Annual Report 2006

eventim

Content

1.	05	**Overview**
2.	06	**Report by the Supervisory Board**
3.	08	**Foreword by the Management Board**
4.	10	**CTS shares**
5.	11	**Corporate governance report of CTS EVENTIM AG**
6.	14	**Summarised management report**
	14	Preliminary statements
	14	Business and environment
	21	Earnings performance, financial position and cash flow
	35	Brief assessment of fiscal year
	35	Appropriation of earnings of CTS AG
	36	Dependencies report for CTS AG
	36	Events after balance sheet date
	37	Risk report
	41	Statements pursuant to § 315 (4) HGB and/or § 289 (4) HGB
	41	Outlook
7.	44	**Consolidated financial statements 2006**
	44	Consolidated balance sheet
	46	Consolidated income statement
	47	Consolidated statement of changes in shareholders' equity
	48	Consolidated cash flow statement
	49	Notes to the consolidated financial statements
8.	88	**Financial statements for CTS AG 2006**
	88	Balance sheet
	90	Income statement
	92	Notes to the financial statements
	107	**Contact, Publisher's notes**

1. Overview

Key group figures

	01.01.-31.12.2006	01.01.-31.12.2005
	[EUR'000]	[EUR'000]
Revenues	342,927	256,179
Gross profit	88,957	63,508
Personnel expenses	26,979	21,928
Operating profit before depreciation and amortization (EBITDA)	52,018	37,455
Depreciation and amortization	6,335	4,716
Operating profit (EBIT)	45,683	32,739
Profit from ordinary business activities (EBT)	47,983	33,902*
Net income for the year after minority interest	23,532	15,891*
Cash flow	35,392	27,724*
	[EUR]	[EUR]
Earnings per share**, undiluted (= diluted)	0.98	0.66*
	[Qty.]	[Qty.]
Number of employees***	720	624
Of which temporary	(109)	(97)

* Adjusted previous-year figures (see 1.7 notes to the consolidated financial statements)
** Number of shares: 24 million
*** Number of employees at end of year (active workforce)

2. Report by the Supervisory Board

Report by the Supervisory Board of CTS EVENTIM AG on the annual financial statements, the consolidated financial statements and the summarised management report for the company and Group for the financial year from 1 January – 31 December 2006.

I. Mr. Edmund Hug (Oberstenfeld) and Dr. Peter Haßkamp (Bremen), Jakob Kleefass (Hamburg) and Prof. Jobst W. Plog (Hamburg) were each members of the Supervisory Board of the company for all or part of the year. Prof. Plog was newly elected to the Supervisory Board at the Annual Shareholders' Meeting of the company on 10 May 2006, following the resignation of Mr. Hug. After the Shareholders' Meeting, the Supervisory Board elected Mr. Kleefass as its new Chairman. Mr. Kleefass resigned from office on 29 August 2006, at which Mr. Hug was re-appointed to the Supervisory Board, at the request of the Management Board, by decision of the Local Court in Munich on 9 October 2006 and subsequently re-elected as its Chairman on 14 November 2006. During the entire reporting period, the Vice-Chairman of the Supervisory Board was Dr. Haßkamp. No committees were formed.

II. Throughout the year, the Supervisory Board discharged its responsibilities as required by law and the articles of incorporation. It was regularly informed by the Management Board in writing, verbally, promptly and extensively about all issues relevant for corporate planning and strategic development, about the progress of business activities and the situation of the Group, including risks and risk management. The Supervisory Board provided the Management Board with regular advice concerning the management of the company and monitored how the company was managed. It was involved in all decisions of fundamental importance for the company. After thorough examination and consultation, the Supervisory Board submitted its opinion on the reports and proposed resolutions of the Management Board, to the extent that this was required by law and by provisions in the articles of incorporation. The activities of the Supervisory Board during the reporting year also included intensive involvement in acquisitions made by the company, consulting and deciding, where necessary, on giving consent to such measures. Decisions were also taken using the written procedure, where so required.

In the reporting year, the Supervisory Board met on 20 March 2006 ('financial statements meeting'), 9 May 2006, 10 May 2006 (constitutive meeting after election of a new member), 15 August 2006 and 14 November 2006. The Management Board of the company also took part at these meetings and had an opportunity to comment on events and processes of importance for the company. On the basis of the submitted reports and other information, the Supervisory Board examined the general business development of the company and its various subsidiaries, in particular the achievement of the budgeted performance figures for revenue and earnings, as well as the growth of cash flow and the main projects carried out by the company and the Group as a whole.

III. At the Annual Shareholders' Meeting of the company on 10 May 2006, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft in Osnabrück, a firm of chartered accountants, was chosen to audit the annual financial statements and the consolidated financial statements as at 31 December 2005. The audit commission was duly granted by the Supervisory Board Chairman on behalf of all Supervisory Board members.

The 2006 annual financial statements, the 2006 consolidated financial statements and the summarised management report were submitted in timely manner to the Supervisory Board by the Management Board of the company, along with the respective audit reports.

At the Supervisory Board meeting on 22 March 2007, the annual financial statements and the consolidated financial statements for 2006, as well as the summarised management report and the proposal for appropriation of profits were discussed in detail with the Supervisory Board by the Management Board. The Supervisory Board was able to confer with the auditor, who also attended the meeting.

The annual financial statements were prepared by the Management Board in compliance with the statutory regulations and were granted unqualified notes of confirmation by the auditor.

Having examined the audit report, the Supervisory Board approves the annual financial statements as prepared by the Management Board, which are therefore formally adopted in accordance with Section 172 AktG (Stock Corporation Act). The Supervisory Board also approves the consolidated financial statements prepared by the Management Board for the 2006 financial year, to which no objections are raised. The Supervisory Board consents to the proposal by the Board of Management regarding the appropriation of the net income for the year.

IV. In accordance with Section 312 AktG, the Management Board has prepared a report for the 1 January – 31 December 2006 financial year on the relationships to affiliated enterprises, in which it is stated 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 no measures requiring disclosure were either effected or waived in the 2006 business year at the behest or in the interest of affiliated enterprises within the meaning of Section 312 AktG.

The auditor provided the following unqualified note of confirmation regarding the findings obtained during his audit of the report on dependencies:

“Having audited and assessed the report in accordance with professional standards, we confirm that

(1) the disclosures of fact made in the report are true and correct,

(2) that the performance rendered by the company in connection with the legal transactions detailed in the report are not unreasonably great.’

The Supervisory Board likewise examined the report on dependencies prepared by the Management Board and concurs with the audit findings. According to the conclusive findings of the Supervisory Board in the context of said examination, no objections are raised against the final declaration by the Management Board contained in said report.

V. No changes were made to the composition of the Management Board during the reporting year.

VI. On 24 January 2007, the Supervisory Board and the Management Board issued their most recently updated joint declaration of compliance with the German Corporate Governance Code, in accordance with Section 161 AktG; this declaration was published on the company website at www.eventim.de.

The Supervisory Board wishes to thank the Management Board and all employees of the company for the work they performed during the 2006 financial year.

March 2007

Edmund Hug Chairman	Dr. Peter Haßkamp Vice-Chairman	Prof. Jobst W. Plog

3. Foreword by the Management Board

Ladies & Gentlemen:

The FIFA 2006 Football World Cup was not only a “summer fairytale” for Germany and football fans all over the world but also a highlight of the past fiscal year. In addition, we recall the booming Internet business and many successful tours of international stars. In the past year, the CTS Group was able to improve all significant financial indicators while broadening its market position both at home and abroad.

World Cup Ticketing sets new standards

Ably coached by Klinsmann and Löw, Klose, Lahm, Schweinsteiger und Podolski inspired football fans on the field. Behind the scenes, we brought dedication and professionalism to the task of ensuring smooth processes and the fair distribution of the more than three million tickets. Thanks to specially developed software solutions and many committed individuals, football fans received the sought-after World Cup tickets in time and could return or exchange them via the resale and transfer platform if needed. For the first time, all 64 matches of the World Cup were sold out, and the stadiums were occupied at a rate of 99.98% - a historically unparalleled record.

Strong combination of Live Entertainment and Ticketing

A similar result was achieved by our festivals and large-scale tours. At more than 85,000 events and over 45 million tickets per year, the CTS Group leads the European Ticketing market and ranks among the premier providers of Live Entertainment. CTS Eventim stands for international stars, high-calibre events and innovative service solutions for all distribution channels, such as advance sales, call centres and, especially, the Internet portals www.eventim.de and www.getgo.de, where the CTS Group counted more than 136 million visitors over the reporting period (versus 100 million in the previous year), who purchased 5.3 million tickets. Thus, we were able to boost Internet ticket sales by more than 50% over the previous year.

Fiscal 2006: CTS Group continues on road to success

In fiscal 2006, the CTS Group posted impressive increases in the rates of growth and earnings: Group revenues rose 33.9% to EUR 343.0 million; EBIT grew 39.5% to EUR 45.7 million. In the Live Entertainment segment, a full event calendar and tours of newcomers like Pink and Dido as well as icons such as Carlos Santana and the Rolling Stones, among others, resulted in revenues totalling EUR 247.2 million, equivalent to with an increase of 27.0%; EBIT was EUR 14.6 million (+8.2%). In the Ticketing segment, revenues grew to EUR 99.3 million (+54.5%); EBIT was EUR 31.1 million (+61.3%). Aside from the involvement in the 2006 World Cup, this segment’s growth and earnings were driven by the high-margin online business.

Position abroad strengthened

By acquiring the Russian enterprise Zritel o.o.o., Moscow, the CTS Group continued the internationalisation of the Ticketing business and expanded its position as the leading European ticket distributor. But the Group has also taken the helm on the Russian market - a segment of special strategic significance. Zritel is Russia's largest private provider of ticket distribution services, operating the ticket distribution systems Kontramarka and Parter as well as two large Russian Internet ticket portals, www.kontramarka.ru and www.parter.ru.

As a result of acquiring TicTec AG, Basel, one of the leading Swiss ticket marketers, as well as a controlling interest in Act Entertainment AG, also of Basel, the CTS Group now covers the entire German-speaking realm as event promoter.

Sports and culture: new alliances

In the course of fiscal 2006, many alliances were established or renewed for concert, theatre and sports events. Clubs of the first and second German football leagues, Deutscher Eishockey-Bund (DEB) and Deutsche Tourenwagen Masters (DTM), to name just a few, all availed themselves of the expertise of the CTS Group. Ticket distribution for the events promoting Luxembourg as the 2007 European Capital of Culture, too, relies on CTS systems. And for the Frauenkirche in Dresden, the Group handles ticket marketing for all events starting with the 2007 concert year.

All the above activities improve the company's market position, contributing to the share's continuing success. For this reason, the Management Board looks forward to another successful fiscal year in 2007.

Klaus-Peter Schulenberg

Chairman

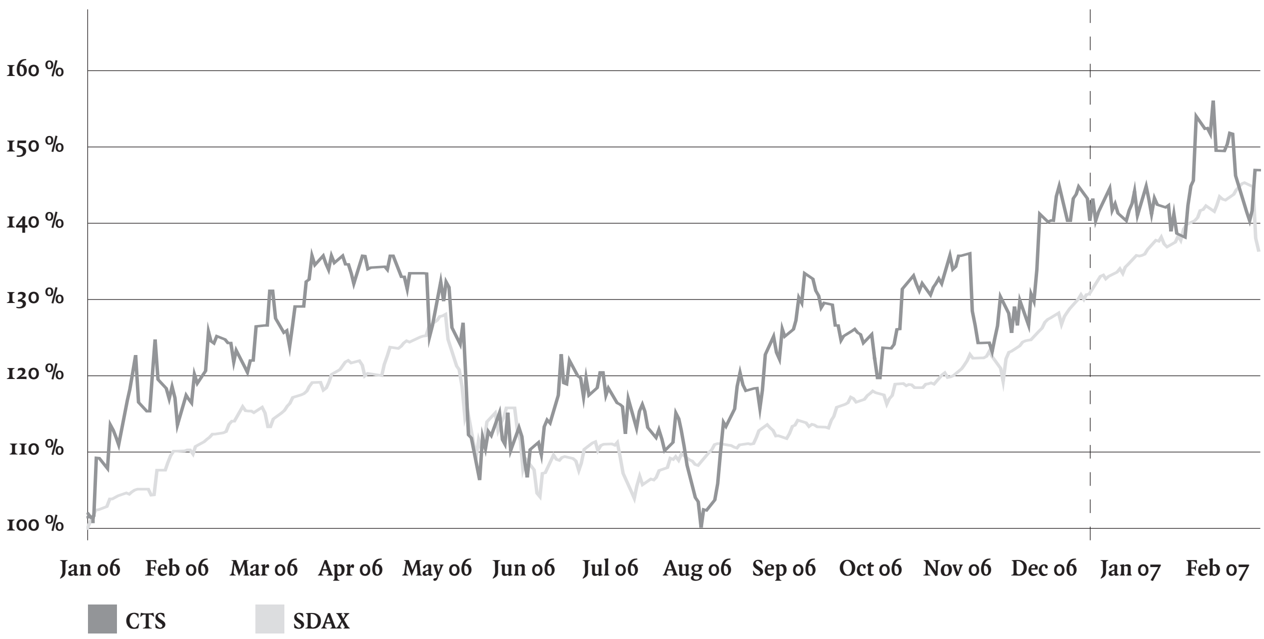
4. CTS shares

CTS shares outperform the SDAX

Professional handling of the ticketing operation for the 2006 Football World Cup boosted awareness of CTS EVENTIM AG and the "eventim" brand. Positive coverage by analysts also had an impact on the price of shares, which are listed on the SDAX index. During the period under review, shares climbed to reach EUR 29.26 at the end of December 2006 – an increase over the year of around 42%. By comparison, the SDAX gained around 31% in the same period. CTS shares were among the most successful in 2006 and counted among the top performers on the Frankfurt stock exchange.

In addition to the Designated Sponsors, namely DZ-Bank and Bayerische Landesbank, analyses of CTS shares are also produced by the Berenberg Bank, Morgan Stanley and Citigroup. CTS shares thus enjoy unusually broad coverage. In its most recent study, Morgan Stanley recommends the shares with an 'Overweight' rating and a price target of EUR 37.00.

CTS Shares (01.01.2006 until 28.02.2007 - indexed)



	2006/ EUR	2005/ EUR
Consolidated earnings per share	0.98	0.66*
Cash flow	35,391,815	27,723,924*
High (Xetra)	31.41	24.76
Low (Xetra)	19.09	9.01
Year-ended-price (Xetra)	29.26	20.61
Market capitalisation (based on year-ended-price)	702,240,000	494,640,000
Shares outstanding on 31.12.	24,000,000	24,000,000
Share capital after IPO	12,000,000	12,000,000

Type of shares	No-par value ordinary bearer shares
Securities code	547030
ISIN number	DE 000 547 030 6
Symbol	EVD
First listed	01.02.2000
Stock exchange segment	Prime Standard
Indices	SDAX, Prime All Share
Sectoral index	Prime Media

* Adjusted previous-year figures (see 1.7 notes to the consolidated financial statements)

5. Corporate governance report of CTS EVENTIM AG

CTS EVENTIM AG has always 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 Management Board and Supervisory Board members are shown at point 17 in the notes on the consolidated financial statements. Related party disclosures are made at point 14 in the notes section. The Management Board 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):

1. Corporate governance declaration in accordance with § 161 of the Stock Corporation Act

In the matter of compliance with the recommendations contained in the GCGC, the Supervisory Board and Management Board of the company submitted the following updated declaration of compliance in accordance with Section 161 of the Stock Corporation Act (AktG) on 24.01.07, and made said declaration permanently available to shareholders on the company's website:

"CTS EVENTIM AG complies with the recommendations issued by the Government Commission on the GCGC, in the version announced in the electronic Federal Gazette (Bundesanzeiger) of 24.07.2006, with the following exceptions:

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 (GCGC, item 7.1.2).

Information relating to third-party companies in which the company participates are published only when such participations are included in consolidation (GCGC, item 7.1.4).

No Supervisory Board committees are formed because the Board consists of only three members (GCGC, item 5.3.1).

Performance-based compensation of Supervisory Board members has been waived for reasons of cost, since such a system would only make sense if accompanied by a substantial increase in the compensation paid to Supervisory Board members (GCGC, item 5.4.5).

An age limit for Management Board members has not been specified by the Supervisory Board as yet (GCGC, item 5.1.2).

The D&O policies for the Management Board and Supervisory Board do not include any own-risk deductions to date (GCGC, item 3.8). These policies have been in place for several years and the company has no intentions of changing them.

Although the agenda of the Annual Shareholders' Meeting and possibly some Management Board reports 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, item 2.3.1)."

2. Ownership of company shares or financial derivatives relating to such shares on the part of Management Board and Supervisory Board members

As at the closing date for the annual financial statements, 31 December 2006, members of the Management Board and Supervisory Board of CTS EVENTIM AG held the following quantities of no-par value bearer shares in the company (ISIN DE0005470306):

	Number of shares	share
	[Qty.]	[in %]
Members of the Board of Directors:		
Klaus-Peter Schulenberg (Chairman)	12,016,000	50.067%
Volker Bischoff	0	0.000%
Alexander Ruoff	2,000	0.008%
Members of the Supervisory Board:		
Edmund Hug (Chairman)	4,650	0.019%
Dr. Peter Haßkamp	1,000	0.004%
Prof. Jobst W. Plog	0	0.000%

3. Purchase or sale of company shares or financial derivatives relating to such shares by Management Board and Supervisory Board members

During the period under review, executive officers of CTS EVENTIM AG engaged in the following transactions involving no-par value bearer shares of the company (ISIN DE0005470306):

Name	Position	Transaction	Trading day	Number of units
Klaus-Peter Schulenberg	Board of Directors	Sale	09.03.2006	3,984,000
Dr. Peter Haßkamp	Supervisory Board	Purchase	10.05.2006	1,000

4. Notes to the Management Board compensation system pursuant to item 4.2.3 GCGC Disclosures on the individual compensation of Management Board members, in accordance with law governing such disclosures (Vorstandvergütungsoffenlegungsgesetz)

The total amount of compensation granted to members of the CTS EVENTIM AG Management Board is disclosed annually in the notes to the annual financial statements of the company, and amounted in the 2006 financial year to EUR 1,584,483. 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 both revenue and EBIT (earnings before interest and taxes), i.e. clearly defined, auditable and relevant success criteria that are continuously monitored by the Supervisory Board. The members of the Management Board also receive benefits 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 members of the CTS EVENTIM AG Management Board, so no disclosures in this regard need be made. There are no contractual commitments regarding payments when Board membership ends. The amounts of compensation paid to the individual members of the Management Board and which must be disclosed by law are shown in the following table.

Compensation granted to members of the CTS EVENTIM AG Management Board (all amounts in euros)

Name	Fixed salary	Benefits	Management bonus	Total
Klaus-Peter Schulenberg	600,000	11,536	300,000	911,536
Volker Bischoff	230,081	19,989	51,129	301,199
Alexander Ruoff	250,000	16,748	105,000	371,748
Total	**1,080,081**	**48,273**	**456,129**	**1,584,483**

6. Summarised management report

1. Preliminary statements

Aside from the individual CTS EVENTIM AG (hereinafter: CTS AG) financial statements reflecting applicable principles of the German commercial code (HGB), the Management Board has prepared consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). For this purpose, all IFRS and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) in effect on the balance sheet date were observed in the manner in which they are to be applied within the European Union (EU). Consolidated financial statements reflecting applicable HGB principles were not prepared.

The CTS AG management report and the Group's management report have been summarised. Unless stated otherwise, the information included in this summarised management report refers to the economic situation as well as to the business development with respect to the Group. Information on the economic situation and business development of CTS AG is listed in separate chapters.

For the sake of clarity and ease of navigation, the management report's breakdown has been modified from the previous year.

Pursuant to IAS 32, agreements obliging a company to purchase its own equity instruments give rise to a liability in the amount of the present value of the purchase price. The CTS Group applies this standard to equity instruments of minority companies with put options starting on 1 January 2006. Previous year's figures were retroactively adjusted accordingly (see point 1.7 of the notes to the consolidated financial statements).

2. Business and environment

2.1 Macroeconomic climate

In 2006, the Euro zone posted the highest rate of economic growth in five years. Over the first six months of 2006, the economic dynamics had gained significantly, with low inflation risks, a largely stable EUR/USD exchange rate and conservative interest policies favouring the upswing. By contrast, energy and commodity prices continued their rapid rise. The positive growth impulses of the global economy resulted in an increase in the Euro zone export economy. Germany and France doubled their economic growth rates but still lagged behind the progressive rates of growth seen in Spain and the Netherlands. Exhibiting similar dynamics, the industrial climate, as assessed by the European Commission, trended upward until mid-2006 before moving sideways during the remaining months of the year. For 2007, the Euro economy is expected to slow somewhat. Among the larger member nations, Germany and the Netherlands will likely have the lowest annual rates of inflation.

Germany's economy in 2006 was one of dynamic momentum initially, as a result of rising exports, then increasingly driven by investments. The gross domestic product (GDP) rose 2.5% versus the previous year, the German economy expanded at a rate of more than 2%. Private consumption also showed signs of improvement, surpassing the previous year's levels by 0.6%. The trend in private consumption, however, also owed to the 2006 announcement of an increase in VAT to 19% effective 1 January 2007. The price increases triggered by the tax surge may have a dampening effect on private consumption in 2007 and, in conjunction with a slowing global economy and the resulting decrease in export stimuli for German businesses, could ultimately slow the rate of growth of the German economy as well.

Changing economic data, however, need not always affect the event market, as was evident in the very steady and positive business development of the CTS Group over the past few fiscal years. Especially in difficult economic times, the demand for events was and remains unbroken.

2.2 Industry-specific environment

In its segments Ticketing and Live Entertainment, the Group operates in the market for leisure events. The Group's parent, CTS AG, is actively engaged in ticketing and dominates this segment by sheer economic force. Accordingly, any statements made with regard to the Ticketing segment also, and especially, apply to CTS AG.

Organising and executing events is the heart of the Live Entertainment business. The industry is characterised by an accelerating rate of globalisation and monopolisation. In Germany, Austria and Hungary, as well as, since 2006, in Switzerland, the Group has few competitors due to its market position.

Leisure event promoters regard the distribution of their tickets as a factor critical to their success, and it is this very distribution function that underlies the Ticketing segment by way of event marketing (tickets) via the leading network platform (eventim.net), the in-house ticketing product (eventim.inhouse), the sports ticketing product (eventim.tixx) as well as a solution for stadiums and other large-scale venues in the area of ticket distribution, admission control and payment.

Aside from the German market, the Group also serves the ticketing needs of other European countries (Croatia, Netherlands, Austria, Poland, Switzerland, Slovakia, Slovenia, Hungary, Bulgaria, Rumania, Serbia-Montenegro, Bosnia-Herzegovina), where it competes with domestic and foreign network operators and ticketing software providers.

The events for which tickets are sold using the proprietary CTS ticket software encompass concerts of classical music, rock and pop, theatre, festivals, trade shows and exhibitions as well as sports, especially football. As the leading ticket provider, the CTS Group enjoys an outstanding position on the market, which may be further strengthened and expanded with the aid of a broad distribution system and a dense network of advance sales outlets, call centre sales and Internet ticket shops. By virtue of the Group's investment in leading German tour and concert promoters, this market position has been reinforced to stand up to future challenges.

The CTS Group competes with cross-regional and regional network operators but enjoys competitive advantages because the Group is active on a national scale, broadly covering a multitude of market segments with a networked ticket system and combining all distribution channels in a single uniform data base. Another advantage is supplied by alliances with major event promoters, to the effect that many different and attractive events may be marketed via all of the Group's distribution channels.

2.3 Group business performance

In the past fiscal year, the CTS Group took advantage of what were mostly favourable trends in both the macroeconomic and the industry-specific environments, generating significant improvements in important financial indicators as the table below shows:

	2006	2005
	[EUR million]	[EUR million]
Revenues (before consolidation between segments)		
Ticketing	99.3	64.3
Live Entertainment	247.2	194.6
Group	342.9	256.2
EBIT		
Ticketing	31.1	19.3
Live Entertainment	14.6	13.5
Group	45.7	32.7
Cash flow	35.4	27.7
Number of employees (at end of year)	720	624

In Ticketing, specifically the ongoing boost in Internet sales led to an appreciable increase in revenues and earnings. In fiscal 2006, a print-at-home solution was developed for tickets purchased on the Internet at the CTS portals www.eventim.de and www.getgo.de. “ticketdirect” enables customers to print tickets right from their home computer. Once the pilot phase has been completed successfully, all events are to be booked successively through “ticketdirect.”

In the years 2005 and 2006, CTS AG successfully processed ticketing for the FIFA 2006 Football World Cup in Germany. As a service provider, CTS AG handled processes from ticket management in its proven ticket system, the sale as well as local ticketing in the stadiums. In addition, CTS AG developed an online resale and transfer platform for tickets. On this homepage, ticket holders were given an opportunity to resell their ticket using the World Cup Organising Committee or legally transfer them to other individuals subject to the World Cup Organising Committee rules.

In the “Corporate Tickets” division, companies can book special packages with special ticket contingents as well as additional services, such as transportation, catering, Meet & Greet as well as hotel and air all through CTS AG. Customer service representatives advise clients by telephone and, and upon request, eventim-corporate not only handles ticketing for company celebrations and client events but also coordinates the entire affair.

At the beginning of 2006, SPORTFIVE Tixx GmbH, Hamburg, was acquired for the Ticketing segment. SPORTFIVE Tixx GmbH issues software licenses to sport clubs for ticketing and customer relationship management purposes and provides services, such as operating online ticket shops and call centres as well as related consulting services. In fiscal 2006, SPORTFIVE Tixx GmbH was renamed CTS Eventim Sports GmbH.

In keeping with the Group's internationalisation strategy, the Ticketing segment also witnessed the acquisition of TicTec AG, Basel. Founded in 2000, the company has risen to become a serious player of the newly pluralistic Swiss ticket market and, as the operator of the TicTec system as well as the Internet platform www.tictec.ch, ranks among Switzerland's leading providers of ticket distribution services. In the course of the acquisition, the company was renamed CTS Eventim Schweiz AG; the registration was effected in February of 2007.

In the Live Entertainment segment, successful festivals, concert tours and events of top stars contributed to an improved rate of occupancy and enhanced earnings power in fiscal 2006. Furthermore, the event series "Varieté-Gastronomie," a combination of dinner show and varieté on tour, was expanded beyond regional boundaries only to meet with significant customer demand. And with the acquisition of 51% of Act Entertainment AG, Basel, Switzerland, the objective of internationalisation was served in the Live Entertainment segment as well.

Employee numbers also mirror this successful business trend: As of the effective date, a staff of 720 was employed (versus 624 in the previous year).

2.4 Organisation and corporate structure

2.4.1 Organisation

Aside from managing its own operations the most important tasks of CTS AG as parent include, corporate strategy, risk management and, to a degree, processing the Group's financing.

As per the articles of incorporation, CTS AG, as parent, is based in Munich, with administrative offices in Bremen.

The subsidiaries are assigned to two segments: Ticketing and Live Entertainment.

The CTS Group's management is decentralised to enable decisions to be taken as near to the market as possible. Accordingly, the subsidiaries' discretion with regard to market/customer-related activities borders on the autonomous.

The management and oversight structures as well as the compensation system are aligned with the legal framework and may be adjusted from time to time to reflect the company's long-term prospects. Accordingly, the Management Board members' compensation packages are composed of various benefits specifically a fixed salary, benefits in kind as well as performance-based bonuses. The fixed portion and the benefits are disbursed monthly in the form of a salary. The tax liability for benefits lies with the individual Board member. The amount of bonuses is determined by the Supervisory Board on the basis of performance parameters.

No severance packages are required under existing service contracts, and no loans were granted to Management Board members or their relatives.

With respect to the details of individual compensation packages, reference is made to point 16 of the notes to the consolidated financial statements as well as to point 4 of the Corporate Governance Report.

2.4.2 Changes to the scope of consolidation

Ticketing

In the Ticketing segment, CTS AG acquired 100 % of the shares in SPORTFIVE Tixx GmbH, Hamburg, with effect on 1 January 2006. SPORTFIVE Tixx GmbH issues software licenses to sport clubs for ticketing and customer relationship management purposes and provides services, such as operating online ticket shops and call centres as well as related consulting services. In the course of the acquisition, the company was renamed CTS Eventim Sports GmbH; the registration took place in June of 2006.

Under the purchase agreement of 26 July 2006, CTS AG acquired 100 % of the shares in TicTec AG, Basel, Switzerland. In the course of the acquisition, the company was renamed CTS Eventim Schweiz AG; the registration took place in February of 2007.

With the entry into the register of companies of 29 December 2005, the company Ö-Ticket Nordost Eintrittskartenvertrieb GmbH, Tulln, was founded, with Ticket Express Gesellschaft zur Herstellung und zum Vertrieb elektronischer Eintrittskarten mbH, Vienna, holding 50.1% of the shares. The company will be incorporated into the consolidated financial statements from 1 January 2006 forward.

Live Entertainment

Under the notarised agreement of 26 January 2006, Argo Konzerte GmbH, Würzburg, and Semmel-concerts Veranstaltungsservice GmbH, Bayreuth, each sold 7.6 percentage points of the shares in PGM Promoters Group Munich Konzertagentur GmbH, Munich, to Marek Lieberberg Konzertagentur GmbH & Co. KG, Frankfurt am Main, in the Live Entertainment segment.

In the second half of 2006, the event promoter holding Medusa Music Group GmbH, Bremen, acquired 51% of the shares in Act Entertainment AG. Founded in 2000, this Basel-based company is a leading Swiss promoter, holding between 150 and 200 events per year, as well as a constant presence on the Swiss market in tour organisation and local execution.

Palazzo Produktionen GmbH, Hamburg, raised its interest in Palazzo Produktionen GmbH in fiscal 2006 from 90% to 100%.

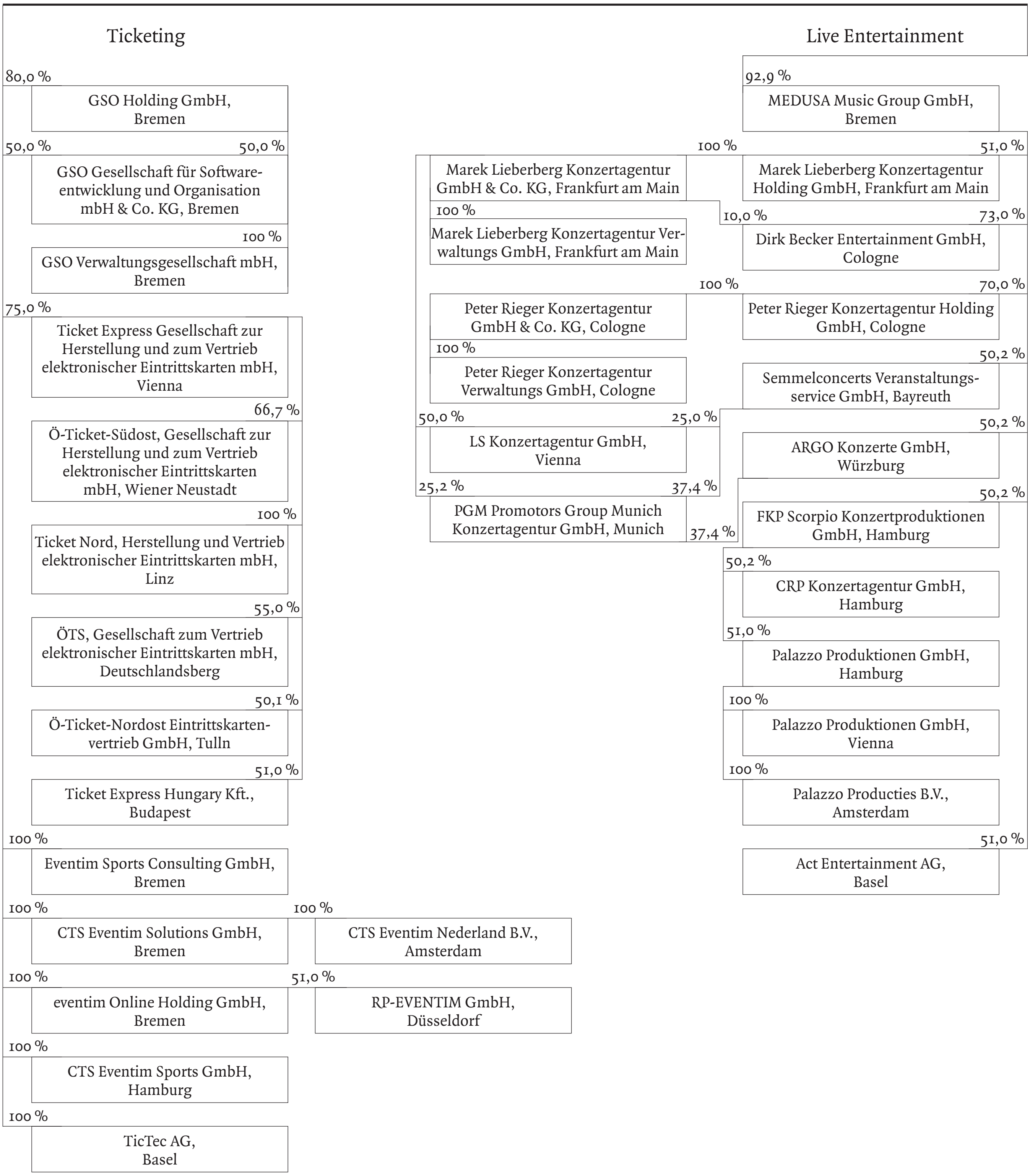
In fiscal 2006, Palazzo Produktionen GmbH, Hamburg, acquired 100% of the shares in Palazzo Producties B.V., Amsterdam.

The impact of the changes to the group of consolidated entities on the consolidated financial statements is stated under point 1.5 in the notes to the consolidated financial statements.

The corporate structure as of the balance sheet date is depicted below:

Corporate structure of CTS AG and its subsidiaries
Status: 31 December 2006

CTS EVENTIM AG, Munich



2.5 Group controlling

Value-oriented business management serves as the basis of lasting profit growth. One of the CTS Group's primary goals is the steady improvement of the EBIT (Earnings before Interest and Taxes), EPS (Earnings per Share) and cash flow figures. The Group's earning power is evident in its ability to continuously improve EBIT and EPS while successfully broadening the scope of its operations. This is also reflected in the positive development of the Group's financial indicators.

Thanks to a successfully implemented strategy and steady profit growth, the Group succeeded again in fiscal 2006 to noticeably boost EBIT, EPS and cash flow relative to the previous year. At EUR 45.683 million, the Group's EBIT figure topped the comparative value of fiscal 2005 (EUR 32.739 million) by EUR 12.944 million, with cash flow growing from EUR 27.7 million to EUR 35.4 million. The return on capital employed (ROCE) rose from 34.8% to 42.6%.

2.6 Research and development

In order to broaden the range of services offered in connection with ticket distribution, to tap into additional sources of income and to continue meeting the requirement profiles of event promoters, advance sales outlets and Internet customers alike, ticket distribution systems are improved and expanded on an ongoing basis, while software is typically developed by internal development divisions. In the field of ticketing and software development, the Group has amassed a wealth of expertise and, in the interest of developing new markets, envisions additional developments in the short term, including investments in new technologies, such as chip tickets and mobile ticketing. Expenditures related to research and development are assigned to cost of sales because they serve the interest of permanently enhancing the software. For this reason, no separate reporting is available for research and development.

3. Earnings performance, financial position and cash flow

3.1 Earnings performance

3.1.1 Group earnings performance (IFRS)

	2006	2005	Change	
	[EUR'000]	[EUR'000]	[EUR'000]	[in %]
Revenues	342,927	256,179	86,748	33.9
Cost of sales	-253,970	-192,670	-61,300	31.8
Gross profit	**88,957**	**63,509**	**25,448**	**40.1**
Selling expenses	-31,061	-19,503	-11,558	59.3
General administrative expenses	-13,092	-10,894	-2,198	20.2
Other operating income	5,861	4,157	1,704	41.0
Other operating expenses	-4,982	-4,530	-452	10.0
Operating profit (EBIT)	**45,683**	**32,739**	**12,944**	**39.5**
Financial result	2,300	1,163*	1,137	97.7
Profit from ordinary business activities (EBT)	**47,983**	**33,902**	**14,081**	**41.5**
Taxes on income	-19,485	-13,411	-6,074	45.3
Net income for the year before minority interest	**28,498**	**20,491**	**8,007**	**39.1**
Minority interest	-4,966	-4,600*	-366	8.0
Net income for the year after minority interest	**23,532**	**15,891**	**7,641**	**48.1**

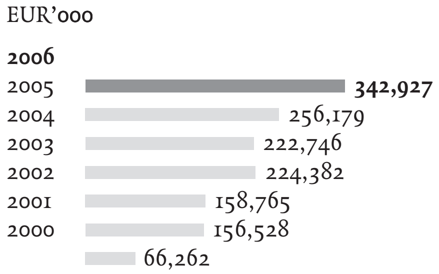
* Adjusted previous-year figures (see 1.7 notes to the consolidated financial statements)

Revenues

With total revenues of EUR 342.927 million, the Group succeeded in surpassing the previous year's revenue figure of EUR 256.179 million by EUR 86.748 million, or 33.9%. Revenues (before consolidation between segments) are attributable to the Live Entertainment and Ticketing segments in the amounts of EUR 247.164 million (prior year: EUR 194.643 million) and (EUR 99.307 million (prior year: EUR 64.267 million), respectively.

The Group was involved in nearly all major appearances organising, marketing tickets or bearing the overall responsibility. Aside from the successful implementation of the 2006 World Cup, fiscal 2006 was again characterised by an outstanding development in the Ticketing segment at above-average growth rates specifically, with respect to Internet distribution. More than 136 million music and event fans (prior year: 100 million) visited the Internet distribution platforms www.eventim.de and www.getgo.de, buying over 5.3 million tickets (prior year: 3.5 million). This represents an increase of 51.4%. Thanks to the sheer volume of events and well-attended concerts, the Live Entertainment segment concluded a very successful fiscal year. The situation in terms of earnings continued to improve for both segments.

Revenue growth is shown below:



The Group revenues generated over the reporting period in the amount of EUR 342.927 million are attributable to Germany at EUR 317.305 million (prior year: EUR 238.808 million), to Austria at EUR 19.360 million (prior year: EUR 16.733 million), to the Netherlands at EUR 2.413 million (prior year: EUR 156 thousand), to Hungary at EUR 436 thousand (prior year: EUR 482 thousand) and to Switzerland at EUR 3.413 million (prior year: EUR 0).

Gross profit

The gross margin for the Group and the segments underwent the following development:

	2006	2005
Group	25.9%	24.8%
Ticketing	63.2%	61.9%
Live Entertainment	10.6%	12.1%

The gross margin in Ticketing rose from 61.9% in the previous year to 63.2%. Commissions for the World Cup project in the amount of EUR 10.183 million were reported under selling expenses, not under cost of sales. As a result of this attribution of expenditures related to commissions, the Group gross margin grew by 2.9% from the original rate of 23.0% (prior year: 23.1%) to 25.9% (prior year: 24.8%), while the gross margin for the Ticketing segment jumped 10.2%, from the original rate of 53.0% (prior year: 55.5%) to 63.2% (prior year: 61.9%).

In the Live Entertainment segment, start-up costs for new products and higher production costs somewhat depressed the gross margin.

Selling expenses

The increase in selling expenses is due primarily to commissions for the World Cup project in the Ticketing segment (EUR 6.144 million), personnel expenses (EUR 2.132 million) as well as higher marketing and travel expenses (EUR 877 thousand). Expressed as a percentage of revenues, distribution expenses grew moderately, from 7.6% to 9.1%.

General administrative expenses

The increase in general administrative expenses is mainly due to higher personnel expenses (EUR 1.466 million), which in turn result from special projects, salary raises and changes to the group of consolidated entities. Personnel expenses are distributed according to predefined codes to general administrative expenses. Expressed as a percentage of revenues, general administrative expenses fell from 4.3% to 3.8%.

Other operating income

Other operating income grew mainly as a result of higher income from the reversal of allowances for doubtful accounts (EUR 788 thousand), proceeds from written-off receivables and liabilities (EUR 101 thousand) as well as marketing earnings (EUR 136 thousand); it is offset by a decrease in income from the reversal of provisions (EUR -121 thousand) and earnings from currency translation (EUR -116 thousand).

Other operating expenses

The increase in other operating expenses refers primarily to the expenditures related to third-party services (EUR 337 thousand) and those in connection with currency translation (EUR 211 thousand).

Operating profit (EBIT)

EBIT grew disproportionately to revenues by 39.5% to EUR 45.683 million.

Financial result

The financial result improved noticeably by EUR 1.137 million to EUR 2.300 million, with the financial income of EUR 2.796 million (prior year: EUR 2.097 million) being offset by financial expenses in the amount of EUR 800 thousand (prior year: EUR 1.178 million). Pursuant to IAS 32, distributions of dividends to minority interest (EUR 488 thousand) and the change to the liability for the purchase price under put options, valued at present value, were reported as financial expenses (prior year: EUR 123 thousand). Income from companies in which participations are held rose by EUR 36 thousand from EUR 262 thousand to EUR 298 thousand, while income / expenses from financial assets stated at equity grew by EUR 25 thousand from EUR -19 thousand to EUR 6 thousand.

Taxes on income

Tax expenses, which rose along with profits, reflect deferred taxes adjusted by the tax expenses of the individual consolidated entities. Deferred tax income was generated on the basis of existing loss carry-forwards. Annual profits posted by individual companies give rise to deferred tax expenses by way of the reduction of capitalised deferred tax income. The tax loss carried forward on the part of CTS AG had been fully offset by the end of fiscal 2005. The Group's tax rate in fiscal 2006 equals 40.6% (prior year: 39.5%). Its slight increase is based on the lapse of deductible loss carry forwards that had mitigated the tax burden in the previous year. The increases seen in financial expenses (see point 1.7 of the notes to the consolidated financial statements) that, pursuant to IAS 32, must be reported exclusively as part of the consolidated financial statements and, therefore, cannot reduce tax expenses, led to an increase in the Group's tax rate in fiscal 2006 by 0.5% (prior year: 0.4%). The composition of taxes on income is shown under point 3, Taxes on income (11), of the notes to the consolidated financial statements.

Minority interest

After profit shares attributable to minority shareholders (EUR 4.966 million), the Group's net income for the year amounts to EUR 23.532 million - an increase of 48.1%.

Net income for the year after minority interest

The Group's net income for the year rose by EUR 7.641 million (+48.1%) from EUR 15.891 million to EUR 23.532 million.

In fiscal 2006, the Group's earnings per share (EPS) reached EUR 0.98 (prior year: EUR 0.66).

Of the Group's net income for the year, EUR 24.460 million (prior year: EUR 14.617 million) are attributable to CTS AG, whose annual net income for purposes of the commercial code in the amount of EUR 23.983 million (prior year: EUR 16.047 million) was essentially adjusted pursuant to IFRS by depreciation on goodwill for purposes of the commercial code eliminated pursuant to IFRS and, in the previous year, by deferred tax expenses.

Personnel

As a result of a growing work force, personnel expenses rose versus the previous year by EUR 5.051 million from EUR 21.928 million to EUR 26.979 million. The increase in personnel expenses is attributable to the Ticketing and Live Entertainment segments at EUR 2.746 million and EUR 2.305 million, respectively. For the Ticketing segment, the increase in personnel expenses is mainly the result of special projects and changes to the group of consolidated entities; for the Live Entertainment segment, contributing factors were salary raises and extraordinary payments on the one hand and the changes to the group of consolidated entities on the other.

Segment distribution / personnel (final numbers):

	Employees 2006	Employees 2005
	[Qty.]	[Qty.]
Ticketing	353	343
Live Entertainment	367	281
Total	**720**	**624**

At the end of the fiscal year, the Group employed a staff of 720 (prior year: 624), of whom 545 (prior year: 486) are based in Germany, 137 (prior year: 116) in Austria, 2 (prior year: 2) in the Netherlands, 18 (prior year: none) in Switzerland and 18 (prior year: 20) in Hungary. As a result of acquisitions, the number of Group employees grew to 36 employees as of 31 December 2006.

On average, the number of Group employees in 2006 exceeded that of fiscal 2005 by 115.

Development of Ticketing and Live Entertainment segments

Ticketing

	2002	2003	2004	2005	2006
	[EUR million]	[EUR million]	[EUR million]	[EUR million]	[EUR million]
Revenues	28.3	35.2	42.1	64.3	99.3
Gross profit	11.2	16.2	23.1	39.8	62.8
Gross margin	39.6%	46.3%	54.7%	61.9%	63.2%
EBIT	-1.4	3.9	9.2	19.3	31.1
EBITDA	2.2	8.3	13.3	23.6	36.8

In the Ticketing segment, fiscal 2006 revenues rose 54.5% and reached EUR 99.307 million, with revenue growth pertaining to all business divisions (and outstanding contributions from the Internet and special projects). Revenues also received a boost from the change to the group of consolidated entities.

Of segment revenues, EUR 34.200 million (prior year: EUR 25.004 million) were attributable to revenues generated over the Internet, which corresponds to a rate of Internet sales growth of 37%. The revenues generated via the Internet account for 34% (prior year: 39%) of total segment revenues. Due to the increase in revenues that accompanied the expansion of the segment (e.g., 2006 World Cup), the proportion of Internet sales to segment revenues decreased. The EBIT margin for the Ticketing segment is disproportionately affected by the Internet business.

Live Entertainment

	2002 [EUR million]	2003 [EUR million]	2004 [EUR million]	2005 [EUR million]	2006 [EUR million]
Revenues	132.7	191.8	183.4	194.6	247.2
Gross profit	11.3	20.6	21.0	23.6	26.2
Gross margin	8.5%	10.7%	11.5%	12.1%	10.6%
EBIT	4.6	11.2	12.1	13.5	14.6
EBITDA	5.0	11.7	12.5	13.9	15.2

In the Live Entertainment segment, a full event calendar resulted in an increase in revenues of 27.0% to EUR 247.164 million, with EBIT growing by EUR 1.103 million to EUR 14.562 million even after a very successful fiscal 2005. Start-up costs for new products and higher production costs somewhat depressed the gross margin.

3.1.2 Earnings performance of CTS AG (HGB)

	2006	2005	Change	
	[EUR'000]	[EUR'000]	[EUR'000]	[in %]
Revenues	82,886	54,037	28,849	53.4
Cost of sales	-28,738	-19,572	-9,166	46.8
Gross profit	**54,148**	**34,465**	**19,683**	**57.1**
Selling expenses	-22,762	-14,210	-8,552	60.2
General administrative expenses	-5,142	-4,272	-870	20.4
Other operating income	2,729	2,191	538	24.6
Other operating expenses	-2,081	-1,566	-515	32.9
Operating profit (EBIT)	**26,892**	**16,608**	**10,284**	**61.9**
Financial result	9,137	5,319	3,818	71.8
Profit from ordinary business activities (EBT)	**36,029**	**21,927**	**14,102**	**64.3**
Taxes	-12,046	-5,880	-6,166	104.9
Net income for the year	**23,983**	**16,047**	**7,936**	**49.5**

Revenues rose by EUR 28.849 million (+53.4%) to EUR 82.886 million, with significant support received from the successful development of the Internet business as well as the ticket distribution contract for the 2006 World Cup. Specifically, revenues are composed as follows versus the previous year:

	2006 [EUR'000]	2005 [EUR'000]	Change [EUR'000]
Ticket sales	72,687	45,868	26,819
Data line charges	2,827	2,740	87
System rental / maintenance / installation	5,227	2,823	2,404
Sales of merchandise	315	467	-152
Package tours	1,323	1,718	-395
Other	507	421	86
	82,886	**54,037**	**28,849**

The gross margin improved from 63.8% to 65.3%. Commissions for the World Cup project at EUR 10.183 million were reported under selling expenses, not under cost of sales. As a result of this attribution of expenditures related to commissions, the gross margin jumped 12.3%, from the original rate of 53.0% (prior year: 56.3%) to 65.3% (prior year: 63.8%).

Selling expenses rose by a considerable margin; expressed as a percentage of revenues, however, they grew only insignificantly, from 26.3% in the previous year to 27.5%. The increase is due mainly to commissions occurred in connection with the 2006 World Cup.

General administrative expenses rose slightly, by EUR 870 thousand; expressed as a percentage of revenues, however, they receded from 7.9% to 6.2%.

The increase in other operating income by EUR 538 thousand essentially results from internal re-invoicing at EUR 331 thousand, written-off receivables and liabilities at EUR 267 thousand as well as the loss from the disposal of intangible and fixed assets at EUR 98 thousand. In return, income from the reversal of allowances for doubtful accounts fell by EUR 139 thousand.

The increase in other operating expenses by EUR 515 thousand is the result of, among other factors, higher expenditures for cancellations of other assets at EUR 245 thousand, the income from the disposal of intangible and fixed assets in the total amount of EUR 126 thousand as well as cash-neutral expenses of EUR 135 thousand.

Due to the development described above, operating profit (EBIT) was boosted disproportionately to revenue growth, from EUR 16.608 million to EUR 26.892 million (+61.9%).

Having been improved by EUR 3.818 million, the financial result refers to EUR 7.876 million in income from investments in the form of dividends or profit transfer agreements, EUR 1.385 million in interest and similar income as well as EUR 124 thousand in interest expenses.

Tax expenses rose by EUR 6.166 million from EUR 5.880 million to EUR 12.046 million after remaining tax loss carryforwards had mitigated the tax burden in the previous year.

At the end of fiscal 2006, CTS AG employed a staff of 142 (prior year: 171). Personnel expenses rose by EUR 1.507 million versus the previous year, from EUR 7.161 million to EUR 8.668 million, the increase essentially being a result of special projects.

3.2 Financial position

3.2.1 Group financial position (IFRS)

	31.12.2006		31.12.2005		Change
	[EUR'000]	[in %]	[EUR'000]	[in %]	[EUR'000]
Current assets					
Cash and cash equivalents	153,595	56.1	136,285	57.7	17,310
Trade receivables	19,130	7.0	16,213	6.9	2,917
Receivables from affiliated companies	774	0.3	823	0.3	-49
Inventories	18,654	6.8	17,155	7.3	1,499
Other assets	16,382	6.0	8,162	3.4	8,220
Total current assets	**208,535**	**76.2**	**178,638**	**75.6**	**29,897**
Non-current assets					
Property, plant and equipment	17,918	6.6	12,747	5.4	5,171
Goodwill	44,711	16.3	41,672*	17.6	3,039
Deferred tax assets	2,305	0.8	2,890	1.2	-585
Trade receivables and other assets	368	0.1	425*	0.2	-57
Total non-current assets	**65,302**	**23.8**	**57,734**	**24.4**	**7,568**
Total assets	**273,837**	**100.0**	**236,372**	**100.0**	**37,465**

* Adjusted previous-year figures (see 1.7 notes to the consolidated financial statements)

	31.12.2006		31.12.2005		Change
	[EUR'000]	[in %]	[EUR'000]	[in %]	[EUR'000]
Current liabilities					
Short-term financial liabilities and current portion of long-term financial liabilities	5,076	1.9	6,070*	2.6	-994
Trade payables	22,897	8.4	21,517	9.1	1,380
Advance payments received	78,055	28.5	57,304	24.2	20,751
Provisions	9,525	3.4	8,285	3.5	1,240
Other liabilities	58,071	21.2	58,578	24.8	-507
Total current liabilities	**173,624**	**63.4**	**151,754**	**64.2**	**21,870**
Non-current liabilities					
Medium- and long-term financial liabilities	0	0.0	792	0.3	-792
Other liabilities	3,153	1.2	0	0.0	3,153
Pension provisions	1,815	0.6	1,755*	0.7	60
Total non-current liabilities	**4,968**	**1.8**	**2,547**	**1.0**	**2,421**
Shareholders' equity					
Share capital	24,000	8.8	24,000	10.2	0
Capital reserve	23,302	8.5	23,302	9.9	0
Balance sheet profit	43,813	16.0	28,441*	12.0	15,372
Minority interest	4,129	1.5	6,328*	2.7	-2,199
Currency differences	1	0.0	0	0.0	1
Total shareholders' equity	**95,245**	**34.8**	**82,071**	**34.8**	**13,174**
Total shareholders' equity and liabilities	**273,837**	**100.0**	**236,372**	**100.0**	**37,465**

* Adjusted previous-year figures (see 1.7 notes to the consolidated financial statements)

In all, the balance sheet total of the CTS Group rose versus the previous year by EUR 37.465 million (+15.9%) to EUR 273.837 million. Significant balance sheet items particularly property, plant and equipment, other assets, advance payments received, shareholders' equity as well as cash and cash equivalents have grown since the previous year, owing largely to the internal and external growth of the CTS Group.

Current assets rose by EUR 29.897 million on the strength of, among other factors, other assets (EUR 8.220 million), which in turn are essentially the result of higher tax reimbursement claims and receivables from uninvoiced ticket pre-sales. As of the balance sheet date, trade receivables were EUR 2.917 million above the previous year's level. This increase is the result of higher sales due to quantitative improvements and price increases seen in the segments on the one hand and the change to the group of consolidated entities on the other. As of the balance sheet date, moreover, cash and cash equivalents rose by EUR 17.310 million thanks to funds received from ongoing business activities, which topped those expended on investment and financing activities. Cash and cash equivalents in the Ticketing segment consist mostly of revenues from advance ticket sales for 2007 events (ticketing income that has not yet been invoiced), which are reported under other liabilities at EUR 38.217 million (prior year: EUR 42.570 million).

Non-current assets rose by EUR 7.568 million, with property, plant and equipment rising primarily as a result of additions (including the change to the group of consolidated entities) in the total amount of EUR 12.643 million, which topped depreciation and amortization (EUR 6.932 million) and disposals (EUR 620 thousand).

Of the additions primarily reported as part of the Ticketing segment (including the change to the group of consolidated entities) in the total amount of EUR 10.000 million, EUR 7.410 million are attributable to intangible assets (distribution rights: EUR 5.255 million; software EUR 2.155 million), EUR 2.465 million to fixed assets (tenant built-ins: EUR 8 thousand; technical equipment: EUR 572 thousand; EDV hardware: EUR 1.885 million) and EUR 125 thousand to financial assets. In the Live Entertainment segment, additions (including the change to the group of consolidated entities) in the total amount of EUR 2.643 million are attributable to software (EUR 55 thousand), operating and office equipment (EUR 1.697 million) and financial assets (EUR 891 thousand). Investments were financed entirely from free cash flow.

Reported under non-current assets, the change in goodwill in the amount of EUR 3.039 million encompasses additions related to the acquisitions completed in fiscal 2006.

Pursuant to IAS 36, existing intangible assets of indefinite life as well as goodwill were reviewed in fiscal 2006 to ensure compliance with the new criteria for distinction as of the date of initial application. The reviewed lives and residual values of all intangible assets led to the conclusion that no adjustments to goodwill were necessary.

Non-current assets account for 23.8% (previous year: 24.4%) of the balance sheet total and is entirely financed from shareholders' equity.

Current liabilities rose by EUR 21.870 million (+14.4%) due to greater advance payments received particularly in the Live Entertainment segment. Provisions grew primarily as a result of greater tax provisions owing to the favourable earnings performance. Financial liabilities fell by EUR 994 thousand; payments for redemption in the total amount of EUR 1.224 million were offset by an increase in current account balances (EUR 107 thousand) as well as the rising cash value of put options pursuant to IAS 32 (EUR 123 thousand). The change in other liabilities in the amount of EUR -507 thousand is the result of the decrease in liabilities from ticketing income that has not yet been invoiced, EUR 4.353 million, and in the amount, of EUR 1.288 million, of accrued expenses and deferred income that had contained ticket monies for the 2006 World Cup in the previous year. Furthermore, other liabilities fell due to lower personnel-related liabilities (EUR 474 thousand) as well as liabilities from third-party concerts (EUR 836 thousand). By contrast, liabilities from taxes (EUR 3.444 million), to third-party shareholders (EUR 1.304 million), from social security (EUR 438 thousand) and other liabilities (EUR 1.258 million) witnessed an increase.

Non-current liabilities rose by EUR 2.421 million (+95.1%), specifically due to greater other liabilities (EUR 3.153 million) in the Ticketing segment from distribution rights acquired in 2006. By contrast, financial liabilities fell as a result of payments for redemption in the amount of EUR 792 thousand. Non-current pension provisions rose by EUR 60 thousand. The discount rates reasonably employed to report pension provisions have remained the same, but their valuation is now subject to the new 2005 G Heubeck guidelines.

Shareholders' equity rose by EUR 13.174 million. A significant factor was the positive net income generated for the fiscal year in the amount of EUR 23.532. By contrast, the dividend payment in the amount of EUR 8.160 million adversely affected shareholders' equity, with minority interest falling from EUR 6.328 million to EUR 4.129 million. The change owes to distributions to third-party shareholders in fiscal 2006 as offset by proportionate gains from 2006 net income as well as the effects of the consolidation of capital of the entities to be newly consolidated in 2006. The shareholders' equity ratio (shareholders' equity minus minority interest / balance sheet total) slightly improved, from 32.0% to 33.3%.

3.2.2 Financial position of CTS AG (HGB)

	31.12.2006		31.12.2005		Change
	[EUR'000]	[in %]	[EUR'000]	[in %]	[EUR'000]
Current assets					
Cash and cash equivalents, marketable securities	65,983	50.9	62,733	52.9	3,250
Trade receivables	8,205	6.3	7,064	6.0	1,141
Receivables from affiliated companies	3,931	3.0	3,459	2.9	472
Inventories	603	0.5	996	0.8	-393
Prepaid expenses, accrued income and other assets	2,649	2.1	1,857	1.6	792
Total current assets	**81,371**	**62.8**	**76,109**	**64.2**	**5,262**
Non-current assets					
Property, plant and equipment	45,685	35.3	39,637	33.4	6,048
Goodwill	2,453	1.9	2,780	2.4	-327
Total non-current assets	**48,138**	**37.2**	**42,417**	**35.8**	**5,721**
Total assets	**129,509**	**100.0**	**118,526**	**100.0**	**10,983**

	31.12.2006 [EUR'000]	31.12.2006 [in %]	31.12.2005 [EUR'000]	31.12.2005 [in %]	Change [EUR'000]
Current liabilities					
Short-term financial liabilities and current portion of long-term financial liabilities	343	0.3	1,568	1.3	-1,225
Trade payables	3,268	2.5	3,943	3.3	-675
Provisions	8,387	6.5	6,268	5.3	2,119
Accrued expenses, deferred income and other liabilities	34,667	26.8	42,087	35.5	-7,420
Total current liabilities	**46,665**	**36.0**	**53,866**	**45.4**	**-7,201**
Non-current liabilities					
Medium- and long-term financial liabilities	0	0.0	792	0.7	-792
Other liabilities	3,153	2.4	0	0.0	3,153
Total non-current liabilities	**3,153**	**2.4**	**792**	**0.7**	**2,361**
Shareholders' equity					
Share capital	24,000	18.5	24,000	20.3	0
Capital reserve	23,821	18.4	23,821	20.1	0
Balance sheet profit	31,870	24.6	16,047	13.5	15,823
Total shareholders' equity	**79,691**	**61.5**	**63,868**	**53.9**	**15,823**
Total shareholders' equity and liabilities	**129,509**	**100.0**	**118,526**	**100.0**	**10,983**

In all, the balance sheet total of CTS AG rose versus the previous year, by EUR 10.983 million (+9.3%) to EUR 129.509 million.

Current assets grew by EUR 5.262 million (+6.9%) to EUR 81.371 million. The change mainly refers to cash and cash equivalents as well as marketable securities and trade receivables. The outflow of funds for investments, dividends and financing activities was more than offset by the inflow of funds from operating activities, to the effect that cash and cash equivalents, which for the most part consists of revenues from advance ticket sales for 2007 events (ticketing income that has not yet been invoiced) and are reported under other liabilities at EUR 30.275 million (prior year: EUR 36.830 million), saw an increase in the amount of EUR 3.250 million. Due to the expansion of business activities, trade receivables topped previous year's level by EUR 1.141 million (+16.2%) as of the balance sheet date.

On the asset side, non-current assets rose by EUR 5.721 million (+13.5%) along with additions to property, plant and equipment in the total amount of EUR 11.677 million, which more than offset depreciation and amortization (EUR 5.798 million) and disposals (EUR 158 thousand). The additions are attributable, at EUR 6.880 million, to investments in intangible assets, mainly acquired distribution rights and the continued development of CTS ticket software, at EUR 1.521 million, to investments in operating and office equipment as well as technical equipment, plant and machinery and, at EUR 3.276 million, to financial assets, mainly to shares in affiliated companies. Investments were financed entirely from free cash flow.

Current liabilities fell by EUR 7.201 million (-13.4%), the decrease essentially pertaining to other liabilities and owing to fewer monies from advance ticket sales for 2007 events (EUR -6.555 million). Furthermore, a decrease was seen in financial liabilities as a result of repayments in the total amount of EUR 1.225 million, as well as in trade payables by EUR 675 thousand. These decreases are offset by an increase in provisions in the amount of EUR 2.119 million (+33.8%), which mainly reflects higher tax provisions for the 2006 assessment period.

Non-current liabilities, at EUR 3.153 million, refer to liabilities from the acquisition of distribution rights, while financial liabilities fell by EUR 792 thousand due to early repayment.

Shareholders' equity rose to EUR 79.691 million; the shareholders' equity ratio now equals 61.5% (prior year: 53.9%), with the return on shareholders' equity continuing to rise, to 30.1% (prior year: 25.1%). At EUR 23.983 million, net income for the year after minority interest favourably affected shareholders' equity. On the other hand, the shareholders resolved, at the Annual Shareholders' Meeting, to distribute a dividend for fiscal 2005 in the amount of EUR 8.160 million.

3.3 Cash flow

3.3.1 Group cash flow (IFRS)

	01.01.2006 - 31.12.2006 [EUR'000]	01.01.2005 - 31.12.2005 [EUR'000]
Cash flow from:		
Operating activities	47,516	62,496*
Investing activities	-12,891	-3,964
Financing activities	-17,315	-6,873*
Net increase / decrease in cash and cash equivalents	17,310	51,659
Cash and cash equivalents at beginning of period	136,285	84,626
Cash and cash equivalents at end of period	153,595	136,285

* Adjusted previous-year figures (see 1.7 notes to the consolidated financial statements)

The amount of cash and cash equivalents reported in the cash flow statement corresponds with the amount of cash and cash equivalents in the balance sheet.

In the reporting period, the financial situation was characterised by positive cash flow (see consolidated cash flow statement). Cash flow from operating activities is indirectly diverted on the basis of the Group's net income for the year, while cash flow from investing and financing activities is determined on the basis of payments.

The cash flow from operating activities decreased since the previous year, by EUR 14.980 million to EUR 47.516 million, even though cash flow grew overall. Its increase, by EUR 7.668 million from EUR 27.724 million to EUR 35.392 million, is essentially due to the improved net income for the year. By contrast, cash flow from changes in current liabilities fell versus the previous year. Specifically, implementation and settlement for the 2006 World Cup led to lower other liabilities from ticketing income that has not yet been invoiced as of 31 December 2006. The monies from advance ticket sales for future events reported under other liabilities experienced a drop as well.

Outflows for investing activities rose significantly (EUR +8.927 million) in keeping with the growth strategy of the CTS Group, with expenses being incurred primarily in connection with the acquisition of intangible assets (EUR 6.505 million), investments in fixed assets (EUR 3.672 million) and disbursements related to the acquisition of consolidated entities (EUR 2.418 million).

Payments related to financing activities grew from EUR 6.873 million to EUR 17.315 million and served the purposes of payments to shareholders and minority interest, at EUR 15.299 million (prior year: EUR 3.752 million), and paying down financial liabilities, at EUR 2.016 million (prior year: EUR 3.121 million). As at the balance sheet date, the Group financial liabilities amount to EUR 5.076 million (prior year: EUR 6.862 million).

The Group's cash and cash equivalents as at the balance sheet date equalled EUR 153.595 million, with liquid funds in the Ticketing segment being offset by liabilities related to ticketing income that has not yet been invoiced in the amount of EUR 38.217 million (prior year: EUR 42.570 million), which are reported under other liabilities. The cash and cash equivalents include EUR 5.596 million in credit balances with banks, which served the purpose of processing advance ticket sales for the 2006 World Cup.

In view of its current situation in terms of financing, the Group is capable of meeting its financial obligations at any time while financing operations with its own funds.

3.3.2 Cash flow of CTS AG (HGB)

	01.01.2006 - 31.12.2006 [EUR'000]	01.01.2005 - 31.12.2005 [EUR'000]
Cash flow from:		
Operating activities	**24,948**	**39,133**
Investing activities	**-11,521**	**-3,088**
Financing activities	**-10,177**	**-3,521**
Net increase / decrease in cash and cash equivalents	**3,250**	**32,524**
Cash and cash equivalents at beginning of period	62,733	30,234
Net increase / decrease in cash and cash equivalents due to merger and changes in valuation	0	-25
Cash and cash equivalents at end of period	**65,983**	**62,733**

Operating activities during the reporting period resulted in an inflow of funds in the amount of EUR 24.948 million (prior year: EUR 39.133 million). Despite greater cash flow, the inflow suffered a decrease versus the previous year because less monies from advance ticket sales for events of the next fiscal year had to be reported as liabilities.

In the reporting period, investments were made mostly in intangible assets in the form of acquired distribution rights and the continued development of CTS ticket software, fixed and financial assets (acquisitions).

Outflows related to financing activities rose versus the previous year by EUR 6.656 million, owing to a dividend payment in the amount of EUR 8.160 million, which is offset by a payment for the redemption of financial liabilities that was EUR 1.504 million lower than that of the previous year. As a result of payments from the redemption of financial loans in the amount of EUR 2.017 million, total financial liabilities fell to EUR 343 thousand (prior year: EUR 2.360 million).

As of the balance sheet date, cash and cash equivalents of CTS AG equalled EUR 65.983 million, with liquid funds mainly consisting of cash from advance ticket sales for 2007 events (ticketing income that has not yet been invoiced) reported under other liabilities at EUR 30.275 million (prior year: EUR 36.830 million). Available liquid funds of the previous year include EUR 5.596 million in credit balances with banks, which served the purpose of processing advance ticket sales for the 2006 World Cup.

4. Brief assessment of fiscal year

In the past fiscal year, both CTS AG and the entire Group were managed exceedingly well as the record income and revenue figures amply demonstrate. The financial results were the best since the IPO in 2000. The segments Ticketing and Live Entertainment were able to improve their market positions, revenues and income, and the “eventim” brand raised its profile with the 2006 World Cup.

The Group and CTS AG steadily continued on their trajectory of success through organic growth, targeted acquisitions and a broadened service product portfolio, with operations benefitting from the booming Internet business as well as tours of international and national rock stars appealing to audiences and media alike.

The Group EBIT rose by EUR 12.944 million, from EUR 32.739 million to EUR 45.683 million. In the Live Entertainment segment, a full event calendar and well-attended concerts resulted in revenues of EUR 247.164 million. Aside from the successful 2006 World Cup, the main driver of growth and earnings in the Ticketing segment remains Internet ticket sales: 136 million visitors purchased more than 5.3 million tickets on the CTS portals, boosting the EBIT for the Ticketing segment by more than 60%.

5. Appropriation of earnings of CTS AG

In fiscal 2005, CTS AG posted a net income for the year for purposes of the commercial code in the amount of EUR 16.047 million. At the Annual Shareholders’ Meeting on 10 May 2006, it was resolved to distribute a dividend in the amount of EUR 8.160 million (EUR 0.34 per share) to shareholders. The distribution was completed on 11 May 2006, and the residual amount was carried forward on new account.

In fiscal 2006, CTS AG posted a net income for the year for purposes of the commercial code in the amount of EUR 23.983 million. The Management Board as well as the Supervisory Board propose to the Shareholders’ Meeting that a dividend in the amount of EUR 11.760 million (Euro 0.49 per share) be distributed and the residual amount of EUR 12.223 million be carried forward on new account.

6. Dependencies report for CTS AG

According to § 17 (1) AktG, the German Securities Act, CTS AG is controlled, as of the balance sheet date, by majority shareholder Klaus-Peter Schulenberg (controlling entity) and/or companies affiliated with or attributable to such controlling entity. For this reason, in compliance with § 312 AktG, we hereby submit a report, which was available to the Supervisory Board and the auditor for review.

The report pursuant to § 312 AktG concludes on the following board observation:

> "Judging by the circumstances known to the Management Board at the time of the execution of legal transactions subject to reporting, the company was adequately compensated for certain. Over the reporting period, actions or legal transactions with third parties that are subject to reporting were neither executed nor omitted at the behest or in the interest of the controlling entity or any company affiliated with the controlling entity within the meaning of § 312 AktG."

7. Events after balance sheet date

After the balance sheet date, the following special events occurred:

With effect on 1 January 2007, CTS AG acquired 51% of the shares in Zritel o.o.o. based in Moscow. Zritel is the largest private Russian provider of ticket distribution services and operates the ticket distribution systems Kontramarka and Parter as well as two large Russian Internet ticket portals, www.kontramarka.ru and www.parter.ru. Zritel works closely with several hundred Russian event promoters and theatres and maintains many stationary box offices in addition to Internet and call centre distribution channels, primarily in Moscow. The purchase agreement calls for adjustments of the preliminary purchase price in the event that a contractual minimum EBIT target is reached in the 2005 (1 April 2005 – 31 March 2006), 2006 (1 April 2006 – 31 March 2007) and 2007 (1 April 2007 – 31 March 2008) reporting periods.

In the future, the CTS Group will also supply its ticket distribution systems to Schweizerische Bundesbahn (SBB), the Swiss federal railway. Cooperation agreements to that effect were signed in 2007 in Bern between SBB and CTS Eventim Schweiz AG (formerly TicTec AG), Basel. Starting in April of 2007, Eventim tickets are to be sold through SBB sales outlets in more than 200 Swiss stations as well. In addition, SBB will use the Eventim system for the sale of tickets via its call centre and web pages. For starters, the project will be focussed on events in Switzerland, with events in other European countries being added to the systems of the CTS Group, and available through SBB sales outlets, later in 2007. In addition, CTS AG also entered into a partnership agreement with RailAway, SBB's "leisure" subsidiary, under which attractive packages combining event and discounted railway tickets will be offered through the Eventim system.

On 18 January 2007, the new resale platform www.fansale.de was launched. Fansale.de is an Internet portal developed specifically for the exchange and resale of event tickets.

Under a notarised agreement of 22 February 2007, and with effect on the same date, CTS AG acquired 20% of the shares in GSO Holding GmbH, Bremen, from an external shareholder, bringing its interest in this company to 100%.

Under a bank guarantee prepared on 15 February 2007 in the amount of USD 400,000 (EUR 306 thousand) in favour of an affiliated company, CTS AG bears liability in the event of the guarantee's use by way of the bank's right of recourse. The guarantee expires on 25 May 2007.

On the basis of the events described above, we expect a positive effect on the financial position, cash flow and earnings performance in fiscal 2007.

There was no other event subject to reporting.

8. Risk report

8.1 Risk policies and risk management system

The Group's risk policies are geared toward the systematic and continuous enhancement of shareholder value. The name and reputation of CTS AG and the Group as well as the individual brands are of great significance to the Group.

We will assume adequate, transparent and manageable risks if and to the extent that they are related to the expansion and application of the Group's core competencies and their potential rewards involve substantial appreciation.

In general, the Management Board is guided by the following risk-related principles:

a) risks must entail economic success;

b) no action or decision must come with existential risks;

c) risks as to earnings must entail adequate returns;

d) to the extent economically feasible, risks must be insured; and

e) residual risks must be managed using risk management systems.

To allow risks to be detected early, valuated, managed and documented, the Group has in place a systematic and adequate risk management system tightly integrated with its operational processes.

Using an internal reporting and planning system, management is continuously updated on the occurrence, status and material changes of significant risks as well as the course of business at individual entities. The risk management process is systemically supported by dedicated software, "Risikokompass," and reporting typically on a rotational basis in quarterly intervals may occur ad hoc in the event of unexpected risks.

The transfer of risks to insurers is consummated by entering into insurance policies at adequate coverage amounts. Essentially, insurance covers property damage and third-party liability claims. In some cases, insurance coverage may be obtained for special operational risks as well.

In addition, management is advised and guided in important decision-making processes by internal and external experts.

The auditor assesses the effectiveness of risk management and reports the outcome of such an assessment to the Management Board and Supervisory Board following the completion of the audit of the annual financial statements. The findings are then used to further improve the early detection and management of risks.

8.2 Risk categories

The CTS Group distinguishes between four kinds of risk:

1. strategic risks;
2. market risks;
3. performance risks; and
4. financial market risks.

Of all of the risks identified for the Group, only those risk categories and/or individual risks are examined below that, from today's viewpoint, may have a material adverse effect on the financial position, cash flow and earnings performance.

8.2.1 Strategic risks

Risks of future macroeconomic trends

The German expert council for the assessment of macroeconomic trends ("Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung") expects consumption within the Euro zone to pick up further in 2007 in response to broader employment and rising real incomes. In the case of Germany, the council's forecast assumed a nominal increase in disposable incomes. Due to the VAT increase and its inflationary effect, however, private households should see noticeably smaller income gains in real terms: The 2007 forecast predicts that private consumption will remain at the 2006 level.

Changing economic data, however, need not always affect the event market, as was evident in the business developments of the past.

Industry, market and competition

The company currently commands a leading market position in ticket distribution for advance sales. It is not certain that this position can be defended. The company and its services compete with regional and cross-regional providers as well as with promoters' direct sales. However, an effort is made to expand the leading market position by offering special services, such as exclusive advance sales on CTS portals, the possibility of reserving seats when booking tickets online and a new print-at-home system, "ticketdirect."

Intensifying globalisation and/or monopolisation on the entertainment market may bring further challenges.

8.2.2 Market risks

Products, services, innovation

The ongoing development of the CTS ticket software systems reflects the especially rapid growth seen in the field of information technology, which keeps introducing new industry standards as well as products and services. There can be no assurance that the company will always succeed in introducing new technologies in time and without adverse effect on the system's responsiveness and processing speed.

The Group's business activities as well as the value represented by the company's assets in the Ticketing segment essentially rely on event promoters providing their tickets via the CTS distribution network and supplying ticket contingents. The Group is confident that promoters will continue using these services to take advantage of a versatile product and distribution structure. The risk is minimized by existing investments in various renowned regional and cross-regional concert promoters.

As for the Live Entertainment segment, the Group's business activities as well as the value represented by the company's assets in the Ticketing segment rely on promoters continuing to offer successful national and international artist products, thereby securing a high rate of occupancy.

The CTS Group will counter competitive and pricing pressures, which are already felt sporadically, with new industry/client-specific services and distribution initiatives.

8.2.3 Performance risks

Stability and security of IT infrastructure used

The availability and security of the software and hardware employed is a critical condition of business success as disruptions and failures may lastingly affect both internal and external processes of the Group or the provision of its services.

We meet these risks with a number of measures set forth comprehensively in security policies and guidelines passed by the Management Board.

Purchasing

As an IT-related service provider, operator and supplier of ticket distribution systems as well as promoter of live events, the CTS Group works with many different suppliers and hedges against potential risks encountered in this area by employing quality standards in the supply and procurement processes, appropriate tendering procedures and project calculations.

Personnel-related risks

Past economic achievements are based in part on the activities and dedication of some key individuals in core leadership positions. In the future, too, such achievements will depend on the Group's ability to retain and/or recruit qualified executives, which is why our management development program includes the support, promotion and incentivisation of promising individuals.

8.2.4 Financial market risks

Liquidity risk

To secure lasting solvency and financial flexibility, liquidity is budgeted and actively managed. Monies from advance ticket sales are deposited in separate service accounts until accounting for the event in question has been completed. In addition, there are standardised credit agreements with various banks, and the extension risk is minimised by varying credit terms.

Default risk

A credit or contingency risk is inherent in the possibility of a debtor being unable to meet its financial obligations. At its worst, the creditor risk theoretically is equal to the current value of all receivables adjusted by liabilities to the same debtor to the extent that a situation allowing for set-off (for purposes of the German civil code) may be brought about. In the annual financial statements of CTS and the Group, identified credit risks were offset by allowances for doubtful accounts.

Foreign exchange risk

In the Live Entertainment segment, artist contracts call for payments in USD in most cases while events are typically transacted in EUR, resulting in foreign exchange risks if and to the extent that the favourable EUR/USD exchange rate shifts in favour of the dollar.

Taxes

As a result of varying viewpoints on matters subject to future tax audits, subsequent tax demands may be imposed by the tax authorities in future fiscal audits, resulting in adverse impacts on the company's financial situation. The Group is currently undergoing a tax audit.

Legal disputes and claims for damages

Pending legal disputes and claims for damages are discussed under point 10 of the notes to the consolidated financial statements.

8.3 No existential risks for CTS AG and Group

An overview of the risks shows that the Group bears mainly market and performance risks. As of the date of reporting, the Management Board assumes that the risks in the overall assessment are limited and transparent and do not jeopardise the existence of CTS AG or the Group, and it is not aware of any risks that may represent an existential threat in the future.

9. Statements pursuant to § 315 (4) HGB and/or § 289 (4) HGB

The registered share capital of CTS AG is EUR 24,000,000.00 and breaks down into 24,000,000 no-par value bearer shares, each of which represents one vote.

Mr. Klaus-Peter Schulenberg, Bremen, holds 50.07% of CTS AG.

Pursuant to § 84 (1) AktG, the members of the Management Board are appointed and dismissed by the Supervisory Board.

Pursuant to § 5 (1) of the CTS AG articles of incorporation, the Management Board must consist of no less than two individuals. The Supervisory Board determines the number of members of the Management Board.

Pursuant to § 179 (1) AktG, amendments to the articles of incorporation require a shareholder resolution adopted at 75% of the registered share capital represented on the occasion of the vote unless the articles of incorporation stipulate another majority. Under § 8 para. 8, the articles of incorporation of CTS AG take advantage of the possibility of a departure according to § 179 (2) AktG by providing that resolutions may be adopted by a simple majority and, to the extent that a majority of the registered share capital is needed, by a simple majority of the registered share capital.

With respect to the statements on the powers of the Management Board in connection with the issue and repurchase of stock, reference is made to point 27 of the notes to the consolidated financial statements as well as to point 3 of the notes to the individual financial accounts.

10. Outlook

The CTS Group will retain its fundamental orientation as the leading European ticketing service provider.

Of the many opportunities available, the following items are highlighted as particularly significant to CTS AG and the Group alike.

Despite a dampened 2007 consumption outlook, we anticipate positive impulses. Especially in difficult economic times, the demand for events was and remains unbroken. What's more, the Internet will continue gaining ground as a home-shopping alternative in Ticketing as more and more customers have regular Internet access.

For the CTS Group, the year 2007, too, will be one marked by growth and expansion. New technologies and innovative products, the expansion of the sports business and the systematic acquisition of European ticketing providers outside of Germany continue to be the focus of our actions, with special emphasis being placed on the continued growth of the high-margin Internet division.

As the first German provider, the CTS Group started providing a platform for the resale of tickets and ticket auctions under the brand "fansale" in early 2007.

Sports-related contents will play an even larger role in the future: In addition to Formula One, winter sports, handball and many more, tickets are now available through the CTS systems for almost two thirds of the German premiere league football clubs, eight regional league competitors and two foreign clubs all thanks to the acquisition of CTS Eventim Sports GmbH.

And aside from its organic growth, the CTS Group is set, after the acquisition in Switzerland and Russia, on expanding its position on the European market by continuing its acquisition course abroad. Significant growth potential is seen in the emerging countries of Western Europe, which appear poised to close the prosperity gap sooner or later.

If business expectations and strategic plans become a reality, fiscal 2007 and 2008 should mirror the previous positive developments in both segments, and the Management Board is confident, in view of the data underlying its forecast, that this result may be topped in the current as well as in the subsequent year. Any future dividend will reflect performance as it has in the past.

Forward-looking statements

Excluding historical financial data, this report may contain forward-looking statements marked by expressions such as “believe,” “assume,” “expect” and similar terms. By definition, statements of this nature may deviate from actual future events or developments.

Bremen, 13 March 2007

CTS EVENTIM Aktiengesellschaft

The Management Board

Consolidated financial statements 2006

eventim

7. Consolidated financial statements 2006

Consolidated balance sheet as at 31 December 2006 (IFRS)

Assets		31.12.2006 [EUR]	31.12.2005 [EUR]
Current assets			
Cash and cash equivalents	(1)	153,594,858	136,284,989
Trade receivables	(2)	19,130,037	16,213,035
Receivables from affiliated companies	(3)	773,665	823,328
Inventories	(4)	18,654,618	17,155,222
Receivables from income tax	(5)	3,841,524	2,060,159
Other assets	(6)	12,540,433	6,101,762
Total current assets		**208,535,135**	**178,638,495**
Non-current assets			
Fixed assets	(7)	5,544,962	4,068,369
Intangible assets	(8)	8,442,733	5,521,783
Financial assets	(9)	1,295,822	946,295
Investments stated at equity	(10)	15,552	10,004
Loans	(11)	2,618,563	2,200,366
Trade receivables	(12)	879	26,530
Receivables from affiliated companies	(13)	339,076	346,326
Other assets	(14)	27,410	51,914*
Goodwill	(15)	44,711,238	41,672,176*
Deferred tax assets	(16)	2,305,230	2,889,766
Total non-current assets		**65,301,465**	**57,733,529**
Total assets		**273,836,600**	**236,372,024**

* Adjusted previous-year figures (see 1.7 notes to the consolidated financial statements)

Shareholders' equity and liabilities		31.12.2006 [EUR]	31.12.2005 [EUR]
Current liabilities			
Short-term financial liabilities and current portion of long-term financial liabilities	(17)	5,075,994	6,069,817*
Trade payables	(18)	22,357,589	21,016,794
Payables to affiliated companies	(19)	539,768	500,300
Advance payments received	(20)	78,055,238	57,303,948
Other provisions	(21)	1,001,536	963,876
Tax provisions	(22)	8,523,048	7,321,709
Other liabilities	(23)	58,070,769	58,578,057
Total current liabilities		**173,623,942**	**151,754,501**
Non-current liabilities			
Medium- and long-term financial liabilities	(24)	0	792,058
Other liabilities	(25)	3,153,000	0
Pension provisions	(26)	1,814,605	1,754,823*
Total non-current liabilities		**4,967,605**	**2,546,881**
Shareholders' equity	(27)		
Share capital		24,000,000	24,000,000
Capital reserve		23,302,357	23,302,357
Balance sheet profit		43,813,348	28,440,918*
Minority interest		4,128,607	6,327,698*
Currency differences		741	-331
Total shareholders' equity		**95,245,053**	**82,070,642**
Total shareholders' equity and liabilities		**273,836,600**	**236,372,024**

* Adjusted previous-year figures (see 1.7 notes to the consolidated financial statements)

Consolidated income statement for the period from 1 January to 31 December 2006 (IFRS)

		01.01.-31.12.2006 [EUR]	01.01.-31.12.2005 [EUR]
Revenues	(1)	342,927,262	256,178,613
Cost of sales	(2)	-253,970,711	-192,670,185
Gross profit		**88,956,551**	**63,508,428**
Selling expenses	(3)	-31,060,888	-19,502,741
General administrative expenses	(4)	-13,091,830	-10,893,618
Other operating income	(5)	5,861,427	4,157,281
Other operating expenses	(6)	-4,982,150	-4,529,989
Operating profit (EBIT)		**45,683,110**	**32,739,361**
Income / expenses from companies in which participations are held	(7)	297,944	262,240
Income / expenses from investments stated at equity	(8)	5,548	-19,182
Financial income	(9)	2,795,817	2,097,334
Financial expenses	(10)	-799,641	-1,177,758*
Profit from ordinary business activities (EBT)		**47,982,778**	**33,901,995**
Taxes on income	(11)	-19,485,022	-13,410,750
Net income for the year before minority interest		**28,497,756**	**20,491,245**
Minority interest	(12)	-4,965,326	-4,600,191*
Net income for the year after minority interest		**23,532,430**	**15,891,054**
Earnings per share (in EUR); undiluted (= diluted)		0,98	0,66*
Average number of shares in circulation; undiluted (= diluted)		24,000,000	24,000,000

* Adjusted previous-year figures (see 1.7 notes to the consolidated financial statements)

Consolidated statement of changes in shareholders' equity (IFRS)

	Share capital	Capital reserve	Currency differences	Minority interest	Balance sheet profit	Total shareholders' equity
	[EUR]	[EUR]	[EUR]	[EUR]	[EUR]	[EUR]
Status 01.01.2005	**12,000,000**	**35,322,647**	**4,676**	**6,451,873**	**12,549,864**	**66,329,060**
Reclassification to short-term financial liabilities	0	0	0	-941,000*	0	-941,000
Change in capital reserve	12,000,000	-12,020,290	0	0	0	-20,290
Currency differences	0	0	-5,007	0	0	-5,007
Change in scope of consolidation	0	0	0	-6,315	0	-6,315
Distribution in 2005	0	0	0	-3,777,051*	0	-3,777,051
Net income after minority interest 2005	0	0	0	4.600.191*	15,891,054*	20,491,245
Status 31.12.2005	**24,000,000**	**23,302,357**	**-331**	**6,327,698**	**28,440,918**	**82,070,642**
Currency differences	0	0	1,072	0	0	1,072
Change in scope of consolidation	0	0	0	-14,920	0	-14,920
Distribution in 2006	0	0	0	-7,149,497	-8,160,000	-15,309,497
Net income after minority interest 2006	0	0	0	4,965,326	23,532,430	28,497,756
Status 31.12.2006	**24,000,000**	**23,302,357**	**741**	**4,128,607**	**43,813,348**	**95,245,053**

* Adjusted previous-year figures (see 1.7 notes to the consolidated financial statements)

Consolidated cash flow statement for the period from 1 January to 31 December 2006 (IFRS)

The following cash flow statement states the flow of funds from operating activities, investing activities and financing activities of the Group, and the resultant change in cash and cash equivalents:

	01.01.-31.12.2006	01.01.-31.12.2005
	[EUR]	[EUR]
A Cash flow from operating activities		
Net income for the year after minority interest	23,532,430	15,891,054*
Minority interest	4,965,326	4,600,191*
Depreciation and amortization on property, plant and equipment	6,334,998	4,715,761
Appreciation on property, plant and equipment	-97,289	0
Additions to pension provisions	20,800	493,445*
Deferred tax expenses / income	635,550	2,023,473
Cash flow	**35,391,815**	**27,723,924**
Other cash-neutral expenses / income	5,300	100,823
Book profit / loss from disposal of intangible and fixed assets	35,391	-16,974
Interest income	-2,717,531	-2,042,845
Interest expenses	799,249	1,052,243
Income tax expenses	18,849,472	11,379,156
Interest received	2,597,717	1,953,552
Interest paid	-101,013	-459,024
Income taxes paid	-19,364,349	-7,153,253
Increase / decrease in inventories; payments on account	-658,541	-9,097,113
Increase / decrease in receivables and other assets	-6,979,249	-4,828,110*
Increase / decrease in provisions	1,624,487	-5,321,433
Increase / decrease in current liabilities	18,033,552	49,205,088*
Cash flow from operating activities	**47,516,300**	**62,496,034**
B Cash flow from investing activities		
Payments for investments in intangible assets	-6,504,896	-1,000,254
Payments for investments in fixed assets	-3,672,260	-2,563,406
Proceeds from sales of fixed assets	248,414	54,520
Proceeds from sales of financial assets	319,533	113,980
Payments for investments in financial assets	-864,312	-505,530
Payments for acquisition of consoldidated companies	-2,417,553	-63,797
Cash flow from investing activities	**-12,891,074**	**-3,964,487**
C Cash flow from financing activities		
Payments for redemption of financing loans	-2,016,540	-3,120,645
Distribution of profits to shareholders	-15,298,817	-3,752,131*
Cash flow from financing activities	**-17,315,357**	**-6,872,776**
D Net increase / decrease in cash and cash equivalents	**17,309,869**	**51,658,771**
Cash and cash equivalents at beginning of period	136,284,989	84,626,218
E Cash and cash equivalents at end of period	**153,594,858**	**136,284,989**
F Composition of cash and cash equivalents		
Cash and cash equvialents	153,594,858	136,284,989
Cash and cash equivalents at end of period	**153,594,858**	**136,284,989**

* Adjusted previous-year figures (see 1.7 notes to the consolidated financial statements)

eventim

Notes to the consolidated financial statements for the financial business year from 1 January – 31 December 2006 (IFRS)

1. Accounting principles

1.1 Structure and business operations of the company

The company is registered as CTS EVENTIM AG (hereinafter: CTS AG), Dingolfingerstrasse 6, 81673 Munich, Germany, in the Commercial Register at Munich Local Court under no. HRB 156963. The company's head office is in Bremen, Germany. Shares in CTS AG are traded under securities code 547030 in the SDAX segment of the Frankfurt Stock Exchange.

The objects of the company in the Ticketing segment are the production, sale, brokering, distribution and marketing of tickets for concerts, theatre, art, sports and other events in Germany and abroad, particularly in the Federal Republic of Germany and other European countries, in particular by using electronic data processing and modern communication and data transmission technologies. Further objects of the company are the production, sale, brokering, distribution and marketing of merchandising articles and travel, as well as direct marketing activities of all kinds. The company competes for the provision of its services not only with regional and supraregional providers of similar services, but also with regional enterprises and with direct ticket sales by the respective promoters. The objects of the Live Entertainment segment, in addition, are the planning, preparation and execution of events, in particular music events and concerts, and the marketing of music productions.

The annual financial statements of CTS AG and the consolidated financial statements of CTS AG, bearing the unqualified note of confirmation by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, a firm of chartered accountants in Osnabrück, are published in the electronic Federal Gazette (Bundesanzeiger).

These consolidated financial statements and the summarised Management Report were approved by the Management Board of CTS AG on 13 March 2007, for presentation to the Supervisory Board.

1.2 Accounting principles

These 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 § 315a (1) of the German Commercial Code (HGB). All IFRSs issued by the International Accounting Standards Board (IASB) and applicable when these consolidated financial statements were prepared have been adopted by the European Commission for use in the EU. The consolidated financial statements are therefore compliant with IFRS. The consolidated financial statements were prepared on the basis of historical purchase and production costs, limited by the recognition of available-for-sale financial assets, which are carried at fair value.

The layout of the balance sheet conforms to IAS 1. A distinction is made in the balance sheet between current and non-current assets and liabilities, some of which are disclosed in detail in the notes, according to time to recovery or settlement. The layout of the income statement is based on the 'cost of sales' method. Expenses incurred are set in relation to the revenues generated and are classified according to their function as costs of sales, selling expenses or general administrative expenses. The consolidated financial statements are denominated in Euros.

1.3 New accounting standards that are not yet applicable

The IASB and the International Financial Reporting Interpretations Committee (IFRIC) have adopted additional standards and interpretations that are not yet mandatory for the 2006 financial year and which have not been applied to the consolidated financial statements as at 31 December 2006. Application of these IFRSs is conditional on the EU granting them recognition, which in some cases has yet to occur.

- IFRS 7 'Financial Instruments: Disclosures' (applicable on or after 1 January 2007)
- Amendment to IAS 1 'Presentation of Financial Statements: Capital Disclosures' (applicable on or after 1 January 2007)
- IFRIC 11 'IFRS 2 - Group and Treasury Share Transactions' (applicable on or after 1 January 2007)
- IFRIC 12 'Service Concession Arrangements' (applicable on or after 1 January 2008)
- IFRS 8 'Operating segments' (applicable on or after 1 January 2009)

Standards that are not applicable until after the balance sheet date have not been prematurely applied. There were therefore no material impacts on the financial position, cash flow and earnings performance of the Group as a result of such premature application of standards.

1.4 Interpretations and amendments of published standards with mandatory application in 2006

An assessment by top management showed that the current accounting rules for pension provisions are unaffected by the amendment of IAS 19. The amended standard does not result in any changes to the disclosures required in the notes.

1.5 Disclosures concerning the group of consolidated entities and the principles of consolidation

All relevant subsidiaries that CTS AG directly or indirectly controls are included in the consolidated financial statements. 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 overall financial position, cash flow and earnings performance. The carrying amount of capitalised participations not included in the consolidated financial statements due to insignificance is less than 1% of the Group balance sheet total.

The financial statements of companies included in the consolidated financial statements are prepared as a basic principle in accordance with uniform accounting and valuation methods.

The balance sheet date for the consolidated companies is identical to that of the parent company, with the exception of the companies newly acquired in the 2006 financial year, namely TicTec AG, Basel, and Act Entertainment AG, Basel.

Capital consolidation is effected using the purchase accounting method by offsetting the carrying amount of the participation against the revalued shareholders' equity of the subsidiary at the time of acquisition ('purchase accounting'). The purchase costs of the acquisition are equal to the fair value of the transferred assets and liabilities assumed at the time of transaction, plus the costs directly attributable to the acquisition. Assets, liabilities and contingent liabilities which can be identified in the context of a corporate merger are recognised at their respective fair values when first included in consolidation. Any amount by which the purchase costs exceed the Group's share in the fair value of net assets is recognised as goodwill. According to IFRS 3 and IAS 36, goodwill must be reviewed annually with regard to carrying value and any indications of impairment. In the 2006 financial year, the purchase prices for shares in subsidiaries totalled EUR 3.549 million.

Initial consolidation was effected in each case as at the time of acquisition, or at the time the companies were included in consolidation because they exceeded the minimum for significance.

Participations in companies over which a significant influence can be exercised are valued by the equity method; a significant influence can be exercised if the share of voting rights is between 20% and 50% ('associated companies'). Investments valued at equity are carried at the proportionate adjusted interest in the investee's equity. Changes in the proportionate equity value with effects on net income are included in the income statement as income or expenses from investments stated at equity. If the Group's share in losses from an associated company is equal to or greater that 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 associated company, or has made payments for the associated company. The investment in Greensave GmbH, Würzburg, was valued at equity and included in the consolidated financial statements. The Group holds a 27.7% interest in said company.

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

The following changes in the scope of consolidation occurred in the 2006 financial year:

Ticketing segment

With effect from 1 January 2006, CTS AG acquired 100% of the shares in SPORTFIVE Tixx GmbH, Hamburg, for a purchase price of EUR 1.9 million. SPORTFIVE Tixx GmbH changed its name to CTS Eventim Sports GmbH. The objects of CTS Eventim Sports GmbH are the granting of software licences for ticketing and Customer Relationship Management (CRM) to sports clubs, performing services such as the operation of online ticket shops and call centres, as well as associated consultancy services. The revenues generated since initial consolidation in 2006 amount to EUR 4.596 million, and the net income for the year to EUR 654 thousand.

The firm of Ö-Ticket Nordost Eintrittskartenvertrieb GmbH, Tulln, was established on registration in the Commercial Register on 29 December 2005. The firm of Ticket Express Gesellschaft zur Herstellung und zum Vertrieb elektronischer Eintrittskarten mbH, Vienna, holds 50.1% of the shares. The company was included in the consolidated financial statements as of 1 January 2006. The revenues generated since initial consolidation in 2006 amount to EUR 83 thousand, the net income for the year to EUR -25 thousand.

CTS AG acquired 100% of the shares in TicTec AG, Basel, on the basis of a contract concluded on 26 July 2006. TicTec AG was included in the consolidated financial statements with effect from 1 July 2006 because the contract of sale specified that the financial rights and obligations of the company devolved to CTS AG as of 1 July 2006. The total price paid for the shares was EUR 1.282 million. The company, founded in the year 2000 and one of the leading providers of ticketing services, is the operator of the TicTec system and the www.tictec.ch Internet platform. TicTec AG works with many promoters and operates a network of more than 70 box offices in Switzerland and Liechtenstein. In the field of new technologies, TicTec AG is considered a pioneer and for some time has also supplied systems for electronic access control and mobile ticketing (i.e. using mobile phones as digital admission tickets). In the course of acquisition, the company was renamed CTS Eventim Switzerland AG, with the respective changes being registered in February 2007. Revenues since initial consolidation in 2006 amount to EUR 426 thousand, and the net income for the year to EUR 24 thousand.

Live Entertainment segment

In the Live Entertainment segment, and with a notarial contract dated 26 January 2006, Argo Konzerte GmbH, Würzburg, and Semmelconcerts Veranstaltungsservice GmbH, Bayreuth, each sold 7.6 percentage points of the shares in PGM Promoters Group Munich Konzertagentur GmbH, Munich, to Marek Lieberberg Konzertagentur GmbH & Co. KG, Frankfurt am Main. The shares were sold at carrying value within the Group.

On 8 November 2006, Medusa Music Group GmbH, Bremen, acquired 51% of the shares in Act Entertainment AG for the purchase price of EUR 315 thousand. Established in the year 2000, Act Entertainment AG is one of the leading promoters in Switzerland and a key player in the Swiss market, not only for tour organisation but also in local execution of the 150 to 200 events each year that it organises. Since 2004, Act Entertainment AG has also been involved in major pop and rock events. Act Entertainment AG is also a co-promoter of the Greenfield Festivals in Interlaken, one of the largest open-air festivals in Switzerland, and the promoter of dinner shows such as the Palazzo Colombino in Zurich and Basel. The revenues generated since initial consolidation in 2006 amount to EUR 2.987 million, and the net income for the year to EUR -256 thousand.

In fiscal 2006, Palazzo Produktionen GmbH, Hamburg, increased its share in Palazzo Produktionen GmbH, Vienna, from 90% to 100%. The addition 10% of the shares were purchased at the carrying value of EUR 17 thousand.

In the 2006 financial year, Palazzo Produktionen GmbH, Hamburg, also acquired 100% of the shares in Palazzo Producties B.V., Amsterdam, for the carrying amount of EUR 18 thousand. The revenues generated since initial consolidation in 2006 amount to EUR 2.237 million, and the net income for the year to EUR 185 thousand.

We refer to point 2, Goodwill (15) in the notes to the consolidated financial statements for disclosure of the assets and liabilities taken over in connection with changes to the group of consolidated entities.

The following subsidiaries under the legal or de facto control of CTS AG are included by full consolidation in the consolidated financial statements with the following percentage interests as at 31 December 2006:

		Percentage interest (held by the respective owning company)	
	Country	**2006**	**2005**
GSO Holding GmbH, Bremen		80.0%	80.0%
GSO Gesellschaft für Softwareentwicklung und Organisation mbH & Co. KG, Bremen (GSO KG)		100.0%	100.0%
GSO Verwaltungsgesellschaft mbH, Bremen		100.0%	100.0%
Ticket Express Gesellschaft zur Herstellung und zum Vertrieb elektronischer Eintrittskarten mbH, Vienna (TEX)	Austria	75.0%	75.0%
ÖTS Gesellschaft zum Vertrieb elektronischer Eintrittskarten mbH, Deutschlandsberg (ÖTS)	Austria	55.0%	55.0%
Ö-Ticket-Südost, Gesellschaft zur Herstellung und zum Vertrieb elektronischer Eintrittskarten mbH, Wiener Neustadt (ÖT SüdOst)	Austria	66.7%	66.7%

		Percentage interest (held by the respective owning company)	
	Country	2006	2005
Ticket Nord, Herstellung und Vertrieb elektronischer Eintrittskarten mbH, Linz (ÖT Nord)	Austria	100.0%	100.0%
Ö-Ticket-Nordost Eintrittskartenvertrieb GmbH, Tulln (ÖT Nordost)	Austria	50.1%	0.0%
Ticket Express Hungary Kft., Budapest (TEX Hungary)	Hungary	51.0%	51.0%
eventim Online Holding GmbH, Bremen		100.0%	100.0%
RP-EVENTIM GmbH, Düsseldorf		51.0%	51.0%
CTS Eventim Solutions GmbH, Bremen (CTS Solutions)		100.0%	100.0%
CTS Eventim Nederland B.V., Amsterdam (CTS Nederland B.V.)	Netherlands	100.0%	100.0%
CTS Eventim Sports GmbH, Hamburg (Eventim Sports), (formerly: Sportfive Tixx GmbH)		100.0%	0.0%
Eventim Sports Consulting GmbH, Bremen		100.0%	100.0%
TicTec AG, Basel (TicTec)	Switzerland	100.0%	0.0%
MEDUSA Music Group GmbH, Bremen (Medusa)		92.9%	92.9%
Marek Lieberberg Konzertagentur Holding GmbH, Frankfurt/Main		51.0%	51.0%
Marek Lieberberg Konzertagentur GmbH & Co. KG, Frankfurt/Main (MLK KG)		100.0%	100.0%
Marek Lieberberg Konzertagentur Verwaltungs GmbH, Frankfurt/Main		100.0%	100.0%
Peter Rieger Konzertagentur Holding GmbH, Cologne		70.0%	70.0%
Peter Rieger Konzertagentur GmbH & Co. KG, Cologne (PRK KG)		100.0%	100.0%
Peter Rieger Konzertagentur Verwaltungs GmbH, Cologne		100.0%	100.0%
FKP Scorpio Konzertproduktionen GmbH, Hamburg		50.2%	50.2%
Semmelconcerts Veranstaltungsservice GmbH, Bayreuth (Semmel)		50.2%	50.2%
ARGO Konzerte GmbH, Würzburg (ARGO)		50.2%	50.2%
Dirk Becker Entertainment GmbH, Cologne (Dirk Becker)		83.0%	83.0%
LS Konzertagentur GmbH, Vienna (LS)	Austria	75.0%	75.0%
PGM Promoters Group Munich Konzertagentur GmbH, Munich (PGM)		100.0%	100.0%
CRP Konzertagentur GmbH, Hamburg (CRP)		50.2%	50.2%
Palazzo Produktionen GmbH, Hamburg (Palazzo Hamburg)		51.0%	51.0%
Palazzo Produktionen GmbH, Vienna (Palazzo Wien)	Austria	100.0%	90.0%
Palazzo Producties B.V., Amsterdam (Palazzo Amsterdam)	Netherlands	100.0%	0.0%
Act Entertainment AG, Basel (Act Entertainment)	Switzerland	51.0%	0.0%

1.6 Principles of currency translation

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 companies 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 shareholders' equity.

1.7 Principal accounting and valuation methods

Changes to accounting and valuation methods

In accordance with IAS 19, reinsurance benefits which have been pledged to beneficiary employees on the basis of pension commitments are recognised as plan assets and offset against pension provisions. The previous year's figures have been adjusted accordingly for better comparison. Pension provisions were reduced as a result by EUR 692 thousand as at 31 December 2005, and the other assets accordingly.

In accordance with IAS 32, contracts which obligate a company to purchase its own equity instruments are recognised as financial liabilities carried at the present value of the purchase price. This principle shall also apply 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. In compliance with changes in international accounting practice, this principle is also applicable to the forward purchase of minority shares and put options granted to the minority interest of the CTS Group. The CTS Group has applied this principle since 1 January 2006 to equity instruments of minority interests holding put options. In order to calculate the potential purchase price commitments, it was necessary to reclassify these minority shares as liabilities rather than shareholders' equity. In addition, goodwill was capitalised to the amount of difference between the present value of the liabilities and the carrying amount of the minority interest, provided that the purchase price obligations resulting from put options are for a fixed strike price and all the opportunities and risks deriving from the put option are kept within the CTS Group.

In 2006, the purchase price obligations in respect of put options, carried at present value, increased by EUR 123 thousand to EUR 3.640 million. This increase in present value led to an increase in financial expenses to the same amount. Distributions of dividends to minority interest (EUR 488 thousand) were also stated as financial expenses.

The previous year's figures were retrospectively adjusted. Due to the reclassification of EUR 941 thousand in minority interest from shareholders' equity to liabilities, and the capitalisation of EUR 2.457 million in goodwill, EUR 3.398 million in current financial liabilities relating to put options had to be stated as at 1 January 2005. In the income statement, minority interest in the fiscal 2005 were reduced by EUR 316 thousand. The EUR 281 thousand in distributions of dividends to minority interest in fiscal 2005 had to be recognised as financial expenses. The fiscal 2005 increase in purchase price obligations carried at present value, from EUR 119 thousand to EUR 3.517 million, was recognised as financial expenses. Due to this adjustment of the income statement, Group net income for the year after minority interest changed by EUR 84 thousand.

These financial expenses within the meaning of IAS 32 are merely an adjustment at Group level, so there are no tax-reducing effects in fiscal 2006 or the preceding year.

Accounting and valuation methods

The following accounting and valuation principles remained unchanged compared to the year before.

When preparing the consolidated financial statements, it is necessary to a certain degree to make estimates and assumptions 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. The actual amounts may deviate from the respective estimates.

Cash and cash equivalents

Cash and cash equivalents include bank balances, cash in hand and financial assets. Bank balances and cash in hand are stated at the balance sheet date with their nominal value, and financial assets are stated at their fair value.

Receivables

Receivables and other assets are carried at nominal value minus adjustments for discernible risks. The company is fundamentally exposed to potential default risks in respect of trade receivables. Adequate consideration was given to these risks by making appropriate allowances for doubtful accounts.

Inventories

Inventories are carried at purchase cost, 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. Borrowing costs for loan capital are not capitalised.

Financing instruments

The stated values of the company's financing instruments, which include cash and cash equivalents, loans, trade receivables, trade payables, other liabilities and long-term liabilities, are compliant with the accounting principles in IAS 39 and are recognised at their current purchase cost.

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

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

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

In the reporting year, the Group did not classify any financial instruments as ‘financial assets carried at fair value through profit or loss’ or ‘held-to-maturity investments’. Some financial assets classified as ‘loans and receivables originated by the enterprise’ and ‘available-for-sale financial assets’ are held.

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. They are classified as current assets, with the exception of those which do not mature until twelve months after the balance sheet date. The latter are recognised as non-current assets under other loans. Short-term loans and receivables are carried in the balance sheet under trade receivables and other receivables.

Loans and receivables are carried at their current purchase cost.

Participations are stated at their respective purchase costs because there is no active market for these companies, and because fair values cannot reasonably be calculated with any reliability. If there are any indications that fair values are lower, these are applied accordingly.

Intangible and fixed assets

Intangible assets with a determinate useful life and fixed assets are carried at their cost of purchase or cost of sales, minus systematic straight-line depreciation and amortization. Financing costs are not included. There are no finance lease agreements.

Development costs for proprietary software are recognised as assets if they meet the criteria specified in IAS 38.

Systematic depreciation and amortization of intangible assets and fixed assets is mainly based on the following useful economic lives:

- Software, licences: 3 - 7 years on average
- Trademarks: 5 - 10 years
- Customer base: 5 years
- Other property, plant and office equipment: 3 - 14 years

In accordance with IFRS 3, goodwill with an indefinite useful life is not amortized systematically, but reviewed for impairment on the basis of the recoverable amount for the cash gerating unit to which the goodwill is allocated. For the impairment test, the goodwill is subdivided and allocated to 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 Group now tests its goodwill for impairment at least once a year on the balance sheet date, or if significant events or changes in circumstances indicate that the fair value of a reporting entity within the Group might be lower than its carrying value. Impairments of goodwill may not be reversed.

In compliance with IAS 36, the company routinely assesses the carrying values of all assets for possible impairment. If events or changes in circumstances provide grounds 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 company records an impairment loss so that the asset is written down to the recoverable amount. In no case did the carrying values of reporting unit exceed the respective fair value, so there were no indications of impairments to the stated value of any reporting units in the past financial year.

Deferred taxes

Deferred tax assets are recognised in compliance with IAS 12, according to which deferred taxes on income are reported using the balance sheet liabilities method. Deferred tax assets and liabilities are recognised for future tax effects resulting from the difference between the asset and liability amounts stated in the annual financial statements and the respective basis for computing tax. 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 tax assets and liabilities is recognised as tax income or expense in the period in which the tax rate change becomes effective.

Liabilities

Liabilities are shown at their respective redemption values. Their composition and remaining terms are shown in the analysis of liabilities.

Provisions

In accordance with IAS 37, other provisions were formed when commitments towards third parties exist that are reasonably likely to require settlement. The probable amounts of such obligations were estimated according to the state of knowledge when the balance sheet was prepared.

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 to benefits. Pension obligations depend on years of service and the pay level of the respective employee.

Provisions for defined benefit plans are calculated using the projected unit credit method. This latter method takes account not only of the pensions and acquired benefits known on the reporting date, but also any anticipated increases in salaries and pensions. The calculation is based on actuarial expertises, taking biometric factors into account.

Actuarial gains and losses resulting from adjustments and amendments of actuarial assumptions in line with experience are included in the income statement.

If reinsurance policies exist for pension commitments and can only be used to cover the benefits due under the pension commitments, and the insurance policy is pledged to the beneficiary employee, these are treated as qualifying insurance policies in accordance with IAS 19. The coverage values are treated as plan assets and offset against the respective pension provisions in the balance sheet.

Recognition of revenues

Revenues are recognised when a contract has been concluded with legal effect, delivery has been made or the service has been performed, a price is fixed and determinable, and it can be assumed that the price will be paid. Revenues are stated less discounts, price reductions, customer bonuses and rebates. Price reductions reduce revenues as soon as the respective revenues are recognised.

Expense recognition

Expenses are recognised as such when they are incurred. Expenses for research and development are included in cost of sales, since these expenses are for continuous improvement of the software. Separate disclosure under research and development has therefore been discontinued. Development costs incurred by the Group (EUR 844 thousand) are expensed if they do not meet the requirements specified in IAS 38.

Leasing arrangements

Leasing instalments for operating leasing arrangements are treated as rental expenses and recognised under general administrative expenses for the term of the respective leasing arrangement.

2. Notes to the consolidated balance sheet

Cash and cash equivalents (1)

The cash and cash equivalents of EUR 153.595 million (prior year: EUR 136.285 million) are predominantly bank balances and mainly relate to ticket revenues from pre-sales for events in 2007. They are offset by EUR 38.217 million in liabilities accruing from ticket revenues that have not yet been invoiced. Cash and cash equivalents also include EUR 5.641 million in other financial assets classified as available-for-sale financial assets.

Trade receivables (current) (2)

Current trade receivables totalling EUR 19.130 million (prior year: EUR 16.213 million) are payable within one year.

Receivables from affiliated companies (current) (3)

The EUR 774 thousand in current receivables from affiliated companies (prior year: EUR 823 thousand) relate primarily to receivables from subsidiaries in eastern Europe that are not consolidated due to insignificance, and include EUR 12 thousand in receivables from associated companies (prior year: EUR 0).

Inventories (4)

Inventories comprise the following items:

	31.12.2006 [EUR'000]	31.12.2005 [EUR'000]	Change [EUR'000]
Raw materials and consumables	259	1,217	-958
Work in progress	13	266	-253
Merchandise	629	96	533
Payments on account	17,754	15,576	2,178
	18,655	**17,155**	**1,500**

No impairments of inventories have been made. Payments on account pertain to prepaid production costs for events taking place in 2007.

Receivables from income tax (current) (5)

The receivables from income tax relate to tax refund entitlements amounting to EUR 3.842 million (prior year: EUR 2.060 million).

Other assets (current) (6)

Other assets relate to EUR 1.289 million in tax refund claims in respect of VAT and other taxes (prior year: EUR 1.026 million), short-term loans and personnel debts at EUR 2.492 million (prior year: EUR 1.548 million), receivables from uninvoiced ticket pre-sales at EUR 3.442 million (prior year: EUR 1.084 million) and other receivables at EUR 3.383 million (prior year: EUR 1.687 million). Other assets also include a deferred expense item at EUR 1.934 million (prior year: EUR 757 thousand) that mainly relates to maintenance expenses and costs for events in subsequent business years.

Fixed assets (7)

The composition and development of fixed assets is shown in the following table:

	Land, land rights and buildings, including buildings on third-party land	Technical equipment, plant and machinery	Other facilities, operating and office equipment	Total
	[EUR]	[EUR]	[EUR]	[EUR]
Gross value				
Status at 1 January 2005	176,405	119,804	10,820,601	11,116,810
Additions	99,532	12,964	2,450,910	2,563,406
Disposals	-1,237	-24,582	-963,048	-988,867
Status at 31 December 2005	**274,700**	**108,186**	**12,308,463**	**12,691,349**
Change in consolidated companies	0	0	490,071	490,071
Additions	8,354	572,445	3,091,460	3,672,260
Disposals	-101,040	-794	-2,225,410	-2,327,244
Status at 31 December 2006	**182,014**	**679,837**	**13,664,584**	**14,526,436**
Accumulated depreciation and amortization				
Status at 1 January 2005	137,749	49,905	7,856,049	8,043,703
Additions	14,186	15,935	1,475,871	1,505,992
Disposals	-919	-15,531	-910,265	-926,715
Status at 31 December 2005	**151,016**	**50,309**	**8,421,655**	**8,622,980**
Change in consolidated companies	0	0	327,806	327,806
Additions	15,958	102,956	1,999,305	2,118,219
Disposals	-101,040	0	-1,986,491	-2,087,531
Status at 1 December 2006	**65,934**	**153,265**	**8,762,275**	**8,981,474**
Carrying value				
Status at 1 January 2005	38,656	69,899	2,964,551	3,073,106
Status at 31 December 2005	123,684	57,877	3,886,808	4,068,369
Status at 31 December 2006	**116,080**	**526,572**	**4,902,310**	**5,544,962**

Additions to fixed assets, at EUR 3.672 million (prior year: EUR 2.563 million) relate primarily to hardware for box offices, promoters, the Internet portals and to investments in projects.

Intangible assets (8), goodwill (15)

The breakdown and development is shown in the following table:

	Concessions, industrial property rights and similar rights and assets, and licences to such rights and assets	Goodwill	Customer base	Payments on account	Total
	[EUR]	[EUR]	[EUR]	[EUR]	[EUR]
Gross value					
Status at 1 January 2005	20,836,068	44,009,631	1,383,622	0	66,229,321
Additions	445,547	2,530,630*	0	481,177	3,457,354
Disposals	-79,914	-882	0	0	-80,796
Status at 31 December 2005	**21,201,701**	**46,539,379**	**1,383,622**	**481,177**	**69,605,879**
Change in consolidated companies	661,905	0	0	0	661,905
Additions	6,446,775	3,039,062	0	357,120	9,842,957
Disposals	-203,074	0	0	0	-203,074
Reclassification	481,178	0	0	-481,178	0
Status at 31 December 2006	**28,588,485**	**49,578,441**	**1,383,622**	**357,119**	**79,907,667**
Accumulated depreciation and amortization					
Status at 1 January 2005	13,262,130	4,868,087	1,152,587	0	19,282,804
Additions	3,126,441	0	83,328	0	3,209,769
Disposals	-79,769	-884	0	0	-80,653
Status at 31 December 2005	**16,308,802**	**4,867,203**	**1,235,915**	**0**	**22,411,920**
Change in consolidated companies	268,907	0	0	0	268,907
Appreciation	-923	0	0	0	-923
Additions	4,133,171	0	83,216	0	4,216,387
Disposals	-142,595	0	0	0	-142,595
Status at 31 December 2006	**20,567,362**	**4,867,203**	**1,319,131**	**0**	**26,753,696**
Carrying value					
Status at 1 January 2005	7,573,938	39,141,544	231,035	0	46,946,517
Status at 31 December 2005	4,892,899	41,672,176	147,707	481,177	47,193,959
Status at 31 December 2006	**8,021,123**	**44,711,238**	**64,491**	**357,119**	**53,153,971**

* Adjusted previous-year figures (see 1.7 notes to the consolidated financial statements). Additions in 2005 contain goodwill from put option of EUR 2.457 million.

Investments in intangible assets, at EUR 9.843 million (prior year: EUR 3.457 million) relate to additions for software and licences (EUR 1.039 million), distribution rights (EUR 5.255 million), proprietary software development (EUR 510 thousand) and goodwill (EUR 3.039 million). As at 31 December 2005, EUR 584 thousand in proprietary software development expenses for new ticketing software products and cumulative depreciation and amortization of EUR 11 thousand were capitalised. In the 2006 financial year, historical purchase costs for proprietary software were increased by EUR 510 thousand and current depreciation and amortization by EUR 332 thousand, resulting in a carrying value of EUR 751 thousand as at 31 December 2006. With the exception of goodwill, there are no intangible assets with unlimited useful life.

Financial assets (9), investments stated at equity (10), loans (11)

The breakdown and development is shown in the following table:

	Shares in affiliated companies	Companies in which participations are held	Investments stated at equity	Loans due to affiliated companies	Security investments	Other loans	Total
	[EUR]	[EUR]	[EUR]	[EUR]	[EUR]	[EUR]	[EUR]
Gross value							
Status at 1 January 2005	86,739	1,033,324	29,186	140,000	33,100	1,743,966	3,066,315
Change in consolidated companies	-16,203	0	0	0	0	0	-16,203
Additions	40,300	44,199	0	0	0	421,031	505,530
Disposals	0	-9,354	-19,182	0	-84	-104,630	-133,250
Status at 31 December 2005	**110,836**	**1,068,169**	**10,004**	**140,000**	**33,016**	**2,060,367**	**3,422,392**
Change in consolidated companies	0	0	0	151,056	0	0	151,056
Additions	271,135	956	5,548	243,448	0	343,225	864,312
Disposals	0	0	0	-140,000	0	-179,533	-319,533
Reclassification	0	-18,537	0	127,736	0	-127,736	-18,537
Status at 31 December 2006	**381,971**	**1,050,588**	**15,552**	**522,240**	**33,016**	**2,096,323**	**4,099,690**
Accumulated depreciation and amortization							
Status at 1 January 2005	16,365	155,802	0	0	2,741	1	174,909
Appreciation	0	0	0	0	-1,595	0	-1,595
Additions	12,499	80,000	0	0	0	0	92,499
Disposals	0	-2	0	0	-84	0	-86
Status at 31 December 2005	**28,864**	**235,800**	**0**	**0**	**1,062**	**1**	**265,727**
Appreciation	-16,366	-80,000	0	0	0	0	-96,366
Additions	392	0	0	0	0	0	392
Disposals	0	0	0	0	0	-1	-1
Status at 31 December 2006	**12,891**	**155,800**	**0**	**0**	**1,062**	**0**	**169,752**
Carrying value							
Status at 1 January 2005	70,374	877,522	29,185	140,000	30,359	1,743,965	2,891,405
Status at 31 December 2005	81,972	832,369	10,004	140,000	31,954	2,060,366	3,156,665
Status at 31 December 2006	**369,080**	**894,788**	**15,552**	**522,240**	**31,954**	**2,096,323**	**3,929,938**

Financial assets (9)

The financial assets, at EUR 895 thousand (prior year: EUR 832 thousand) relate mainly to companies in which participations are held. In the 2006 financial year, EUR 96 thousand in value appreciation was recognised in respect of participations written down in previous years.

Investments stated at equity (10)

The adjusted carrying value of the participation in Greensave GmbH, Würzburg, is EUR 16 thousand (prior year: EUR 10 thousand). As at 31 December 2006, this company discloses a balance sheet total of EUR 271 thousand (prior year: EUR 311 thousand), revenue of EUR 376 thousand (prior year: EUR 192 thousand) and net income for the year of EUR 20 thousand (prior year: net loss of EUR 69 thousand). The Group's share in the assets of Greensave GmbH is carried at EUR 75 thousand (prior year: EUR 86 thousand), and the share in liabilities at EUR 65 thousand (prior year: EUR 81 thousand).

Loans (11)

The loans include loan receivables from companies in which participations are held, at EUR 279 thousand (prior year: EUR 0), from affiliated companies, at EUR 115 thousand (prior year: EUR 140 thousand) and from associated companies, at EUR 128 thousand (prior year: EUR 0). Loans to third parties amount to EUR 2.096 million (prior year: EUR 2.060 million).

Trade receivables (non-current) (12)

Non-current trade receivables, at EUR 1 thousand (prior year: EUR 27 thousand), have a remaining term of between one and five years.

Receivables from affiliated companies (non-current) (13)

Non-current receivables from affiliated companies include loans granted to subsidiaries in eastern Europe, at EUR 315 thousand (prior year: EUR 346 thousand), and a receivable from associated companies amounting to EUR 24 thousand (prior year: EUR 0). These receivables have a maturity of between one and five years.

Other assets (non-current) (14)

Other assets, at EUR 27 thousand (prior year: EUR 24 thousand), relate to capitalised reinsurance assets that have not been pledged to employees. Reinsurance benefits which have been pledged to beneficiary employees on the basis of pension commitments are recognised as plan assets and offset against pension provisions. The figures for the same period of the prior year have been adjusted accordingly for better comparison.

Goodwill (15)

The disclosed goodwill totalling EUR 44.711 million (prior year: EUR 41.672 million) breaks down into EUR 15.553 million in the Ticketing segment (prior year: EUR 12.805 million) and EUR 29.158 million in the Live Entertainment segment (prior year: EUR 28.867 million). In the Ticketing segment, acquisition of shares in TicTec and Eventim Sports resulted in increases in goodwill of EUR 1.221 million and EUR 1.526 million, respectively. The changes in goodwill in the Live Entertainment segment result from acquisition of Act Entertainment (EUR 288 thousand) and the acquisition of Palazzo Amsterdam (EUR 4 thousand). The goodwill within the Group as a whole includes EUR 2.457 in goodwill relating to put options, which are recognised in accordance with IAS 32.

This goodwill is allocated to the cash generating units (CGUs) of the Group. Impairment tests on goodwill are performed 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 company valuation model. This procedure and the basic assumptions apply to all CGUs with goodwill that is subject to impairment tests. These 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. The cash flows in the year of perpetuity correspond to the cash flow in the last year of five-year planning. A discount rate of 9.1% 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% to extrapolate cash flows. 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. No impairment of goodwill was required for the 2006 financial year.

The following table shows the fair values at the time of initial consolidation and the carrying values immediately before purchase:

	CTS Eventim Sports GmbH, Hamburg		TicTec AG, Basel		Act Entertainment AG, Basel	
	Fair value at acquisition date	Carrying value at acquisition date	Fair value at acquisition date	Carrying value at acquisition date	Fair value at acquisition date	Carrying value at acquisition date
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
Current assets	3,357	3,357	1,705	1,705	1,772	1,772
Non-current assets	743	425	129	129	99	99
Total assets	**4,100**	**3,782**	**1,834**	**1,834**	**1,871**	**1,871**
Current liabilities	3,668	3,668	1,769	1,769	1,909	1,909
Non-current liabilities	58	39	16	16	0	0
Shareholders' equity	374	75	49	49	-38	-38
Total shareholders' equity and liabilities	**4,100**	**3,782**	**1,834**	**1,834**	**1,871**	**1,871**

Deferred tax assets (16)

Deferred tax assets, at EUR 2.305 million, are comprised as follows:

	31.12.2006 [EUR'000]	31.12.2005 [EUR'000]	Change [EUR'000]
Recognised loss carryforwards	2,020	2,307	-287
Property, plant and equipment	12	309	-297
Pension provisions	273	274	-1
	2,305	**2,890**	**-585**

Since the company currently assumes, in the context of its planning, that all carried-forward losses can be used in future for municipal trade tax and corporation tax purposes, no impairments were made to the deferred tax assets formed in this respect. Recovery of the deferred tax assets depends on the generation of future taxable income in the periods in which these temporary differences are deductible. As at 31 December 2006, the view of the company is that, in the case of the net deferred tax assets including the assets recognised from use of the loss carryforwards amounting to EUR 2.020 million (prior year: EUR 2.307 million), there is a likelihood that the company will generate profits of least the same amount in future periods and that no impairment is necessary. In the 2006 financial year, deferred taxes amounting to EUR 636 thousand (prior year: EUR 2.023 million) were reversed through profit or loss, and EUR 51 thousand in deferred tax assets were recognised in connection with the initial consolidation of subsidiaries.

When calculating the deferred taxes for companies in Germany as at 31 December 2006, a 25% rate of corporation tax, a 5.5% rate of solidarity supplement on the corporation tax and an effective municipal trade tax of around 18% was applied. The respectively applicable tax rates were applied to foreign subsidiaries. An average tax rate of 39.5% was applied when calculating deferred taxes. The change relative to the 39.1% rate applied the previous year results from weighting the rates of municipal trade tax within the Group.

Short-term financial liabilities and current portion of long-term financial liabilities (17)

Short-term financial liabilities and the current portion of long-term financial liabilities relate to liabilities to banks, at EUR 1.436 million (prior year: EUR 2.553 million) and EUR 3.640 million in short-term purchase price obligations deriving from put options granted (prior year: EUR 3.517 million), which had to be recognised in accordance with IAS 32. As current account overdrafts, the liabilities to banks were subject to interest at normal market rates. A 3.5% interest rate was applied to the short-term purchase price obligations.

Trade payables (18)

Trade payables totalling EUR 22.358 million (prior year: EUR 21.017 million) are payable within one year.

Payables to affiliated companies (19)

Payables to affiliated companies result from supplies and services and are broken down into EUR 98 thousand in respect of the Ticketing segment (prior year: EUR 348 thousand) and EUR 442 thousand in respect of the Live Entertainment segment (prior year: EUR 152 thousand).

Advance payments received (20)

The advance payments received on account, amounting to EUR 78.043 million (prior year: EUR 57.195 million), consist of ticket money already received for future events in the Live Entertainment segment. These advance payments are posted to revenue when the respective events take place.

Other provisions (21)

Changes in other provisions are shown in the following table:

	01.01.2006	Consumption	Reversals	Additions	31.12.2006
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
Other provisions					
Litigation provision	317	-34	-42	19	260
Provision for impending losses	0	0	0	200	200
Others	647	-550	-51	496	542
Total	**964**	**-584**	**-93**	**715**	**1,002**

Provisions for litigation costs were formed to cover procedural costs, court costs and lawyers' fees. The provisions for contingent losses relate to one event in the Live Entertainment segment.

Tax provisions (22)

Provisions for taxes ensued as shown in the following table:

	01.01.2006	Consumption	Reversals	Additions	31.12.2006
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
Tax provisions					
Municipal trade tax	4,889	-4,394	-6	3,687	4,176
Corporation tax	1,664	-1,416	-57	3,953	4,144
Solidarity supplement	79	-73	0	189	195
Taxes according to fiscal audit	689	-677	-12	0	0
Other taxes	1	-1	0	8	8
Total	**7,322**	**-6,561**	**-75**	**7,837**	**8,523**

Fiscal audits were performed in some subsidiaries during the financial year, but did not lead to any significant changes in earnings.

Other liabilities (current) (23)

Other liabilities comprise EUR 38.217 million (prior year: EUR 42.570 million) in liabilities from ticketing income that has not yet been invoiced, tax liabilities at EUR 8.924 million (prior year: EUR 5.480 million, EUR 2.771 million (prior year: EUR 3.246 million) in liabilities to personnel, EUR 696 thousand (prior year: EUR 1.984 million) in deferrals, social security liabilities at EUR 2.081 million (prior year: EUR 1.643 million), EUR 583 thousand in liabilities from third-party concerts (prior year: 1.420 million) and other liabilities amounting to EUR 4.799 million (prior year: EUR 2.235 million).

Medium- and long-term financial liabilities (24)

The medium- and long-term financial liabilities in the prior year, at EUR 792 thousand, relate to bank loans.

Other liabilities (non-current) (25)

Other long-term liabilities include liabilities relating to acquired distribution rights (EUR 3.153 million) and have maturities of between one and five years.

The composition and remaining term of the liabilities as at 31 December 2006 are shown below in the following statement of liabilities:

Statement of liabilities	Total	Remaining term		
		up to one year	Thereof: 1) from taxes 2) for social security	between one and five years
	[EUR]	[EUR]	[EUR]	[EUR]
Financial liabilities	5,075,994 (2005: EUR 6.862 m)	5,075,994 (2005: EUR 6.070 m)		0 (2005: EUR 0.792 m)
Advance payments received for events	78,055,238 (2005: EUR 57.304 m)	78,055,238 (2005: EUR 57.304 m)		
Trade payables	22,357,589 (2005: EUR 21.017 m)	22,357,589 (2005: EUR 21.017 m)		
Payables to affiliated companies	539,768 (2005: EUR 0.500 m)	539,768 (2005: EUR 0.500 m)		
Other liabilities	61,223,769 (2005: EUR 58.578 m)	58,070,769 (2005: EUR 58.578 m)	1) 8,923,932 (2005: EUR 5.480 m) 2) 2,081,054 (2005: EUR 1.643 m)	3,153,000 (2005: EUR 0)
Total	**167,252,358**	**164,099,358**	**11,004,986**	**3,153,000**

Pension provisions (26)

The MLK KG and Eventim Sports subsidiaries have made direct and individual pension commitments to selected beneficiaries. No benefits were paid out of pension obligations to beneficiaries in the 2006 financial year. The new 2005 G Heubeck Tables must be used for valuing pension obligations. Reinsurance benefits which have been pledged to beneficiary employees on the basis of pension commitments are recognised as plan assets and offset against pension provisions. The figures for the same period of the prior year have been adjusted accordingly for better comparison (see 1.7 notes to the consolidated financial statements).

	31.12.2006 [EUR]	31.12.2005 [EUR]
The provision amount in the balance sheet is as follows:		
Current market value of the plan assets to be attributed	-775,061	-691,769
Cash value of the non-fund-financed obligations	2,589,666	2,446,592
Balanced provision	**1,814,605**	**1,754,823***
The following amounts were included in the income statement:		
Regular service costs	143,086	129,214
Interest expense	115,902	103,979
Actuarial losses in the current year	-284,212	260,252
Overall amount included in personnel expenses	**-25,224**	**493,445**
The amounts included in the provision in the balance sheet are as follows:		
Beginning of the year	1,754,823	1,261,378
Obligations acquired as part of company purchases	85,006	0
Overall expense included in the income statement	-25,224	493,445
End of the year	**1,814,605**	**1,754,823**
The following essential actuarial assumptions were made:		
Discount rate	4.5%	4.0%
Expected income from plan assets	4.2%	4.2%
Future salary increases	2.0%	2.0% - 2.5%
Future pension increases	1.75% - 3.0%	1.7% - 3.0%

* Adjusted previous-year figures (see 1.7 notes to the consolidated financial statements)

Changes in plan assets are shown in the table below. Plan assets are reinsurance policies used to cover pension obligations. In combination with the income generated in past years and the associated expectations regarding future gains, an average of 4% is taken as the expected long-term rate of return.

	2006 [EUR]	2005 [EUR]
Plan assets 01.01.	691,769	596,744
Expected income of plan assets	83,292	95,025
Plan assets 31.12.	**775,061**	**691,769**

Shareholders' equity (27)

The parent company of the Group is organised as a public limited company. As a basic principle, the shareholders therefore bear liability only to the amount of their capital share.

Reference is made to the consolidated statement of changes in shareholders' equity.

The Annual Shareholders' Meeting of the company on 23 August 2005 resolved to increase the share capital of CTS AG, previously amounting to EUR 12,000,000, by adding an additional EUR 12,000,000 from reserves. The share capital increase was registered at the Munich Local Court on 6 October 2005, and the new no-par value bearer shares were credited to shareholder depots on 30 October 2005. As at the reporting date, the company had thus issued 24,000,000 no-par value bearer shares (prior year: 24,000,000). Each share represents an arithmetic share in the share capital of EUR 1.00.

Contingent capital

As at the balance sheet date, authorised capital amounted to EUR 12,000,000. Authorisation is granted until 31 July 2009. By resolution of the Shareholders' Meeting on 18 August 2004, the Management Board is authorised to increase the share capital of the company on one or more occasions in the period up to 31 July 2009, contingent on Supervisory Board approval, by issuing new shares against cash deposits or contributions in kind, the total increase not to exceed EUR 6,000,000. The shareholders must be granted subscription rights to such new shares, but the Management Board is authorised to exclude such subscription rights, subject to Supervisory Board approval. At the Shareholders' Meeting on 23 August 2005, the relevant authorisation was extended to EUR 12,000,000 and thus adjusted to the increased share capital. No use has been made so far of this authorisation.

At the Shareholders' Meeting on 21 January 2000, a contingent share capital increase of EUR 180,000 was agreed upon (contingent capital 2000/1). This increase shall be effected 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' resolution on 23 August 2005 to increase the share capital to EUR 24,000,000, this contingent share capital has increased accordingly to EUR 360,000 in accordance with Section 218 sentence 1 AktG. This is only an anticipatory resolution; no stock option plan has been established to date.

By resolution of the Shareholders' Meeting on 27 August 2001, the share capital was contingently increased by up to EUR 3,500,000. This contingent increase in capital is for granting shares to the holders of stock options and convertible bonds that were issued by the company in accordance with the authorisation granted on 27 August 2001. The contingent increase in capital is effected only to the extent that the holders exercise their stock option and conversion rights, or fulfil their obligation to convert their bonds to stock. 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' decision on 23 August 2005 to increase the share capital to EUR 24,000,000, this contingent share capital has increased accordingly to EUR 7,000,000 in accordance with Section 218 sentence 1 AktG.

Authorisation to purchase treasury stock

By resolution of the Shareholders' Meeting on 10 May 2006, the company was authorised to repurchase own shares as treasury stock. It was authorised in accordance with Section 71 (1) No. 8 AktG to purchase up to ten hundredths of the company's share capital as treasury stock in the period up to and including 9 November 2007, except for the purpose of trading in own shares, and in compliance with the restrictions of Section 71 (2) AktG.

The countervalue paid for these shares may not exceed or fall below the traded price by more than ten percent. 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 the share purchase.

The volume of the purchase offer 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.

Minority interest

Minority interest is separately itemised under shareholders' equity and decreased from EUR 6.328 million to EUR 4.129 million. This change results from profit distributions to minority interest (EUR -7.149 million) in the 2006 financial year, balanced against proportionate shares in the net income for 2006 (EUR 4.965 million) and the effects of capital consolidation of the companies newly consolidated in 2006 (EUR -15 thousand).

In accordance with IAS 32, the CTS Group has applied the standard to equity instruments of minority shareholders holding put options. The put options held by certain minority shareholders are therefore disclosed under other liabilities and reduce the amount of minority interest. The previous year's figures were adjusted with retroactive effect (see point 1.7 in the Notes to the consolidated financial statements).

3. Notes to the consolidated income statement

Revenues (1)

The 2006 business year was characterised by outstanding development of the Ticketing segment, particularly in sales via the Internet, and by superior growth rates and the 2006 Football World Cup. Group revenues were increased by EUR 86.748 million from EUR 256.179 million the prior year to EUR 342.927 million in 2006. Revenues (before consolidation between segments) breaks down into EUR 99.307 million in the Ticketing segment (prior year: EUR 64.267 million) and EUR 247.164 million in the Live Entertainment segment (prior year: 194.643 million).

Cost of sales (2)

Expenditures are stated in the income statement according to function. Cost of sales comprises all material expenses as well as proportional personnel expenses, depreciation and amortization and other operating expenses.

In the following, material expenses, personnel expenses, depreciation and amortization and other operating expenses are presented using the cost summary-method. Costs recognised using the cost summary-method are distributed according to predefined codes when applying the cost of sales method.

Material expenses (according to cost summary-method)	2006	2005	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Cost of materials, supplies and purchased merchandise	7,000	4,863	2,137
Cost of purchased services	232,193	175,323	56,870
	239,193	**180,186**	**59,007**

Material expenses calculated using the cost summary-method are allocated in full to cost of sales.

Personnel expenses (according to cost summary-method)	2006	2005	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Wages and salaries	22,749	18,576	4,173
Social insurance contributions and expenses for pensions and employee support	4,230	3,352	878
	26,979	**21,928**	**5,051**

Personnel expenses calculated using the cost summary-method are allocated on a percentage basis to cost of sales, selling expenses and general administrative expenses. Employer contributions to pension insurance were 9.75% in the 2006 financial year.

Depreciation and amortization (according to cost summary-method)	2006	2005	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Depreciation and amortization on intangible and fixed assets	6,335	4,716	1,619
	6,335	**4,716**	**1,619**

Depreciation and amortization calculated using the cost summary-method are allocated on a percentage basis to cost of sales, selling expenses and general administrative expenses. Cost of sales included EUR 1.679 in depreciation and amortization (prior year: EUR 1.513 million), selling expenses included EUR 3.109 million (prior year: EUR 1.826 million) and administrative expenses included EUR 1.547 million in depreciation and amortization (prior year: EUR 1.377 million). In the 2006 financial year, financial assets were not subjected to any depreciation and amortization. In the prior year, depreciation and amortization of financial assets amounted to EUR 92 thousand and were included in the financial result.

Other operating expenses (according to cost summary-method)	2006	2005	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Other operating expenses	30,589	20,950	9,639
	30,589	**20,950**	**9,639**

Other operating expenses calculated using the cost summary-method are allocated on a percentage basis to cost of sales, selling expenses, general administrative expenses and other operating expenses.

Sellling expenses (3)

Selling expenses include expenditures for sales, advertising and marketing. The increase in selling expenses is mainly due to commission expenses relating to the World Cup project (EUR 6.144 million), personnel expenses (EUR 2.132 million) and to higher marketing and travel expenses (EUR 877 thousand).

General administrative expenses (4)

The increase in general administrative expenses is mainly attributable to increased personnel expenses (EUR 1.466 million) resulting specifically from special projects, salary increases and changes to the group of consolidated entities. General administrative expenses include expenses for administration which are not allocated to cost of sales.

Other operating income (5)

Other operating income comprised the following items:

	2006 [EUR'000]	2005 [EUR'000]	Change [EUR'000]
Income from the reversal of provisions	93	214	-121
Income from insurance compensation	174	152	22
Marketing	764	628	136
Income from the reversal of allowances for doubtful accounts	983	195	788
Income from currency translation	149	265	-116
Income relating to other periods	251	157	94
Income from charged expenses	535	472	63
Payments of damages	474	483	-9
Income from written off liabilities / written off receivables	630	529	101
Other operating income	1,808	1,062	746
	5,861	**4,157**	**1,704**

A specific allowance for doubtful accounts relating to production expenses for a series of events, was reversed in fiscal 2006 because, contrary to expectations, the event was held in the current financial year. The increase in other operating income is attributable to changes to the group of consolidated entities.

Other operating expenses (6)

Other operating expenses comprised the following items:

	2006	2005	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Expenses for third-party services	921	584	337
Loss from disposal of intangible and fixed assets	203	32	171
Maintenance expenses	194	171	23
Currency translation expenses	316	105	211
Donations	110	73	37
Cost for the supply of goods sold	139	83	56
Leases / Rent	288	205	83
Expenses passed on to third parties	786	821	-35
Expenses relating to other periods / non-operating costs	376	134	242
Additions to allowances for doubtful accounts	0	842	-842
Other operating expenses	1,649	1,480	169
	4,982	**4,530**	**452**

Third-party services increased primarily as a result of the greater number of dinner shows organised by the Palazzo companies. In the current financial year, additions to allowances for doubtful accounts (EUR 447 thousand) were allocated entirely to selling expenses, in contrast to recognition in the previous year.

Income / expenses from companies in which participations are held (7)

Income from companies in which participations are held, at EUR 178 thousand, relates mainly to an investment in Semmel.

Income / expenses from investments stated at equity (8)

The income from investments stated at equity is derived from Greensave GmbH, Würzburg.

Financial income (9)

Financial income relates to EUR 2.718 million in interest (prior year: EUR 2.043 million) and other financial income of EUR 78 thousand (prior year: EUR 54 thousand).

Financial expenses (10)

Distribution of dividends to minority interest, at EUR 488 thousand (prior year: EUR 281 thousand), and the increase in the present value of purchase price obligations in respect of put options, at EUR 123 thousand (prior year: EUR 119 thousand), were stated as financial expenses in accordance with IAS 32. The financial expenses also relate primarily to interest expense of EUR 188 thousand (prior year: EUR 652 thousand).

Taxes on income (11)

Deferred tax expenses (net) result from the creation and/or reversal of temporary differences between IFRS carrying values and fiscal carrying values.

The total disclosed taxes on income are comprised as follows:

	2006 [EUR'000]	2005 [EUR'000]	Change [EUR'000]
Actual income tax	18,849	11,388	7,461
Deferred income tax	636	2.023	-1,387
	19,485	**13,411**	**6,074**

The following table shows a transitional calculation of the actual tax expense expected in the respective financial year, as disclosed. To determine the expected tax expense, an average tax rate of 39.5% (prior year: 39.1%) was multiplied by the profit from ordinary business activities. These financial expenses within the meaning of IAS 32 are merely an adjustment at Group level, so there are no tax-reducing effects in fiscal 2006 or the preceding year.

	2006 [EUR'000]	2005 [EUR'000]
Expected tax expenses	18,953	13,256
Difference in municipal tax burden	-144	-74
Unrecognised loss carryforwards	59	46
Other tax-exempted income and non-deductable expenses	394	137
Others	223	46
Disclosed tax expenses	**19,485**	**13,411**

Minoritiy interest (12)

The minority interest in the net income for the year is EUR 4.966 million (prior year: EUR 4.600 million). The share of net income for other shareholders decreased relative to the prior year by EUR 316 thousand (see point 1.7 in the notes to the consolidated financial statements).

4. Earnings per share

Earnings per share are calculated in accordance with IAS 33 by dividing the net income for the year after minority 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:

	2006 [EUR]	2005 [EUR]
Consolidated net income	23,532,430	15,891,054*
Qty. of shares	24,000,000	24,000,000
Earnings per share	**0.98**	**0.66***

* Adjusted previous-year figures (see 1.7 notes to the consolidated financial statements)

The earnings per share amounts to EUR 0.98 (diluted = undiluted).

5. Segment reporting

The Group operates in the leisure events market with its Ticketing and Live Entertainment divisions. CTS AG, the parent company of the Group, operates in the field of ticketing and is the one company that sets the pace in this particular segment. Statements made in respect of the Ticketing segment apply also and especially to CTS AG. Selling tickets for leisure events is the basic object of the Ticketing segment, which markets events (tickets) through its leading network platform (eventim.net), the in-house ticketing product (eventim.inhouse), the sport ticketing product (eventim.tixx) and a solution for ticket sales, admission control and payment in stadiums and arenas.

The basic object of the Live Entertainment division is the organisation and execution of events.

The Group is segmented in accordance with internal reporting and includes the components required by IAS 14. Geographical segmentation was not performed because the Group does not exceed the thresholds specified by IAS 14.69 in respect of revenue, assets and investments abroad. The prices charged for intra-Group sales are determined in accordance with normal market conditions.

The internal and external revenues of the segments are shown in the following table:

	Ticketing		Live Entertainment		Total for segment	
	2006	2005	2006	2005	2006	2005
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
External revenues	96,610	62,113	246,317	194,066	342,927	256,179
Intercompany revenues	8,523	8,447	44,805	36,922	53,328	45,369
Total revenues	**105,133**	**70,560**	**291,122**	**230,988**	**396,255**	**301,548**
Consolidation within segment	-5,826	-6,293	-43,958	-36,345	-49,784	-42,638
Revenues after consolidation within segment	**99,307**	**64,267**	**247,164**	**194,643**	**346,471**	**258,910**

The Group is divided into the above two segments, which generated the following figures after consolidation:

	Ticketing		Live Entertainment		Intersegment consoldidation		Group	
	2006	2005	2006	2005	2006	2005	2006	2005
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
Revenues	99,307	64,267	247,164	194,643	-3,544	-2,731	342,927	256,179
Operating profit (EBIT)	31,124	19,291	14,562	13,459	-3	-11	45,683	32,739
EBITDA	36,786	23,598	15,235	13,868	-3	-11	52,018	37,455
Depreciation and amortization	-5,662	-4,307	-673	-409	0	0	-6,335	-4,716
Financial result							2,300	1,163*
Profit from ordinary business activities (EBT)							47,983	33,902
Taxes on income / deferred taxes							-19,485	-13,411
Net income for the year							28,498	20,491
Minority interest							-4,966	-4,600*
Consolidated income for the year							23,532	15,891
Average no. of employees	386	316	236	191			622	507
Return on sales**	37.0%	36.7%	6.2%	7.1%			15.2%	14.6%

* Adjusted previous-year figures (see 1.7 notes to the consolidated financial statements)
** The return on sales is calculated by dividing the segment EBITDA by the segment revenues.

The Group invested a total of EUR 12.747 million in the Ticketing segment. Investments in fixed assets related to hardware for box offices, promoters and the Internet portals, investments in projects and in operating and office equipment (EUR 2.457 million) and in leasehold improvements (EUR 8 thousand). Investments in intangible assets (including goodwill) amounted to EUR 10.157 million. EUR 125 thousand were invested in financial assets. Depreciation and amortization of intangible assets amounted to EUR 4.177 million (prior year: EUR 3.182 million), and EUR 1.485 million (prior year: EUR 1.125 million) in the case of fixed assets.

In the Live Entertainment segment, the Group invested a total of EUR 2.935 million. EUR 347 thousand were invested in intangible assets (including goodwill) and EUR 1.697 million in fixed assets. The additions to financial assets (EUR 891 thousand) relate primarily to loans. Depreciation and amortization of software amounted to EUR 40 thousand (prior year: EUR 28 thousand) and EUR 633 thousand (prior year: EUR 381 thousand) in the case of fixed assets.

The assets and liabilities that can be directly allocated to a specific segment must be disclosed accordingly. Segment assets are the operating assets that are used by a segment to perform its operating activities and which can be either directly attributed to the segment or allocated to the segment on a reasonable basis. Income tax refund claims do not form part of segments' assets. Segment liabilities are the operating liabilities that result for a segment from its operating activities and which can be either directly attributed to the segment or allocated to the segment on a reasonable basis. Segment liabilities do not include income tax liabilities, provisions for pensions or minority interest. Other items comprise all assets and liabilities which are not allocated to the assets or liabilities of the segments.

The assets and liabilities at the balance sheet date are as follows:

	Ticketing		Live Entertainment		Other items		Consolidation		Group	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
Property, plant and equipment	46,584	40,411	29,929	27,870	0	0	-13,884	-13,862	62,629	54,419*
Other assets	99,336	86,959	108,704	94,158	5,131	3,086	-1,963	-2,250	211,208	181,953*
Liabilities	58,775	60,911	111,821	86,946	10,338	9,077	-2,342	-2,632	178,592	154,302*

* Adjusted previous-year figures (see 1.7 notes to the consolidated financial statements)

The liabilities of the Live Entertainment segment include advance payments received amounting to EUR 78.043 million that are booked as revenue when the events take place.

Notes to the segments

At the end of 2006, the companies operating in the segments were the following:

Ticketing

• CTS AG • TEX • ÖTS • ÖT Nord • ÖT SüdOst • ÖT Nordost • TEX Hungary • GSO KG
• CTS Solutions • Eventim Sports • CTS Nederland B.V. • TicTec

Live Entertainment

• MLK KG • PRK KG • Semmel • FKP Scorpio • ARGO • Dirk Becker • LS • PGM • CRP
• Palazzo Hamburg • Palazzo Vienna • Palazzo Amsterdam • Act Entertainment

The segment-related data were determined as follows:

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.

Revenues between the segments were eliminated in the consolidation column. Services were invoiced at the normal market prices charged to third parties.

6. Employees

On average over the year, 622 salaried staff (prior year: 507) were employed by the Group. Of that total, 478 (prior year: 387) were employed in Germany, and 144 (prior year: 120) in foreign countries.

7. Financial obligations

The rental and leasing agreements must be allocated to the ‘operating lease’ category in accordance with IAS 17. The rental obligations relate to rental payments for office premises, and the leasing obligations pertain primarily to vehicles.

The rental and leasing obligations as at 31 December 2006 are shown in the following table:

	31.12.2006			31.12.2005		
	< 1 year	1 - 5 years	> 5 years	< 1 year	1 - 5 years	> 5 years
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
Rental obligations	1,947	3,872	400	1,291	2,485	534
Leasing obligations	238	274	0	248	243	0
Other obligations	1,754	30	0	396	56	0
	3,939	**4,176**	**400**	**1,935**	**2,784**	**534**

As at the balance sheet date, there were contingent liabilities amounting to EUR 5.342 million. The contingent liabilities relating to the acquisition of additional shares in a subsidiary consist of a purchase price obligation on the part of Medusa. This commitment depends on future operating results of the subsidiary and is carried at EUR 5.342 million as at the balance sheet date.

In the prior year, a general assignment of the receivables of the parent company and CTS Solutions was agreed with a bank in respect of liabilities to banks. This general assignment was cancelled at the beginning of March 2006, without replacement. As at the balance sheet date, there were no securitised liabilities (prior year: EUR 1.684 million). In the prior year, the balance of receivables assigned as collateral was EUR 7.738 million. CTS AG also bears liability for debts owed to banks by CTS Solutions. As at the balance sheet date, CTS Solutions has no liabilities to banks.

8. Events after the balance sheet date

With effect from 1 January 2007, CTS AG acquired 51% of the shares in Zritel o.o.o., Moscow. Zritel is Russia's biggest private-sector provider of ticketing services and operates the Kontramarka and Parter ticketing systems. Zritel is also the operator of the two major Internet ticket portals in Russia, www.parter.ru and www.kontramarka.ru. Zritel (in English: 'spectator') cooperates with several hundred Russian promoters and theatres, and has numerous stationary box offices in addition to its Internet and call centre channels. The purchase agreement provides for an adjustment to the provisional purchase price depending on a contractually agreed minimum EBIT being reached for the 2005 (1 April 2005 – 31 March 2006), 2006 (1 April 2006 – 31 March 2007) and 2007 (1 April 2007 – 31 March 2008) accounting periods. Based on current planning premisses, the provisional purchase price amounts to EUR 4.3 million. The acquired assets and liabilities of Zritel and the goodwill have yet to be valued. Work on valuing the separate assets and liabilities will start once the financial statements of Zritel are presented.

With a notarial contract dated 22 February 2007 and with effect from the same day, CTS AG acquired the remaining 20% share, previously held by an external shareholder, in GSO Holding GmbH, domiciled in Bremen, and since that date has therefore held 100% of the shares in said company.

CTS AG bears liability from a bank's right of recourse in respect of a bank guarantee for USD 400,000 (EUR 306 thousand) provided to an affiliated company, in the event that the guarantee is used. The guarantee is provided for a limited period until 25 May 2007.

9. Financial risks

Default risk

There is a credit or default risk to the extent that a person owing a debt is no longer able to settle it. The maximum default risk is equal in theory to the present value of all receivables minus the liabilities payable to the same debtor if set-off is possible. In the annual financial statements of CTS AG and the CTS Group, allowances for doubtful accounts were made to cover bad debts.

Foreign exchange risk

A currency risk exists wherever receivables or liabilities exist in a different currency than the functional currency of the consolidated financial statements. Fluctuations in exchange rates can then alter the present value in the functional currency, the Euro. The effects of exchange rate variations in the company are minimal.

Interest risk

Financial instruments for hedging interest rates are not used. Fixed interest rate agreements are in place for long-term loans, and short-term credit lines are not used continuously throughout the year, with the result that potential interest rate increases do not pose a significant risk to the company.

Cash flow risk

A cash flow risk arises if the payment obligations of the Group cannot be covered with available cash or credit lines. However, the Group had sufficient cash reserves at the 2006 balance sheet date.

The Group has bank liabilities of EUR 1.436 million.

10. Pending court proceedings

The company is involved in pending proceedings and litigation as arises in the normal course of business. In the view of the company's legal representatives, there will be no material impact on the net financial position, cash flow and earnings performance of the company when these matters are brought to an end. No provisions for risks associated with court cases were necessary as at the balance sheet date.

11. Declaration of compliance

On 24 January 2007, the Management Board and the Supervisory Board of CTS AG 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 company's website.

12. Application of § 264 (3) HGB and § 264b HGB

Some corporate enterprises and business partnerships within the meaning of § 264 a HGB that are affiliated and consolidated CTS AG companies, and for which the consolidated financial statements of CTS AG have the effect of discharging obligations to prepare and disclose financial statements, make use of the exemption option provided by § 264 (3) HGB and § 264b HGB:

- CTS Eventim Solutions GmbH, Bremen
- GSO Gesellschaft für Softwareentwicklung und Organisation mbH & Co. KG, Bremen
- Marek Lieberberg Konzertagentur GmbH & Co. KG, Frankfurt/Main
- Peter Rieger Konzertagentur GmbH & Co. KG, Cologne

13. Notifiable securities transactions pursuant to § 15a Securities Trading Act (WpHG)

In the 2006 business year, executive officers of the company conducted the following notifiable securities transactions in shares of the company, and notified the company thereof:

Trading day	Quantity	Transaction	Name	Position
09.03.2006	3,984,000	Sale	Klaus-Peter Schulenberg	Board of Directors
10.05.2006	1,000	Purchase	Dr. Peter Haßkamp	Supervisory Board

All transactions were published by the company in the proper manner.

14. Related party disclosures

According to IAS 24, persons or companies that exercise control over, or are controlled by the Group are disclosed if they have not already been included as consolidated companies in the consolidated financial statements of the Group.

CTS AG transactions with related parties pertain to reciprocal services and were concluded only at the conditions which normally apply between third parties. The majority shareholder of CTS AG is a controlling shareholder of other companies associated with the Group. In the 2006 financial year, there were contractual relations between CTS AG and the companies affiliated with the controlling shareholder. During the financial year, these contractual relations gave rise to expenses of EUR 9.894 million relating mainly to fulfilment services (EUR 6.517 million), tenancy agreements (EUR 395 thousand), call centre operations (EUR 1.752 million) and business services agreements (EUR 928 thousand). These were offset in fiscal 2006 by EUR 200 thousand in income from the supply of ticketing software and EUR 211 thousand from passing on operating expenses to other entities. Trade payables to associated companies totalled EUR 1.623 million on the balance sheet date. Trade receivables amounting to EUR 142 thousand are disclosed.

Affiliated companies not included in consolidation due to insignificance account for EUR 837 thousand in trade receivables, and EUR 540 thousand in trade payables. The income generated from these companies (EUR 395 thousand) result mainly from personnel expenses (EUR 106 thousand) and production costs (EUR 288 thousand) charged on to these companies. Expenses incurred (EUR 2.001 million) were principally in the form of marketing and advertising expenses (EUR 1.611 million).

Compensation granted to managers in key positions are disclosed under point 16 of the notes to the consolidated financial statements.

15. § 285 No. 17 HGB: Expenses for the auditor

In the 2006 financial year, expenses amounting to EUR 225 thousand in auditing fees and EUR 9 thousand for other services were recognised.

16. Emoluments of the Management Board

The amounts of compensation granted to individual members of the Management Board were as follows:

Name	Fixed salary	Benefits	Management bonus	Total
	[EUR]	[EUR]	[EUR]	[EUR]
Klaus-Peter Schulenberg	600,000	11,536	300,000	911,536
Volker Bischoff	230,081	19,989	51,129	301,199
Christian Alexander Ruoff	250,000	16,748	105,000	371,748
Total	**1,080,081**	**48,273**	**456,129**	**1,584,483**

17. Emoluments of the Supervisory Board

The members of the Supervisory Board in the 2006 financial year were as follows:

Edmund Hug, businessman, Oberstenfeld
-Chairman- (up to 10.05.2006 and again since 09.10.2006)

Other Supervisory Board Memberships:
- Schlott Sebaldus AG, Freudenstadt
- Lidl & Schwarz GmbH, Neckarsulm
- Scholz AG, Aalen

Dr. Peter Haßkamp, lawyer, Bremen
- Vice Chairman -

Other Supervisory Board Memberships:
- Friedrich Schiefer Emissionshaus AG, Landshut

Jakob Kleefass, lawyer, Hamburg (up to 29.08.2006)

Other Supervisory Board Memberships:
- Otto M. Schröder Bank AG, Hamburg

Prof. Jobst W. Plog, director, Hamburg (since 10.05.2006)

No other Supervisory Board Memberships

The members of the CTS AG Supervisory Board received compensation totalling EUR 61 thousand and reimbursed expenses of EUR 1 thousand for the 2006 financial year. Fees amounting to EUR 141 thousand were also incurred through the law firm of Mr. Kleefass.

18. Participating persons

The company received notifications under § 21 (1) of the Securities Trading Act (WpHG) concerning participations exceeding 3% or 5% of the voting rights, and participations increasing beyond or falling below 3% or 5% of the voting rights.

Fidelity International Limited, Hamilton HMCX, Bermuda, notified the company on 31 August 2006 that it fell below the 5% threshold on 30 August 2006 and that its share of voting rights in CTS AG now amounts to 4.97%, and that these voting rights are allocated within the meaning of § 22 (1) 1 No. 6 WpHG to Fidelity International Limited.

Brett Barakett, New York, USA, notified the company on 29 January 2007 that he exceeded the 3% threshold on 24 January 2007 and that his share of voting rights in CTS AG now amounts to 3.211%, and that these voting rights are allocated within the meaning of § 22 (1) 1 No. 6 WpHG to Mr. Barakett.

Brett Barakett, New York, USA, notified the company on 7 March 2007, that he exceeded the 5% threshold on 1 March 2007 and now holds 5.004% of the voting rights in CTS AG, that these voting rights are allocated within the meaning of § 22 (1) 1 No. 6 WpHG to Mr. Barakett, and that they include a 3.625% share in voting rights that are allocated to Mr. Barakett in his capacity as Managing Member of Tremblant Capital LLC, which in turn is the General Partner of Tremblant Capital LP.

Tremblant Capital LP, New York, USA, notified the company on 1 February 2007 that it exceeded the 3% threshold on 29 January 2007 and that its share of voting rights in CTS AG now amounts to 3.002%, and that these voting rights are allocated within the meaning of § 22 (1) 1 No. 6 WpHG to Tremblant Capital LP.

Mr. Klaus-Peter Schulenberg, Bremen, held 50.07% of the voting rights in the company as at 31 December 2006.

The Management Board of CTS AG released the consolidated financial statements on 13 March 2007 for publication.

Bremen, 13 March 2007

CTS EVENTIM Aktiengesellschaft

Klaus-Peter Schulenberg	Volker Bischoff	Christian Alexander Ruoff

19. Auditor's Report

We have audited the consolidated financial statements prepared by the CTS EVENTIM Aktiengesellschaft, Munich, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the CTS EVENTIM Aktiengesellschaft, Munich, for the business year from 01 January 2006 to 31 December 2006. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB („Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Osnabrück, 15 March 2007

PricewaterhouseCoopers

Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

(Prof. Dr. N. Winkeljohann) German Public Auditor	(G. Stegemann) German Public Auditor

Financial statements for CTS AG 2006

8. Financial statements for CTS AG 2006

Balance sheet CTS AG as at 31 December 2006 (HGB)

Assets	31.12.2006 [EUR]	31.12.2005 [EUR]
A. PROPERTY, PLANT AND EQUIPMENT		
I. Intangible assets		
1. Concessions, industrial property rights and similar rights and assets, and licences in such rights and assets	7,547,836	5,124,719
2. Goodwill	2,453,025	2,780,095
3. Payments on account	660,811	555,921
	10,661,672	**8,460,735**
II. Fixed assets		
1. Land, land rights and buildings, including buildings on third-party land	85,433	95,386
2. Technical equipment, plant and machinery	486,577	0
3. Other facilities, operating and office equipment	2,168,891	2,400,887
	2,740,901	**2,496,273**
III. Investments		
1. Shares in affilitated companies	34,159,991	30,884,793
2. Companies in which participations are held	575,956	575,000
	34,735,947	**31,459,793**
B. CURRENT ASSETS		
I. Inventories		
1. Finished products and goods	553,157	982,133
2. Payments on account	50,146	13,382
	603,303	**995,515**
II. Receivables and other assets		
1. Trade receivables	8,205,162	7,064,111
2. Receivables from affiliated companies	3,900,201	3,408,547
3. Receivables from companies in which participations are held	31,109	50,010
4. Other assets	2,268,258	1,719,263
	14,404,730	**12,241,931**
III. Marketable securities		
Other securities	5,585,826	4,989,763
IV. Cheques, cash in hand and bank balances	60,396,904	57,743,714
C. PREPAID EXPENSES AND ACCRUED INCOME	**380,193**	**137,804**
Total assets	**129,509,476**	**118,525,528**

Shareholders' equity and liabilities	31.12.2006	31.12.2005
	[EUR]	[EUR]
A. SHAREHOLDERS' EQUITY		
I. Share capital	24,000,000	24,000,000
II. Capital reserve	23,820,894	23,820,894
III. Balance sheet profit	31,870,143	16,046,982
	79,691,037	**63,867,876**
B. PROVISIONS		
1. Tax provisions	5,643,132	2,909,689
2. Other provisions	2,743,510	3,358,010
	8,386,642	**6,267,699**
C. LIABILITIES		
1. Liabilities to banks	342,952	2,359,493
2. Trade payables	3,267,848	3,943,132
3. Liabilities to affiliated companies	542,303	310,868
4. Other liabilities	37,278,694	39,911,970
	41,431,797	**46,525,463**
D. ACCRUED EXPENSES AND DEFERRED INCOME	**0**	**1,864,490**
Total shareholders' equity and liabilities	**129,509,476**	**118,525,528**

Income statement CTS AG for the period from 1 January to 31 December 2006 (HGB)

	01.01.-31.12.2006 [EUR]	01.01.-31.12.2005 [EUR]
1. Revenues	82,885,506	54,037,137
2. Cost of sales	-28,737,699	-19,572,248
3. Gross profit	**54,147,807**	**34,464,889**
4. Selling expenses	-22,762,113	-14,210,257
5. General administrative expenses	-5,142,216	-4,271,619
6. Other operating income	2,728,832	2,191,349
7. Other operating expenses	-2,080,358	-1,566,613
8. Income from companies in which participations are held	6,401,605	3,680,312
9. Income from profit transfer agreements	1,474,703	1,114,508
10. Other interest and similar income	1,384,998	1,024,126
11. Depreciation on current marketable securities	0	-32,250
12. Interest and similar expenses	-123,969	-467,694
13. Profit from ordinary business acitivities	**36,029,289**	**21,926,751**
14. Taxes on income	-12,117,900	-5,876,456
15. Other taxes	71,773	-3,313
16. Net income for the year	**23,983,162**	**16,046,982**

Notes to the financial statements for the 2006 business year

1. Preparation of the annual financial statements

The annual financial statements for the 2006 financial year were prepared in accordance with the German Commercial Code (Handelsgesetzbuch - HGB), the Stock Corporation Act (Aktiengesetz - AktG) and the Articles of Incorporation. CTS EVENTIM AG (hereinafter: CTS AG) is a large corporate enterprise within the meaning of § 267(3) HGB.

Optional disclosures are made in the notes in order to maintain clarity and transparency. All amounts are rounded to the nearest Euro.

2. General disclosures on accounting and valuation

2.1 Layout

The figures for the preceding year were retained in unchanged form.

The layout of the balance sheet complies with that specified in § 266 HGB in conjunction with § 152 AktG; the income statement conforms to the 'cost of sales' method, pursuant to § 275 (3) HGB in conjunction with § 158 AktG.

2.2 Valuation

No changes were made to the valuation and depreciation methods applied in the previous year.

Intangible and **fixed assets** are valued at purchase cost or cost of sales, including ancillary expenses, minus systematic depreciation and amortization.

The software and customer base acquired in the takeover of the 'getgo.de' Internet portal in 2002 are being written down over the prospective amortization period of 5 years. The trademark rights similarly acquired are being written down over 10 years.

The distribution rights acquired during the financial year will be written down over a period of 5 years.

The recognised goodwill from bringing in the Ticketing business is subject to systematic depreciation and amortization based on an estimated useful life of 15 years.

Low-value assets costing up to EUR 410 are fully written down in the year of purchase, pursuant to the fiscal options provided by § 6 (2) of the Income Tax Act (EStG).

Shares in affiliated companies are valued at acquisition costs, including ancillary costs.

Inventories are valued at purchase cost, taking ancillary expenses into account, or at the lower market prices. The principles of loss-free valuation were observed.

Receivables and **other assets** are valued at their nominal value minus adjustments for all discernible risks. A sufficient overall value adjustment of 1% was made on the net receivables in order to cover the general default and credit risk.

Shareholders' equity was stated at nominal value.

Provisions were made in appropriate measure to cover discernible risks and contingencies, in accordance with the principles of prudent business judgement.

Liabilities are shown at redemption value.

2.3 Currency translation

Receivables and other assets are carried at the selling rate applicable on the balance sheet date or at the lower transaction rate. Liabilities are carried at the buying rate on the balance sheet date or at the higher transaction price.

3. Notes and comments on specific items of the annual financial statements

3.1 Balance sheet

The breakdown and development of assets is shown in the following analysis:

Analysis of assets for the period from 1 January to 31 December 2006 (HGB)

	Purchase cost / Cost of sales				
	Status 01.01.2006	Additions	Disposals	Reclassi-fication	Status 31.12.2006
	[EUR]	[EUR]	[EUR]	[EUR]	[EUR]
I. Intangible assets					
1. Concessions, industrial property rights and similar rights and assets, and licences in such rights and assets	20,686,102	6,234,756	0	540,083	27,460,941
2. Goodwill	4,906,054	0	0	0	4,906,054
3. Payments on account	555,921	644,973	0	-540,083	660,811
	26,148,077	**6,879,729**	**0**	**0**	**33,027,806**
II. Fixed assets					
1. Land, land rights and buildings, including buildings on third-party land	133,457	0	33,924	0	99,533
2. Technical equipment, plant and machinery	0	572,445	0	0	572,445
3. Other facilities, operating and office equipment	7,477,086	949,220	1,403,805	0	7,022,501
	7,610,543	**1,521,665**	**1,437,729**	**0**	**7,694,479**
III. Financial assets					
1. Shares in affiliated companies	30,884,793	3,275,198	0	0	34,159,991
2. Companies in which participations are held	575,000	956	0	0	575,956
	31,459,793	**3,276,154**	**0**	**0**	**34,735,947**
Total	**65,218,413**	**11,677,548**	**1,437,729**	**0**	**75,458,232**

Accumulative depreciation and amortization				Carrying value	
Status 01.01.2006	Additions	Disposals	Status 31.12.2006	Status 31.12.2006	Status 31.12.2005
[EUR]	[EUR]	[EUR]	[EUR]	[EUR]	[EUR]
15,561,383	4,351,722	0	19,913,105	7,547,836	5,124,719
2,125,959	327,070	0	2,453,029	2,453,025	2,780,095
0	0	0	0	660,811	555,921
17,687,342	**4,678,792**	**0**	**22,366,134**	**10,661,672**	**8,460,735**
38,071	9,953	33,924	14,100	85,433	95,386
0	85,868	0	85,868	486,577	0
5,076,199	1,023,228	1,245,817	4,853,610	2,168,891	2,400,887
5,114,270	**1,119,049**	**1,279,741**	**4,953,578**	**2,740,901**	**2,496,273**
0	0	0	0	34,159,991	30,884,793
0	0	0	0	575,956	575,000
0	0	0	**0**	**34,735,947**	**31,459,793**
22,801,612	**5,797,841**	**1,279,741**	**27,319,712**	**48,138,520**	**42,416,801**

All **receivables and other assets** have a residual term of less than one year.

Receivables from affiliated companies include trade receivables amounting to EUR 1.849 million.

Receivables from companies in which participations are held consist solely of trade receivables.

Prepaid expenses and accrued income mainly comprise EUR 245 thousand in prepaid commission expenses (prior year: EUR 0), EUR 52 thousand insurance premiums (prior year: EUR 0) and EUR 25 thousand in marketing expenses (prior year: EUR 57 thousand).

The Annual Shareholders' Meeting of the company on 23 August 2005 resolved to increase the **share capital** of CTS AG, previously amounting to EUR 12,000,000, by adding an additional EUR 12,000,000 from reserves. The share capital increase was registered at the Munich Local Court on 6 October 2005, and the new no-par value bearer shares were credited to shareholder depots on 30 October 2005. As at the reporting date, the company had thus issued 24,000,000 no-par value bearer shares. Each share represents an arithmetic share in the share capital of EUR 1.00.

As at the balance sheet date, **authorised capital** amounted to EUR 12,000,000 million. Authorisation is granted until 31 July 2009. By resolution of the Shareholders' Meeting on 18 August 2004, the Management Board is authorised to increase the share capital of the company on one or more occasions in the period up to 31 July 2009, contingent on Supervisory Board approval, by issuing new shares against cash deposits or contributions in kind, the total increase not to exceed EUR 6,000,000. The shareholders must be granted subscription rights to such new shares, but the Management Board is authorised to exclude such subscription rights, subject to Supervisory Board approval. At the Shareholders' Meeting on 23 August 2005, the relevant authorisation was extended to EUR 12,000,000 and thus adjusted to the increased share capital. No use has been made so far of this authorisation.

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 effected 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 share capital increase and its implementation. As a consequence of the shareholders' resolution on 23 August 2005 to increase the share capital to EUR 24,000,000, this contingent share capital has increased accordingly to EUR 360,000 in accordance with § 218 sentence 1 AktG. This is only an anticipatory resolution; no stock option plan has been established to date.

By resolution of the Shareholders' Meeting on 27 August 2001, the share capital was contingently increased by up to EUR 3,500,000. This contingent increase in share capital is for granting shares to the holders of stock options and convertible bonds that were issued by the company in accordance with the authorisation granted on 27 August 2001. The contingent increase in share capital is effected only to the extent that the holders exercise their stock option and conversion rights, or fulfil their obligation to convert their bonds to stock. 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 share capital increase and its implementation. As a consequence of the shareholders' decision on 23 August 2005 to increase the share capital to EUR 24,000,000, this contingent share capital has increased accordingly to EUR 7,000,000 in accordance with § 218 sentence 1 AktG.

By resolution of the Shareholders' Meeting on 10 May 2006, the company was authorised to repurchase **own shares** as treasury stock. It was authorised in accordance with § 71 (1) No. 8 AktG to purchase up to 10% of the company's share capital as treasury stock in the period up to and including 09 November 2007, except for the purpose of trading in own shares, and in compliance with the restrictions of § 71 (2) AktG.

The counter-value paid for these shares may not exceed or fall below the traded price by more than 10%. 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 purchase offer may be limited. If the total subscription to the offer exceeds said volume, quotas shall be allocated in proportion to the respective number of shares being offered. 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.

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 implemented in October 2005, EUR 12,000,000 of the capital reserve were converted to share capital, and 12,000,000 new no-par value bearer shares were issued.

The **balance sheet profit** developed as follows:

	31.12.2006 [EUR'000]	31.12.2005 [EUR'000]
Retained earnings	16,047	0
Net income for the year	23,983	16,047
	40,030	**16,047**
Distribution in 2006	-8,160	0
Balance sheet profit as at 31 December	**31,870**	**16,047**

Other provisions include EUR 631 thousand in provisions for personnel expenses (prior year: EUR 1.241 million), EUR 257 thousand for legal, consultancy and litigation costs (prior year: EUR 273 thousand), EUR 634 thousand for outstanding supplier invoices (prior year: EUR 877 thousand), EUR 653 thousand for outstanding commission (prior year: EUR 253 thousand), EUR 97 thousand for outstanding credit notes (prior year: EUR 245 thousand) and EUR 225 thousand for accounting and auditing expenses (prior year: EUR 185 thousand).

Liabilities to affiliated companies consist exclusively of trade payables.

The residual terms of the **liabilities** as at 31 December 2006 are shown in the following statement of liabilities:

Statement of liabilities	Total	Remaining term		
		up to one year	Thereof: 1) from taxes 2) for social security	between one and five years
	[EUR]	[EUR]	[EUR]	[EUR]
Liabilities to banks	342,952 (2005: EUR 2.359 m)	342,952 (2005: EUR 1.567 m)		0 (2005: EUR 0.792 m)
Trade payables	3,267,848 (2005: EUR 3.943 m)	3,267,848 (2005: EUR 3.943 m)		
Liabilities to affiliated companies	542,303 (2005: EUR 0.311 m)	542,303 (2005: EUR 0.311 m)		
Other liabilities	37,278,694 (2005: EUR 39.912 m)	34,125,694 (2005: EUR 39.912 m)	1) 1,849,811 (2005: EUR 1.204 m) 2) 9,893 (2005: EUR 0.136 m)	3,153,000 (2005: EUR 0 m)
Total	**41,431,797**	**38,278,797**	**1,859,704**	**3,153,000**

Other liabilities, at EUR 30.275 million (prior year: EUR 36.830 million) result from ticket revenues that have not yet been invoiced. These amounts are covered by equivalent bank balances and other securities.

3.2 Income statement

Revenues are broken down as follows:

	2006	2005	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Ticket sales	72,687	45,868	26,819
Data line charges	2,827	2,740	87
System rental / maintenance / installation	5,227	2,823	2,404
Sales of merchandise	315	467	-152
Package tours	1,323	1,718	-395
Other	507	421	86
	82,886	**54,037**	**28,849**

These revenues were mainly generated on the domestic German market.

Cost of sales include all material expenses as well as proportional personnel expenses, depreciation and amorization and other operating expenses.

Both material expenses and personnel expenses are disclosed below using the cost summary-method, in compliance with § 285 No. 8 HGB. Costs recognised using the cost summary-method are distributed according to predefined codes when applying the cost of sales method.

Material expenses comprise the following items, pursuant to § 275 (2) No. 5 HGB:

Material expenses (according to cost summary-method)	2006	2005	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Cost of materials, supplies and purchased merchandise	2,070	1,146	924
Cost of purchased services	22,288	14,702	7,586
	24,358	**15,848**	**8,510**

The material expenses calculated using the cost summary-method are allocated in full to cost of sales.

Personnel expenses comprise the following items, pursuant to § 275 (2) No. 6 HGB:

Personnel expenses (according to cost summary-method)	2006	2005	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Wages and salaries	7,585	6,304	1,281
Social security contributions and expenses for pensions and employee support	1,083	857	226
	8,668	**7,161**	**1,507**

The personnel expenses calculated using the cost summary-method are allocated on a percentage basis to cost of sales, selling expenses and general administrative expenses.

The increase in **selling expenses** is mainly due to EUR 6.144 million in commission expenses relating to the World Cup project. The selling expenses for the financial year include EUR 327 thousand in full depreciation and amortization of goodwill (prior year: EUR 327 thousand), EUR 104 thousand in proportionate depreciation and amortization (51%) on trademark rights (prior year: EUR 104 thousand), EUR 42 thousand depreciation and amortization on the customer base (prior year: EUR 42 thousand) of the acquired 'getgo.de' Internet portal, as well as EUR 1.051 million in proportionate depreciation and amortization (51%) on distribution rights acquired during the year (prior year: EUR 0). The remaining amount of proportionate depreciation and amortization (49%) on these intangible assets is allocated to cost of sales or general administrative expenses.

Other operating income include EUR 253 thousand in non-periodic income from the reversal of provisions (prior year: EUR 209 thousand), EUR 249 thousand in income from written-off liabilities (prior year: EUR 289 thousand) and EUR 133 thousand in book profits from the disposal of intangible and fixed assets (prior year: EUR 35 thousand).

Other operating expenses include EUR 135 thousand non-periodic expenses in the form of book losses from the disposal of intangible and fixed assets (prior year: EUR 9 thousand).

Income from companies in which participations are held include EUR 6.362 million in income from affiliated companies.

Other interest and similar income include EUR 67 thousand in income from affiliated companies (prior year: EUR 72 thousand).

Interest and similar expenses include EUR 2 thousand (prior year: EUR 4 thousand) in interest paid to affiliated companies.

Taxes on income include EUR 5.600 million in municipal trade tax (prior year: EUR 2.919 million), EUR 6.204 million in corporation tax (prior year: EUR 2.814 million) and EUR 341 thousand in solidarity supplement to corporation tax for the 2006 financial year (prior year: EUR 155 thousand). Also included in this item are EUR 21 thousand in tax refunds for previous years (prior year: EUR 1 thousand) and EUR 7 thousand in income from the reversal of provisions for previous years (prior year: EUR 0).

Other taxes include EUR 16 thousand in vehicle tax expenses and other taxes on consumption (prior year: EUR 3 thousand), as well as EUR 88 thousand in refunded VAT for prior years (prior year: EUR 0).

4. Other disclosures

4.1 Contingent liabilities and other financial commitments

As at the reporting date, there were contingent liabilities amounting to EUR 8.982 million. These commitments relate to a conditional bid of EUR 3.640 million made by CTS AG to acquire additional shares in subsidiaries, and a purchase price commitment on the part of Medusa Music Group GmbH. The commitment made by Medusa Music Group GmbH depends on future operating results of the subsidiary and is estimated at EUR 5.342 million as at the balance sheet date. The company also bears liability for debts owed to banks by CTS Eventim Solutions GmbH. As at the balance sheet date, CTS Eventim Solutions GmbH has no liabilities to banks.

Other financial commitments relating to short- and medium-term rental, leasing and other agreements amount to EUR 2.120 million (prior year: EUR 2.451 million). Of that total, EUR 985 thousand (prior year: EUR 972 thousand) have a maturity of one year or less. Rental obligations account for EUR 1.504 million (prior year: EUR 1.914 million), leasing obligations for EUR 164 thousand (prior year: EUR 122 thousand) and other obligations to EUR 452 thousand (prior year: EUR 415 thousand).

4.2 Appropriation of earnings

In the 2006 financial year, CTS AG generated a net income for the year (according to HGB) of EUR 23.983 million. The Management Board therefore proposes, with the approval of the Supervisory Board, that EUR 11.760 million (EUR 0.49 per share) be distributed to shareholders.

4.3 Investments

	Share	Nominal capital	31.12.2006 Shareholders' capital	31.12.2006 Net income for the year
	in %	[EUR]	[EUR]	[EUR]
GSO Holding GmbH, Bremen	80.0%	50,000	3,118,368	6,629
GSO Gesellschaft für Softwareentwicklung und Organisation mbH & Co. KG, Bremen	90.0%	500,000	-702,224	332,733
GSO Verwaltungsgesellschaft mbH, Bremen	90.0%	25,000	27,248	3,210
Ticket Express Gesellschaft zur Herstellung und zum Vertrieb elektronischer Eintrittskarten mbH, Vienna, Austria	75.0%	36,336	1,450,762	649,536
ÖTS Gesellschaft zum Vertrieb elektronischer Eintrittskarten mbH, Deutschlandsberg, Austria	41.3%	36,336	342,199	120,609
Ö-Ticket-Südost, Gesellschaft zur Herstellung und zum Vertrieb elektronischer Eintrittskarten mbH, Wiener Neustadt, Austria	50.0%	37,000	202,385	77,062
Ticket Nord, Herstellung und Vertrieb elektronischer Eintrittskarten mbH, Linz, Austria	75.0%	36,336	303,677	80,779
Ticket Express Hungary Kft., Budapest, Hungary	38.3%	20,291	30,863	-20,019
Ö-Ticket-Nordost Eintrittskartenvertrieb GmbH, Tulln, Austria	37.6%	37,000	9,508	-24,551
eventim Online Holding GmbH, Bremen	100.0%	25,000	21,526	-332
RP-EVENTIM GmbH, Düsseldorf	51.0%	25,000	47,243	5,760
CTS Eventim Solutions GmbH, Bremen	100.0%	226,250	231,203	0
CTS Eventim Nederland B.V., Amsterdam, Netherlands	100.0%	18,200	-168,687	66,344
CTS Eventim Sports GmbH, Hamburg (vormals: Sportfive Tixx GmbH)	100.0%	25,000	728,688	653,688
Eventim Sports Consulting GmbH, Bremen	100.0%	25,000	-2,500	-376
TicTec AG, Basel, Switzerland	100.0%	63,068	80,926	24,100

	Share	Nominal capital	31.12.2006 Shareholders' capital	31.12.2006 Net income for the year
	in %	[EUR]	[EUR]	[EUR]
MEDUSA Music Group GmbH, Bremen	92.9%	11,127,250	21,538,951	8,006,346
Marek Lieberberg Konzertagentur Holding GmbH, Frankfurt/Main	47.4%	50,000	12,168,906	5,165,947
Marek Lieberberg Konzertagentur GmbH & Co. KG, Frankfurt/Main	47.4%	100,000	158,204	6,709,596
Marek Lieberberg Konzertagentur Verwaltungs GmbH, Frankfurt/Main	47.4%	25,000	28,870	0
LS Konzertagentur GmbH, Vienna, Austria	35.3%	50,000	332,800	311,167
Greensave GmbH, Würzburg	27.7%	25,000	37,328	20,054
Peter Rieger Konzertagentur Holding GmbH, Cologne	65.0%	50,000	4,548,616	1,254,849
Peter Rieger Konzertagentur GmbH & Co. KG, Cologne	65.0%	50,000	75,000	1,604,600
Peter Rieger Konzertagentur Verwaltungs GmbH, Cologne	65.0%	25,000	28,749	1,551
FKP Scorpio Konzertproduktionen GmbH, Hamburg	46.6%	25,565	-278,429	-303,993
CRP Konzertagentur GmbH, Hamburg	23.4%	25,000	-162,742	-215,947
Palazzo Produktionen GmbH, Hamburg	23.8%	50,000	-151,310	103,764
Palazzo Produktionen GmbH, Vienna, Austria	23.8%	35,000	370,908	355,229
Palazzo Producties B.V., Amsterdam, Netherlands	23.8%	18,000	202,604	184,604
Semmelconcerts GmbH, Bayreuth	46.6%	25,565	554,747	3,029,183
Argo Konzerte GmbH, Würzburg	46.6%	76,694	462,949	322,786
PGM Promotors Group Munich Konzertagentur GmbH, Munich	46.7%	25,000	427,881	361,656
Dirk Becker Entertainment GmbH, Cologne	72.6%	25,000	407,140	159,534
Act Entertainment AG, Basel, Switzerland	47.4%	124,250	-293,611	-256,013

A control and profit transfer agreement exists with CTS Eventim Solutions GmbH. The amount of income generated from said profit transfer agreement in the reporting year was EUR 1.475 million (prior year: EUR 1.115 million).

4.4 Executive bodies of CTS AG

The members of the Management Board in the financial year were as follows:

Klaus-Peter Schulenberg, Bremen
-Chairman-

Dipl.-Ökonom Volker Bischoff, Stuhr

Dipl.-Betriebswirt Christian Alexander Ruoff, Bremen

The amounts of compensation granted to individual members of the Management Board were as follows:

Name	Fixed salary	Benefits	Management bonus	Total
	[EUR]	[EUR]	[EUR]	[EUR]
Klaus-Peter Schulenberg	600,000	11,536	300,000	911,536
Volker Bischoff	230,081	19,989	51,129	301,199
Christian Alexander Ruoff	250,000	16,748	105,000	371,748
Total	**1,080,081**	**48,273**	**456,129**	**1,584,483**

The members of the Supervisory Board in the 2006 financial year were as follows:

Edmund Hug, businessman, Oberstenfeld
-Chairman- (up to 10.05.2006 and again since 09.10.2006)

Other supervisory board memberships:
- Schlott Sebaldus AG, Freudenstadt
- Lidl & Schwarz GmbH, Neckarsulm
- Scholz AG, Aalen

Dr. Peter Haßkamp, lawyer, Bremen
- Vice Chairman -

Other supervisory board memberships:
- Friedrich Schiefer Emissionshaus AG, Landshut

Jakob Kleefass, lawyer, Hamburg (up to 29.08.2006)

Other supervisory board memberships:
- Otto M. Schröder Bank AG, Hamburg

Prof. Jobst W. Plog, director, Hamburg (since 10.05.2006)

No other supervisory board memberships

The members of the CTS AG Supervisory Board received compensation totalling EUR 61 thousand and reimbursed expenses of EUR 1 thousand for the 2006 financial year. Fees amounting to EUR 141 thousand were also incurred through the law firm of Mr. Kleefass.

4.5 Employees

On average, 180 persons were employed by the company during the year. These were all salaried employees.

4.6 Declaration concerning the Corporate Governance Code

The declaration by the Management Board and the Supervisory Board of the company pursuant to § 161 AktG, to the effect that the recommendations of the German Corporate Governance Code have been and are being complied with, and which recommendations were not or are not applied, was submitted in the financial year and made permanently available to the shareholders on the company's website.

4.7 Participating persons

The company received notifications under § 21 (1) of the Securities Trading Act (WpHG) concerning participations exceeding 3% or 5% of the voting rights, and participations increasing beyond or falling below 3% or 5% of the voting rights.

Fidelity International Limited, Hamilton HMCX, Bermuda, notified the company on 31 August 2006 that it fell below the 5% threshold on 30 August 2006 and that its share of voting rights in CTS AG now amounts to 4.97%, and that these voting rights are allocated within the meaning of § 22 (1) 1 No. 6 WpHG to Fidelity International Limited.

Brett Barakett, New York, USA, notified the company on 29 January 2007 that he exceeded the 3% threshold on 24 January 2007 and that his share of voting rights in CTS AG now amounts to 3.211%, and that these voting rights are allocated within the meaning of § 22 (1) 1 No. 6 WpHG to Mr. Barakett.

Brett Barakett, New York, USA, notified the company on 7 March 2007, that he exceeded the 5% threshold on 1 March 2007 and now holds 5.004% of the voting rights in CTS AG, and that these voting rights are allocated within the meaning of § 22 (1) 1 No. 6 WpHG to Mr. Barakett, and that they include a 3.625% share in voting rights that are allocated to Mr. Barakett in his capacity as Managing Member of Tremblant Capital LLC, which in turn is the General Partner of Tremblant Capital LP.

Tremblant Capital LP, New York, USA, notified the company on 1 February 2007 that it exceeded the 3% threshold on 29 January 2007 and that its share of voting rights in CTS AG now amounts to 3.002%, and that these voting rights are allocated within the meaning of § 22 (1) 1 No. 6 WpHG to Tremblant Capital LP.

Mr. Klaus-Peter Schulenberg, Bremen, held 50.07% of the voting rights in the company as at 31 December 2006.

4.8 Expenses for the auditor within the meaning of § 285 No. 17 HGB

In the 2006 financial year, expenses amounting to EUR 140 thousand in auditing fees and EUR 9 thousand for other services were recognised.

Bremen, 13 March 2007

CTS EVENTIM Aktiengesellschaft

Klaus-Peter Schulenberg	Volker Bischoff	Christian Alexander Ruoff

5. Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report, which is combined with the group management report of the CTS EVENTIM Aktiengesellschaft, Munich for the business year from 01 January to 31 December 2006. The maintenance of the books and records and the preparation of the annual financial statements and the combined management report in accordance with German commercial law are the responsibility of the Company's Board of Managing. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the combined management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB („Handelsgesetzbuch": „German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the annual financial statements and in the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The combined management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Osnabrück, 15 March 2007

PricewaterhouseCoopers

Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

(Prof. Dr. N. Winkeljohann) German Public Auditor	(G. Stegemann) German Public Auditor

Contact

CTS EVENTIM AG
Contrescarpe 75 A
28195 Bremen,
Tel.: +49 (0) 421/ 36 66 - 0
Fax.: +49 (0) 421/ 36 66 - 2 90

www. eventim.de
investor@eventim.de

Imprint

Publisher:
CTS EVENTIM AG
Contrescarpe 75 A
28195 Bremen
Tel.: +49 (0) 421/ 36 66 - 0
Fax.:+49 (0) 421/ 36 66 - 2 90

Editorial office:
Engel & Zimmermann
CTS EVENTIM AG

Artwork:
SECHSBAELLE, Bremen