTS Eventim Solutions GmbH, Bremen, has no liabilities to banks. CTS KGaA also bears liability for bank credit and guarantee facilities granted to subsidiaries, which amount to EUR 8.161 million (previous year: EUR 8.502 million). As at the closing date, there was a claim for guarantee facilities amounting to EUR 5.492 million (previous year: EUR 3.652 million). It is not expected that any claims will be asserted against CTS KGaA on account of this assumption of liability, given the positive future earnings position and financial situation of the subsidiaries.

The company is also liable for liabilities from outstanding fees of four foreign subsidiaries with regard to payment service providers from the settlement of retail payments. A claim is not to be expected because the payment service provider withheld the fees continuously from the payments processed.

Following acquisition of the Ticketcorner Group in 2010, the company also bears liability for up to a maximum of CHF 26.000 million owed to banks by Ticketcorner Holding AG, Rümlang (hereinafter: Ticketcorner Holding AG). The debts owed to banks by Ticketcorner Holding AG amount to CHF 28.231 million as at the closing date. Due to the positive earnings performance expected of the Ticketcorner Group, it is assumed that Ticketcorner Holding AG as holding company will be able to honour its obligations. No demands on CTS KGaA due to the assumption of liability are therefore expected. As further collateral for these liabilities, the company has pledged its shares, which amount to 50% of the share capital of Tickercorner Holding AG, to the bank. For the aforementioned reasons, it is not expected that any claims will be made against the pledge.

CTS KGaA has issued a letter of comfort limited until 31 March 2019 to FKP SCORPIO Konzertproduktionen GmbH, Hamburg, to secure payment obligations of EUR 2.500 million. Due to the positive budget of FKP SCORPIO a claim is not expected.

As at the closing date, other financial obligations relating to short- and medium-term rental, leasing and other contractual agreements amount to EUR 6.962 million (previous year: EUR 9.826 million). Of that total, EUR 3.121 million (previous year: EUR 3.356 million) are due within one year. Future rental obligations account for EUR 6.337 million (previous year: EUR 9.012 million), leasing obligations for EUR 440 thousand (previous year: EUR 348 thousand) and other obligations for EUR 184 thousand (previous year: EUR 466 thousand). The other financial commitments are EUR 33 thousand to affiliated companies (previous year: EUR 33 thousand).

## 4.2 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised at market value for each single instrument. When the requirements for forming valuation units are met the hedging and underlying transactions are combined in a single valuation unit. The basis for the formed valuation units are micro-hedge-relationship where the risk from the underlying transaction is hedged by each hedging instrument.

In the reporting year, CTS KGaA concluded forward foreign exchange transactions to hedge against budgeted royalties denominated in Swiss Francs (CHF). A single valuation unit was formed, in the sense of § 254 HGB, for the share in expected future royalty income. The fair value of a terminated single valuation unit amounted to EUR 42 thousand as at the balance sheet date (previous year: EUR -4 thousand).

The effectiveness of the hedging instruments is assessed prospectively and retrospectively on the basis of the dollar offset method, in which the absolute changes in the value of the hedged item and the hypothetical derivative are compared.

The valuation unit for foreign exchange risks was recognised by using the net hedge presentation method. Effective results from hedging instruments are not recorded until the underlying business transaction takes place. Negative impacts (ineffectiveness) were valued using the imparity principle and recorded as provision for pending losses. Provisions for pending losses did not exist as of the balance sheet date.

## 4.3 TRANSFER OF FINANCIAL ASSETS

In 2015, CTS KGaA has concluded an agreement with a factoring company on the sale of trade receivables from private customers to improve liquidity management. Under the agreement, outstanding trade receivables are only sold for the payment method ‘purchase on account’ and ’purchase on instalments’ as well as trade receivables connected with the web shops of the company. The factoring company performs the credit management including credit checks, default payment and collection proceedings of receivables on account for CTS KGaA. For the provided service function in 2017, an adequate remuneration of EUR 1.830 million (previous year: EUR 1.119 million) is recognised in the cost of sales.

The collection risk associated with the sold receivables was completely transferred to the factor. Hence, all significant risks and rewards of the assigned trade receivables are transferred to the factoring company. As at 31 December 2017, the carrying amount and the fair value of the transferred receivables to the factoring company amounts up to EUR 22.266 million (previous year: EUR 18.929 million).

The only relevant risk for risk assessment represents the possibility of a transfer of costs for default by the factoring company to the CTS KGaA. With notification and exceeding so-called ‘peak times’ (transaction per second), the factoring company can bill the resulting default rate of end customers to the CTS KGaA. In the reporting period 2017 due to the lack of unreported and incurred ‘peak times’ no further defaults were charged.

## 4.4 APPROPRIATION OF EARNINGS

In the financial year 2017, CTS KGaA generated EUR 95.392 million in net income according to the German Commercial Code. The Management Board of the general partner and Supervisory Board of the company propose to the Shareholders' Meeting that out of the balance sheet profit as at 31 December 2017 amounting to EUR 181.955 million a dividend of EUR 56.635 million (EUR 0.59 per eligible share) shall be distributed and that the remaining amount shall be carried forward to the new account.

## 4.5 LIST OF PARTICIPATIONS

A list of shareholdings is published on the company's website. These disclosures are published on the CTS KGaA website under http://www.eventim.de/tickets.html?affiliate=EVE&fun=tdoc&doc=eventim/default/info/de/investor/investorStructure.

## 4.6 EXECUTIVE BODIES OF CTS KGAA

The members of the Management Board of the general partner in the financial year were as follows:

**Klaus-Peter Schulenberg, Bremen**
–Chief Executive Officer –

**Dipl.-Ökonom Volker Bischoff, Bremen**
– Chief Financial Officer –

**Dipl.-Betriebswirt Alexander Ruoff, Bremen**
– Chief Operative Officer –

The amounts of compensation amount to EUR 5.101 million (previous year: EUR 5.101 million).

The members of the Supervisory Board exercised the following mandates in the business year:

**Dr. Bernd Kundrun, Managing Director of Start 2 Ventures GmbH, Hamburg/Germany** – chairman –
other supervisory board positions:

- EVENTIM Management AG, Hamburg (chairman of the board)
- gut.org non-profit limited company, Berlin (honorary chairman)
- RTL Group, Luxembourg, Luxembourg
- NZZ AG, Zurich, Switzerland
- Comecave GmbH, Dortmund

**Prof. Jobst W. Plog, Lawyer, Hamburg/Germany** – deputy chairman –
other supervisory board positions:

- EVENTIM Management AG, Hamburg (deputy chairman)
- Verlagsgesellschaft Madsack GmbH & Co. KG, Hannover (deputy chairman)

**Dr. Juliane Thümmel, Senior Government Official at the Permanent Representation of the Federal Republic of Germany to the European Union, St. Gilles/Belgium**
other supervisory board positions:

- EVENTIM Management AG, Hamburg

**Justinus J.B.M. Spee, Board Member of Stage Entertainment B.V., Amsterdam, Badhoevedorp/Netherlands**
other supervisory board positions:

- EVENTIM Management AG, Hamburg
- Stage Entertainment B.V., Amsterdam, Netherlands
- Brunel N.V., Amsterdam, Netherlands
- Asito Diensten Groep S.E., Almelo, Netherlands
- Redevco B.V., Amsterdam, Netherlands

The members of the Supervisory Board of CTS KGaA received emoluments totalling EUR 233 thousand (previous year: EUR 100 thousand) as well as reimbursed expenses of EUR 4 thousand (previous year: EUR 6 thousand) for the 2017 financial year.

Individualised information on the remuneration of the Management Board and the Supervisory Board is presented in the compensation report, which is part of the combined management report.

## 4.7 EMPLOYEES

On average, 338 persons were employed by the company during the year (previous year: 306). These were all salaried employees.

## 4.8 DECLARATION CONCERNING THE CORPORATE GOVERNANCE CODE

On 20 December 2017, the Management Board of the general partner and the Supervisory Board of CTS KGaA released a further declaration of compliance with the recommendations of the 'Government Commission on the German Corporate Governance Code' pursuant to § 161 AktG, and made said declaration permanently available to shareholders on the CTS KGaA website (http://www.eventim.de/tickets.html?affiliate=GMD&fun=tdoc&doc=eventim/default/info/en/investor/investorCorporateGovernance).

## 4.9 PARTICIPATING PERSONS

The company received notifications under § 21 (1) WpHG (Securities Trading Act) concerning investments exceeding 3% or 5% of the voting rights, and investments increasing beyond or falling below 3% or 5% of the voting rights.

Fidelity Investment Trust, Boston, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA fell below the 3% threshold on 27 February 2017 and amounted on the latter date to 2.97% (2,855,908 votes) and that these voting rights of 2.97% (2,855,908 votes) are allocated in their entirely to Fidelity Investment Trust under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FMR LLC, Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 30 March 2017 and amounted on the latter date to 3.67% (3,525,159 votes) and that these voting rights of 3.67% (3,525,159 votes) are allocated in their entirety to FMR LLC under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

BlackRock, Inc., Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 26 April 2017 and amounted on the latter date to 4.09 % (3,929,925 votes) and that these voting rights of 4.09% (3,929,925 votes) are allocated in their entirety to BlackRock under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FMR LLC, Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA fell below the 3% threshold on 27 April 2017 and amounted on the latter date to 2.98% (2,856,830 votes) and that these voting rights of 2.98% (2,856,830 votes) are allocated in their entirety to FMR LLC under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

Ameriprise Financial Inc., Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 28 April 2017 and amounted on the latter date to 3.001% (2,880,888 votes) and that these voting rights of 3.001% (2,880,888 votes) are allocated in their entirety to Ameriprise Financial under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

Ameriprise Financial Inc., Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 23 May 2017 and amounted on the latter date to 3.17% (3,044,073 votes) and that these voting rights of 3.17% (3,044,073 votes) are allocated in their entirety to Ameriprise Financial under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

BlackRock, Inc., Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 30 June 2017 and amounted on the latter date to 3.84% (3,689,779 votes) and that these voting rights of 3.84% (3,689,779 votes) are allocated in their entirety to BlackRock under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

BlackRock, Inc., Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 25 July 2017 and amounted on the latter date to 3.75% (3,597,329 votes) and that these voting rights of 3.75% (3,597,329 votes) are allocated in their entirety to BlackRock under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

BlackRock, Inc., Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA fell below the 3% threshold on 11 August 2017 and amounted on the latter date to 2.95% (2,833,486 votes) and that these voting rights of 2.95% (2,833,486 votes) are allocated in their entirety to BlackRock under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FMR LLC, Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 15 August 2017 and amounted on the latter date to 3.01% (2,893,796 votes) and that these voting rights of 3.01% (2,893,796 votes) are allocated in their entirety to FMR LLC under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FMR LLC, Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA fell below the 3% threshold on 18 August 2017 and amounted on the latter date to 2.99% (2,867,110 votes) and that these voting rights of 2.99% (2,867,110 votes) are allocated in their entirety to FMR LLC under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FMR LLC, Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 25 August 2017 and amounted on the latter date to 3.04% (2,915,691 votes) and that these voting rights of 3.04% (2,915,691 votes) are allocated in their entirety to FMR LLC under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FMR LLC, Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA fell below the 3% threshold on 11 September 2017 and amounted on the latter date to 2.99% (2,879,218 votes) and that these voting rights of 2.99% (2,879,218 votes) are allocated in their entirety to FMR LLC under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FMR LLC, Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 2 October 2017 and amounted on the latter date to 3.01% (2,884,990 votes) and that these voting rights of 3.01% (2,884,990 votes) are allocated in their entirety to FMR LLC under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FMR LLC, Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA fell below the 3% threshold on 23 October 2017 and amounted on the latter date to 2.87% (2,758,692 votes) and that these voting rights of 2.87% (2,758,692 votes) are allocated in their entirety to FMR LLC under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

NN Group N.V., Amsterdam, Netherlands, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA fell below the 5% threshold on 28 November 2017 and amounted on the latter date to 4.99% (4,795,146 votes) and that these voting rights of 4.99% (4,795,146 votes) are allocated in their entirety to NN Group under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

Ameriprise Financial Inc., Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 19 February 2018 and amounted on the latter date to 3.73% (3,582,032 votes) and that these voting rights of 3.73% (3,582,032 votes) are allocated in their entirety to Ameriprise Financial under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

On 28 December 2015, Klaus-Peter Schulenberg transferred his shares of CTS KGaA as well as his shares of EVENTIM Management AG to KPS Stiftung seated in Hamburg. Klaus-Peter Schulenberg’s holdings in CTS KGaA and EVENTIM Management AG are only being converted from a direct into an indirect holding. In April 2017, CTS KGaA was informed by the KPS Stiftung that the KPS Stiftung has completed a sale of 6,720,000 shares of CTS KGaA, so that since then the KPS Stiftung holds 41,474,000 shares (43.2% of the share capital and voting rights).

## 4.10 AUDITOR EXPENSES

Disclosure of the fees paid to the company's auditor is waived because these details are provided in item 6.11 of the notes to the consolidated financial statements. In the financial year 2017, fees were paid for the audit and other services.

The other services primarily relate to benefits for the project EU General Data Protection Regulation (EU-GDPR) amounting to EUR 241 thousand. The complex EU-GDPRproject was initiated in early 2017 due to the new Regulation of the European Commission of 27 April 2016 on the protection of personal data set up together with KPMG. The European General Data Protection Regulation aims at a uniform level of data protection and will be mandatory from 25 May 2018 in all EU Member States. Furthermore the auditors provided other due diligence services within the framework of acquisition projects amounting to EUR 20 thousand and services for sustainability reporting of EUR 34 thousand. The other services were already commissioned at the beginning of 2017, before the appointment of KPMG as auditor.

## 4.11 EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date, there were no significant changes in the economic environment or our industry situation. No further events requiring disclosure took place after the balance sheet date for the CTS KGaA.

## 4.12 ASSURANCE BY LEGAL REPRESENTATIVES

To the best of our knowledge, the annual financial statements give a true and fair view of the company's earnings performance, financial position and cash flow, in accordance with the applicable reporting principles, and that the combined management report presents the course of business, including the company's profits and situation, in a way that accurately reflects actual circumstances and truthfully describes the main opportunities and risks associated with the company's expected development.

Bremen, 28 February 2018

CTS EVENTIM AG & Co. KGaA

represented by:

EVENTIM Management AG, general partner

Klaus-Peter Schulenberg | Volker Bischoff | Alexander Ruoff

# 9. INDEPENDENT AUDITOR'S REPORT

To CTS Eventim AG & Co. KGaA, Munich

## REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

### OPINIONS

We have audited the annual financial statements of CTS Eventim AG & Co. KGaA, Munich, which comprise the balance sheet as at 31 December 2017, and the income statement for the financial year from 1 January to 31 December 2017, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the combined management report of CTS Eventim AG & Co. KGaA and the Group for the financial year from 1 January to 31 December 2017.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, in compliance with German Legally Required Accounting Principles, and

- the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the combined management report.

## BASIS FOR THE OPINIONS

We conducted our audit of the annual financial statements and of the combined management report in accordance with Section 317 HGB and EU Audit Regulation No. 537/2014 (referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Annual Financial Statements and of the Combined Management Report” section of our auditor’s report.

We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 (1) of the EU Audit Regulation with the exception of the following. Before KPMG AG Wirtschaftsprüfungsgesellschaft was appointed as auditor of the Company for financial year 2017 by the annual general meeting of 9 May 2017, minor support services for internal audit and tax advisory had been provided in March and April 2017 to two immaterial foreign subsidiaries.

These services are insignificant for the audited consolidated financial statements and, after evaluation for their qualitative and quantitative significance, they did not compromise our independence. The Supervisory Board of CTS Eventim AG & Co. KGaA, after carefully examining the matter, came to the same conclusion by resolution dated 24 August 2017.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the combined management report.

## KEY AUDIT MATTERS IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

### IMPAIRMENT TESTING OF SHARES IN AFFILIATED COMPANIES

Please refer to note 2 in the notes to the financial statements for more information on the accounting policies applied.

### THE FINANCIAL STATEMENT RISK

In the financial statements of CTS Eventim AG & Co. KGaA as at 31 December 2017, shares in affiliated companies of EUR 210.7 million are recognised under financial assets. The shares in affiliated companies account in total for 32% of total assets and thus have a material effect on the Company's net assets.

Shares in affiliated companies are recognised at cost or, if they are expected to be permanently impaired, at their lower fair value. The Company determines the fair value of the shares in affiliated companies using the discounted cash flow method (DCF).

The cash flows used for the DCF method are based on individual projections for each investment for the next five years which are extrapolated based on assumptions for long-term growth rates. The respective capitalisation rate is derived from the return on a risk-appropriate alternative investment.

Impairment testing including the measurement of fair value using the DCF earnings method is complex and, as regards the assumptions made, heavily dependent on the Company's estimates and judgements. This also applies to estimates of future cash flows and long-term growth rates, and the determination of the capitalisation rate.

The Company did not recognise impairment losses on shares in affiliated companies in financial year 2017. There is a risk for the financial statements that shares in affiliated companies are impaired.

## OUR AUDIT APPROACH

We initially referred to explanations of the investment controlling department and assessed documentation to obtain an understanding of the Company's process for impairment testing shares held in affiliated companies. In doing so, we thoroughly examined the Company's approach to determining the need to recognise impairment losses and, based on the information obtained in the course of our audit, assessed whether there were indications of impairment that had not been identified by the Company.

Based on the information obtained and with the involvement of our valuation specialists, we then evaluated shares selected according to risk criteria and assessed the appropriateness of the significant assumptions and the valuation model of the Company with respect to these shares. For this purpose we discussed the expected cash flows and the assumed long-term growth rates with those responsible for planning. We also reconciled this information with the five-year plan prepared by the Management Board and the budget prepared by the Management Board and approved by the Supervisory Board. Furthermore, we evaluated the consistency of assumptions with external market assessments.

We also confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual results and analysed deviations.

We compared the assumptions and parameters underlying the capitalisation rate to our own assumptions and publicly available data. In order to take account of forecast uncertainty, we also investigated the impact of potential changes in the capitalisation rate and the long-term growth rate on fair value (sensitivity analysis) by calculating alternative scenarios and comparing these with the Company's measurements. To ensure the computational accuracy of the valuation model used, we verified the Company's calculations on the basis of selected risk-based elements.

## OUR OBSERVATIONS

The approach used for impairment testing of shares in affiliated companies is appropriate and in line with the accounting policies. The Company's assumptions and estimates are balanced on the whole.

## OTHER INFORMATION

Management is responsible for the other information. The other information comprises the annual report, with the exception of the audited annual financial statements, consolidated financial statements and combined management report and our auditor's report.

Our opinions on the annual financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

## RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE ANNUAL FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the combined management report.

## AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Company’s position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our opinions on the annual financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the annual financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

- Evaluate the consistency of the combined management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## OTHER LEGAL AND REGULATORY REQUIREMENTS

### FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as auditor by the annual general meeting on 9 May 2017. We were engaged by the supervisory board on 9 November 2017. We have been the auditor of CTS Eventim AG & Co. KGaA since financial year 2017.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

## GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The audit partner primarily responsible for the engagement is Haiko Schmidt.

Hamburg, 1 March 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

| Schmelzer<br>Wirtschaftsprüfer<br>[German Public Auditor] | Schmidt<br>Wirtschaftsprüfer<br>[German Public Auditor] |
| --- | --- |

## FORWARD-LOOKING STATEMENTS

This Annual Report contains forecasts based on assumptions and estimates by the management of CTS KGaA. These statements based on assumptions and estimates are in the form of forward-looking statements using terms such as believe, assume, expect etc. Even though management believes that these assumptions and estimates are correct, it is possible that actual results in the future may deviate materially from such assumptions and estimates due to a variety of factors. The latter may include changes in the macroeconomic environment, in the statutory and regulatory framework in Germany and the EU, and changes within the industry. CTS KGaA does not provide any guarantee or accept any liability or responsibility for any divergence between future developments and actual results, on the one hand, and the assumptions and estimates expressed in this Annual Report. CTS KGaA has no intention and undertakes no obligation to update forward-looking statements in order to adjust them to actual events or developments occurring after the date of this report.

The German version of the Annual Report takes priority over the English translation in the event of any discrepancies. Both language versions can be downloaded at www.eventim.de.

## CONTACT

CTS EVENTIM AG & Co. KGaA
Contrescarpe 75 A
28195 Bremen
Phone: +49 (0) 421 / 36 66 - 0
Fax: +49 (0) 421 / 36 66 - 2 90

www.eventim.de
investor@eventim.de

## PUBLISHERS' NOTES

**PUBLISHED BY:**

CTS EVENTIM AG & Co. KGaA
Contrescarpe 75 A
28195 Bremen
Phone: +49 (0) 421 / 36 66 - 0
Fax: +49 (0) 421 / 36 66 - 2 90

**EDITORIAL OFFICE:**

CTS EVENTIM AG & Co. KGaA

**ARTWORK:**

SECHSBAELLE, Bremen
www.sechsbaelle.de

**COVER PICTURE:**

ALDA Germany GmbH