ANNUAL REPORT 2018

eventim

KEY GROUP FIGURES

	2018	2017	2016	2015
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
Revenue	1,241,689	1,033,980	829,906	834,227
EBITDA	228,240	201,626	193,589	180,502
EBITDA margin	18.4%	19.5%	23.3%	21.6%
EBIT	190,765	165,730	161,973	150,204
EBIT margin	15.4%	16.0%	19.5%	18.0%
Normalised EBITDA	231,135	204,741	194,451	180,996
Normalised EBIT before amortisation from purchase price allocation	205,627	181,542	174,060	161,741
Normalised EBITDA margin	*18.6%*	*19.8%*	*23.4%*	*21.7%*
Normalised EBIT margin before amortisation from purchase price allocation	*16.6%*	*17.6%*	*21.0%*	*19.4%*
Non-recurring items [1]	2,896	3,115	861	494
Amortisation resulting from purchase price allocation	11,965	12,698	11,226	11,043
Earnings before tax (EBT)	192,904	170,792	155,475	145,357
Net income attributable to shareholders	118,504	112,808	94,560	89,029
	[EUR]	[EUR]	[EUR]	[EUR]
Earnings per share [2], undiluted (= diluted)	1.23	1.18	0.99	0.93
	[Qty.]	[Qty.]	[Qty.]	[Qty.]
Number of employees [3]	3,141	3,020	2,384	2,215
Of which temporary	(521)	(580)	(427)	(426)

[1] Cf. page 33 for non-recurring items for the years 2018 and 2017

[2] Number of shares: 96 million

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

CONTENT

1. LETTER TO THE SHAREHOLDERS

Klaus-Peter Schulenberg
Chief Exectutive Officer

Ladies and Gentlemen,

CTS EVENTIM looks back on an eventful and extraordinarily successful business year. In 2018, we again achieved records for sales and earnings: Our Group revenues increased by 20.1% to EUR 1.242 billion and our normalised EBITDA by 12.9% to EUR 231.1 million. Both our ticketing and live entertainment segments contributed to these developments. On this basis, we once again created value during the year under review: for around 250 million ticket buyers, numerous artists and promoters around the world, and not least for you, our valued shareholders.

The excellent performance of our ticketing business was due to a significant increase in our online ticket volume. We improved this by more than ten percent in 2018, and for the first time sold more than 50 million tickets via our web shops. In all, revenue in the Ticketing segment increased by 6.9% to EUR 447.1 million; normalised EBITDA rose disproportionately by 9.6% to EUR 195.8 million. We achieved these gratifying increases solely with our existing businesses.

Our Live Entertainment segment significantly exceeded the business figures of the previous year. While revenue rose by 29.7% to EUR 812.5 million, normalised EBITDA increased by 35.4% to EUR 35.3 million. Many promoters from our existing portfolio contributed to this increase, most notably FKP Scorpio and Semmel Concerts. The new 'Holiday on Ice' tour, various music festivals – including the second edition of 'New Horizons', which attracted 30 percent more visitors to the Nürburgring than the debut in 2017 – and another successful season at Cologne's LANXESS arena also had a positive impact.

Additional impetus came from the acquisitions we made in the past two years in Italy (D'Alessandro e Galli, Friends & Partners, Vertigo and Vivo Concerti) and Spain (Doctor Music). In Italy, we have very quickly risen to become the market leader with our network of promoters.

Acquisitions like these are part of our strategy of viewing the European markets holistically rather than in isolation from each other. Because more and more artists expect us to offer them international performance opportunities (and ticketing solutions as well), we will keep expanding our portfolio and offering additional services that create tangible value-add for fans and artists around the world. Incidentally, at the moment this also includes realising Eros Ramazzotti's world tour. In 2019, he will perform in more than 30 countries and on four continents, organised by one of our promoters – Vertigo.

All signs point to growth in CTS EVENTIM's venue business as well. Besides the LANXESS arena, the EVENTIM Apollo in London and the Waldbühne Berlin also achieved record revenues and earnings in 2018. We built a new, modern backstage area in the Waldbühne under the direction of the renowned architect Max Dudler. And recently another top-class, historic venue was added to our venue portfolio: the K.B. Hallen in Copenhagen, which opened just a few weeks ago.

At the same time, we are keen to play a key role in shaping the other developments in our industry as well.

Take the secondary market, for example: We are working with concert promoters all across Europe to make the secondary ticketing market as fair as possible. Our fanSALE portal was certified by Google AdWords for ad placements right at the beginning of the year. In the future, we want to establish fanSALE not only as one of the leading secondary ticketing market platforms, but also as the fairest in the market.

Or Big Data: Five years ago, we set up our Information Science department. Since then, we have systematically generated insights from data. And based on these insights, we develop business. We are getting better and better at this. Because our database is particularly valuable, as our web shops generate high gross transaction value.

Or sponsorship: In the first half of 2018, we launched EVENTIM BRAND CONNECT, a new business unit. It pools sponsoring offers that were previously managed in a decentralised manner. This lets us offer existing and new partners a whole new form of advertising campaigns across borders – with access to tens of thousands of live events in ten countries. So we not only bridge the gap between online and offline, but also offer campaign opportunities along the entire fan connection.

All this progress brings us closer to our goal of gradually developing CTS EVENTIM from an event portal into a leisure portal. Because we believe that in the future we will be able to sell not 'just' a ticket, but a variety of offers tying into it. Today we give our customers access to great events that last two, three, sometimes four hours. In the long term, we want to be the gateway for millions of people to a world of experiences that offers them much more: a comprehensive range of leisure activities.

The fact that CTS EVENTIM is in a position to advance into new lines of business areas became clear at the end of the year. On 30 December 2018, we were commissioned – together with the Austrian company Kapsch TrafficCom – to collect the German passenger-car toll. The revenue volume of the cooperation, which is scheduled for at least twelve years, is around two billion euros. This makes it the largest single order in the history of CTS EVENTIM.

We have established a joint operating company with Kapsch, in which each party holds 50 percent of the shares. In particular, we will contribute to this project our extensive experience in managing relationships with customers, from addressing them on all relevant channels to modern customer services and secure payment processing – often across borders. I am very confident that services such as collecting the passenger-car toll represent an attractive growth area for our company long-term. At the same time, this order changes nothing about our identity as a Ticketing and Live Entertainment company. We want to make the passenger-car toll a success story while also continuing the dynamic further development of our core businesses.

I am delighted that you are accompanying our company on this path. This year, we would again like to do justice to your confidence in our company and our shares with our dividend proposal: with a pay-out ratio of 50% of consolidated net profit, we not only stand for reliability, but are also striving for the eleventh consecutive dividend increase.

CTS EVENTIM's economic success and the numerous strategic advances it has made are due first and foremost to the entrepreneurial spirit, inventiveness, and commitment of our more than 3,000 employees. I would like to take this opportunity to thank them personally as well as on behalf of the Executive Board. And I wish you, our shareholders, an informative and stimulating read as you browse our Annual Report!

With best regards,

Klaus-Peter Schulenberg
Chief Executive Officer

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

2. REPORT BY THE SUPERVISORY BOARD

Dr. Bernd Kundrun
Chairman

REPORT BY THE SUPERVISORY BOARD OF CTS EVENTIM AG & CO. KGaA (HEREINAFTER: CTS KGaA) ON THE ANNUAL FINANCIAL STATEMENTS, THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT FOR THE COMPANY AND THE GROUP AS A WHOLE FOR THE FINANCIAL YEAR FROM 1 JANUARY 2018 TO 31 DECEMBER 2018.

I. During the period under review, the members of the Supervisory Board included Dr. Bernd Kundrun (Hamburg), Prof. Jobst W. Plog (Hamburg) and Justinus J.B.M. Spee (Amsterdam) as well as Dr. Juliane Thümmel (St. Gilles).

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

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

In the reporting year, the Supervisory Board met on 16 March 2018 ('financial statements meeting'), 7 May 2018, 29 August 2018 and on 6 November 2018. Corporate management also took part in these meetings and had an opportunity to comment on transactions of importance for the company. The Supervisory Board was kept informed by corporate management not only at Supervisory Board meetings, but also outside of such meetings, such as in the case of transactions of special importance or urgency.

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

III. At the company's Annual Shareholders' Meeting held in Hamburg, Germany, on 8 May 2018, KPMG AG Wirtschafts-prüfungsgesellschaft, Hamburg, Germany, was chosen to audit the annual financial statements as at 31 December 2018 and the consolidated financial statements as at 31 December 2018. The audit mandate was duly granted by the Chairman of the Supervisory Board Chairman on behalf of all Supervisory Board members.

The 2018 annual financial statements, the 2018 consolidated financial statements, the combined management report and the respective audit reports were submitted by the general partner to the Supervisory Board in a timely manner and were examined by the Supervisory Board.

At the Supervisory Board meeting on 19 March 2019, corporate management and the Supervisory board discussed in detail the annual financial statements and the consolidated financial statements for 2018 as well as the combined management report and the general partner's proposal for appropriation of profits. The Supervisory Board was able to confer with the auditor, who also attended the meeting.

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

According to the conclusive findings of its examination, the Supervisory Board raises no objections to the annual financial statements prepared by corporate management and recommends that the Annual Shareholders' Meeting approve the annual financial statements. The Supervisory Board also approves the consolidated financial statements prepared by the general partner for the 2018 financial year, to which no objections are raised. The Supervisory Board has reviewed and approved the general partner's proposal for appropriation of the balance sheet profit as it feels it appropriately takes into account the interests of the company and its shareholders.

IV. The general partner has prepared a report on the relationships with affiliated companies (dependency report) for the financial year from 1 January to 31 December 2018 in accordance with § 312 German Stock Corporation Act (AktG). The report states that, judging from the circumstances known by the general partner at the time legal transactions requiring disclosure were conducted, the company received adequate consideration in each case and that reportable measures requiring disclosure were neither effected nor waived at the behest or in the interest of affiliated companies within the meaning of § 312 AktG in the 2018 financial year.

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

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

In January 2019, the Supervisory Board commissioned the auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, to carry out a limited assurance engagement on the non-financial report for the group. KPMG AG Wirtschaftsprüfungsgesellschaft issued an unqualified opinion on the basis of this engagement. This means that, on the basis of the assurance engagement procedures performed and the evidence obtained, the auditor did not become aware of any matters that would lead to the view that the non-financial statements for the group for the period 1 January to 31 December 2018 had not been prepared, in all material respects, in accordance with §§ 315b, 315c in conjunction with 289c-289e HGB.

The combined non-financial report for the group and the audit opinion of KPMG AG Wirtschaftsprüfungsgesellschaft were submitted to the members of the Supervisory Board in a timely manner. The Supervisory Board intensively discussed, reviewed and approved the non-financial report for the group at its meeting on 19 March 2019. It was unable to ascertain any grounds for objection to the non-financial report for the group or the opinion on the results of the limited assurance engagement performed by KPMG AG Wirtschaftsprüfungsgesellschaft.

VI. Conflicts of interest, as defined by the German Corporate Governance Code, did not arise in connection with the members of the Supervisory Board in the reporting year. On 3 December 2018, the Supervisory Board and the general partner issued their most recently updated joint declaration of compliance with the German Corporate Governance Code, in accordance with § 161 AktG. This declaration was published on the company website at www.eventim.de.

The Supervisory Board would like to thank the corporate management and all of the company's employees for their work in the 2018 financial year.

19 March 2019

Bernd Kundrun

Dr. Bernd Kundrun
Chairman

Prof. Jobst W. Plog
Vice-Chairman

Juliane Thümmel

Dr. Juliane Thümmel

Justinus J.B.M. Spee

3. CTS EVENTIM SHARES

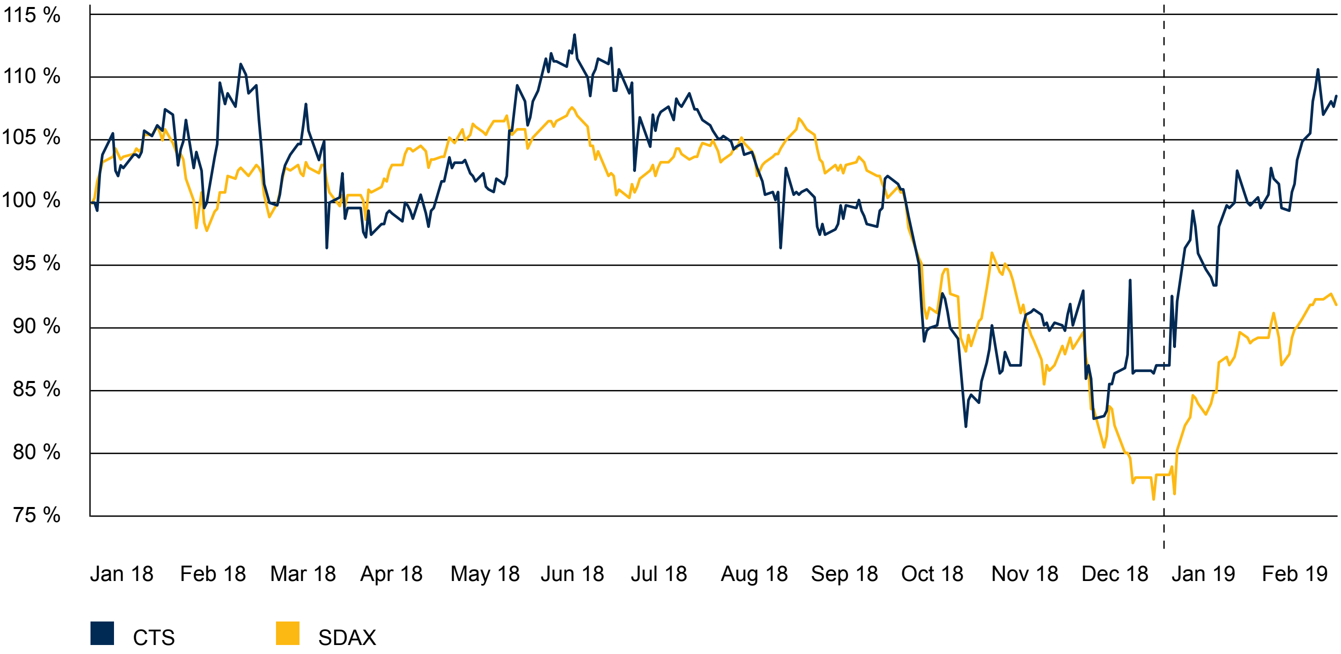
In the 2018 financial year, the capital market environment was characterised by pronounced volatility. The ongoing speculation about Brexit and the possible implications for the European Union, along with tensions caused by the increasing number of protectionist measures implemented by the trading powers USA and China, resulted in fluctuating share prices on global stock markets. Particularly in the fourth quarter of the 2018 financial year, that speculation gave way to significant scepticism, with the result that share prices fell around the world. That negative momentum on the stock markets was, not least, supported by further increases in the key interest rate in the USA made by the Federal Reserve Bank (hereinafter: FED).

Despite the unchanged positive development of the company, CTS EVENTIM shares could not escape the effects of this turbulent market environment and closed the 2018 financial year with a performance of -14.8%. However, CTS EVENTIM shares still performed relatively well compared to the reference indices the DAX (-18.3%), the MDAX (-17.6%) and the SDAX (-20%). At the beginning of the current financial year, the CTS EVENTIM shares rebound significantly faster than the benchmark indices and returned to a positive performance since early 2018.

CTS EVENTIM shares enjoy the uninterrupted attention of various analysts, who analyse CTS KGaA on an ongoing basis. Currently, the shares are fully recommended to purchase by Baader Helvea, Bankhaus Lampe, Berenberg, Commerzbank, DZ Bank, Kepler Cheuvreux, NordLB and Pareto Securities.

CTS KGaA was represented at a number of domestic and international capital market conferences, at investor roadshows and during individual meetings in the 2018 financial year. Excellent relationships with various capital market players and transparent capital market communication are a major component of CTS EVENTIM's corporate philosophy. Continually increasing awareness of CTS EVENTIM shares on national and international capital markets continues to be the objective of CTS EVENTIM's communication strategy.

THE CTS SHARE PRICE (1 JANUARY 2018 TO 27 FEBRUARY 2019 – INDEXED)



Type of shares	No-par value ordinary bearer shares
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

	2018	2017
	EUR	EUR
Earnings per share	1.23	1.18
High (Xetra)	43.50	40.94
Low (Xetra)	31.38	29.53
Year-end-price (Xetra)	32.58	38.83
Market capitalisation (based on year-end-price)	3,127,680,000	3,727,680,000
Shares outstanding on 31.12.	96,000,000	96,000,000
Share capital after IPO	12,000,000	12,000,000

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

CTS Eventim AG & Co. KGaA complied with nationally and internationally accepted standards of good and responsible enterprise management. For us, Corporate Governance is a fundamental standard applying to all areas of the company. External directorships held by corporate management and Supervisory Board members are shown under section 6.14 in the notes to the consolidated financial statements. Related party disclosures are made under section 6.12 in the notes to the consolidated financial statements. The corporate management provides the following report on corporate governance within the company – simultaneously on behalf of the Supervisory Board – in accordance with item 3.10 of the German Corporate Governance Code (GCGC):

4.1 CORPORATE GOVERNANCE DECLARATION PURSUANT TO § 161 AKTG

Pursuant to Section 161 of the Stock Corporation Act (Aktiengesetz - AktG), and in analogous application of the stipulations of the German Corporate Governance Code, the management and the Supervisory Board of CTS Eventim AG & Co. KGaA published the following declaration of compliance on 3 December 2018:

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

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

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

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

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

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

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

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

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

4.3 WORKING METHODS OF THE CORPORATE MANAGEMENT AND SUPERVISORY BOARD

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

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

5. COMBINED MANAGEMENT REPORT

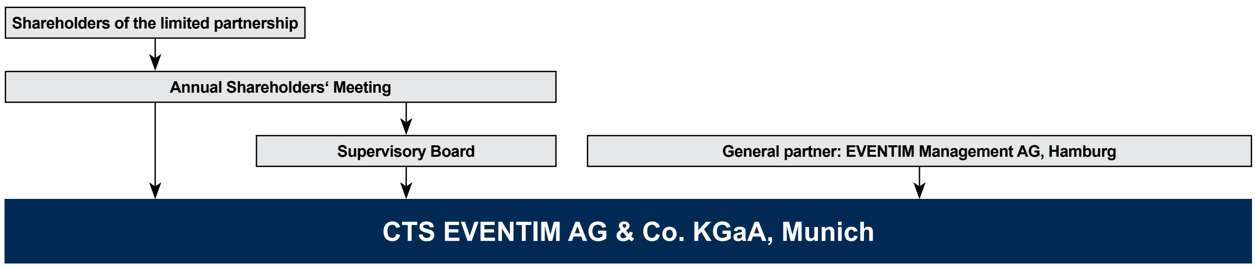
1. PRELIMINARY STATEMENTS

In addition to the annual financial statements for CTS EVENTIM AG & Co. KGaA, Munich (hereinafter: CTS KGaA) in accordance with the accounting legislation in the German Commercial Code (Handelsgesetzbuch – HGB), the corporate management has also prepared consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), complying thereby with all IFRS and with interpretations of the IFRS Interpretations Committee (IFRIC) as applicable in the European Union (EU) on the balance sheet date. The annual financial statements of CTS KGaA for the 2018 financial year were drawn up in accordance with the accounting regulations of the German Commercial Code (Handelsgesetzbuch) for large corporations and the supplementary provisions of the German Stock Corporation Act (Aktiengesetz).

The management report of CTS KGaA and the Group management report have been combined. The information contained in this combined management report relates to the financial situation and business development of the Group. These essentially also apply to CTS KGaA. Further information on the financial situation and business development of CTS KGaA as a standalone company is provided in separate sections of this report or is indicated as such by a reference to 'CTS KGaA'.

2. EXPLANATION OF CORPORATE AND ORGANISATIONAL STRUCTURE OF CTS KGaA

The organisational structure of CTS KGaA is as follows:



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

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

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

3. BUSINESS AND MACROENVIRONMENT
3.1 BUSINESS OPERATIONS AND CORPORATE STRUCTURE
3.1.1 BUSINESS OPERATIONS AND SEGMENTS

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

The Group companies are assigned to two segments, Ticketing and Live Entertainment. CTS KGaA, the parent company of the Group, operates in the field of Ticketing and is the dominant player in that segment on account of its sheer economic importance. Statements made in respect of the Ticketing segment therefore apply specifically to CTS KGaA as well.

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

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

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

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

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

The objects of the **Live Entertainment** segment are to plan, prepare and execute tours, events and festivals especially music events and concerts, and to market music productions. In addition, nationally and internationally well-known venues are also operated.

Thus, the CTS Group offers all services related to concert events from planning, organisation and settlement up to the distribution of all services around concerts from one source.

3.1.2 KEY REGIONS

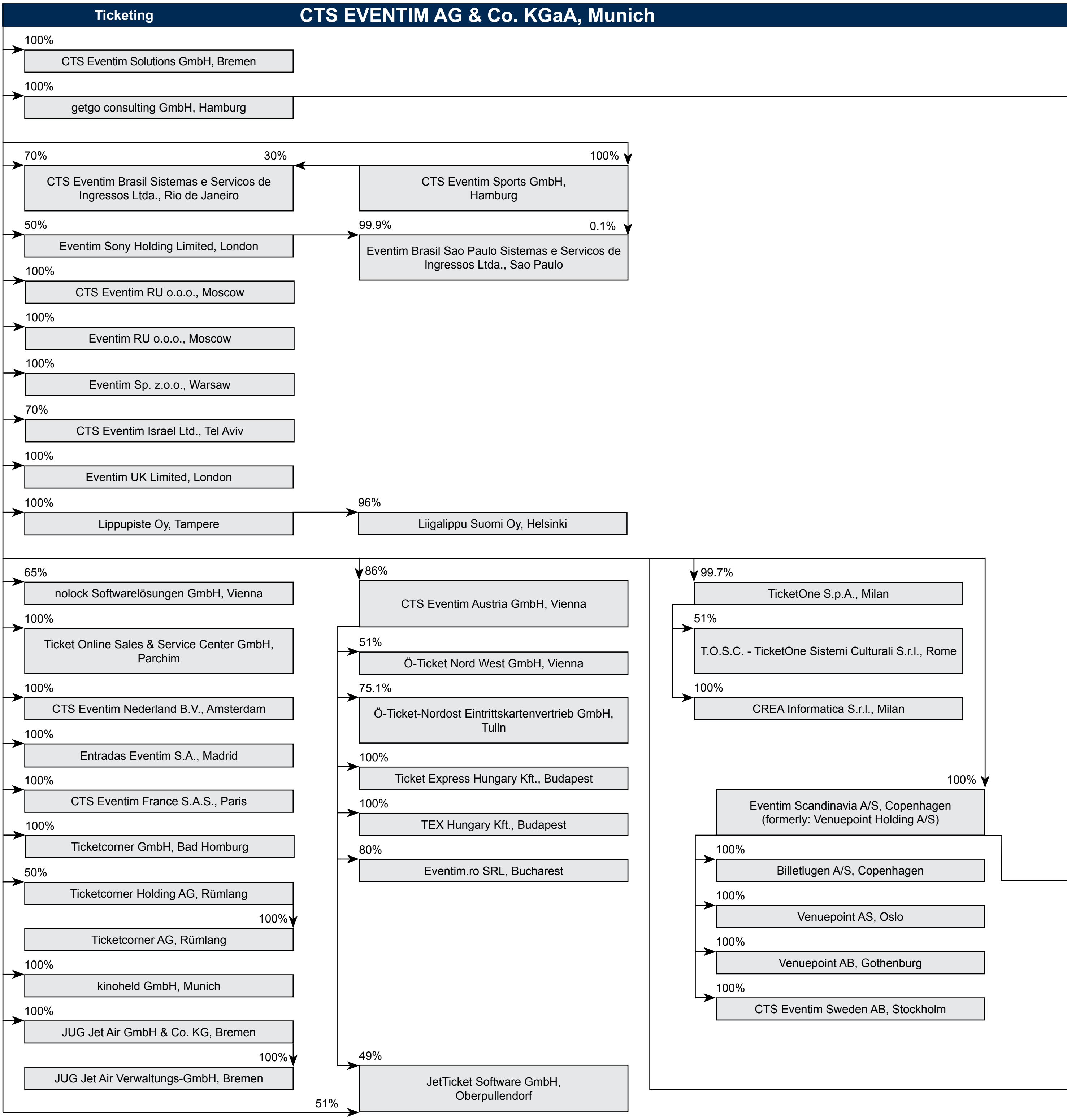
In addition to the German market, the Group's Ticketing segment also operates in Brasil, Bulgaria, Denmark, Finland, France, Great Britain, Israel, Italy, Croatia, Norway, the Netherlands, Austria, Poland, Romania, Russia, Sweden, Switzerland, Slovenia, Spain and Hungary.

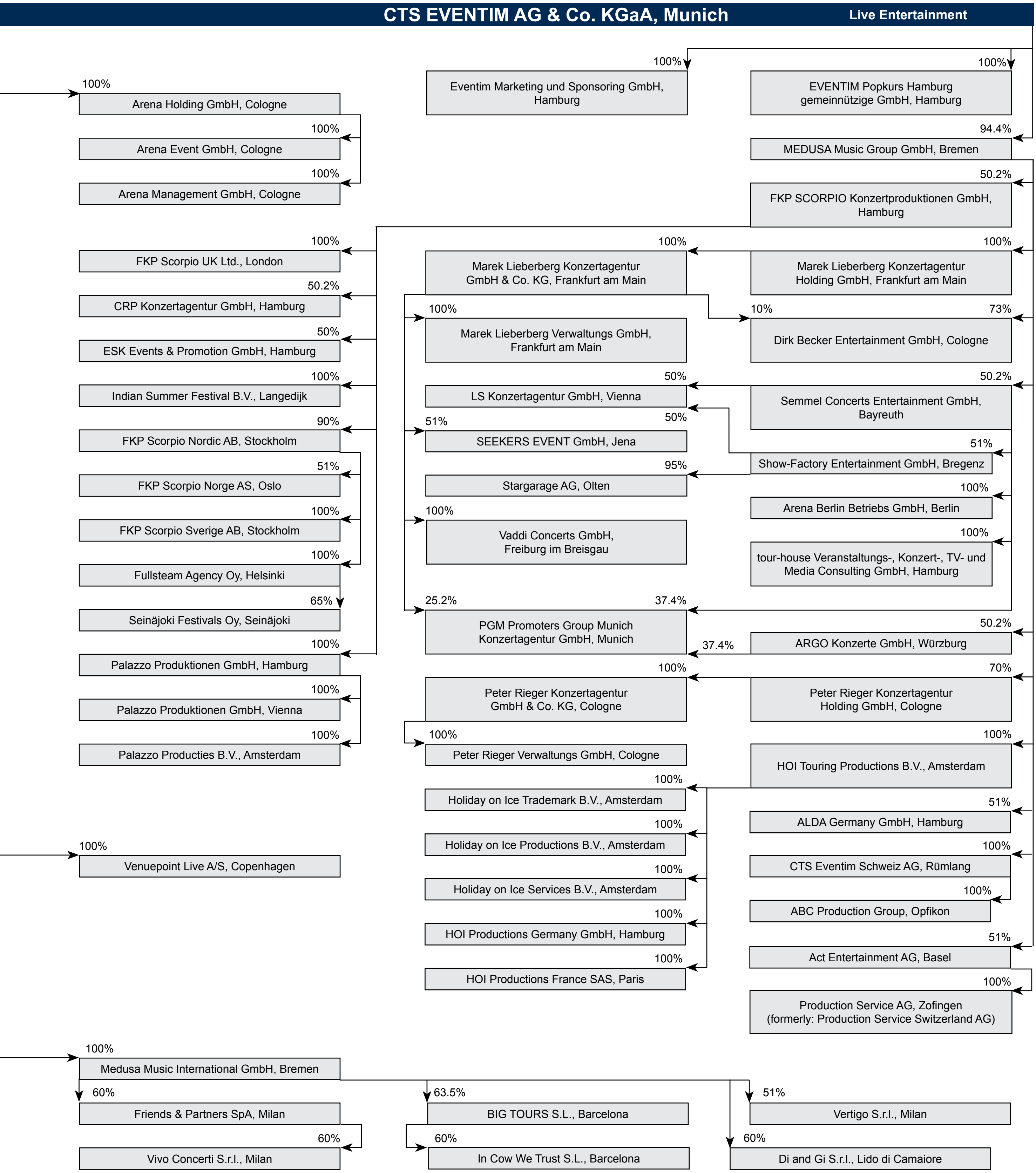
In the Live Entertainment segment, the Group operates in addition to the German market in Denmark, Finland, Great Britain, Italy, Austria, the Netherlands, Norway, Sweden, Switzerland and Spain.

3.1.3 CORPORATE STRUCTURE

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

The following overview includes all companies included in the consolidated financial statements by means of full consolidation as at 31 December 2018:




CTS EVENTIM AG & Co. KGaA, Munich
Live Entertainment
100%
Arena Holding GmbH, Cologne
100%
Arena Event GmbH, Cologne
100%
Arena Management GmbH, Cologne
100%
Eventim Marketing und Sponsoring GmbH, Hamburg
100%
EVENTIM Popkurs Hamburg gemeinnützige GmbH, Hamburg
94.4%
MEDUSA Music Group GmbH, Bremen
50.2%
FKP SCORPIO Konzertproduktionen GmbH, Hamburg
100%
FKP Scorpio UK Ltd., London
50.2%
CRP Konzertagentur GmbH, Hamburg
50%
ESK Events & Promotion GmbH, Hamburg
100%
Indian Summer Festival B.V., Langedijk
90%
FKP Scorpio Nordic AB, Stockholm
51%
FKP Scorpio Norge AS, Oslo
100%
FKP Scorpio Sverige AB, Stockholm
100%
Fullsteam Agency Oy, Helsinki
65%
Seinäjoki Festivals Oy, Seinäjoki
100%
Palazzo Produktionen GmbH, Hamburg
100%
Palazzo Produktionen GmbH, Vienna
100%
Palazzo Producties B.V., Amsterdam
100%
Marek Lieberberg Konzertagentur GmbH & Co. KG, Frankfurt am Main
100%
Marek Lieberberg Konzertagentur Holding GmbH, Frankfurt am Main
100%
Marek Lieberberg Verwaltungs GmbH, Frankfurt am Main
10%
73%
Dirk Becker Entertainment GmbH, Cologne
50%
LS Konzertagentur GmbH, Vienna
50.2%
Semmel Concerts Entertainment GmbH, Bayreuth
51%
50%
SEEKERS EVENT GmbH, Jena
51%
Show-Factory Entertainment GmbH, Bregenz
95%
Stargarage AG, Olten
100%
Arena Berlin Betriebs GmbH, Berlin
100%
Vaddi Concerts GmbH, Freiburg im Breisgau
100%
tour-house Veranstaltungs-, Konzert-, TV- und Media Consulting GmbH, Hamburg
25.2%
37.4%
PGM Promoters Group Munich Konzertagentur GmbH, Munich
50.2%
37.4%
ARGO Konzerte GmbH, Würzburg
100%
Peter Rieger Konzertagentur GmbH & Co. KG, Cologne
70%
Peter Rieger Konzertagentur Holding GmbH, Cologne
100%
Peter Rieger Verwaltungs GmbH, Cologne
100%
HOI Touring Productions B.V., Amsterdam
100%
Holiday on Ice Trademark B.V., Amsterdam
100%
Holiday on Ice Productions B.V., Amsterdam
100%
Holiday on Ice Services B.V., Amsterdam
100%
HOI Productions Germany GmbH, Hamburg
100%
HOI Productions France SAS, Paris
51%
ALDA Germany GmbH, Hamburg
100%
CTS Eventim Schweiz AG, Rümlang
100%
ABC Production Group, Opfikon
51%
Act Entertainment AG, Basel
100%
Production Service AG, Zofingen (formerly: Production Service Switzerland AG)
100%
Venuepoint Live A/S, Copenhagen
100%
Medusa Music International GmbH, Bremen
60%
Friends & Partners SpA, Milan
60%
Vivo Concerti S.r.l., Milan
63.5%
BIG TOURS S.L., Barcelona
60%
In Cow We Trust S.L., Barcelona
51%
Vertigo S.r.l., Milan
60%
Di and Gi S.r.l., Lido di Camaiore

CHANGES TO THE GROUP STRUCTURE

In the 2018 reporting period, the following changes in the structure of the Group occurred:

TICKETING

In June 2018, CTS KGaA acquired the remaining 49% of the shares in kinoheld GmbH, Munich, and now holds 100% of the shares in the company.

In June 2018, TicketOne S.p.A., Milan, Italy, acquired the remaining 40% of the shares in CREA Informatica S.r.l., Milan, and now holds 100% of the shares in the company.

Ö-Ticket-Südost, Gesellschaft zur Herstellung und zum Vertrieb elektronischer Eintrittskarten mbH, Vienna, Austria, was merged in July 2018 with CTS Eventim Austria GmbH, Vienna (hereinafter: Eventim Austria).

In July 2018, Eventim Austria acquired a 21% stake in Eventim.ro SRL, Bucharest, Romania.

T.O.S.T. - TicketOne Sistemi Teatrali S.r.l., Milan, Italy, was merged to TicketOne S.p.A., Milan, in July 2018.

With a contract dated 8 August 2018, CTS KGaA acquired the remaining 50% interest in the already fully consolidated Scandinavian subsidiary Eventim Scandinavia A/S (formerly: Venuepoint Holding A/S) Copenhagen, Denmark.

LIVE ENTERTAINMENT

Medusa Music International GmbH, Bremen (hereinafter: MMI), acquired 60% of the shares in the Italian festival and concert promoter Di and Gi S.r.l., Lido di Camaiore (hereinafter: DiGi), in February 2018. The purpose of this company is to organise and conduct concerts. With this acquisition, the CTS Group gets access to an attractive festival and artist portfolio that complements its existing activities in Italy.

In April 2018, the CTS Group has further enhanced its market position in Italy and acquired a 100% stake in the newly established Vivo Concerti S.r.l., Milan (hereinafter: Vivo Concerti), through its subsidiary Friends & Partners S.p.A., Milan (hereinafter: Friends & Partners). In November 2018, its managing director, Clemente Zard, became a further shareholder with 40% of the shares in Vivo Concerti as part of a capital increase. Clemente Zard organised a variety of international acts in recent years such as Evanescence, David Guetta, Demi Lovato, Tokio Hotel, Sam Smith, Brian Wilson and Hans Zimmer, in Italy.

In May 2018, the CTS Group acquired 63.5% of shares in the Spanish concert and festival promoter BIG TOURS S.L., Barcelona (hereinafter: BIG TOURS), through its subsidiary MMI. By making this acquisition, the CTS Group is broadening its international base still further and now has a presence in Spain with its Live Entertainment segment. The management team of BIG TOURS has been bringing the biggest stars of the international rock and pop scene to the Spanish stages under the brand name Doctor Music for more than 35 years.

In June 2018 Palazzo Produktionen Berlin GmbH, Hamburg, was merged to Palazzo Produktionen GmbH, Hamburg.

In June 2018, FKP SCORPIO Konzertproduktionen GmbH, Hamburg (hereinafter: FKP Scorpio), founded FKP Scorpio UK Ltd., London, Great Britain. The object of the company is the organisation and realisation of concerts.

Show-Factory Entertainment GmbH, Bregenz, Austria, acquired a further 45% of the shares in Stargarage AG, Olten, Switzerland, in August 2018 and now holds 95% of the shares in the company.

With the entry in the commercial register in December 2018, Production Service Switzerland AG, Zofingen, Switzerland, was renamed in Production Service AG.

3.1.4 SUSTAINABILITY INFORMATION

The Supervisory Board, Management Board and employees of the CTS Group share a belief that sustainable, responsible behaviour is an important prerequisite for commercial success. As a player in the global ticketing and live entertainment industry, the company has diverse interactions with different stakeholders. They include artists, promoters and ticket buyers, as well as existing and potential employees, but also associations and non-governmental organisations. Furthermore, the concerns of the environment also play a role.

The CTS Group not only regards reporting about activities and progress in its major areas of activity as a particular responsibility, but also as an opportunity. It allows the company to attain valuable insights into the risks and opportunities associated with entrepreneurial value creation within the Group. Based on internal analysis regarding the development of sustainability processes, the CTS Group identified six areas of focus for its sustainable development in the 2017 financial year: customer focus, product safety, compliance management, employee matters, corporate citizenship, and climate and environmental issues. The validity of these reporting areas for the company was confirmed in 2018 as well as reporting regarding the company's engagement continued accordingly.

On 20 March 2019, CTS KGaA published the sustainability information in a separate non-financial statement for the group for the 2018 financial year on the company website at https://www.eventim.de/tickets.html?affiliate=QEV&fun=tdoc&doc=eventim/default/info/en/investor/investorCorporateGovernance.

3.1.5 LEGAL AND ECONOMIC FACTORS

In the context of administrative proceedings, the German Federal Cartel Office (Bundeskartellamt) has been investigating the market position and market conduct of CTS KGaA, particularly regarding whether CTS KGaA exploits its market position in the Ticketing segment to an unreasonable extent or puts market partners at a disadvantage, as well as the content of specific regional cooperation agreements. An administrative procedure that has been ongoing since October 2014 was completed by the German Federal Cartel Office on 4 December 2017. As part of these proceedings, it raised objections concerning a limited number of exclusive existing agreements and also restricted the scope and duration of future exclusive agreements.

CTS KGaA has filed an appeal against this decision with the Higher Regional Court (Oberlandesgericht) in Dusseldorf, which is expected to be decided in spring 2019. In addition, consumer protection proceedings in Germany and administrative proceedings in Italy and Switzerland respectively, are still pending. The outcome of the proceedings is still uncertain. It cannot be ruled out that antitrust authorities, consumer protection organisations or other institutions will take issue with individual practices or agreements during ongoing or future proceedings and issue an order for modification. Further details are provided in the risk and opportunities report shown in section 8.2.6.

3.2 CORPORATE MANAGEMENT

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

In order to manage the Group according to value-based principles, a system of performance indicators is used to measure the success of the company's strategy.

The key criteria (key financial figures) for assessing the value growth of the operating business on the Group level and for each segment, are sustained increase in revenue, EBITDA (earnings before interest, taxes, depreciation and amortisation), normalised EBITDA, EBIT (earnings before interest and taxes), normalised EBIT before amortisation from purchase price allocation, and Group earnings per share (EPS, earnings per share).

Non-recurring items are removed from normalised EBITDA. These items mainly relate to legal and consulting fees for the performance of due diligence for acquisitions that have been carried out or are being planned. Significant legal and consultancy costs relating to participation in the tender process of the Federal Ministry of Transport and Digital Infrastructure (Bundesministerium für Verkehr und digitale Infrastruktur, hereinafter: BMVI) for the collection of the infrastructure charge (Infrastrukturabgabe, hereinafter: ISA), which took approximately a year, are also normalised.

Non-recurring items and amortisation resulting from purchase price allocations are removed from normalised EBIT before amortisation resulting from purchase price allocations.

By focusing on sustained increases in the value of the Group, non-recurring items are adjusted by normalisation, which ensures that key assessment criteria can be compared over several years. From the 2010 financial year onwards, a new key figure called 'normalised EBIT before amortisation from purchase price allocation' was defined due to the acquisitions made and the overall effects resulting from remeasurement of intangible assets acquired (trademark, customer base and software). When purchase price allocation is conducted in accordance with IFRS, the intangible assets of the target companies must be remeasured with their fair values as at the date of first inclusion in consolidation within the Group. These remeasured intangible assets are amortised on the basis of redefined useful lives in the Group. Depreciation and amortisation from purchase price allocation was eliminated in the figure ‚normalised EBIT before amortisation from purchase price allocation' to show the actual earning power.

In the context of the following reporting, the key figures EBITDA (earnings before interests, taxes, depreciation and amortisation), normalised EBITDA, EBIT (earnings before interests and taxes), normalised EBIT before amortisation from purchase price allocation are collectively referred to as 'earnings figures' summarised for both the Group and the segments. Reporting for EPS takes place at Group level.

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

3.3 RESEARCH AND DEVELOPMENT

Due to its business model, the CTS Group does not pursue research and development in a narrow sense; There is, therefore, no separate disclosure of research and development expenses in the income statement.

However, further advancements are constantly being made in the software engineering field. In order to broaden the range of ticketing-related services, to tap into additional sales channels and to continue meeting the requirements of event promoters, box offices and Internet customers, the ticket distribution system is being constantly improved and expanded. In the year under review, investments were made in the further development of the Ticket distribution systems of EUR 14,945 thousand (previous year: EUR 14,816 thousand) and were capitalised. In the reporting year, EUR 10,606 thousand capitalised development costs were amortised. The number of employees in software development, operations, and professional services (e.g. IT Consulting and Technical Services) is approximately 320.

When deducing new markets, the Group's plans include further advancements in new technologies within the online reservation system, the sales network and the sales platform. The objective is the proprietary development of one of the most advanced, high-performance ticketing platforms, the further advancement of specific seat reservations, mobile ticketing and electronic access control systems. Other areas of focus include additional developments, such as facial recognition solutions, the use of new scan engines in the area of access and extended functions for personalising tickets. Along with the further functional development of the ticketing platform, the CTS Group is making significant investments in the stability, scalability and security of its ticketing systems. They include topics such as modularisation, the provision of product services, security audits and the ongoing further development of scaling algorithms that ensure maximised resource management and, thereby, high-performing sales processes.

The digitalisation of ticketing means that data is becoming increasingly important for the creation of added-value. As part of its big data programme, in recent years the CTS Group has established and operationalised its Information Science department. In addition to implementing a best-in-class infrastructure for data management, efforts are also focused on the creation and servicing operation of an international competence centre staffed with highly skilled experts for analytical solutions. The focus of the past few years has been on the development of data-based solutions in the following fields of application: customer relationship management, business performance monitoring and analytical services for B2B partners. These solutions were successfully launched in Germany and abroad. There is also ongoing further development work on recommendation systems that suggest relevant events based on the customer's individual history, and which successfully minimise dependency on top sellers, particularly in the mid and long tail.

In 2018, the implementation of the European General Data Protection Regulation (EU-GDPR) was a dominant topic for the entire data management platform. A second project coordinated the integration and international roll-out of a state-of-the-art third-party web analytics solution for the quantification and management of the company's e-commerce business. In 2019, the primary area of focus will be 'self-service business intelligence', which will lead to even more use of data for the optimisation of business processes in the specialist departments.

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

3.4 OVERVIEW OF THE COURSE OF BUSINESS
3.4.1 MACROECONOMIC CONDITIONS

The positive development of the global economy continued in 2018. However, growth was slower than in the previous year. That was, in particular, due to a weakening in the first quarter, followed by an upswing over the rest of the year. Economic growth in the USA, which was greater than in the Eurozone, was the primary source of positive impetus. The Eurozone failed to build on the dynamic development seen in 2017. As a result of the Brexit negotiations, economic growth in the United Kingdom was particularly weak.

At the end of 2018, the German Council of Economic Experts (hereinafter: the German Council) expects this upswing to continue worldwide, albeit more slowly than in the recent past in some relevant economies. It identifies the very positive sentiment among companies and private households, the robust development of employment with historically low unemployment rates and continued expansionary monetary and fiscal policies as important drivers of global growth. However, the German Council also sees signs that the upswing has reached a late stage in many countries. In view of the above, a number of central banks – for example in the USA – have already increased key interest rates.

For 2018 and 2019, the German Council expects a gross domestic product (hereinafter: GDP) growth rate of 2.0% and 1.7% in the Eurozone and 2.9% to 2.6% in the USA. The global economy in 2019 will, therefore, also grow somewhat slower than in 2018, by 3.0% compared to 3.3%.

Meanwhile, the German Council recognises a number of economic risks, particularly the escalation of the trade dispute between the USA and China. In this context, economic development could be negatively impacted not only by the direct effects of increased tariffs, but also by a general climate of uncertainty. The German Council also considers the impending Brexit to constitute a further substantial risk, particularly if the EU and United Kingdom do not reach agreement about the terms in good time. High national debt and political uncertainties in a number of Eurozone countries are also problematic. They could have a negative effect on the stability of the monetary union.

The German Council expects the German economy to grow more slowly than the Eurozone as a whole. Overall, the upswing that has been ongoing for nine years has recently lost momentum as a result of unfavourable external economic conditions and capacity bottlenecks. However, sustained weakening of the economy is not expected due to robust domestic demand, rising wages, existing incentives for investment and high utilisation of capacities in the construction industry. In view of the above, the German Council anticipates GDP growth rates of 1.6% and 1.5% for 2018 and 2019 respectively.

3.4.2 INDUSTRY CONDITIONS

In its 'Global Entertainment & Media Outlook 2018-2022', published in October 2018, the audit firm Pricewaterhouse-Coopers (hereinafter: PwC) predicts constant robust growth in the live entertainment and ticketing industry in the coming years. According to the report, over the next five years the global live concert business will achieve cumulative revenues of more than USD 30 billion for the first time. More than 80% of that income will be generated by ticket sales. PwC estimates average annual industry growth of 3.3% in the period from 2018 to 2022.

According to PwC, that reflects a trend that has emerged gradually over the last ten years: Despite the growth of streaming services such as Spotify, live entertainment remains by far the most important source of revenue for the music industry as a whole over the long term. In the period to 2022, the concert industry alone will generate approximately USD 7 billion per year more in revenues than streaming services. Advancing digitalisation has therefore led to artists of all genres relying to a much greater degree on takings from live performances than they did back when conventional sound recording media were their main sources of income.

The most important international drivers of growth in the live music industry include among other things, EDM (electronic dance music) and e-sport events, according to PwC. The increasing consolidation of live entertainment, on the one hand, and e-commerce, on the other, are creating the potential for greater synergies. While the attractiveness of attending live events in person remains unchanged, the use of data analysis and AI (artificial intelligence) solutions create opportunities for further growth, particularly for integrated, market-leading players.

The most important (cross sector) driving force remains digitalisation. To an even greater extent than in the live entertainment segment, this development continues in the retail sector, where e-commerce services are increasingly replacing bricks-and-mortar trade. The comprehensive high-speed internet access available in more and more countries is enabling an increasing number of users to make orders and complete transactions online – not least using mobile devices.

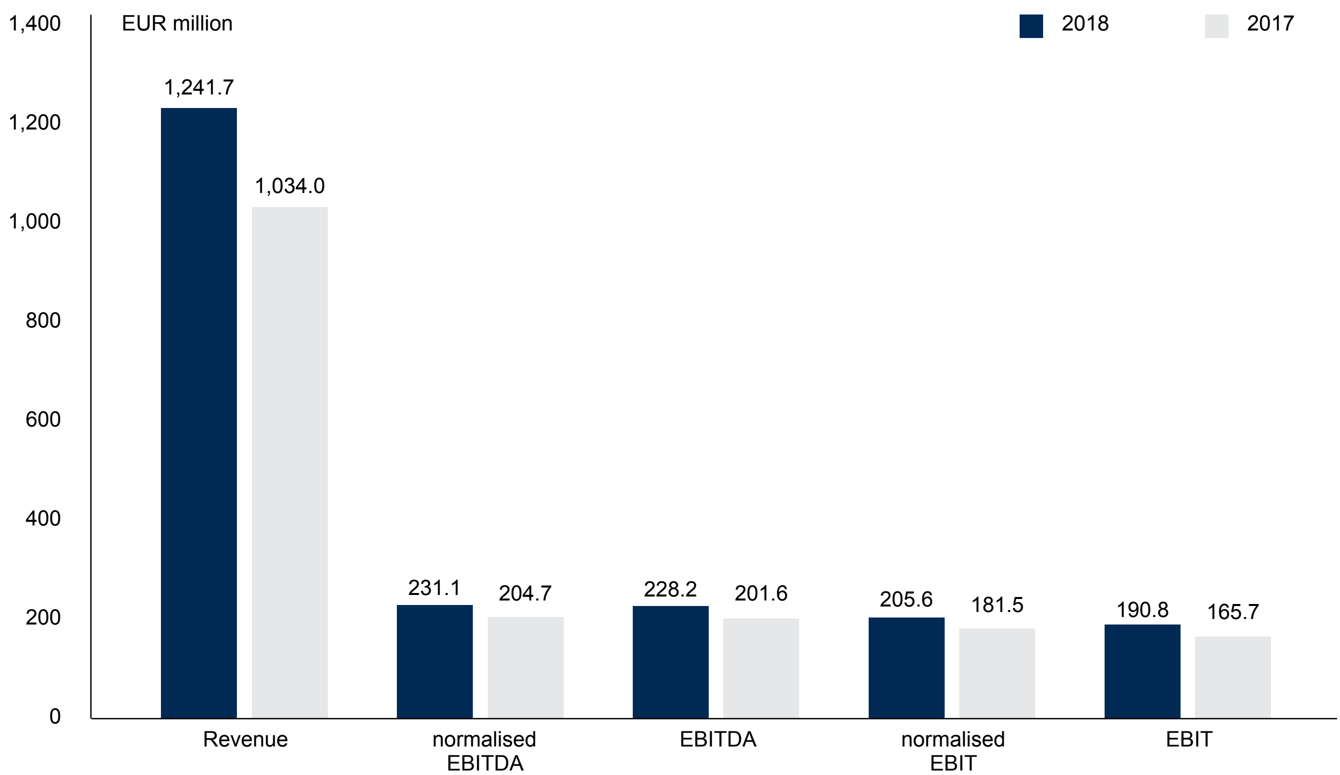
The huge momentum of these developments offers the ticketing sector a range of opportunities to utilise the changes in its end customers' consumer behaviour that have been brought about by digitalisation – for example, when it comes to announcing relevant events, additional offerings relating to the event or direct communications with existing and potential users. Analysing large volumes of data offers special potential in this regard.

3.4.3 BUSINESS PERFORMANCE OF THE CTS GROUP

In the 2018 financial year, the CTS Group continued the success of the record year 2017. Group revenue increased by 20.1%, with the majority of that dynamic growth generated organically. EBITDA also increased by 13.2% year on year. Along with the trend towards sustained growth in the Ticketing segment, particularly due to growth in Internet ticket volumes, revenue and earnings also improved in the Live Entertainment segment.

KEY GROUP FIGURES

Key financial Group figures are shown in the table below:



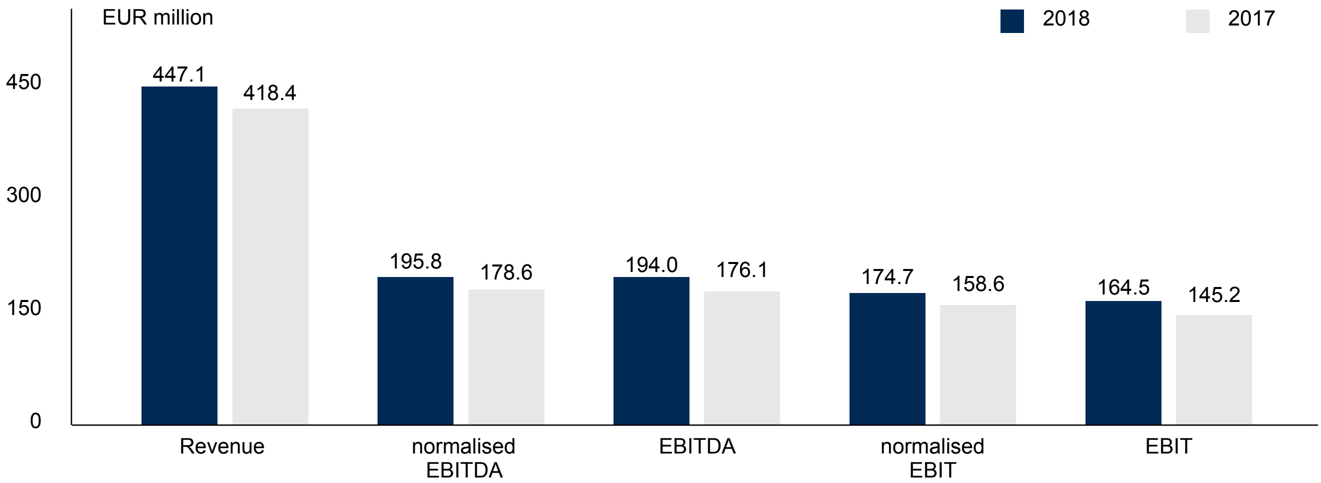
Group-EPS increased from EUR 1.18 to EUR 1.23 in the reporting period.

SEGMENT KEY FIGURES

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

The **Ticketing segment** showed unchanged organic growth momentum for the Internet ticket volume, with business remaining traditionally strong in the fourth quarter.

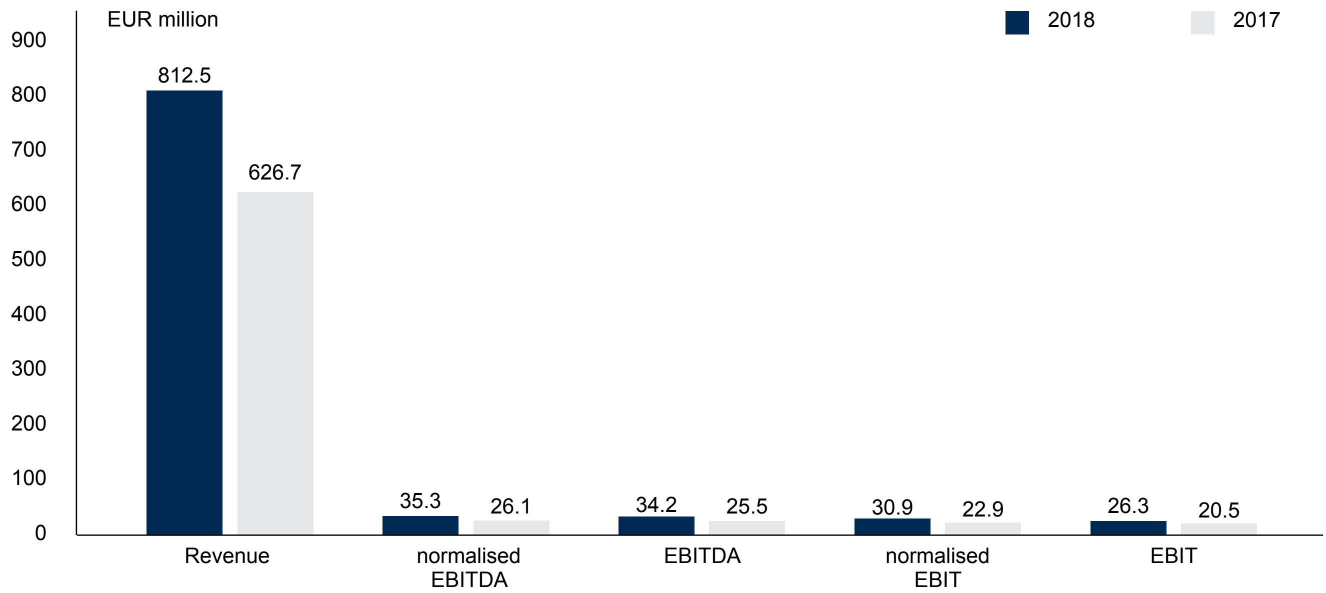
Key financial figures in the Ticketing segment are shown in the table below:



The Internet ticket volume (non-financial key figure) achieved with 54.3 million tickets an increase of around 11% compared to the previous year (48.9 million tickets).

In the **Live Entertainment segment**, the CTS Group set new records with regard to revenue and earnings in the 2018 financial year. That growth was primarily driven by successful major tours and events, as well as positive contributions to earnings from the relaunch of event formats. Along with the very strong development of earnings from operating business in existing markets, this segment also profited from acquisitions in Italy and Spain.

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



3.4.4 CTS EVENTIM SHARE PERFORMANCE

In the 2018 financial year, the capital market environment was characterised by pronounced volatility. The ongoing speculation about Brexit and the possible implications for the European Union, along with tensions caused by the increasing number of protectionist measures implemented by the trading powers USA and China, resulted in fluctuating share prices on global stock markets.

Particularly in the fourth quarter of the 2018 financial year, that speculation gave way to significant scepticism, with the result that share prices fell around the world. That negative momentum on the stock markets was, not least, supported by further increases in the key interest rate in the USA made by the FED.

Despite the unchanged positive development of the company, CTS KGaA shares could not escape the effects of this turbulent market environment and closed the 2018 financial year with a performance of -14.8%. However, CTS EVENTIM shares still performed relatively well compared to the reference indices the DAX (-18.3%), the MDAX (-17.6%) and the SDAX (-20.0%).

3.4.5 GENERAL ASSESSMENT OF THE GROUP'S BUSINESS SITUATION

The business model of CTS KGaA and the CTS Group again proved to be very robust in the 2018 reporting period. Based on the business development of dynamically growing online ticket volumes in the Ticketing segment and strong revenue growth in the Live Entertainment segment as the result of a concentration of major tours and events with large audiences, CTS Group was able to increase revenue and earnings beyond their forecast levels. However, earnings per share (EPS) above the forecast level were also affected by higher non-controlling interests in the Live Entertainment segment due to positive business development.

In the Ticketing segment, the forecast for revenue was achieved and earnings forecast was surpassed in the reporting year 2018. The main driver of growth was the constant expansion of online ticketing in Germany and abroad, as well as the introduction and development of innovative products and services. The planned growth in Internet ticket volumes was exceeded in the 2018 financial year. Negative effects on earnings resulted from further technological development and internationalisation, business development in the new markets South America and Scandinavia and the implementation of the European General Data Protection Regulation (EU-GDPR).

In the Live Entertainment segment, in the 2018 financial year the CTS Group increased revenue as a result of a higher number of major tours and events with large audiences and high revenues, and from the increase in the number of consolidated companies, and was therefore able to significantly exceed forecasts for revenue and earnings. The unique offering of attractive events and an exclusive portfolio of renowned event locations are the main contributors to the success of the Live Entertainment segment. An extensive network of investments and cooperative ventures and CTS Group's long-standing contacts in the events industry are the basis for the broad variety of events on offer.

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

	Ticketing		Live Entertainment		Group	
	Forecast 2018	**Actual**	**Forecast 2018**	**Actual**	**Forecast 2018**	**Actual**
Revenue	mid single-digit percentage range	6.9%	mid single-digit percentage range	29.7%	mid single-digit percentage range	20.1%
Earnings figures	mid single-digit percentage range	9.6% - 13.2%	lower double-digit percentage range	28.3% - 35.4%	mid single-digit percentage range	12.9% - 15.1%
EPS					lower single-digit percentage range	5.1%
Internet ticket volume	mid single-digit percentage range	11.0%				

The forecast for 2018 included only acquisitions already made.

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

4. CTS GROUP: EARNINGS PERFORMANCE, FINANCIAL POSITION AND CASH FLOW

4.1 EARNINGS PERFORMANCE

The CTS Group had a very good year in 2018, with double-digit growth in revenue and earnings. Revenue increased to EUR 1,241,689 thousand and normalised EBITDA improved significantly to EUR 231,135 thousand. Expansion of the portfolio, along with strategic purchases and cooperations, contributed to the positive business development.

The earnings position of the CTS Group is as follows:

	2018	2017	Change	
	[EUR'000]	[EUR'000]	[EUR'000]	[in %]
Revenue	**1,241,689**	**1,033,980**	**207,709**	**20.1**
Gross profit	**340,568**	**305,213**	**35,355**	**11.6**
EBITDA	**228,240**	**201,626**	**26,614**	**13.2**
Depreciation and amortisation	**-37,474**	**-35,897**	**-1,578**	**4.4**
EBIT	**190,765**	**165,730**	**25,036**	**15.1**
Financial result	2,138	5,062	-2,924	-57.8
Earnings before tax (EBT)	**192,904**	**170,792**	**22,112**	**12.9**
Taxes	-62,623	-52,460	-10,163	19.4
Net income attributable to shareholders of CTS KGaA	**118,504**	**112,808**	**5,695**	**5.0**
Net income attributable to non-controlling interests	11,777	5,524	6,253	113.2

4.1.1 REVENUE PERFORMANCE

Group revenue growth is shown in the following table:

2008 [EUR'000]	404,348
2009 [EUR'000]	466,698
2010 [EUR'000]	519,577
2011 [EUR'000]	502,814
2012 [EUR'000]	520,334
2013 [EUR'000]	628,349
2014 [EUR'000]	690,300
2015 [EUR'000]	834,227
2016 [EUR'000]	829,906
2017 [EUR'000]	1,033,980
2018 [EUR'000]	1,241,689

The **CTS Group** achieved a growth in revenue in the last ten years with an average growth rate (organic and anorganic) (CAGR) of around 12%. The business model of the CTS Group once again proved to be very robust.

In the reporting period EUR 1,241,689 thousand in revenue was generated (previous year: EUR 1,033,980 thousand; +20.1%). Revenue (before consolidation between segments) breaks down into EUR 447,083 thousand in the Ticketing segment (previous year: EUR 418,394 thousand; +6.9%) and EUR 812,458 thousand in the Live Entertainment segment (previous year: EUR 626,655 thousand; +29.6%).

The following table shows revenue by geographic distribution:

	2018	2017
	[EUR'000]	[EUR'000]
Germany	808,840	692,532
Italy	151,488	61,216
Switzerland	87,851	107,042
Austria	66,245	51,093
Finland	34,041	22,564
Netherlands	21,376	20,428
Spain	18,710	8,894
Great Britain	9,223	11,491
Other countries	43,916	58,720
	1,241,689	**1,033,980**

Of the revenue growth in Germany, 16% relate to the Ticketing segment and 84% relate to the Live Entertainment segment; primarily as a result of the higher number of major tours and events with large audiences and high revenues. In Austria, Italy, Finland and Spain, revenue growth mainly related to the Live Entertainment segment. In Italy and Spain it was, in particular, due to the rise in the number of consolidated companies. The decline in revenue in Switzerland was mainly due to the Live Entertainment segment. In the Ticketing segment, there was an increase in revenue in the Netherlands and a decrease in revenue in the United Kingdom. The decrease in revenue in other countries primarily related to the Live Entertainment segment in Sweden.

In the **Ticketing segment**, revenue increased organically by EUR 28,690 thousand (+6.9%) to EUR 447,083 thousand (previous year: EUR 418,394 thousand) and thus shows an unchanged growth dynamic. The main contributing factor was a significant increase in the online ticket volume. The CTS Group's webshops alone sold 54.3 million tickets, an increase of around 11% compared to the previous year (48.9 million tickets). Both, in Germany and abroad, revenue growth was achieved; the revenue share of foreign companies decreased to 44.6% (previous year: 45.4%).

In the **Live Entertainment segment**, revenue increased by EUR 185,803 thousand (+29.7%) to EUR 812,458 thousand (previous year: EUR 626,655 thousand). The growth in revenue resulted from a greater number of tours and events with particularly large audiences and high revenue and from the expansion in the scope of consolidation. The CTS Group continued its international expansion with the acquisitions of the promoters DiGi and Vivo Concerti, both in Italy and BIG TOURS in Spain.

4.1.2 EARNINGS PERFORMANCE

GROSS PROFIT

The gross profit of the **CTS Group** for the 2018 reporting period is EUR 340,568 thousand, compared to the previous year's figure of EUR 305,213 thousand (+11.6%). The Group's gross margin was negatively influenced by the rise in the proportion of the Group's gross profit attributable to the lower-margin Live Entertainment segment and decreased from 29.5% to 27.4%.

In the **Ticketing segment**, the gross margin increased in the 2018 reporting period from 60.2% to 61.2%. The gross margin increased due to a disproportional operating profit contribution as a result of a continuous increase in the number of online tickets but is being negatively affected by the expansion of business in new markets with still lower contributions on earnings and higher personnel expenses related to ongoing internationalisation and technological development.

In the **Live Entertainment segment**, the gross margin was below previous year's level with 8.4% (previous year: 8.6%).

NON-RECURRING ITEMS

In the period under review, CTS Group earnings were negatively impacted due to non-recurring items in the Ticketing segment amounting to EUR 1,770 thousand (previous year: EUR 2,555 thousand) and in the Live Entertainment segment to EUR 1,125 thousand (previous year: EUR 560 thousand). These items mainly relate to legal and consulting fees for the performance of due diligence for acquisitions that have been carried out or are being planned. Significant legal and consultancy costs relating to participation in the tender process of the Federal Ministry of Transport and Digital Infrastructure (Bundesministerium für Verkehr und digitale Infrastruktur), which took approximately a year, are also normalised.

NORMALISED EBITDA / EBITDA

In normalised EBITDA, the non-recurring items are adjusted. The normalised EBIT before depreciation and amortisation from purchase price allocations is adjusted for non-recurring items and the amortisation from purchase price allocations.

	2018	2017	Change	
	[EUR'000]	[EUR'000]	[EUR'000]	[in %]
EBITDA	**228,240**	**201,626**	**26,614**	**13.2**
Non-recurring items	2,896	3,115	-219	-7.0
Normalised EBITDA	**231,135**	**204,741**	**26,395**	**12.9**
Depreciation and amortisation	-37,474	-35,897	-1,578	4.4
thereof amortisation from purchase price allocation	-11,965	-12,698	732	-5.8
Normalised EBIT before amortisation from purchase price allocation	**205,627**	**181,542**	**24,084**	**13.3**

The normalised **CTS Group** EBITDA figure increased by EUR 26,395 thousand (+12.9%) to EUR 231,135 thousand (previous year: EUR 204,741 thousand). This growth in normalised EBITDA breaks down into EUR 17,160 thousand in the Ticketing segment and EUR 9,234 thousand in the Live Entertainment segment. The normalised EBITDA margin decreased to 18.6%, compared to 19.8% the year before. Foreign subsidiaries accounted for 26.9% of normalised Group EBITDA (previous year: 26.4%).

Group EBITDA improved by EUR 26,614 thousand or 13.2% to EUR 228,240 thousand (previous year: EUR 201,626 thousand). This growth in EBITDA of EUR 26,614 thousand breaks down into EUR 17,945 thousand in the Ticketing segment and EUR 8,669 thousand in the Live Entertainment segment. The Group EBITDA margin amounts up to 18.4% (previous year: 19.5%).

In the **Ticketing segment**, the normalised EBITDA figure rose by EUR 17,160 thousand (+9.6%) from EUR 178,643 thousand to EUR 195,803 thousand. The normalised EBITDA margin was 43.8% (previous year: 42.7%). The increase of around 11% in online ticket volumes both nationally and internationally contributed to this improvement in earnings. In the reporting year, expenses from the implementation of the European General Data Protection Regulation (EU GDPR) led to a negative impact on earnings. Furthermore, higher personnel costs resulted from the implementation of technological development and ongoing internationalisation. The share of normalised EBITDA generated by foreign subsidiaries increased to 32.7% (previous year: 31.2%).

In the Ticketing segment, the EBITDA figure rose by EUR 17,945 thousand (+10.2%) to EUR 194,033 thousand (previous year: EUR 176,088 thousand). The EBITDA margin was 43.4% (previous year: 42.1%).

In the **Live Entertainment segment**, the normalised EBITDA figures increased from EUR 26,098 thousand by EUR 9,234 thousand (+35.4%) to EUR 35,332 thousand. Normalised EBITDA margin was 4.3% (previous year: 4.2%). That growth was primarily driven by successful major tours and events and positive contributions to earnings from the relaunch of event formats.

EBITDA in the Live Entertainment segment increased from EUR 25,538 thousand by EUR 8,669 thousand (+33.9%) to EUR 34,207 thousand. The EBITDA margin was 4.2%, after 4.1% the year before.

NORMALISED EBIT BEFORE AMORTISATION FROM PURCHASE PRICE ALLOCATION / EBIT

Normalised **CTS Group** EBIT before amortisation from purchase price allocation increased by EUR 24,084 thousand from EUR 181,542 thousand to EUR 205,627 thousand. The normalised EBIT margin was 16.6%, compared to 17.6% the year before. The Group EBIT figure, at EUR 190,765 thousand was 15.1% higher than in the previous year (EUR 165,730 thousand). The EBIT margin decreased to 15.4% (previous year: 16.0%).

Total depreciation and amortisation within the **CTS Group**, at EUR 37,474 thousand, is higher than in the previous year (EUR 35,897 thousand) and includes EUR 11,965 thousand (previous year: EUR 12,698 thousand) in amortisation from purchase price allocations for companies acquired from 2010 onwards. The increase in depreciation is mainly attributable to depreciation on capitalised development costs (Global Ticketing System); the ticket distribution systems are constantly improved to develop new sales channels and future revenue potential.

In the **Ticketing segment**, the normalised EBIT before amortisation from purchase price allocation rose from EUR 158,650 thousand by EUR 16,061 thousand to EUR 174,711 thousand (+10.1%). The normalised EBIT margin was 39.1%, compared to 37.9% the year before. The EBIT rose from EUR 145,249 thousand to EUR 164,486 thousand (+13.2%). The EBIT margin was 36.8% (previous year: 34.7%).

The **Live Entertainment segment** achieved a normalised EBIT before amortisation from purchase price allocation of EUR 30,916 thousand, compared to EUR 22,893 thousand the year before. The normalised EBIT margin increased to 3.8% (previous year: 3.7%). EBIT increased to EUR 26,280 thousand compared to EUR 20,480 thousand the year before (+28.3%). The EBIT margin was 3.2% (previous year: 3.3%).

FINANCIAL RESULT

The financial result decreased from EUR 5,062 thousand by EUR 2,924 thousand to EUR 2,138 thousand. The previous year had a disproportionately positive one-off effect due to the valuation at fair value of a subsidiary accounted for using the equity method and fully consolidated as of 1 January 2017.

TAXES

Tax expenses increased in financial year 2018 by EUR 10,163 thousand to EUR 62,623 thousand. Tax expenses include deferred tax expenses of EUR 362 thousand (previous year: deferred tax income EUR 7,639 thousand) and actual tax expenses of the consolidated standalone companies (EUR 62,260 thousand; previous year: EUR 60,099 thousand).

NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF CTS KGaA

Due to the positive business development in the Live Entertainment segment, significantly higher non-controlling interests were reported in the period under review, so that after deducting tax expenses and non-controlling interests, the consolidated net profit attributable to the shareholders of CTS KGaA was EUR 118,504 thousand (previous year: EUR 112,808 thousand). Earnings per share (EPS) improved significantly to EUR 1.23 (previous year: EUR 1.18).

NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Non-controlling interests comprise the share in current profits allocated to other shareholders and increased from EUR 5,524 thousand by EUR 6,253 thousand to EUR 11,777 thousand. The increase is primarily the result from the positive business development in the Live Entertainment segment.

4.1.3 ADDITIONAL NOTES TO SINGLE ITEMS IN THE CONSOLIDATED INCOME STATEMENT

	2018	2017	Change	
	[EUR'000]	[EUR'000]	[EUR'000]	[in %]
Selling expenses	96,190	87,604	8,586	9.8
General administrative expenses	68,043	60,292	7,751	12.9
Other operating income	28,081	24,753	3,328	13.4
Other operating expenes	13,651	16,341	-2,690	-16.5
thereof non-recurring items	*2,896*	*3,115*	*-219*	*-7.0*

SELLING EXPENSES

Selling expenses rose by EUR 8,586 thousand to EUR 96,190 thousand. The increase in selling expenses is mainly due to higher personnel expenses (EUR +5,030 thousand), depreciation and amortisation (EUR +2,097 thousand) and other operating expenses (EUR +1,458 thousand). The personnel expenses and other operating expenses mainly increased due to the expansion of the scope of consolidation. As a percentage of revenue, selling expenses decreased from 8.5% to 7.7%.

GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses rose by EUR 7,751 thousand to EUR 68,043 thousand. The increase in general administrative expenses is principally due to higher personnel expenses (EUR +5,642 thousand), depreciation and amortisation (EUR +337 thousand) and other operating expenses (EUR +1,771 thousand). The personnel expenses and other operating expenses mainly increased due to the expansion of the scope of consolidation. As a percentage of revenue, general administrative expenses decreased from 5.8% to 5.5%.

OTHER OPERATING INCOME

Other operating income increased by EUR 3,328 thousand to EUR 28,081 thousand. In the year under review, income from capital gains from share reductions in the Danish investment portfolio of FKP Scorpio mainly led to higher other operating income.

OTHER OPERATING EXPENSES

Other operating expenses decreased by EUR 2,690 thousand to EUR 13,651 thousand. The decrease resulted amongst other things from lower expenses for third-party services as well as non-recurring items. As a percentage of revenue, other operating income decreased from 1.6% to 1.1%.

4.1.4 PERSONNEL

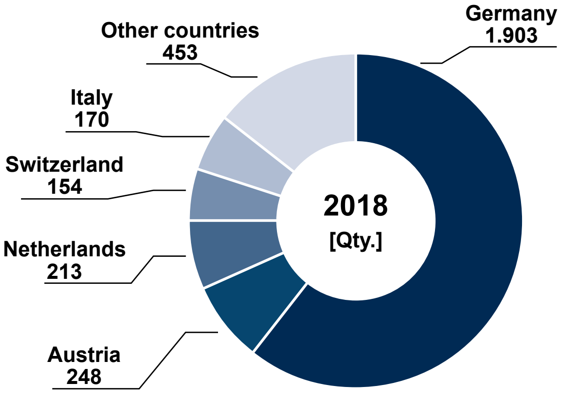
Personnel expenses increased by EUR 17,276 thousand (+12.6%) to EUR 154,286 thousand (previous year: EUR 137,010 thousand). The increase in personnel expenses relates to the Live Entertainment segment with EUR 11,264 thousand and to the Ticketing segment with EUR 6,012 thousand. The increase in personnel expenses in the Live Entertainment segment is mainly due to the expansion of the scope of the consolidation. The increase in the Ticketing segment is due on the one hand to salary adjustments and to the expanding internationalisation and further technological development on the other hand.

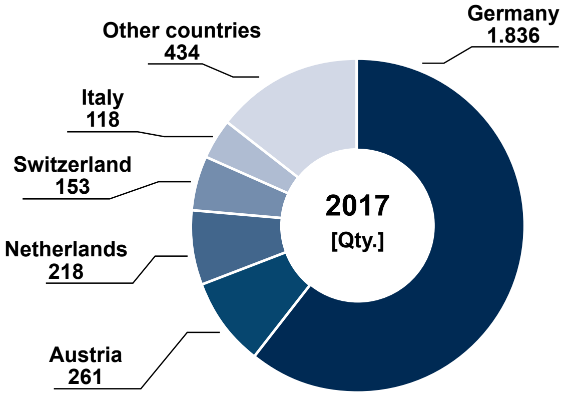
Breakdown of workforce by segment (permanent and temporary employees), year-end figures:

	2018	2017	Change	
	[Qty.]	[Qty.]	[Qty.]	[in %]
Ticketing	1,757	1,746	11	0.6
Live Entertainment	1,384	1,274	110	8.6
Total	**3,141**	**3,020**	**121**	**4.0**

In the Ticketing segment, an increase in the number of employees, in particular due to further internationalisation and technological development, was offset by a reduction in the number of employees in some national companies.

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





On average during 2018, the Group had 143 more employees than in the 2017 financial year.

4.1.5 DEVELOPMENT OF THE TICKETING AND LIVE ENTERTAINMENT SEGMENTS

TICKETING

	2015 [EUR million]	2016 [EUR million]	2017 [EUR million]	2018 [EUR million]
Revenue	346.2	395.1	418.4	447.1
Gross profit	201.9	235.4	251.9	273.4
Gross margin	58.3%	59.6%	60.2%	61.2%
EBITDA	142.4	166.4	176.1	194.0
Normalised EBITDA	142.9	167.3	178.6	195.8
EBIT	114.5	136.5	145.2	164.5
Normalised EBIT before amortisation from purchase price allocation	125.5	148.4	158.6	174.7

In the years 2015 to 2018 annual revenue growth in the Ticketing segment averaged 9%. Of the total revenue in this segment in the 2018 reporting year, EUR 344,841 thousand (previous year: EUR 311,468 thousand) were generated via the Internet, equivalent to Internet revenue growth of around 10.7%. Revenue generated via the Internet increased year-on-year to 77.1% (previous year: 74.4%) of total Ticketing segment revenue.

In the year 2015 to 2018, EBITDA improved annually by an average of 10.9% and normalised EBITDA improved annually by an average of 11%.

LIVE ENTERTAINMENT

	2015 [EUR million]	2016 [EUR million]	2017 [EUR million]	2018 [EUR million]
Revenue	494.9	439.2	626.7	812.5
Gross profit	60.5	48.3	54.2	68.6
Gross margin	12.2%	11.0%	8.6%	8.4%
EBITDA	38.1	27.2	25.5	34.2
Normalised EBITDA	38.1	27.2	26.1	35.3
EBIT	35.7	25.5	20.5	26.3
Normalised EBIT before amortisation from purchase price allocation	36.2	25.7	22.9	30.9

In the years 2015 to 2018 annual revenue growth in the Live Entertainment segment averaged by 18%. The increase in revenue in the reporting year 2018 resulted mainly from the expansion of the scope of consolidation and from a higher number of high-profile tours and concerts.

4.2 FINANCIAL POSITION

The CTS Group's balance sheet is characterised by solid key figures and financial strength. The good equity ratio as well as the high liquidity both ensure the degree of independence required for the Group's long-term development and stands for reliability and stability.

The balance sheet total of the CTS Group increased in the reporting year primarily due to the higher business volume. It amounted to EUR 1,725,107 thousand as at the closing date of 31 December 2018 and was thus 22.8% higher year-on-year. In the year under review, investments in intangible assets and property, plant and equipment were at EUR 29,370 thousand below the previous year's level (EUR 34,643 thousand). The equity ratio declined by 0.7% to 27.3%. Return on equity of 25.1% shows that a conservative balance sheet structure can also lead to an attractive return on capital.

Working capital (current assets less current liabilities) increased from EUR 21,647 thousand by EUR 13,948 thousand to EUR 35,595 thousand compared to the previous year. Current assets (cash and cash equivalents as well as payments on account) increased more than current liabilities (liabilities from ticket monies not yet invoiced in the Ticketing segment and advance payments received in the Live Entertainment segment).

Non-current liabilities amounted to EUR 98,662 thousand as of the closing date, and were 16.5% or EUR 19,464 thousand below the previous year (EUR 118,125 thousand). The decrease resulted mainly from the timely reclassification of non-current financial liabilities into current financial liabilities. The share of non-current liabilities in the balance sheet total fell from 8.4% to 5.7%.

Corporate management estimates the economic situation of the CTS Group as very good at the time of reporting. The key figures generated in the financial year 2018 prove the economic strength.

4.2.1 GROUP FINANCIAL POSITION

	31.12.2018		31.12.2017		Change
	[EUR'000]	[in %]	[EUR'000]	[in %]	[EUR'000]
Current assets					
Cash and cash equivalents	873,206	50.6	640,726	45.6	232,480
Marketable securities and other investments	3,385	0.2	837	0.1	2,548
Trade receivables	62,050	3.6	60,541	4.3	1,509
Receivables from affiliated and associated companies accounted for at equity	563	0.0	2,218	0.2	-1,655
Inventories	5,397	0.3	4,600	0.3	797
Payments on account	75,109	4.4	46,084	3.3	29,025
Other financial assets	138,975	8.1	116,795	8.3	22,180
Other non-financial assets	32,067	1.9	43,281	3.1	-11,213
Total current assets	**1,190,752**	**69.0**	**915,080**	**65.1**	**275,672**
Non-current assets					
Goodwill	320,763	18.6	296,839	21.1	23,924
Fixed assets	184,139	10.7	168,822	12.0	15,318
Trade receivables	156	0.0	20	0.0	136
Receivables from affiliated and associated companies accounted for at equity	66	0.0	0	0.0	66
Other financial assets	10,640	0.6	4,605	0.3	6,035
Other non-financial assets	2,606	0.2	1,000	0.1	1,606
Deferred tax assets	15,986	0.9	18,993	1.4	-3,007
Total non-current assets	**534,355**	**31.0**	**490,278**	**34.9**	**44,077**
Total assets	**1,725,107**	**100.0**	**1,405,358**	**100.0**	**319,749**

	31.12.2018		31.12.2017		Change
	[EUR'000]	[in %]	[EUR'000]	[in %]	[EUR'000]
Current liabilities					
Financial liabilities	38,960	2.3	59,418	4.2	-20,458
Trade payables	138,939	8.1	103,889	7.4	35,050
Payables to affiliated and associated companies accounted for at equity	743	0.0	554	0.0	188
Advance payments received	389,901	22.6	286,454	20.4	103,446
Provisions	67,221	3.9	45,451	3.2	21,769
Other financial liabilities	443,407	25.7	333,024	23.7	110,383
Other non-financial liabilities	75,987	4.4	64,642	4.6	11,345
Total current liabilities	**1,155,157**	**67.0**	**893,433**	**63.6**	**261,724**
Non-current liabilities					
Financial liabilities	66,339	3.8	87,781	6.2	-21,443
Advanced payments received	522	0.0	1,132	0.1	-609
Provisions	4,196	0.2	4,598	0.3	-403
Other financial liabilities	121	0.0	260	0.0	-139
Pension provisions	8,857	0.5	9,925	0.7	-1,068
Deferred tax liabilities	18,626	1.1	14,429	1.0	4,198
Total non-current liabilities	**98,662**	**5.7**	**118,125**	**8.4**	**-19,464**
Equity					
Share capital	96,000	5.6	96,000	6.8	0
Capital reserve	1,890	0.1	1,890	0.1	0
Statutory reserve	7,200	0.4	7,200	0.5	0
Retained earnings	335,098	19.4	266,993	19.0	68,105
Other reserves	-1,652	-0.1	-2,278	-0.2	625
Treasury stock	-52	0.0	-52	0.0	0
Total equity attributable to shareholders of CTS KGaA	**438,483**	**25.4**	**369,753**	**26.3**	**68,730**
Non-controlling interests	32,805	1.9	24,047	1.7	8,759
Total equity	**471,289**	**27.3**	**393,800**	**28.0**	**77,489**
Total equity and liabilities	**1,725,107**	**100.0**	**1,405,358**	**100.0**	**319,749**

CURRENT ASSETS increased by EUR 275,672 thousand to EUR 1,190,752 thousand due to an increase in cash and cash equivalents (EUR +232,480 thousand), payments on account (EUR +29,025 thousand) and other financial assets (EUR +22,180 thousand). This is offset by a decrease of other non-financial assets (EUR -11,213 thousand).

The EUR 232,480 thousand increase in **cash and cash equivalents** mainly results from higher liabilities in respect of ticket monies at the reporting date, higher advance payments received and the net income of the year. This is offset by increased cash outflows related to repayments of financial loans, investments particularly for IT infrastructure and the development of ticketing distribution systems as well as the expansion of the scope of consolidation.

Cash and cash equivalents, at EUR 873,206 thousand (previous year: EUR 640,726 thousand) include inter alia ticket monies from not yet invoiced presales for events (ticket monies not yet invoiced mainly in the Ticketing segment), which are reported in other financial liabilities (EUR 422,842 thousand; previous year: EUR 314,483 thousand). Other financial assets also include receivables relating to ticket monies from presales in the Ticketing segment (EUR 87,085 thousand; previous year: EUR 78,664 thousand) and factoring receivables (EUR 25,262 thousand; previous year: EUR 22,266 thousand).

The increase in **payments on account** (EUR +29,025 thousand) was a result of production cost payments for future events in the Live Entertainment segment.

Other financial assets increased by EUR 22,180 thousand mainly because of higher receivables relating to ticket monies from presales (EUR +8,656 thousand), factoring receivables (EUR +2,996 thousand) and receivables from promoters (EUR +13,183 thousand).

The decline in **other non-financial assets** (EUR -11,213 thousand) mainly results due to implemented business combinations in the Live Entertainment segment (EUR -22,000 thousand). This is offset by higher VAT tax receivables of EUR 7,675 thousand.

NON-CURRENT ASSETS increased by EUR 44,077 thousand to EUR 534,355 thousand mainly due to an increase in goodwill (EUR +23,924 thousand), fixed assets (EUR +15,318 thousand) and other financial assets (EUR +6,035 thousand).

The increase in **goodwill** by EUR 23,924 thousand was the result of an expansion in the scope of consolidation mainly through acquisitions in Italy and Spain in the Live Entertainment segment as well as currency translation effects in Swiss Francs as at the closing date of 31 December 2018.

The EUR 15,318 thousand increase in **fixed assets** mainly relates to expansion in the scope of consolidation in the Live Entertainment segment.

Assets tied up for the long-term account for 31.0% of the balance sheet total (previous year: 34.9%); therefore, assets tied up for the long-term are predominately financed by shareholders' equity.

CURRENT LIABILITIES increased by EUR 261,724 thousand to EUR 1,155,157 thousand. This rise is mainly attributable to trade payables (EUR +35,050 thousand), to advance payments received (EUR +103,446 thousand) and to other financial liabilities (EUR +110,383 thousand). This is offset by an decrease in financial liabilities (EUR -20,458 thousand).

Short-term financial liabilities (EUR -20,458 thousand) mainly decreased due to a repayment of loans. This is offset by matching maturity reclassification from long-term financial liabilities.

Trade payables increased by EUR 35,050 thousand in the context of ongoing business operations and expansion in the scope of consolidation in the Live Entertainment segment.

The increase in **advance payments received** (EUR +103,446 thousand) is mainly attributable to the expansion in the scope of consolidation in the Live Entertainment segment. The increase is also due to the fact that in the fourth quarter 2018 more ticket monies were received from presales for future events.

The EUR 110,383 thousand change in **other financial liabilities** is predominantly due to higher liabilities in the Ticketing segment in respect of ticket monies that have not yet been invoiced. Compared to the previous year, there were more events that had not yet been invoiced, as at 31 December 2018, so that the liabilities for ticket monies not yet invoiced increased accordingly.

NON-CURRENT LIABILITIES decreased by EUR 19.464 thousand mainly due to the timely reclassification of long-term financial liabilities (EUR -21,443 thousand) in short-term financial liabilities.

EQUITY increased by EUR 77,489 thousand to EUR 471,289 thousand. The increase is due to retained earnings (EUR +68,105 thousand) and non-controlling interests (EUR +8,759 thousand). The change in retained earnings results from the positive income of EUR 118,504 thousand which is offset by higher equity reducing dividend payments for financial year 2017 of EUR 56,635 thousand.

The equity ratio (equity divided by the balance sheet total) is with 27.3% below previous year's level of 28.0%. The decline of the equity ratio results from the disproportionately high increase in total assets (mainly due to the increased advance payments received and liabilities from ticket monies not yet invoiced) to equity. The return on equity (consolidated net income divided by equity) is 25.1%, compared to 28.7% in the previous year.

4.2.2 FINANCIAL MANAGEMENT

The strength of the CTS Group is particularly evident in its ability to generate the funds required for revenue and earnings growth primarily on its own.

With a cash flow from operating activities of EUR 339,765 thousand, the CTS Group can strengthen its financial basis and secure the degree of flexibility and speed required to achieve future growth and additional market shares.

PRINCIPLES AND OBJECTIVES OF FINANCIAL MANAGEMENT

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

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

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

In principle, derivate financial instruments are only used to hedge the operating business. Foreign exchange derivatives were used in 2018 to hedge currency risks. In the reporting year, this specifically involved forward foreign exchange transactions in Swiss francs and US dollars. Forward foreign exchange transactions in Swiss francs were used to hedge against currency risks from future royalties in the Ticketing segment. In addition, individual foreign exchange forward transactions in US dollars were carried out for contracts with promoters in the Live Entertainment segment. One focus of financial management is to hedge the Group's currency, the euro. Instruments are used to hedge shareholders' equity in euro while having a neutral impact in profit or loss as well as instruments that hedge against cash flows in foreign currencies, thereby largely minimising the currency risk in the income statement.

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

STRATEGIC FINANCING MEASURES

The operating business and necessary replacement investments were financed with cash and cash equivalents and operating cash flow in 2018. The funds required for the acquisitions in financial year 2018 were partly covered by cash and cash equivalents and partly through taking out loans.

Cash reserves, in the form of credit lines and cash, as well as a syndicated credit line (revolving credit facility) are held. In October 2015, CTS KGaA agreed on a syndicated credit facility (revolving credit facility) of EUR 200 million with a maturity of four years, until October 2022. As at the balance sheet date of 31 December 2018, utilisation of credit facilities amounted to EUR 15 million.

The Group has a solid equity ratio of 27.3% and is therefore essentially geared towards being largely independent of lenders. The financing strategy requires the constant review and optimisation of the capital structure, however.

Current and non-current financial liabilities declined from EUR 147,199 thousand to EUR 105,298 thousand. As of the closing date of 31 December 2018, they accounted for 6.1% of the Group's balance sheet total (previous year: 10.5%).

The financial liabilities recognised on the balance sheet date amounting to EUR 105,298 thousand (previous year: EUR 147,199 thousand) include loans of EUR 83,340 thousand (previous year: EUR 117,206 thousand) as well as EUR 21,958 thousand (previous year: EUR 29,993 thousand) in purchase price obligations and put options liabilities of non-controlling shareholders.

Of the external loans, EUR 34,403 thousand (previous year: EUR 68,410 thousand) are tied up at the balance sheet date to comply with standard 'financial covenants' for companies with good creditworthiness ratings. Other than fulfilment of these 'financial covenants' (equity ratio, adjusted net debt), there are no specific restrictions that might adversely affect the availability of funds. The CTS Group assumes that the 'financial covenants' will be honoured in the years ahead.

A key variable used in capital risk management is the gearing ratio; the ratio between net consolidated debt and

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

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

	31.12.2018 [EUR'000]	31.12.2017 [EUR'000]
Debt [1]	436,478	379,553
Cash and cash equivalents	-873,206	-640,726
Net debt	**-436,728**	**-261,173**
Shareholders' equity	471,289	393,800
Net debt to shareholders' equity	-92.7%	-66.3%

[1] Debt is defined here as non-current and current financial liabilities (EUR 105,298 thousand; previous year: EUR 147,199 thousand) and other non-current and current financial liabilities (EUR 443,528 thousand; previous year: EUR 333,285 thousand). The other financial liabilities from ticket monies that have not yet been invoiced are set off against receivables relating to ticket monies and factoring receivables (EUR 112,347 thousand; previous year: EUR 100,931 thousand).

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

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

4.3 CASH FLOW

	2018 [EUR'000]	2017 [EUR'000]	Change [EUR'000]
Cash flow from:			
Operating activities	339,765	220,971	118,794
Investing activities	-3,476	-23,134	19,658
Financing activities	-104,357	-106,763	2,406
Net increase / decrease in cash and cash equivalents	**231,932**	**91,074**	**140,859**
Net increase / decrease in cash and cash equivalents due to currency translation	548	-3,988	4,535
Cash and cash equivalents at beginning of period	640,726	553,640	87,086
Cash and cash equivalents at end of period	**873,206**	**640,726**	**232,480**

The amount of cash and cash equivalents shown in the cash flow statement corresponds to the cash and cash equivalents stated in the balance sheet. Compared to 31 December 2017, cash and cash equivalents increased by EUR 232,480 thousand from EUR 640,726 thousand to EUR 873,206 thousand.

Cash and cash equivalents, at EUR 873,206 thousand (previous year: EUR 640,726 thousand) include inter alia ticket monies from not yet invoiced presales for events (ticket monies not yet invoiced mainly in the Ticketing segment), which are reported in other financial liabilities (EUR 422,842 thousand; previous year: EUR 314,483 thousand). Other financial assets also include receivables relating to ticket monies from presales in the Ticketing segment (EUR 87,085 thousand; previous year: EUR 78,664 thousand) and factoring receivables (EUR 25,262 thousand; previous year: EUR 22,266 thousand).

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

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities increased year-on-year by EUR 118,794 thousand from EUR 220,971 thousand to EUR 339,765 thousand. The main reason for this increase is the change in liabilities (EUR +52,267 thousand), in receivables and other assets (EUR +52,223 thousand), paid income taxes (EUR +7,859 thousand) and consolidated net income (EUR +11,949 thousand).

The EUR 52,267 thousand positive cash flow effect due to the change in **liabilities** mainly results from higher liabilities in respect of ticket monies that have not yet been invoiced (EUR +67,411 thousand). The positive cash flow effect due to the change in **receivables and other assets** (EUR +52,223 thousand) mainly results from the lower rise of receivables from ticket monies in the Ticketing segment.

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

CASH FLOW FROM INVESTING ACTIVITIES

The negative cash flow from investing activities decreased by EUR 19,658 thousand from EUR 23,134 thousand to EUR 3,476 thousand. The positive change was the result in lower investments in intangible assets (EUR +2,924 thousand) and property, plant and equipment (EUR +2,350 thousand) and cash inflows from the strategically based share reductions in the Live Entertainment segment (EUR +5,189 thousand). Furthermore, the positive change contains payments from the acquisition of consolidated companies less cash and cash equivalents acquired (EUR +9,111 thousand).

CASH FLOW FROM FINANCING ACTIVITIES

The negative cash flow from financing activities decreased year-on-year by EUR 2,406 thousand from EUR 106,763 thousand to EUR 104,357 thousand. The positive change in cash flow from financing activities is the result of a lower dividend payment to shareholders due to an additional special dividend in 2017 (EUR +37,437 thousand). This was offset by a higher redemption of financial loans (EUR -30,269 thousand) which led to a negative cash flow effect.

With its current funds, the CTS Group is able to meet its financial commitments, including the guarantees issued and warranties and to finance its planned investments and ongoing operations.

5. CTS KGaA: EARNINGS PERFORMANCE, FINANCIAL POSITION AND CASH FLOW

5.1 EARNINGS PERFORMANCE

In addition to reporting on the CTS Group, the development of CTS KGaA is explained below. The annual financial statements of CTS KGaA are prepared in accordance with the German Commercial Code (HGB).

	2018	2017	Change	
	[EUR'000]	[EUR'000]	[EUR'000]	[in %]
Revenue	**243,746**	**225,063**	**18,684**	**8.3**
Gross profit	**145,952**	**132,823**	**13,129**	**9.9**
EBITDA	**107,581**	**99,631**	**7,949**	**8.0**
EBIT	**88,450**	**81,370**	**7,080**	**8.7**
Financial result	56,513	52,299	4,214	8.1
Earnings before tax (EBT)	**144,962**	**133,668**	**11,294**	**8.4**
Taxes	-41,092	-38,276	-2,816	7.4
Net income for the year	**103,870**	**95,392**	**8,478**	**8.9**

5.1.1 REVENUE PERFORMANCE

In the 2018 financial year, CTS KGaA revenue increased by EUR 18,684 thousand from EUR 225,063 thousand to EUR 243,746 thousand; this equates to a 8.3% growth in revenue. This positive revenue development mainly results from the further growth in the number of tickets sold via the Internet by 2.9 million (+14.5%) from 20.0 million up to 22.9 million tickets. Revenue from ticket insurance brokerage also increased.

5.1.2 EARNINGS PERFORMANCE

GROSS PROFIT

Gross profit increased by EUR 13,129 thousand year-on-year due to the high-margin internet business. The gross margin improved to 59.9% (previous year: 59.0%), but was burdened by higher personnel expenses due to increasing technological development and ongoing internationalisation.

EBITDA

A successful business performance in 2018 due to a further increase in the volume of tickets sold online were the main factors accounting for the strong growth in EBITDA. The EBITDA improved to EUR 107,581 thousand (previous year: EUR 99,631 thousand). The EBITDA margin is 44.1% (previous year: 44.3%). In the reporting year, expenses relating to the implementation of the European General Data Protection Regulation (EU-GDPR) had a temporary negative effect on earnings and margins. Higher expenses due to increasing technological development and ongoing internationalisation also had an impact.

EBIT

The EBIT figure for the reporting year increased to EUR 88,450 thousand (previous year: EUR 81,370 thousand) and the EBIT margin rose to 36.3% (previous year: 36.2%).

FINANCIAL RESULT

The financial result increased by EUR 4,214 thousand from EUR 52,299 thousand the previous year to EUR 56,513 thousand.

The financial result mainly includes investment income in the form of dividends, profit transfer agreements and profit shares in commercial partnerships of EUR 57,422 thousand (previous year: EUR 53,686 thousand), EUR 719 thousand in interest income (previous year: EUR 690 thousand), EUR 1,065 thousand in interest expenses (previous year: EUR 1,353 thousand) and other financial expenses amounting to EUR 563 thousand (previous year: EUR 725 thousand).

The increase in income resulting from profit transfer agreements and income in form of profit shares in commercial partnerships accounts for EUR 2,896 thousand for profit transfer agreements from participations and for EUR 840 thousand in income in the form of investment income from profit distributions.

Interest expenses and other financial expenses mainly relate to borrowing costs (especially interest expenses and other borrowing costs) from financing of business transactions.

TAXES

Tax expenses increased by EUR 2,816 thousand from EUR 38,276 thousand to EUR 41,092 thousand. These tax expenses include EUR 41,304 thousand in taxes on income (previous year: EUR 38,276 thousand) and income from deferred taxes amounting to EUR 214 thousand (previous year: EUR 262 thousand). The taxation rate (taxes on income / earnings before tax) is 28.4 % (previous year: 28.6%)

NET INCOME FOR THE YEAR

The net income for the year, according to HGB, increased by EUR 8,478 thousand to EUR 103,870 thousand (previous year: EUR 95,392 thousand). The distributable earnings per share amounted to EUR 1.08 (previous year: EUR 0.99).

5.1.3 ADDITIONAL NOTES TO SINGLE ITEMS IN THE INCOME STATEMENT

	2018	2017	Change	
	[EUR'000]	[EUR'000]	[EUR'000]	[in %]
Selling expenses	41,292	36,080	5,213	14.4
General administrative expenses	21,322	19,374	1,948	10.1
Other operating income	12,337	10,855	1,482	13.7
Other operating expenses	7,225	6,854	371	5.4
thereof non-recurring items	*1,770*	*1,172*	*598*	*50.9*

SELLING EXPENSES

The increase in selling expenses by EUR 5,213 thousand to EUR 41,292 thousand mainly results from higher personnel expenses (EUR +1,743 thousand), higher marketing expenses (EUR +1,390 thousand) and higher depreciation (EUR +566 thousand).

GENERAL ADMINISTRATIVE EXPENSES

The EUR 1,948 thousand increase in general administrative expenses in the reporting year, to EUR 21,322 thousand,is mainly the result of higher personnel expenses (EUR +1,554 thousand).

OTHER OPERATING INCOME

Other operating income increased by EUR 1,482 thousand, from EUR 10,855 thousand to EUR 12,337 thousand. The increase primarily resulted from the realisation of an impaired receivable taken over as the result of an acquisition in previous years (EUR +4,679 thousand). In the previous year, other operating income comprised income from the integration of GSO Gesellschaft für Softwareentwicklung und Organisation & Co. KG, Bremen (EUR 2,453 thousand).

5.1.4 PERSONNEL

Total personnel expenses increased year-on-year by EUR 4,168 thousand from EUR 26,290 thousand to EUR 30,458 thousand. The main reason for this is the further development of the workforce in line with business development and further internationalisation and technological development. This resulted in an increase in personnel costs in the area of cost of sales, selling expenses and general administrative expenses.

At the end of the 2018 financial year, CTS KGaA had 402 employees on its payroll (previous year: 364 employees). The average number of employees over the year increased from 338 in the previous year to 378 in the reporting period.

5.2 FINANCIAL POSITION

	31.12.2018		31.12.2017		Change
	[EUR'000]	[in %]	[EUR'000]	[in %]	[EUR'000]
Current assets					
Cash and cash equivalents	355,702	43.8	231,348	35.5	124,354
Trade receivables	6,476	0.8	7,757	1.2	-1,281
Receivables from affiliated companies and participations	83,176	10.2	53,334	8.2	29,842
Inventories	205	0.0	295	0.0	-89
Other assets and prepaid expenses	58,247	7.2	45,274	7.0	12,973
Total current assets	**503,807**	**62.0**	**338,008**	**51.9**	**165,799**
Non-current assets					
Fixed assets	276,563	34.0	270,668	41.6	5,895
Goodwill	26,773	3.3	34,422	5.3	-7,649
Receivables from affiliated companies and participations	1,897	0.2	6,462	1.0	-4,565
Other assets and prepaid expenses	3,286	0.4	1,512	0.2	1,774
Deferred tax assets	95	0.0	96	0.0	-1
Total non-current assets	**308,613**	**38.0**	**313,159**	**48.1**	**-4,546**
Total assets	**812,420**	**100.0**	**651,167**	**100.0**	**161,253**

	31.12.2018		31.12.2017		Change
	[EUR'000]	[in %]	[EUR'000]	[in %]	[EUR'000]
Current liabilities					
Financial liabilities	15,072	1.9	44,384	6.8	-29,311
Trade payables	10,717	1.3	11,102	1.7	-385
Payables to affiliated companies and participations	7,300	0.9	2,855	0.4	4,445
Provisions	72,682	8.9	43,410	6.7	29,272
Other liabilities and deferred income	321,970	39.6	211,757	32.5	110,213
Total current liabilities	**427,741**	**52.7**	**313,507**	**48.1**	**114,234**
Non-current liabilities					
Financial liabilities	49,000	6.0	49,000	7.5	0
Deferred tax liabilities	898	0.1	1,113	0.2	-216
Total non-current liabilities	**49,898**	**6.1**	**50,113**	**7.7**	**-216**
Equity					
Share capital	96,000	11.8	96,000	14.7	0
./. less par value of treasury stock	-9	0.0	-9	0.0	0
Capital reserve	2,400	0.3	2,400	0.4	0
Statutory reserve	7,200	0.9	7,200	1.1	0
Balance sheet profit	229,190	28.2	181,955	27.9	47,235
Total equity	**334,782**	**41.2**	**287,546**	**44.2**	**47,235**
Total equity and liabilities	**812,420**	**100.0**	**651,167**	**100.0**	**161,253**

The balance sheet total of CTS KGaA increased year-on-year by EUR 161,253 thousand (+24.8%) to EUR 812,420 thousand.

CURRENT ASSETS increased by EUR 165,799 thousand to EUR 503,807 thousand (+49.1%). The changes mainly derive from an increase in cash and cash equivalents (EUR +124,354 thousand), receivables from affiliated companies and participations (EUR +29,842 thousand) and other assets and prepaid expenses (EUR +12,973 thousand).

The increase of **cash and cash equivalents** by EUR 124,354 thousand is mainly attributable to the higher net income in the reporting year and liquidity inflows from ticket monies. In contrast to this are cash outflows for distributions to shareholders, for redemption of financial loans and for investments (primarily intangible assets).

Cash and cash equivalents, at EUR 355,702 thousand (previous year: EUR 231,348 thousand), include ticket monies from not yet invoiced presales for events, which are reported in other liabilities (EUR 293,998 thousand; previous year: EUR 187,662 thousand). Other assets also include receivables relating to ticket monies from presales (EUR 28,931 thousand; previous year: EUR 17,567 thousand) and factoring receivables from ticket monies (EUR 25,262 thousand, previous year: EUR 22,266 thousand).

Receivables from affiliated companies and participations (EUR +29,842 thousand) increased due to newly granted loans to affiliated companies in the amount of EUR 27,200 thousand in the course of acquisition financing in the Live Entertainment segment.

Short-term **receivables from other assets and prepaid expenses** (EUR +12,973 thousand) increased mainly because of receivables relating to ticket monies from presales (EUR +11,032 thousand) and factoring receivables from ticket monies (EUR +2,997 thousand).

NON-CURRENT ASSETS declined by EUR -4,546 thousand to EUR 308,613 thousand. A main part of that decrease relates to goodwill (EUR -7,649 thousand). This was offset by an increase in fixed assets (EUR +5,895 thousand).

The EUR 7,649 thousand decrease in **goodwill** mainly derives from the scheduled amortisation of goodwill according to HGB.

Additions to **fixed assets** (EUR +5,895 thousand) mainly relate to intangible assets for further development of the Global Ticketing System (EUR +9,938 thousand), hardware investments for operating the data centre and for connecting box offices to the Global Ticketing System (EUR +1,090 thousand) and a new backstage area for the Waldbühne Berlin (EUR +1,409 thousand). These are offset by systematic depreciation (EUR -11,482 thousand).

CURRENT LIABILITIES increased by EUR 114,234 thousand to EUR 427,741 thousand, mainly due to the increase in other liabilities and deferred income (EUR +110,213 thousand) and provisions (EUR +29,272 thousand). On the contrary, current financial liabilities decreased (EUR -29,311 thousand).

Financial liabilities decreased by EUR 29,311 thousand due to the redemption of liabilities to banks.

The increase in **provisions** mainly derives from other provisions (EUR +6,550 thousand) and tax provisions (EUR +22,722 thousand). Tax provisions mainly increased due to the positive development of operating results.

The EUR 110,213 thousand change in **other liabilities and deferred income** is mainly caused by higher liabilities in respect of ticket monies that have not yet been invoiced (EUR +106,337 thousand). As at 31 December 2018, the amount of liabilities for ticket monies not yet invoiced was higher compared to the previous year. In addition, there was an increase in liabilities for gift vouchers sold but not yet redeemed (EUR +2,125 thousand).

EQUITY rose by EUR 47,235 thousand to EUR 334,782 thousand due to the positive year-end result of EUR 103,870 thousand. This is offset by an equity reducing dividend payment of EUR -56,635 thousand, which was resolved at the Annual General Meeting in May 2018.

The reduction in the equity ratio (equity / balance sheet total) from 44.2% to 41.2% primarily results from the increased balance sheet total caused by increased cash and cash equivalents (liabilities from ticket monies).

The return on equity (net income / equity) amounts to 31.0% (previous year: 33.2%).

5.3 CASH FLOW

	2018	2017	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Cash flow from:			
Operating activities	227,610	130,469	97,141
Investing activities	-17,371	-12,426	-4,945
Financing activities	-85,921	-96,357	10,437
Net increase / decrease in cash and cash equivalents	**124,319**	**21,686**	**102,633**
Net increase/decrease in cash and cash equivalents due to currency translation	35	-179	214
Cash and cash equivalents at beginning of period	231,348	209,841	21,507
Cash and cash equivalents at end of period	**355,702**	**231,348**	**124,354**

The amount of cash and cash equivalents shown in the cash flow statement corresponds to the cash and cash equivalents stated in the balance sheet. Compared to 31 December 2017, cash and cash equivalents increased by EUR 124,354 thousand from EUR 231,348 thousand to EUR 355,702 thousand.

Cash and cash equivalents of EUR 355,702 thousand (previous year: EUR 231,348 thousand) include ticket monies from not yet invoiced presales for events, which are reported in other financial liabilities (EUR 293,998 thousand; previous year: EUR 187,662 thousand). Other assets also include receivables relating to ticket monies from presales (EUR 28,931 thousand; previous year: EUR 17,567 thousand) and factoring receivables from ticket monies (EUR 25,262 thousand; previous year: EUR 22,266 thousand).

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities increased by EUR 97,141 thousand to EUR 227,610 thousand. The increase mainly results from a higher net income for the year (EUR +8,478 thousand), changes in liabilities (EUR +71,660 thousand), changes in other provisions (EUR +6,618 thousand) and changes in receivables from affiliated companies (EUR +8,150 thousand). These are offset by negative cash flow effects due to the change in receivables from ticket monies (EUR -8,173 thousand) and the change in trade payables (EUR -5,663 thousand).

The positive cash flow effect in respect of **liabilities** (EUR +71,660 thousand) is due to changes of liabilities in respect of ticket monies (EUR +70,084 thousand). The positive cash flow effect from the change in receivables from affiliated companies (EUR +8,150 thousand), results from a lower volume of loans granted, among other things from acquisition financing in the Live Entertainment segment, compared to the previous year. This was offset by the negative cash flow effect from the change in trade payables (EUR -5,663 thousand).

As at the end of the year, owing to the seasonally very high level of ticket presales in the fourth quarter, there usually is a large amount of liabilities in respect of ticket monies that have not yet been invoiced in the Ticketing segment, which leads in the course of the following year to cash outflows of ticket monies to promoters due to many events being held and invoiced.

The positive cash flow effect in respect of the change of other **provisions** (EUR +6,618 thousand) mainly results from higher provisions for outstanding invoices and for credit notes.

CASH FLOW FROM INVESTING ACTIVITIES

Negative **cash flow from investing activities** increased by EUR 4,945 thousand from EUR 12,426 thousand to EUR 17,371 thousand. The rise in cash outflow mainly comprises higher purchase price payments related to acquisitions of shares in acquired companies (EUR -3,752 thousand) and a capital increase at a subsidiary (EUR -1,363 thousand).

CASH FLOW FROM FINANCING ACTIVITIES

Negative **cash flow from financing activities** decreased year-on-year by EUR 10,437 thousand from EUR 96,357 thousand to EUR 85,921 thousand. The positive change in cash flow from financing activities is primarily the result of higher borrowings (EUR +3,000 thousand) and a higher redemption of financial loans (EUR -30,000 thousand). Furthermore, the lower dividend payment to shareholders (EUR +37,437 thousand) compared with the previous year (basic dividend and additional special dividend) led to a positive cash flow effect.

6. APPROPRIATION OF EARNINGS BY CTS KGaA

In the 2017 financial year, CTS KGaA generated net income for the year (according to HGB) of EUR 95,392 thousand. The Annual Shareholders' Meeting on 8 May 2018 adopted a resolution to distribute EUR 56,635 thousand (EUR 0.59 per eligible share) of the balance sheet profit of EUR 181,955 thousand as at 31 December 2017 to shareholders. The remaining balance sheet profit of EUR 125,320 thousand was carried forward to the new account.

In the 2018 financial year, CTS KGaA generated EUR 103,870 thousand in net income (according to HGB). The Management Board of the general partner and the Supervisory Board of the company propose to the Annual Shareholders' Meeting to distribute a dividend (on the basis of around 50% of the net income attributable to sharesholders of CTS KGaA) of EUR 59,515 thousand (EUR 0.62 per eligible share) out of the balance sheet profit of EUR 229,190 thousand as at 31 December 2018 and to carry forward the remaining amount to the balance sheet profit.

7. DEPENDENCY REPORT FOR CTS KGaA

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

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

'Judging from the circumstances known to the general partner at the time legal transactions requiring disclosure were conducted, the company received adequate consideration in each case, stated in the report on the relationships with affiliated companies for the time period 1 January to 31 December 2018. No reportable measures were either effected or waived.'

8. RISK AND OPPORTUNITIES REPORT

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

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

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

a) achieving business success invariably involves risk,
b) no action or decision may involve a risk to the company as a going concern,
c) risks in respect of earnings must be associated with corresponding returns,
d) risks, to the extent that they are economically acceptable, must be hedged accordingly and
e) residual risks must be controlled by means of a risk management system.

Opportunity and risk management is laid down in a corporate policy and is based on a comprehensive, multi-stage approach which comprises the segments' operating management, control and management systems (risk management in a more limited sense) and internal audit activities.

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

8.1 STRUCTURE AND OPERATION OF THE RISK MANAGEMENT SYSTEM

In order to identify, assess, manage and document risks at an early stage, the Group operates a systemic and appropriate risk management system. Operational risk management includes the process of systematic risk analysis of business processes. The risk management system is integrated as a continuous process (control loop) into business processes, its aim being to identify, assess, control and document material risks, as well as risks that threaten the continued existence of the company as a going concern. The risk management system is carried out at operating process, department and company level in the segments and subsidiaries.

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

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

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

Quarterly reports ensure that the company's management is promptly informed of potential risks affecting the company's future development. They are evaluated according to impact and likelihood and the status of measures is monitored. The period under review comprises the current year 2019 and the following business year 2020.

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

For the risks recognisable in the current business, appropriate precautions were taken to the extent that the prerequisites for accounting were taken into account during the preparation of the consolidated financial statements. The effectiveness, appropriateness and functionality of the risk management system of the CTS Group is reviewed and further developed in collaboration with the internal auditors. The process is supported by the risk management software 'R2C RM'. The risks and their impact, occurrence probability and expected value, status, management report and measures are displayed. The risks are assessed by means of the risk committee set up at CTS KGaA with reporting to the corporate management. The Supervisory Board is informed about the risk profiles and monitors the effectiveness of the risk management system.

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

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

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

The CTS Group divides risks into seven risk categories:

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

8.2 MAJOR RISK AREAS

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

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

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

8.2.1 STRATEGIC RISKS

RISKS RELATING TO FUTURE MACROECONOMIC TRENDS

While at the beginning of 2018 the German Council still regarded the relationship between economic opportunities and risks as largely balanced, in its most recent assessment it assumes that risks outweigh opportunities. While most of those risks appear manageable when considered in isolation, if several of the risks materialise simultaneously it could certainly have a negative effect on economic development and lead to a downturn.

Along with geopolitical crises, continuing political uncertainty, the economic instability of a number of emerging economies and upheaval on international financial markets, the German Council names the intensification of international trade disputes as a significant risk. Higher tariffs that have been decided and possible further increases, could have a negative effect on tightly interwoven international value chains and noticeably impact the development of exports and investment. It could have particularly negative effects on growth in China, which relies heavily on credit financing.

The possibility of an excessive response on the international financial markets in the short-term is reflected by recent developments in a number of emerging economies. Should those developments spread significantly to other countries, it would result in further risks to the development of the global economy and the stability of international financial markets.

The German Council also sees a large, unexpected increase in inflation as a potential danger. It could be triggered by a rise in oil prices as a result of geopolitical tensions. If inflation rates were significantly higher, then the central banks could see it as a reason to increase interest rates, which could result in deterioration in financing conditions and lead to a sudden adjustment of asset prices – particularly where insufficient preparations have been made for an end to loose monetary policy.

Along with these risks, the German Council also sees a number of opportunities for robust global economic growth. Above all in the USA, overall economic capacity could expand more than expected as a result of further economic and financial policy measures. It is also possible that global production capacities have been underestimated. The unexpected resolution of the existing trade disputes outlined above could also result in positive impetus. The possibility that there is less concern about current political uncertainties among both consumers and investors than assumed also cannot be excluded, the German Council states.

Meanwhile, the shape of the future relationship between the EU and the United Kingdom, which will result from the ongoing Brexit negotiations, represents a noteworthy risk to the European market. Above all in the case of a disorderly Brexit, the German Council expects the impact on the United Kingdom's economy to be significant. The economic development of the other EU member states could also be affected – albeit less strongly than in the United Kingdom.

The development of the Eurozone could also be subject to greater political uncertainty, which could have a negative impact on consumer behaviour and the investment decisions of households and companies. Italy's development represents a veritable risk in this regard: the combination of political uncertainty, a high level of public debt and expected low growth could result in greater increases in the risk premiums on Italian government bonds than those seen in the past.

However, the development of business over recent years shows that the Ticketing and Live Entertainment markets develop relatively independently of the economy as a whole. The risk is classified as low.

INDUSTRY, MARKET AND COMPETITION

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

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

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

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

The risk is classified as medium.

8.2.2 MARKET RISKS

PRODUCTS, SERVICES, INNOVATION, BUSINESS AND ENTERPRISE VALUE

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

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

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

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

Market risks are classified at low risk.

8.2.3 PERFORMANCE RISKS

STABILITY AND RELIABILITY OF THE IT INFRASTRUCTURE BEING USED

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

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

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

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

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

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

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

A multi-layered security system with firewalls and intrusion detection blocks attacks on the productive infrastructure. Furthermore, the security of all platforms continues to be tested and continuously improved on the basis of regular security tests conducted on networks, servers and software by independent organisations. In 2018, as in previous years, the CTS Group invested in the performance, security and stability of the ticketing platform. Among other things, those investments include additional functionality with artificial intelligence (AI) for the monitoring of databases and expanded recognition of BOT attacks (systematic spying to identify software gaps on servers with the aim of breaking in to the server).

The constant optimisation of infrastructure and processes leads not least to an extremely high rate of availability of the ticketing sales platforms.

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

RISKS FROM INTERNET SECURITY THREATS

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

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

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

PROCUREMENT

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

The risk is classified as low.

PERSONNEL RISKS

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

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

The risk is classified as low.

8.2.4 PROJECT-RELATED RISKS

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

The risk is classified as medium risk.

8.2.5 FINANCIAL RISKS

LIQUIDITY RISKS

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

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

Standard credit agreements are in place with various banks. The extension risk is minimised by varying credit terms. In addition to existing financing of acquisitions, a medium- to long-term working capital credit facility is also available as part of general corporate financing. The Group had sufficient cash reserves as at the balance sheet date of 31 December 2018.

The risk is classified as low.

DEFAULT RISKS

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

The risk is classified as low.

FOREIGN EXCHANGE RISKS

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

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

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

The risk is classified as low.

INTEREST RISKS

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

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

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

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

The risk is classified as low.

OTHER PRICE RISKS

Other price risks arise from the measurement of individual financial assets at fair value.

The risk is classified as low.

Further information on liquidity risks, default risks, foreign exchange risks, interest rate risks and other price risks is provided in section 4.2 of the notes to the consolidated financial statements.

TAXES

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

The risk is classified as medium.

LITIGATIONS AND CLAIMS FOR DAMAGES

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

The risk is classified as low.

Additional reporting is made in section 8.2.6 social/political/legal risk area.

RISKS RELATING TO REPORTING AND BUDGETING

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

The risk is classified as medium.

CAPITAL MANAGEMENT

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

The risk is classified as low.

8.2.6 SOCIAL / POLITICAL / LEGAL RISKS

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

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

In the context of administrative proceedings, the German Federal Cartel Office (Bundeskartellamt) is investigating the market position and market behaviour of CTS KGaA, particularly whether CTS KGaA exploits its market position in the Ticketing segment to an unreasonable extent and puts market partners at a disadvantage, as well as the content of specific regional cooperation agreements. On 4 December 2017, the Federal Cartel Office completed an administrative proceeding initiated in October 2014. In their findings, the authorities objected a small number of existing exclusive agreements and limited the scope and terms of future exclusive agreements. CTS KGaA has filed a full appeal against the decision with the higher regional court (Oberlandesgericht) in Dusseldorf; a decision is expected in spring 2019. In addition, consumer protection proceedings are pending in Germany and administrative proceedings are pending in Italy and Switzerland. The outcome of the proceedings remains to be seen. It cannot be ruled out that cartel authorities, consumer protection organisations and other institutions will disagree with individual practices or agreements during the ongoing proceedings and issue an order for modification.

The risk is classified as medium.

8.2.7 COMPLIANCE RISKS

Compliance risks can arise if any applicable laws, regulations, industry standards and voluntary commitments are not observed. To ensure compliance, a compliance management system modelled after IDW auditing standard 980 was introduced in the 2017 financial year and developed further in 2018. The relevant compliance risks are minimised through an organisational and role concept and through corporate policies focusing on material aspects of compliance. The processes are subject to a four-eye principle. Questions about specific areas of activity can be reported directly to the compliance officer using an internal whistle-blowing system. In addition, special officers are appointed for specific risk areas (PCI compliance, IT security and data protection). Through ongoing consultation and case management, the legal and internal audit departments support the identification and management of compliance risks, particularly against the background of the increasing internationalisation of the Group.

The risk is classified as medium.

8.3 OPPORTUNITY MANAGEMENT

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

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

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

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

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

8.3.1 STRATEGIC OPPORTUNITIES

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

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

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

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

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

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

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

8.3.2 PROJECT OPPORTUNITIES

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

8.4 ASSESSMENT OF THE GROUP'S OPPORTUNITIES AND RISK EXPOSURE

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

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

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

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

9. INTERNAL ACCOUNTING CONTROL SYSTEM

The internal accounting control system 'IACS' includes the policies, procedures and measures designed to ensure correct and reliable accounting at Group companies. The measures of the IACS are intended to ensure that transactions are recorded promptly and fully, in accordance with statutory regulations and the articles of incorporation. They should also ensure that assets and liabilities are correctly recognised, measured and reported in the consolidated financial statements.

Process-integrated and process-independent control and monitoring measures, along with organisational measures, are the key elements of the 'IACS' within the CTS Group. In addition to manual process controls, which are always subject to the 'four eyes principle', technical IT-based process controls are also an essential part of the process-integrated measures. The authorisation concepts of the IT systems used, and their monitoring, ensure that only authorised individuals can conduct transactions. The organisational separation of administrative, executive, settlement and approval functions (principle of segregation of duties), and their performance by different persons, also reduces errors and the possibility of fraudulent or malicious activities. These organisational measures are aimed at promptly and properly recognising and recording, in the Group accounting system, any restructuring at enterprise or Group level, and any changes in the operations of individual business units.

In the standalone financial statements of CTS KGaA and the subsidiaries, bookkeeping transactions are mainly recorded by dedicated bookkeeping systems. In order to prepare the consolidated financial statements of the CTS Group, the subsidiaries' respective financial statements undergo quality control and are approved by local management. The data in the financial statements is supplemented with further information in standardised reporting packages and forwarded to group accounting at CTS KGaA for consolidation. All reporting packages are then imported via an interface into the consolidation software from LucaNet AG to produce the consolidated financial statements. The LucaNet consolidation software is used in the preparation of the consolidated financial statements of the CTS Group. All the consolidation steps involved in preparing the CTS consolidated financial statements – such as capital consolidation, consolidation of assets or liabilities, or the elimination of intercompany revenues and expenses, including equity measurement – are generated and fully documented in LucaNet.

To ensure that legal requirements regarding accounting are met, the Accounting Manual is updated annually and made available to the companies in the CTS Group. It includes an updated overview of the new and amended IFRS standards and interpretations by the IASB as applicable in the EU, along with their binding application dates. The Accounting Manual is the basis for a uniform, orderly and continuous accounting process in accordance with both accounting policies of the German Commercial Code (HGB) and IFRS. The Accounting Manual includes accounting, measurement and disclosure rules for the consolidated financial statements of CTS KGaA in accordance with IFRS and the German Commercial Code (HGB), and the associated reporting requirements for the domestic and foreign subsidiaries included in the consolidated financial statements. In addition to defining the scope of consolidation, detailed definitions of the specific elements in the reporting packages to be produced by the Group companies are also defined in detail. These formal requirements stipulate, inter alia, the mandatory use of a standardised and complete set of reporting formats.

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

By means of the organisational, control and monitoring systems stipulated within the CTS Group, the IACS makes it possible to record, process and analyse company information and to present it properly in the Group accounting. However, the nature of discretionary personal decisions, errors during checks, intentional criminal acts and other circumstances, in particular, means that they cannot be excluded entirely. This means that even Group-wide application of the deployed systems cannot guarantee absolute security with regard to correct, complete and prompt recording of facts in the Group accounting. Those systems are subjected to continuous improvement.

10. REPORT ON EXPECTED FUTURE DEVELOPMENT

10.1 FUTURE MACROECONOMIC ENVIRONMENT

In its winter forecast from December 2018, the Institute for the World Economy (IfW) states that the global economy lost momentum in the course of 2018. In addition to uncertainty caused by increasing trade policy conflicts, the tightening of monetary policy in the United States contributed to this. Against this backdrop, global production will rise by 3.7% in 2018, as in the previous year. For 2019, the Institute expects the growth rate to decline to 3.4%. For 2020, the IfW continues to expect growth of 3.4%. Risks will arise above all from a further intensification of trade conflicts. In Europe, concerns about debt sustainability in Italy, the delay in reforms in France and not least a possible disorderly Brexit could lead to a weaker economic development than expected.

According to the IfW, the pace of expansion in the Eurozone is likely to slow gradually. As a result, economic output is now expected to grow by only 1.7% in 2019. For the following year, the Institute anticipates a further decline in the growth rate to 1.5%. The decline in unemployment will also slow down in view of the lower economic momentum and increasing shortage of labour in some Eurozone countries.

In its economic forecast for the Eurozone, the European Commission also expects continuing but less dynamic growth, with considerable economic uncertainty. After growth reached a ten-year high of 2.4% in 2017, the Commission expects it to decrease successively in the coming years, to 2.1% in 2018, 1.9% in 2019 and 1.7% in 2020. It believes domestic consumption and robust investment will lead to further – albeit slower – growth, despite considerable uncertainty. In 2019, investment is expected to increase in all member states for the first time since 2007. Meanwhile, increasing global uncertainty, tensions regarding international trade and higher oil prices are limiting growth.

The forecast is subject to many uncertainties. For example, the overheating of the economy in the USA and the expected growth in the USA's budget deficit could have a negative impact on the Eurozone economies. Within the EU, concerns about the quality and sustainability of public finances in heavily indebted member states could spread to the German banking sector, thereby putting financial stability in doubt. Furthermore, the outcome of the Brexit negotiations continues to harbour risks.

For the German economy, the IfW assumes that the recovery of recent years will increasingly falter. In the third quarter of 2018, economic output declined for the first time in three years. The Institute expects GDP to grow by 1.8% in 2019. In 2020, economic momentum should continue to slow noticeably. However, due to the high number of working days, the gross domestic product will probably grow at a similar pace as in 2019 according to the IfW.

10.2 EXPECTED EARNINGS PERFORMANCE

Positive developments in the 2018 financial year, with robust growth in both segments, underline the fact that the **CTS Group's** business model remains successful. The improvement in the CTS Group's revenue resulted from both the dynamic growth in online ticket volumes in the Ticketing segment and outstanding revenue growth in the Live Entertainment segment, driven by strong organic growth, the success of new formats and acquisitions in various European markets. Based on these factors, the CTS Group's revenue and earnings increased more than expected in 2018.

The CTS Group further strengthened its market position in the 2018 financial year with new strategic partnerships, particularly in the Live Entertainment segment in Europe. The CTS Group's portfolio of services, and its financial profile, put it in a good position to continue the systematic implementation of its growth strategy in the future.

The combination of a high-performing ticket distribution system and a diverse, attractive range of music, sport, cultural and leisure events is the basis for the CTS Group's sustainable success in the Ticketing segment. Competencies in the areas of big data, marketing partnerships and long-standing contacts in the event industry round out the CTS Group's broad portfolio. Each year, about 250 million tickets are sold through the globally leading CTS EVENTIM ticketing systems.

The CTS Group will continue to consistently pursue its sustainable growth strategy. This involves organic growth through the constant improvement of its ticketing solutions, as well as the development of additional innovative services. The emphasis here is on the further expansion of the highly profitable area of ticketing via E-Commerce. Meanwhile, the company constantly monitors the international Ticketing and Live Entertainment market for opportunities for strategic collaborations and to identify potential acquisitions. In the context of the company's strategic aim of further improving earnings and margins, there is a focus on improving the net earnings margin. That could result in the company's shares in consolidated companies being increased or reduced.

TICKETING

In the Ticketing segment, revenue and earnings forecasts were fulfilled thanks to growth in the volume of internet tickets, while the development of ticketing business in the new markets had a negative effect on earnings.

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

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

With regard to **online ticketing**, there is a continued focus on optimising the user experience and thereby increasing sales across all platforms.

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

The trend towards mobile internet use continues, with growing numbers of customers purchasing tickets from their smartphones. All the measures implemented reflect that, so the proportion of tickets sold via mobile end-user devices will continue to increase disproportionately. The constant development of platforms and touch points takes mobile users into account to offer maximum user friendliness regardless of the end-user device used. Optimal presentation allows visitors to rapidly and intuitively understand our services and offers and also makes purchasing on the go much easier.

The EVENTIM apps for iOS and Android smartphones and tablets are already very well established in the market and the aim is to continue the above average growth seen in recent years. Key elements of that strategy include measures to increase customer loyalty and satisfaction. The professional and technical focus is thereby on the acquisition and improvement of customer profiles, which allow users to be personally offered relevant services and products. That process also involves optimised implementation of in-app communication.

The overall objective of online sales is to offer maximum user friendliness to make the process of buying tickets more convenient, faster and more secure. The CTS Group also promotes the spread of electronic admission controls, which are a key requirement for the use of mobile online tickets.

The free FanTicket, which is exclusive at EVENTIM, is offered for the overwhelming majority of top sellers in the web shop. This high-quality ticket, specially designed with artist or tour artwork, has thereby further cemented its status as a brand standard. There is intensive work on the optimisation of the associated production process to allow tickets of the usual quality to be offered despite constantly increasing ticket volumes. That will ensure that the FanTicket will remain a special memento of an unforgettable event, also in the future.

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

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

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

With **EVENTIM.Light**, the CTS Group has successfully established a product that is specifically tailored to the needs of online-based promoters on the German market. The intuitive ticketing system is optimised for mobile devices. As a self-service, promoters can create their own ticket shop and create events free of charge with just a few clicks.

EVENTIM.Light is a product that facilitates simple and rapid digital ticket sales for numerous promoters of small-to-medium-sized events. A unique selling point is, that the tickets are not sold exclusively via the company's own sales channels, as is the case with other suppliers, but can be booked instead via all EVENTIM sales channels including online portals, box offices and call centres.

EVENTIM.Light was successfully internationalised in the past financial year and is now available in Finland, Denmark, Sweden, Austria and Switzerland.

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

In the **sports** sector, CTS EVENTIM also offers a highly specialised, market-leading ticket management system to major sports clubs based on its EVENTIM.Tixx software solution. With this system sports clubs in Germany, the Netherlands, Italy, Austria and Switzerland can use the entire sales power of the CTS Group.

In 2018, the CTS Group invested in the further development of its software solutions for the sports sector. In order to support sports clubs in their digitalisation projects, Tixx-Connect represents the implementation of a state-of-the-art interface technology, which allows the bi-directional exchange of data in club-internal software solutions. The white label ticket and merchandising shops offered by the CTS Group are connected to a single sign-on (SSO) solution, so that buyers have a uniform login for both types of sale. Other club systems can also be connected via the single sign-on solution.

In the past financial year a large number of new customers were acquired for the fully integrated secondary market solution TIXX.Clubsale. This solution gives ticket buyers the opportunity to offer already purchased tickets, or individual games of a season ticket for resale, in the online shop. In this way, it is possible to generate additional ticket sales via resale even when events are sold out.

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

In the **cultural field**, leading promoters of cultural events in Europe use the specialised EVENTIM.Inhouse and JetTicket ticketing solutions for the optimal organisation of ticketing operations and visitor management for theatres, opera and concert houses as well as festival-halls. Amongst them are La Scala Milan, Zurich Opera House, the Finnish National Opera in Helsinki, the Berlin Philharmonic, the Montreux Jazz Festival and the Elbe Philharmonic Hall in Hamburg.

In the cultural field, the Group also made comprehensive investments in the products listed above in the 2018 financial year. The responsive, mobile optimised online shop was rolled out comprehensively. The number of tickets sold by promoters of cultural events via the CTS ticket network was further increased by means of successful marketing measures. In 2018, many users of the JetTicket software chose to use an interface that allows them to benefit from the high-performing CTS distribution network.

In the future, work will continue on expanding the customer base in all core markets. A large number of new customers in Norway, Sweden, Denmark, Switzerland and the UK along with other markets will be introduced to the EVENTIM.Access product in 2019.

EVENTIM.Access, a central access control service, rounds out the Eventim ticketing platform portfolio. The EVENTIM.Access service was expanded to include new scan devices that make the 'automated admission' even more efficient. In the area of 'self-scanning', the EVENTIM.Access scan app was equipped with a high-performing scan engine. The concept for application programming interfaces (API concept) was also further expanded to allow comprehensive use and ensure compatibility in integration scenarios. In 2019, EVENTIM.Access will be redesigned as a cloud-based software as a service (SaaS) solution and improved. To make its management and operation even simpler for users, in the future, it will support bring your own device (BYOD) concepts. The range of applications will also be expanded to include big data-based analysis methodology.

The following analytical product environments are managed by the **Information Science** department in the scope of the big data programme:

Through efficient multi-channel dialogue, the use of customer relationship management (CRM) systems enables improved purchase activation and an overall higher degree of loyalty among E-Commerce customers. Along with the e-mail, web shop, app and display channels available in the past, targeted communication using so-called messenger services will also become relevant in the future. The necessary interfaces are currently in development and will become operational in 2019. The EVENTIM.Campaign solution developed for the CTS Group was also made available to event partners in 2018 and is used successfully in the areas of theatre and sport.

Business process monitoring (BPM) uses internationally standardised key performance indicators and systematic reporting of all company processes to ensure transparency, and hence a basis for ongoing monitoring and optimised performance. In order to support the increasingly important field of E-Commerce with real-time analyses for marketing and product management, the BPM solution portfolio has been expanded to include the best-in-class web analytics suite Google Analytics 360 and was also rolled out internationally to all subsidiaries in 2018. The use of an exploratory data analysis tool in the scope of ‘self-service business intelligence’ is planned in 2019, in order to give specialist users even more effective access to data and analyses.

Analytical solutions for B2B partners (B2B Analytical Services) in the areas of event & customer insights will help promoters achieve efficient event planning and capacity management. The highly specialised EVENTIM.Analytics reporting application was designed specifically for this purpose. It provides promoters with almost real-time information about ticket sales and the relevant customer groups and is also accessible to promoters through their tablets and smartphones. The EVENTIM.Analytics tool allows for substantial efficiency improvements in event marketing. Among other things, the application offers access to anonymised demographic and geographic data about concertgoers and is being constantly developed. EVENTIM.Analytics is available internationally in all Eventim markets and already has more than 1000 active users per month. It has been available to ticketing customers in the sport sector since 2018 and will be made available to customers in the culture sector in 2019.

There will be a focus on further **innovations** in 2019. In the current financial year, the CTS Group plans to further strengthen its market position, particularly by developing innovative ticketing services in new and existing markets and constantly improving the applied technology.

In the 2018 financial year, CTS KGaA and the Austrian toll supplier Kapsch TrafficCom submitted a joint bid in the EU-wide tender process of the German federal government for the **project for the collection of the infrastructure charge** (‘car toll’) and, in December 2018, was awarded the contract by the responsible body, the German Federal Ministry of Transport and Digital Infrastructure (Bundesministerium für Verkehr und digitale Infrastruktur). A joint venture was founded to be the operating company. CTS KGaA holds a 50% stake in this company with a nominal value of EUR 12,500, which is accounted for using the equity method. The contract between the German federal government and the operating company has a term of at least 12 years from the date when collection of the toll begins. The contract volume for the operating company over the minimum contract period totals just under two bn. Euro incl. VAT. The contractor has the option to extend the cooperation once by three years or three times by one year respectively (to a total of 15 years).

The shareholders each submitted capital commitments of EUR 42,500 thousand to finance the operating company. Under the operating agreement, the shareholders provided the operating company with a time-limited joint and several declaration of liability to the Federal Republic of Germany, represented by the KBA, in the amount of EUR 300,000 thousand. In addition, the shareholders assumed temporary joint and several liability for loan receivables from banks to the operating company in the amount of EUR 175,000 thousand. Due to the positive budget of the operating company, a claim is not expected.

LIVE ENTERTAINMENT

The Group significantly exceeded its forecasts regarding revenue and earnings in the Live Entertainment segment. The growth in revenue resulted from a greater number of major tours and events with large audiences and high revenues and from the increase in the number of consolidated companies. The CTS Group continued its international expansion with takeovers of promoters in Italy and Spain. Earnings growth was primarily driven by successful major tours and events and positive contributions to earnings from the relaunch of event formats.

Expansion in Live Entertainment in the Italian market in the 2018 financial year comprised the takeovers of DiGi und Vivo Concerti. While DiGi is primarily known as the promoter of the Lucca Summer Festival, Vivo Concerti represents national and international artists as a concert and musical promoter on a national and international scale. They excellently complement the existing portfolio of the promoters Friends & Partners and Vertigo. The company also successfully entered the Spanish Live Entertainment market by taking over the renowned festival and concert promoter BIG TOURS (Doctor Music).

Following the latest acquisitions in Italy and Spain, the CTS Group remains open to further takeovers and strategic partnerships in this segment. The aim is to be able to offer international tour opportunities to artists from all around the world. The company also continues to invest in new content formats such as the New Horizons festival, which attracted 30% more visitors in its second year of existence than the début event in 2017.

The CTS Group also operates three of the most successful and appealing venues in Europe – the Waldbühne in Berlin, the Eventim Apollo in London and the LANXESS arena in Cologne. Venuepoint Live A/S, Copenhagen, resumed operation of the rebuilt K.B. Hallen in Copenhagen in January 2019.

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

10.3 EXPECTED CASH FLOW

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

10.4 GENERAL ASSESSMENT OF THE GROUP'S PROSPECTIVE DEVELOPMENT

If its commercial expectations and the strategic objectives are fulfilled, the CTS Group expects positive business development in the 2019 financial year. These expectations are further supported by the constant expansion of online ticketing, ongoing international expansion and the launch of new products and services.

In the Ticketing segment, we expect growth in the number of Internet tickets in the upper single-digit percentage range and in the revenue and earnings figures in the mid-single-digit percentage range for the 2019 financial year. Taking into account the effects of IFRS 16 (Leases), the earnings figures EBITDA/normalised EBITDA are expected to improve in the upper single-digit percentage range.

In the Live Entertainment segment, we expect improved business development in the 2019 financial year due to a higher number of events, with revenue and earnings growth in the lower-double-digit percentage range. Taking into account the effects of IFRS 16 (Leases), the earnings figures EBITDA/normalised EBITDA are expected to improve in the mid-double-digit percentage range.

Based on the segment forecasts for the 2019 financial year, the CTS Group expects a upper-single-digit percentage increase in revenue and a mid-single-digit percentage increase in earnings. Taking into account the effects of IFRS 16 (Leases), the earnings figures EBITDA/normalised EBITDA are expected to improve in the lower-double-digit range.

Only completed acquisitions were included in the forecast for 2019.

EPS is expected to improve in the mid-single-digit percentage range in 2019.

CTS KGaA holds a 50% stake in the operating company for the project 'car toll', which is accounted for using the equity method. At the end of December 2018, the operating company received the task for the construction of an infrastructure survey system and an infrastructure charge, for a duration of minimum 12 years, by the Federal Motor Vehicle Office. Due to the complexity of the accounting treatment of the contract according to IFRS, in particular the revenue recognition according to IFRS 15, the operating company and the subcontractors in the CTS Group have not yet finalised the forecast of revenue and earnings effects according to IFRS for the year 2019. These effects of the revenue and earnings development in the CTS Group and the results of the operating company to be included proportionately in the financial result using the equity method are therefore not yet included in the revenues, earnings and EPS forecast.

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

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

11. DISCLOSURES REQUIRED UNDER TAKEOVER LAW

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

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

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

With the exception of the statutory exclusion of voting rights, management is not aware of any restrictions that affect voting rights or transfer of shares.

DIRECT OR INDIRECT SHAREHOLDINGS

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

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

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

HOLDERS OF SHARES WITH SPECIAL RIGHTS

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

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

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

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

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

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

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

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

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

AUTHORISATION OF THE MANAGEMENT BOARD TO ISSUE AND BUY BACK SHARES

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

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

By resolution of the Shareholders' Meeting held on 8 May 2018, the general partner has been authorised, by resolution of a contingent capital increase, to issue warrant bonds and convertible bonds by 7 May 2023, to a total par value of up to EUR 800,000,000 and with a maximum term of 20 years, contingent on Supervisory Board approval, and to grant the bearers of warrant bonds options and the bearers of convertible bonds conversion rights on up to 19,200,000 new no-par bearer shares of the company, equal to share capital of up to EUR 19,200,000, and excluding the rights of the shareholders to the convertible bonds under certain conditions within the permissible statutory subscription. In view of the possibility to issue shares to the holders of warrant and convertible bonds on the basis of this resolution, contingent capital of EUR 19,200,000 was formed (contingent capital 2018).

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

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

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

COMPENSATION AGREEMENTS

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

12. COMPENSATION REPORT

The compensation report summarises the principles used to determine the remuneration of the Management Board of CTS KGaA, and explains both the amount and structure of Management Board remuneration. The amount and structure of Supervisory Board remuneration is also described.

REMUNERATION OF THE MANAGEMENT BOARD

The total amount of compensations paid to members of the corporate management in financial year 2018 amounted to EUR 5,904 thousand (previous year: EUR 5,101 thousand). Compensation consists of fixed annual emoluments and a variable, performance-based payment. The agreed criteria for granting the variable component, and for the amount paid, are among others revenue and earnings key figures, which are provided with multi-year bonus and malus incentives. In accordance with the malus arrangement, the variable components are reduced disproportionately in the following year if the result is substantially below target. If the result is reached at least in the following two years, the reduced compensation components are balanced again. Clearly defined, auditable and relevant success criteria are applicable that are continuously monitored by the Supervisory Board. The variable compensation components are subject to limits. They take into account positive and negative developments. The members of the corporate management also receive payments in kind, specifically in the form of an appropriate company car.

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

Compensations (in EUR) paid to corporate management:

Granted Benefits/Allocations [1]	Klaus-Peter Schulenberg | CEO 2017	2018	2018 (Min)	2018 (Max)
Fixed salary	2,500,000	2,800,000	2,800,000	2,800,000
Benefits	13,229	13,325	13,325	13,325
Total (non-performance-related)	**2,513,229**	**2,813,325**	**2,813,325**	**2,813,325**
One-year term variable cash remuneration	600,000	800,000	-	800,000
Multi-year variable cash remuneration	150,000	200,000	-	200,000
Total (performance-related)	**750,000**	**1,000,000**	**-**	**1,000,000**
Pension expenses	-	-	-	-
Total remuneration	**3,263,229**	**3,813,325**	**2,813,325**	**3,813,325**

Granted Benefits/Allocations [1]	Alexander Ruoff | COO 2017	2018	2018 (Min)	2018 (Max)
Fixed salary	600,000	750,000	750,000	750,000
Benefits	18,959	21,085	21,085	21,085
Total (non-performance-related)	**618,959**	**771,085**	**771,085**	**771,085**
One-year term variable cash remuneration	240,000	350,000	-	350,000
Multi-year variable cash remuneration	60,000	50,000	-	50,000
Total (performance-related)	**300,000**	**400,000**	**-**	**400,000**
Pension expenses	-	-	-	-
Total remuneration	**918,959**	**1,171,085**	**771,085**	**1,171,085**

Granted Benefits/Allocations [1]	Volker Bischoff | CFO 2017	2018	2018 (Min)	2018 (Max)
Fixed salary	600,000	600,000	600,000	600,000
Benefits	18,689	19,992	19,992	19,992
Total (non-performance-related)	**618,689**	**619,992**	**619,992**	**619,992**
One-year term variable cash remuneration	240,000	250,000	-	250,000
Multi-year variable cash remuneration	60,000	50,000	-	50,000
Total (performance-related)	**300,000**	**300,000**	**-**	**300,000**
Pension expenses	-	-	-	-
Total remuneration	**918,689**	**919,992**	**619,992**	**919,992**

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

The compensations paid to members of the corporate management include EUR 1,700 thousand (previous year: EUR 1,350 thousand) in variable components and EUR 4,204 thousand (previous year: EUR 3,751 thousand) in fixed components. Ancillary benefits include company cars among other things.

REMUNERATION OF THE SUPERVISORY BOARD

The members of the Supervisory Board of CTS KGaA received emoluments totalling EUR 250 thousand (previous year: EUR 233 thousand) as well as reimbursed expenses of EUR 4 thousand (previous year: EUR 4 thousand) for the 2018 financial year. Fixed compensation comprised the following: Dr. Kundrun EUR 100 thousand (previous year: EUR 100 thousand), Prof. Plog EUR 50 thousand (previous year: EUR 50 thousand), Dr. Thümmel EUR 50 thousand (previous year: EUR 50 thousand) and Mr. Spee EUR 50 thousand (previous year: EUR 33 thousand). Reimbursed expenses comprised the following: Dr. Kundrun EUR 0 thousand (previous year: EUR 0 thousand), Prof. Plog EUR 2 thousand (previous year: EUR 2 thousand), Dr. Thümmel EUR 0 thousand (previous year: EUR 1 thousand) and Mr. Spee EUR 2 thousand (previous year: EUR 1 thousand).

13. CORPORATE GOVERNANCE DECLARATION

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

Bremen, 28 February 2019

CTS EVENTIM AG & Co. KGaA,

Represented by:

EVENTIM Management AG, general partner

The Management Board

6. CONSOLIDATED FINANCIAL STATEMENTS 2018

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

ASSETS		31.12.2018	31.12.2017
		[EUR'000]	[EUR'000]
Current assets			
Cash and cash equivalents	(1)	873,206	640,726
Marketable securities and other investments		3,385	837
Trade receivables		62,050	60,541
Receivables from affiliated and associated companies accounted for at equity		563	2,218
Inventories	(2)	5,397	4,600
Payments on account	(3)	75,109	46,084
Receivables from income tax	(4)	7,136	6,141
Other financial assets	(5)	138,975	116,795
Other non-financial assets	(6)	24,931	37,140
Total current assets		**1,190,752**	**915,080**
Non-current assets			
Goodwill	(7)	320,763	296,839
Other intangible assets	(8)	130,194	112,722
Property, plant and equipment	(9)	33,403	31,224
Investments	(10)	1,739	1,815
Investments in associates accounted for at equity	(11)	18,803	19,294
Loans		0	3,767
Trade receivables		156	20
Receivables from affiliated and associated companies accounted for at equity		66	0
Other financial assets	(5)	10,640	4,605
Other non-financial assets	(6)	2,606	1,000
Deferred tax assets	(12)	15,986	18,993
Total non-current assets		**534,355**	**490,278**
Total assets		**1,725,107**	**1,405,358**

EQUITY AND LIABILITIES		31.12.2018	31.12.2017
		[EUR'000]	[EUR'000]
Current liabilities			
Financial liabilities	(13)	38,960	59,418
Trade payables		138,939	103,889
Payables to affiliated and associated companies accounted for at equity		743	554
Advance payments received	(14)	389,901	286,454
Other provisions	(15)	7,924	7,884
Tax debts		59,297	37,568
Other financial liabilities	(16)	443,407	333,024
Other non-financial assets	(17)	75,987	64,642
Total current liabilities		**1,155,157**	**893,433**
Non-current liabilities			
Financial liabilities	(13)	66,339	87,781
Advance payments received	(14)	522	1,132
Other provisions	(15)	4,196	4,598
Other financial liabilities	(16)	121	260
Pension provisions	(18)	8,857	9,925
Deferred tax liabilities	(12)	18,626	14,429
Total non-current liabilities		**98,662**	**118,125**
Equity	(19)		
Share capital		96,000	96,000
Capital reserve		1,890	1,890
Statutory reserve		7,200	7,200
Retained earnings		335,098	266,993
Other reserves		-1,652	-2,278
Treasury stock		-52	-52
Total equity attributable to shareholders of CTS KGaA	(20)	**438,483**	**369,753**
Non-controlling interests		32,805	24,047
Total equity		**471,289**	**393,800**
Total equity and liabilities		**1,725,107**	**1,405,358**

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2018

		01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
		[EUR'000]	[EUR'000]
Revenue	(1)	1,241,689	1,033,980
Cost of sales	(2)	-901,121	-728,767
Gross profit		**340,568**	**305,213**
Selling expenses		-96,190	-87,604
General administrative expenses		-68,043	-60,292
Other operating income	(3)	28,081	24,753
Other operating expenses	(4)	-13,651	-16,341
Operating profit (EBIT)		**190,765**	**165,730**
Income / expenses from participations		648	35
Income/ expenses from investments in associates accounted for at equity		2,207	2,755
Financial income	(5)	5,546	10,196
Financial expenses	(6)	-6,262	-7,923
Income before tax (EBT)		**192,904**	**170,792**
Taxes	(7)	-62,623	-52,460
Net income		**130,281**	**118,332**
Net income attributable to			
Shareholders of CTS KGaA		**118,504**	**112,808**
Non-controlling interests		11,777	5,524
Earnings per share (in EUR); undiluted (= diluted)		1,23	1,18
Average number of shares in circulation; undiluted (= diluted)		96 million	96 million

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2018

	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
	[EUR'000]	[EUR'000]
Net income	130,281	118,332
Remeasurement of the net defined benefit obligation for pension plans	971	2,205
Items that will not be reclassified to profit or loss	**971**	**2,205**
Exchange differences on translating foreign subsidiaries	1,089	-3,733
Changes in financial assets measured at fair value	0	-2
Change in the fair value of derivatives in cash flow hedges	18	-29
Share of other comprehensive income (exchange differences) of investments accounted for using the equity method	-122	-559
Items that will be reclassified subsequently to profit or loss when specific conditions are met	**985**	**-4,323**
Other results (net)	**1,955**	**-2,118**
Total comprehensive income	**132,236**	**116,214**
Total comprehensive income attributable to		
Shareholders of CTS KGaA	119,141	110,711
Non-controlling interests	13,095	5,503

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders of CTS KGaA												Con-solidated equity
					Other reserves								
	Share capital	Capital reserve	Statutory reserve	Retained earnings	Currency translation	At Fair Value measured financial assets	Hedging instru-ments	Associated companies accounted for at equity	Remeas-urement of the net defined benefit obligation for pension plans	Treasury stock	Total equity attributable to shareholders of CTS KGaA	Non-con-trolling interests	Total equity
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
Status 01.01.2017	**96,000**	**1,890**	**7,200**	**250,728**	**5,304**	**14**	**-3**	**-2,444**	**-3,052**	**-52**	**355,586**	**29,428**	**385,013**
Net income	0	0	0	112,808	0	0	0	0	0	0	**112,808**	5,524	**118,332**
Other income	0	0	0	0	-3,733	-2	-15	360	1,293	0	**-2,097**	-21	**-2,118**
Total income											**110,711**	**5,503**	**116,214**
Dividends	0	0	0	-94,071	0	0	0	0	0	0	**-94,071**	-6,834	**-100,906**
Capital increase / decrease	0	0	0	0	0	0	0	0	0	0	**0**	1,737	**1,737**
Changes in the scope of consolidation	0	0	0	-622	0	0	0	0	0	0	**-622**	-5,787	**-6,409**
Other changes[1]	0	0	0	-1,850	0	0	0	0	0	0	**-1,850**	0	**-1,850**
Status 31.12.2017	**96,000**	**1,890**	**7,200**	**266,993**	**1,571**	**12**	**-18**	**-2,084**	**-1,759**	**-52**	**369,753**	**24,047**	**393,800**
Adjustments IFRS 9	0	0	0	-600	0	-12	0	0	0	0	**-612**	-206	**-818**
Status 01.01.2018	**96,000**	**1,890**	**7,200**	**266,394**	**1,571**	**0**	**-18**	**-2,084**	**-1,759**	**-52**	**369,142**	**23,841**	**392,982**
Net income	0	0	0	118,504	0	0	0	0	0	0	**118,504**	11,777	**130,281**
Other income	0	0	0	0	177	0	4	-122	578	0	**638**	1,318	**1,955**
Total income											**119,141**	**13,095**	**132,236**
Dividends	0	0	0	-56,635	0	0	0	0	0	0	**-56,635**	-9,882	**-66,517**
Capital increase / decrease	0	0	0	0	0	0	0	0	0	0	**0**	2,840	**2,840**
Changes in the scope of consolidation	0	0	0	6,835	0	0	0	0	0	0	**6,835**	2,912	**9,747**
Other changes	0	0	0	0	-283	0	0	283	0	0	**0**	0	**0**
Status 31.12.2018	**96,000**	**1,890**	**7,200**	**335,098**	**1,465**	**0**	**-14**	**-1,923**	**-1,181**	**-52**	**438,483**	**32,805**	**471,289**

[1] Other changes in 2017 relate to the recognition of the put option of a minority shareholder

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2018

	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
A. Cash flow from operating activities	**[EUR'000]**	**[EUR'000]**
Net income	130,281	118,332
Depreciation and amortisation on fixed assets	37,474	35,897
Changes in pension provisions	-1,068	-2,320
Deferred tax expenses / income	362	-7,639
Cash flow	**167,050**	**144,270**
Other non-cash transactions	-9,226	-11,117
Profit / loss from disposal of fixed assets	-3,525	219
Interest expenses / Interest income	2,304	3,002
Income tax expenses	62,260	60,099
Interest received	730	521
Interest paid	-2,200	-2,876
Income tax paid	-41,881	-49,739
Increase (-) / decrease (+) in inventories	-505	619
Increase (-) / decrease (+) in payments on account	-21,622	-7,054
Increase (-) / decrease (+) in marketable securities and other investments	-2,044	978
Increase (-) / decrease (+) in receivables and other assets	-11,904	-64,127
Increase (+) / decrease (-) in provisions	229	-1,654
Increase (+) / decrease (-) in liabilities	200,099	147,832
Cash flow from operating activities	**339,765**	**220,971**
B. Cash flow from investing activities		
Payments for investments in intangible assets	-18,182	-21,105
Payments for investments in property, plant and equipment	-11,188	-13,538
Payments for investments in non-current financial assets	-769	-1,884
Proceeds from sales of property, plant and equipment	169	289
Proceeds from sales of non-current financial assets	5,902	713
Proceeds/payments from the acquisition of consolidated companies less cash and cash equivalents acquired	21,502	12,391
Effects from the disposal of deconsolidated subsidiaries	-911	0
Cash flow from investing activities	**-3,476**	**-23,134**
C. Cash flow from financing activities		
Proceeds from borrowing financing loans	15,000	12,000
Payments for redemption of financing loans	-49,863	-19,594
Proceeds from equity transfers of non-controlling interests (capital increases)	2,840	1,737
Payments for the acquisition of consolidated companies	-5,817	0
Dividend payments to non-controlling interests	-9,882	-6,834
Dividend payments to shareholders of CTS KGaA	-56,635	-94,071
Cash flow from financing activities	**-104,357**	**-106,763**
D. Net increase / decrease in cash and cash equivalents	**231,932**	**91,074**
Net increase / decrease in cash and cash equivalents due to currency translation	548	-3,988
Cash and cash equivalents at beginning of period	640,726	553,640
E. Cash and cash equivalents at end of period	**873,206**	**640,726**
F. Composition of cash and cash equivalents		
Cash and cash equivalents	873,206	640,726
Cash and cash equivalents at end of period	**873,206**	**640,726**

CONTENT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM 1 JANUARY – 31 DECEMBER 2018

1. PRELIMINARY STATEMENTS

1.1 STRUCTURE AND BUSINESS OPERATIONS OF THE GROUP

The consolidated financial statements include all significant subsidiaries in addition to the CTS EVENTIM AG & Co. KGaA (hereinafter: CTS KGaA) as the parent company. The CTS KGaA, Rablstrasse 26, D-81669 Munich, Germany, is registered in the Commercial Register at Munich Local Court under no. HRB 212700. The company's head office is in Bremen, Germany. Shares in CTS KGaA are traded under securities code 547030 and switched from the MDAX to the SDAX segment of the Frankfurt Stock Exchange on 27 December 2018.

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

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

The annual financial statements of CTS KGaA, the consolidated financial statements of CTS KGaA and the combined management report, audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, are published in the electronic Federal Gazette (Bundesanzeiger).

These consolidated financial statements and the combined Group management report were approved by the Management Board of EVENTIM Management AG, Hamburg, on 28 February 2019, for presentation to the Supervisory Board. The financial statements will be approved at the meeting of the Supervisory Board on 19 March 2019.

1.2 ACCOUNTING PRINCIPLES

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

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

The comparative figures in the income statement and the comparative figures in the balance sheet relate to the consolidated financial statements as at 31 December 2017. In its first-time application of IFRS 9 and IFRS 15, the CTS Group opted for a transitional method under which the cumulative adjustments resulting from these standards are recognised as at 1 January 2018. Comparative figures for 2017 therefore did not require adjustment.

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

1.3 NEW AND AMENDED STANDARDS IN 2018

The following new and amended standards have been adopted for the first time on or after 1 January 2018.

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

The effects of the first-time adoption of the IFRS 15 and IFRS 9 standards on the CTS Group's financial statements are presented in the following section. Other applicable and amended standards and interpretations did not have any material effects on the earnings performance, financial position and cash flow.

IFRS 15 ‚Revenue from contracts with customers' contains new accounting requirements regarding the recognition of revenue relating to contracts with customers. The Group's business models in the Ticketing and Live Entertainment segments were investigated on a detailed contractual analysis. The review of the identified contractual components revealed that the first-time adoption of IFRS 15 would have no material effects. This applies particularly to the recognition of revenue over time or the recognition of revenue at a certain point in time, as well as to the recognition of assets and liabilities in relation to the contracts. The amended requirements concerning the definition of principal and agent also do not have any material effects. The additional notes required in accordance with the standard are explained in the accounting principles section. The CTS Group has opted for a modified, retroactive first-time adoption of IFRS 15. As a result, the first-time adoption of IFRS 15 does not have any effect on the comparability of previous-year figures.

IFRS 9 ‚Financial instruments' replaces the requirements of IAS 39, which related to the recognition, classification and measurement of financial assets and liabilities, the derecognition of financial instruments, the impairment of financial assets and hedge accounting. The first-time adoption of IFRS 9 from 1 January 2018 resulted in changes to accounting principles and adjustments to the amounts recognised in the financial statements. The comparative figures were not adjusted retroactively, in line with the transitional regulations of IFRS 9. The transitional effects were recognised as cumulative items in retained earnings.

The following table shows the reconciliation of the balance sheet as at 31 December 2017 to the restated opening balance sheet as at 1 January 2018 in accordance with IFRS 9:

	31.12.2017	IFRS 9 adjustments from		01.01.2018
		Classification	Impairment	(after adjustments)
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
ASSETS				
Cash and cash equivalents	640,726		-66	640,660
Marketable securities and other investments	837		-10	827
Trade receivables (current)	60,541		-658	59,883
Receivables from affiliated and associated companies accounted for at equity	2,218		-2	2,216
Other financial assets (current)	116,795		-324	116,470
Loans	3,767		-1	3,766
Other financial assets (non-current)	4,605	10	-1	4,614
Deferred tax assets	18,993		235	19,228
		10	**-828**	
EQUITY AND LIABILITIES				
Retained earnings	266,993	22	-622	266,394
Other reserves	-2,278	-12		-2,290
Non-controlling interests	24,047		-206	23,841
		10	**-828**	

The new requirements for determining impairments have significant effects. Whereas IAS 39 only required the recognition of actual losses, expected credit losses must already be taken into account upon the initial recognition of financial assets under IFRS 9. As at 1 January 2018, the first-time adoption of the expected-loss model at the CTS Group resulted in an increase in impairments (EUR 1,062 thousand) on financial assets (primarily trade receivables and receivables relating to ticket monies) and a corresponding increase in deferred tax assets (EUR 235 thousand). Of the adjustment of EUR 828 thousand, EUR 622 thousand was recognised in retained earnings (thereof deferred taxes of EUR 160 thousand). An amount of EUR 206 thousand (thereof deferred taxes of EUR 76 thousand) was attributable to non-controlling interests.

The following table shows the impairments pursuant to IFRS 9 for trade receivables and other financial assets (current) (receivables relating to ticket monies) as at 1 January 2018:

	Impairments		
	31.12.2017	IFRS 9 adjustment	01.01.2018
	[EUR'000]	[EUR'000]	[EUR'000]
Trade receivables	-2,623	-658	-3,281
Receivables relating to ticket monies	-1,701	-300	-2,001

Impairments of EUR 102 thousand were recognised for all other financial assets as at 1 January 2018.

According to IFRS 9, the categories previously defined in IAS 39 no longer apply. The amendment to classification requirements resulted in adjustments of EUR 22 thousand being recognised in retained earnings as at 1 January 2018. An amount of EUR 12 thousand was reclassified from other reserves to retained earnings.

The following overview shows the original measurement categories used pursuant to IAS 39 and the new measurement categories under IFRS 9 per financial asset class as at 1 January 2018:

Change in categories of financial instruments

		Classification IAS 39	Classfication IFRS 9	Carrying amount 31.12.2017	Carrying amount after IFRS 9 adjustment 01.01.2018	Delta
				[EUR'000]	[EUR'000]	[EUR'000]
ASSETS						
Cash and cash equivalents	(1)	Loans and receivables	Amortised cost	640,726	640,660	-66
Marketable securities and other investments (at fair value not through profit and loss)	(2)	Available-for-sale financial assets	Fair value through profit and loss	521	521	0
Marketable securities and other investments (at amortised cost)	(1)	Loans and receivables	Amortised cost	316	306	-9
Trade receivables	(1)	Loans and receivables	Amortised cost	60,561	59,903	-658
Receivables from affiliated and associated companies accounted for at equity	(1)	Loans and receivables	Amortised cost	2,218	2,216	-2
Other original financial assets	(1)	Loans and receivables	Amortised cost	119,528	119,203	-325
Other original financial assets	(2)	Loans and receivables	Fair value through profit and loss	1,830	1,840	10
Other derivative financial assets (in cash flow hedges)	(3)	Derivatives in cash flow hedges	Derivatives in cash flow hedges	42	42	0
Investments (at amortised cost)	(1)	Held-to-maturity investments	Amortised cost	710	710	0
Investments (at cost)	(2)	Available-for-sale financial assets	Fair value through profit and loss	1,105	1,105	0
Loans	(1)	Loans and receivables	Amortised cost	3,767	3,766	-1
Total financial assets				**831,324**	**830,272**	**-1,052**

(1) AMORTISED COST

Pursuant to IAS 39, financial assets were categorised as loans and receivables, whereas under IFRS 9 they are mainly attributed to the ‚hold to collect' business model. The analysis of contractual cash flows found that financial assets will continue to be measured at amortised cost. The adjusted carrying values as at 1 January 2018 presented in the table are the result of the impairment requirements of IFRS 9.

(2) AT FAIR VALUE THROUGH PROFIT OR LOSS

Under IAS 39, a securities portfolio was categorised as available-for-sale. Under IFRS 9, neither the ‚hold to collect' nor the ‚hold to collect and sell' business model are relevant to the securities portfolio; as a result, the securities portfolio is measured at fair value through profit or loss. Investments in companies that do not fall under the scope of IFRS 10, IFRS 11 and IAS 28 were categorised as available-for-sale under IAS 39. These are subsequently measured at fair value through profit or loss, according to IFRS 9.

A financial asset allocated to the loans and receivables category under IAS 39 and measured at amortised cost, is measured at fair value through profit or loss under IFRS 9, as the cash flow criterion is not met.

(3) DERIVATIVES IN CASH FLOW HEDGES

Derivative financial instruments in cash flow hedges do not form a special category. The effective changes in value are recognised in other comprehensive income and then reclassified into the income statement in profit or loss after the end of the hedge.

The CTS Group did not utilise the option to retain the hedge accounting requirements under IAS 39 and has applied the requirements defined in IFRS 9 since 1 January 2018. Hedge accounting is currently only used at the Group to a limited extent to hedge foreign currency risks. As a result, there are no first-time adoption effects. Existing hedges were maintained following the first-time adoption of IFRS 9.

1.4 NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

The IASB and the International Financial Reporting Interpretations Committee (IFRIC) have adopted additional standards and interpretations that are not yet mandatory for the 2018 financial year and which have not been applied to the consolidated annual financial statements as at 31 December 2018.

Applicable on or after 1 January 2019:

- IFRS 16 ‚Leases'
- Amendments to IFRS 9 ‚Financial Instruments Prepayment features with negative compensation'
- Amendments to IAS 28 ‚Investments in Associates and Joint Ventures'
- IFRIC 23 ‚Uncertainty over Income Tax Treatments'

Not yet adopted by the European Law:

- Amendments to IAS 19 ‚Employee Benefits' – plan amendment, -curtailment or -settlement
- Amendments within the Annual-Improvements-Process 2015-2017 – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Applicable on or after 1 January 2020:

Not yet adopted by the European Law:

- Amendments to IAS 1 ‚Presentation of Financial Statements' and IAS 8 ‚Accounting policies, changes in accounting estimates and errors' – Materiality definition
- Amendments to IFRS 3 ‚Business combinations' – Business definition
- Amendments to references to the Conceptual Framework in IFRS Standards

Applicable on or after 1 January 2021:

- IFRS 17 ‚Insurance contracts'

Standards whose date for application is after the balance sheet date were not applied early. The effects of IFRS 16 are presented in the following section. The effects of other new and amended standards and interpretations to be applied in the future on the presentation of earnings performance, financial position and cash flow are currently being investigated, a reliable assessment of these effects is not yet possible.

The first-time adoption of **IFRS 16** from 1 January 2019 will have a material impact on the earnings performance, financial position and cash flow of the CTS Group.

The new standard requires almost all leases to be recognised in the balance sheet, as the distinction between operating leases and financial leases will be removed for lessees. Under IFRS 16, assets (the right to use the leased object) and financial liabilities (the obligation to pay the lease instalments) are recognised in the balance sheet. The standard is only applied to fixed assets at the CTS Group (IFRS 16.4). The CTS Group makes use of its option to waive the capitalisation of rights of use and the recognition as liabilities of obligations resulting from current leases (terms of less than one year) and leases for low-value leased objects (assets with a value below EUR 5,000 when new).

The CTS Group opted for the modified retrospective approach in transitioning to the new requirements of IFRS 16. This does not involve any retrospective adjustment to previous year figures. The new requirements are not applied to leases with a residual term of less than one year as at the transition date of 1 January 2019. At the point of first-time adoption, the option to recognise lease assets and lease liabilities at the same amount was exercised; as a result, no differences require recognition in retained earnings. Non-leasing components (such as service fees) were not included in the present value calculation. Assets are depreciated over the term of the underlying lease agreement. A currency-specific incremental borrowing rate is used to calculate the present value of lease liabilities and rights of use for each lease agreement. This incremental borrowing rate also takes company-specific and country-specific risk factors into account. Interest rates are calculated on the basis of the market situation on 1 January 2019, in consideration of the residual term of the relevant agreement at this point in time.

The total assets of the CTS Group will increase by approximately EUR 146 million at the point of first-time adoption (1 January 2019). The extension of the balance sheet is primarily the result of the capitalisation of rights of use for venues (approximately EUR 102 million), office buildings (approximately EUR 43 million) and vehicles (approximately EUR 1 million) and the corresponding recognition of other financial liabilities (of which approximately EUR 17 million are current and approximately EUR 129 million non-current). Deferred tax assets on other financial liabilities and deferred tax liabilities on the capitalisation of rights of use are identical at the point of first-time adoption and are netted against each other; in total, they have no effect on the balance sheet.

Besides the significant first-time adoption effects in the balance sheet, the application of IFRS 16 will also have material effects on the income statement. Due to the change in cost types for operating leases from rental expenses under IAS 17 to depreciation under IFRS 16 for the existing leasing contracts as at 1 January 2019, EBITDA is expected to improve by approximately EUR 17 million in 2019 (approximately EUR 10 million in the Live Entertainment segment and approximately EUR 7 million in the Ticketing segment). The effect on EBIT is expected to amount to approximately EUR 0.7 million. The financial result is likely to decline by approximately EUR 1.4 million in 2019 as a result of IFRS 16, and net income likewise by roughly EUR 0.6 million. Operating cash flow will rise by around EUR 17 million and cash flow from financing activities will decline by around EUR 17 million.

1.5 SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION POLICIES

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

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

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

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

Companies accounted for using the equity method are initially recognised at the proportionate revalued equity. Changes in the proportionate equity in profit or loss are recognised in the income statement as profit or loss from investments in associates. If the Group's share in losses from a company accounted for at equity is equal to or greater than the Group's share in that company, plus other non-current loans (the repayment of which cannot be expected in the near future), the Group does not recognise any further losses unless it has entered into obligations in respect of the company accounted for at equity, or has made payments for the company accounted for at equity.

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

BUSINESS COMBINATIONS AND NON-CONTROLLING INTERESTS

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

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

Transactions with non-controlling interests are treated as transactions with shareholders. If a difference arises between the costs for these shares and the carrying amount of the acquired minority shares, it must be fully recognised in equity. Gains and losses arising on the disposal of non-controlling interests are also recognised in equity.

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

CURRENCY TRANSLATION PRINCIPLES

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

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

INVENTORIES

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

PAYMENTS ON ACCOUNT

Payments on account are carried at cost of purchase.

LEASING

CTS Group is lessor as well as lessee.

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

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

FINANCIAL INSTRUMENTS

IFRS 9 introduces new recognition and measurement requirements for financial instruments and replaces IAS 39. The previous year figures are based on the accounting requirements of IAS 39. Please refer to the notes in the 2017 Annual Report for further information.

The stated values of the Group's financial instruments include cash and cash equivalents, marketable securities and other investments, financial investments, trade receivables and payables, receivables from and payables to affiliated and associated companies accounted for at equity, other financial assets and liabilities and financial liabilities.

Cash and cash equivalents primarily consist of bank balances.

Marketable securities and other investments predominantly comprise a securities portfolio, term deposits and bonds.

Financial assets include investments in companies that do not fall under the scope of IFRS 10, IFRS 11 and IAS 28.

Receivables from affiliated and associated companies accounted for at equity include both issued loans and trade receivables.

Other financial assets include original financial assets such as receivables relating to ticket monies, factoring receivables and receivables from promoters. This item also includes positive market values of derivative financial instruments.

Payables to affiliated and associated companies accounted for at equity exclusively comprise trade payables.

Other financial liabilities mainly consist of original financial liabilities from ticket monies that have not yet been invoiced. In addition, negative market values of derivative financial instruments are also reported under this item.

Financial liabilities mostly consist of financial loans and purchase price obligations resulting from the acquisition of shares in consolidated subsidiaries.

CLASSIFICATION AND MEASUREMENT

Financial assets are divided into the following measurement categories:

- financial assets that are subsequently measured at fair value (in other comprehensive income or in profit or loss)
- financial assets that are measured at amortised cost

Classification is based on the definition of the business model used to manage the financial asset and the analysis of contractual cash flows.

The definition of the business model for a financial asset takes place using groups of contracts with similar structures (portfolios). The business model used to manage a financial asset is characterised by certain defined activities. These include how the performance of the portfolio is assessed and reported to management, which risks impact performance and how these risks are managed. Other aspects in the assessment of the business model include the frequency, volume and timing as well as the reasons for past sales of financial assets. This results in the following business models:

‚Hold to collect': The aim of this business model is to hold financial assets in order to collect the contractual cash flows.

‚Hold to collect and sell': The aim of this business model is to collect contractual cash flows and sell financial assets.

‚Other': This is a residual category, if the two business models above are not relevant.

Contractual cash flows are analysed at an individual contract level. The financial asset is checked to identify whether it gives rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, as in a standard loan, or whether the contract includes terms that change the timing or amount of the contractual cash flows so that the aforementioned requirements are not met. The contract is analysed with regard to any advance payments or extension options, variable components and contingent elements.

Within determining the business model and checking the cash flow criterion, the following measurement categories for financial assets arise:

If the financial asset meets the requirements of the ‚hold to collect' business model and passes the cash flow criterion, it is subsequently measured at amortised cost.

If the financial asset meets the requirements of the ‚hold to collect and sell' business model and passes the cash flow criterion, it is subsequently measured at fair value through other comprehensive income.

If the financial asset does not meet the cash flow criterion or only fits the ‚Other' business model, it is subsequently measured at fair value through profit or loss.

Equity instruments, by definition, do not meet the cash flow criterion and must therefore be subsequently measured at fair value through profit or loss. Companies have the option to measure equity instruments at fair value through other comprehensive income; however, the Group does not currently exercise this option. Investments reported under financial assets currently meet the required definition of equity instruments.

Original financial assets are generally recognised on the settlement date. At the initial recognition of financial assets measured at fair value through profit or loss, transaction costs are recognised as expenses in the income statement. The initial recognition of financial assets (in other comprehensive income or at amortised cost) takes place at fair value plus directly attributable transaction costs.

Marketable securities and other investments (securities portfolio), investments and part of other original financial assets are subsequently measured at fair value. Net gains or losses from these financial instruments include interest, dividends and effects from the measurement on the respective measurement date.

Cash and cash equivalents, trade receivables, receivables from affiliated and associated companies accounted for at equity, other financial assets and marketable securities and other investments (term deposits, bonds) are measured at amortised cost. Net gains or losses from these financial instruments include interest, currency effects and impairments.

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Financial assets are written off when there is no longer a reasonable expectation that the cash flows of the financial asset will be collected. Indications of the latter can include the insolvency proceedings, ongoing financial difficulties or high volumes of receivables past due in relation to the contractual partner.

Original financial liabilities are initially measured at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method. The derecognition of a financial liability occurs if it is extinguished i.e. the contractual liabilities are discharged, cancelled or expired. Net gains or losses include interest expense and foreign currency effects.

Derivative financial instruments are recognised as at the trade date and are measured at fair value through profit or loss. The positive or negative market value as at the reporting date is entered in other financial assets or liabilities.

IMPAIRMENT

As part of requirements concerning impairments, expected credit losses concerning financial assets measured at amortised cost must be recognised as expenses at initial recognition.

The simplified approach is applied in the case of trade receivables, receivables from affiliated and associated companies accounted for at equity (trade receivables) and receivables relating to ticket monies; under this approach, the expected credit loss is recognised over the entire term of the respective financial asset. Expected losses are calculated for each company and past-due period largely on the basis of historical values from the past three financial years. These figures are then adjusted for macroeconomic factors of the country in question if corresponding factors are determined that could have an impact on credit risk.

The general approach is applied to all other financial assets measured at amortised cost (cash and cash equivalents, marketable securities and other investments, receivables from affiliated and associated companies accounted for at equity (loans), other financial assets). Under this approach, expected losses are calculated for the following 12 months in the case of financial assets that are not subject to a significantly increased credit risk. The expected loss is to be calculated for the full term of the financial asset as soon as a significant increase in credit risk is determined. This is the case if the contractual partner is past due on a payment by more than 30 days or there are indications of financial difficulties. If the financial difficulties are substantiated by certain objective indications, this financial asset is considered to be a financial asset with impaired creditworthiness. Rating classes with defined statistical probabilities of default based on external market data are used to calculate expected credit losses.

HEDGE ACCOUNTING

The CTS Group uses targeted forward foreign exchange transactions to hedge exchange rate risks from operating activities. At the beginning of each hedge transaction, documentation concerning the hedge is created in accordance with the aim and strategy of risk management. In addition, the economic relationship between the underlying transaction and the hedging instrument is also documented, including the question of whether changes to cash flows from the underlying transaction and the hedging instrument are likely to be balanced out.

At company level, future transactions that have a very high probability of occurrence have been hedged against currency translation risks. CTS Group has a 12-month budget plan, on the basis of which maturity-congruent forward foreign exchange hedges are acquired for the dates of the expected cash flows. These hedges are regularly recognised as cash flow hedges.

The effective portion of the gains or losses from cash flow hedges are recognised in other comprehensive income and are reclassified to the income statement as soon as the hedged cash flows affect the income statement. This takes place in the same item on the income statement in which the hedged cash flows are recognized. The ineffective portion of the hedging instrument is immediately recognised in profit or loss.

The effectiveness of the hedging instruments is assessed prospectively and retrospectively on the basis of the dollar offset method, in which the absolute changes in the value of the hedged item and the hypothetical derivative are compared. Generally, the nominal volume, the maturity and the remaining contractual details of the underlying transaction and the hedge transaction are the same so that no ineffective elements are anticipated.

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

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

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

Development costs for proprietary software are recognised as assets if they meet the criteria specified in IAS 38. The cost of software development is capitalised if the results arise in new or improved products. Prerequisite for the capitalisation is that the development costs can be reliably determined, the software products/modules technically and economically feasible and future benefits are probable. The costs directly attributable to the software include personnel costs of those involved in the development as well as a reasonable portion of the related overheads. Capitalised development costs for software are amortised over their estimated lifetime.

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

- Software, licenses and similar rights: 2 - 15 years
- Trademarks: 5 - 10 years
- Customer base: 4 - 15 years
- Other real estate, land rights and buildings, including buildings on third-party properties: 4 - 12 years
- Technical equipment and machinery: 4 - 5 years
- Other property, plant and office equipment: 3 - 20 years

In accordance with IAS 36, goodwill is not amortised systematically, but is reviewed for impairment on the basis of the recoverable amount for the cash-generating unit (cash generating unit; CGU) to which the goodwill is allocated. The cash-generating units correspond to the segments. The Group tests its goodwill for impairment at least once a year on the balance sheet date. Impairments of goodwill may not be reversed.

In compliance with IAS 36, the Group regularly assesses the carrying values of all assets for possible impairment. If events or changes in circumstances provide basis for believing that the carrying value of such an asset might no longer reach the applicable amount, the Group makes a comparison between the recoverable amount and the carrying value of the particular asset (impairment test). If the asset is impaired, the Group records an impairment loss so that the asset is written down to the recoverable amount. The carrying amounts of the reporting units did not exceed the respective fair values in any of the cases and therefore, there was no indication of impairment of a reporting unit in the 2018 financial year.

DEFERRED TAXES

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

PROVISIONS

Other provisions were formed when commitments towards third parties exist that are reasonably likely to require settlement. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the closing date. Long-term provisions, are recognised with the present value to the extent that discounting results have a significant effect. A maturity and currency-adequate, risk-free interest rate is used. There is no compounding in case of negative interest rates.

Provisions for pensions and similar obligations are formed for defined benefit plans. These are obligations on the part of the company resulting from pension expectancies and ongoing benefits paid to active employees who are eligible for benefits. Pension obligations are dependent on years of service and the pay level of the respective employee. The valuation is carried out annually on the basis of actuarial reports. The obligation is determined using the projected unit credit method, taking actuarial assumptions into account. If assets exist that meet the criteria for plan assets, they are offset at fair value against the obligation. The net obligation is shown as a provision in the balance sheet.

RECOGNITION OF REVENUE AND EXPENSES

Revenue from contracts with customers is recognised upon the fulfilment of the performance obligations derived from the contracts. At the beginning of the contractual relationship, it is determined whether the CTS Group fulfils each identified service obligation over time or at a particular point in time.

Revenue in the ordinary course of business in the Ticketing segment mainly relates to the provision of services. These primary include the brokering and distribution of tickets, the provision of systems for ticket brokering and the brokering of insurance. These services are provided to a variety of different parties, including ticket buyers/end customers, box offices and promoters. Through the provision of these services, the CTS Group generates revenue from ticket fees, license fees, commission and other service charges. Usually, the CTS Group provides agent services in the Ticketing segment (broker/commission agent), in which access rights guaranteed in the name of a promoter are sold to end customers (event visitors). Only the commission generated by the Group is recognised as revenue and reported as a net amount. The services associated with the sale of tickets to end customers are recognised at the point when the ticket is sold. Income from the provision of systems to box offices and promoters is recognised over the period in which the systems are provided. Revenue from ticket fees also includes variable compensations (e.g. service charges), which may be refunded to the customer if the event is cancelled. In assessing these variable considerations, the CTS Group assumes that the corresponding events will take place.

Revenue in the ordinary course of business in the Live Entertainment segment mainly relates to the provision of services. Services comprise planning, organising and implementing concerts, concert tours, festivals and other live events as well as operating venues (entertainment services). The CTS Group generally assumes responsibility for the provision of services. This particularly concerns activities in which the CTS Group operates as a tour promoter, local promoter or venue operator. In this respect, the CTS Group generally acts as a principal in the Live Entertainment segment and recognises revenue as gross amounts. The received ticket monies during the presale period are deferred as advance payments received. These are contract liabilities according to IFRS 15. When the event is subsequently held, these advance payments are transferred to revenue and the profits are realised over the time period in which the event is held. In addition, revenue is also generated through the sale of goods, including catering and merchandising products. This revenue is recognised at the point of sale.

User charges are accrued in accordance with the terms of the underlying contract and dividends are recorded at the point at which the legal claim to the payment arises. Interest rates are recognised proportional to time, taking into account the effective interest rate.

ESTIMATES AND ASSESSMENTS BY MANAGEMENT

When preparing the consolidated financial statements, it is necessary to a certain degree to make estimates and assumptions (measurement uncertainties) that affect the assets and liabilities, the disclosure of contingent liabilities as at the balance sheet date and the statement of income and expenditure during the financial year. Estimates and assumptions are constantly reviewed and adjusted if necessary. The actual amounts may deviate from the respective estimates.

Uncertain estimates and assumptions relate among other things to purchase price allocations and valuation of conditional purchase price liabilities, actuarial parameters in the valuation of pension provisions, the calculation of the fair value of financial assets, provisions and the determination of useful lives of intangible assets and property, plant and equipment. The indication of the respective carrying amounts are stated in the notes to the consolidated balance sheet in chapter 3.

In particular, it is necessary to make estimates and assumptions when performing the annual impairment test on goodwill and when recognising deferred tax assets. The Group conducts annual reviews, in conformity with the accounting policies described above, to determine whether there is any impairment of goodwill. The recoverable amount of cash-generating units was measured on the basis of calculated fair value minus costs of sale. These calculations must be derived from assumptions based on management estimates. If trends arise that are beyond the control of management, future carrying values may deviate from the estimated values as originally anticipated. If actual developments diverge from expectations, the assumptions and, if necessary, the carrying values of the goodwill are adjusted accordingly. The indication of the respective carrying amounts and deferred taxes are stated in the notes to the consolidated balance sheet in chapter 3 number 7 and 12.

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

2. CONSOLIDATED SUBSIDIARIES

In addition to the parent company's financial statements, the CTS Group comprises the annual financial statements of 97 subsidiaries (previous year: 95) in the consolidated financial statements.

In the reporting year, the number of fully consolidated companies in the Ticketing segment was reduced from 44 to 39, largely as a result of mergers and deconsolidations of immaterial subsidiaries.

In the Live Entertainment segment, the number of fully consolidated companies increased from 51 to 58, largely due to acquisitions and the establishment of new companies.

In the Live Entertainment segment, two joint ventures (previous year: 2 joint ventures) and 11 associated companies (previous year: 10) are included in the consolidated financial statements using the equity method. Four companies were added as associated companies in the reporting year. This was offset by disposals of associated companies from the reduction of stakes in the Danish investment portfolio of the FKP SCORPIO Group. Currently, the joint venture HAL Apollo is the only significant investment that is included in the consolidated financial statements using the equity method. The CTS Group holds 50% stake in Stage C Ltd., based in Great Britain. It operates the venue Eventim Apollo in London and holds 100% of the shares in the company Hammersmith Apollo Ltd.

Due to their insignificance, 10 subsidiaries (previous year: 8 subsidiaries) are recognised in investments at fair value through profit or loss in the reporting year.

2.1 SIGNIFICANT CHANGES IN THE LIVE ENTERTAINMENT SEGMENT

In November 2017, 60% of shares in the newly established Italian concert and event promoter Friends & Partners SpA, Milan (hereinafter: Friends & Partners), were acquired. Friends & Partners is headed by Ferdinando Salzano, the managing minority partner. Ferdinando Salzano founded the F&P Group in 2001. Over the past ten years, the company has worked with Warner Music to become the leading concert promoter of Italian-language artists. Due to existing business relationships with third parties, operations with an economic benefit (including artist contracts, personnel expenses) as defined in IFRS 3 were only transferred in October 2018. The purchase price payment of EUR 22.0 million made in 2017 was recognised as a payment on account until the transfer of business operations to Friends & Partners, as defined in IFRS 3, was carried out in October 2018.

Medusa Music International GmbH, Bremen (hereinafter: MMI), acquired a 60% stake in Italian festival and concert promoter Di and Gi S.r.l., Lido di Camaiore (hereinafter: DiGi), in February 2018 at a purchase price of EUR 8.4 million. The purpose of this company is to organise and conduct concerts. The transaction gives the CTS Group access to an attractive portfolio of festivals and artists which complements existing activities in Italy.

In April 2018, the CTS Group expanded its market position in Italy through its subsidiary Friends & Partners and acquired a 100% stake in the newly established Vivo Concerti S.r.l., Milan (hereinafter: Vivo Concerti), at a purchase price of EUR 1.6 million. In November 2018, its Managing Director, Clemente Zard, invested in a 40% stake in Vivo Concerti as part of a capital increase. Clemente Zard has organised a large number of events in Italy over the past few years involving international acts, including Evanescence, David Guetta, Demi Lovato, Tokio Hotel, Sam Smith, Brian Wilson and Hans Zimmer.

In May 2018, the CTS Group acquired a 63.5% stake in Spanish concert and festival promoter BIG TOURS S.L., Barcelona (hereinafter: BIG TOURS), through its subsidiary MMI at a purchase price of EUR 6.1 million. With this transaction, CTS EVENTIM is broadening its international base still further and now has a presence in Spain with its Live Entertainment segment, too. The BIG TOURS management team has been bringing the biggest stars from the international rock and pop scene onto the stage in Spain for over 35 years, operating under the Doctor Music brand.

PROVISIONAL PURCHASE PRICE ALLOCATION
PROVISIONAL PURCHASE PRICE ALLOCATION DIGI

Since its initial consolidation at the beginning of February 2018, DiGi contributed with EUR 36,490 thousand to revenue and with EUR 958 thousand to earnings. Cash and cash equivalents of EUR 18,927 thousand were taken over in the course of acquisition.

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

	Fair value at the time of initial consolidation - provisional purchase price allocation -
	[EUR'000]
Cash and cash equivalents	18,927
Inventories	44
Payments on account	1,709
Trade receivables	163
Receivables from affiliated companies	1,384
Other assets	840
Accrued expenses	1,171
Total current assets	**24,237**
Property, plant and equipment	77
Intangible assets	530
Total non-current assets	**607**
Trade payables	-1,047
Other liabilities	-1,500
Advanced payments received	-16,136
Pension provisions	-482
Total current liabilities	**-19,165**
Deferred tax liabilities	-441
Total non-current liabilities	**-441**
Total net assets	**5,238**

Assets and liabilities were measured at fair value within the scope of the provisional purchase price allocation. At the time of initial consolidation, intangible assets (customer base with a useful life of 5 years and brand with a useful life of 8 years) were recognised with a fair value of EUR 530 thousand. In addition further changes in fair value in advance payments received of EUR 1,049 thousand were recognised. Temporary differences in the revaluation resulted in deferred tax liabilities of EUR 441 thousand.

As at 31 December 2018 the purchase price allocation is still provisional because investigations regarding the intangible assets and the assessment of legal aspects are still pending.

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

	[EUR'000]
Consideration transferred	8,356
Total net assets	5,238
Pro rata net assets	3,143
Goodwill	5,213

The difference between the consideration transferred and the pro rata net assets was assigned to the goodwill in the Live Entertainment segment and mainly reflects future synergy and earnings potential. Goodwill is not tax deductible.

PROVISIONAL PURCHASE PRICE ALLOCATION VIVO CONCERTI

Since its initial consolidation at the beginning of April 2018, Vivo Concerti contributed with EUR 19,683 thousand to revenue and with EUR -116 thousand to earnings. Cash and cash equivalents of EUR 1,389 thousand were taken over in the course of acquisition.

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

	Fair value at the time of initial consolidation - provisional purchase price allocation -
	[EUR'000]
Cash and cash equivalents	1,389
Inventories	17
Payments on account	1,952
Trade receivables	1,646
Other assets	416
Total current assets	**5,420**
Property, plant and equipment	644
Intangible assets	1,039
Other assets	13
Deferred tax assets	90
Total non-current assets	**1,785**
Trade payables	-2,791
Other liabilities	-150
Advanced payments received	-3,670
Pension provisions	-5
Total current liabilities	**-6,616**
Deferred tax liabilities	-50
Total non-current liabilities	**-50**
Total net assets	**539**

As part of the provisional purchase price allocation, assets and liabilities were measured at fair value. At the time of initial consolidation, mainly intangible assets (customer base with a useful life of 10 years) were recognised with a fair value of EUR 151 thousand. Temporary differences in the revaluation resulted in deferred tax liabilities of EUR 50 thousand.

As at 31 December 2018 the purchase price allocation is still provisional because investigations regarding the intangible assets and the assessment of legal aspects are still pending.

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

	[EUR'000]
Consideration transferred	**1,556**
Total net assets	**539**
Pro rata net assets	**323**
Goodwill	**1,233**

The difference between the consideration transferred and the pro rata net assets was assigned to the goodwill in the Live Entertainment segment and mainly reflects future synergy and earnings potential. Goodwill is not tax deductible.

PROVISIONAL PURCHASE PRICE ALLOCATION BIG TOURS

Since its initial consolidation at the beginning of May 2018, BIG TOURS contributed with EUR 9,409 thousand to revenue and with EUR 15 thousand to earnings. Cash and cash equivalents of EUR 7,103 thousand were taken over in the course of acquisition.

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

	Fair value at the time of initial consolidation - provisional purchase price allocation -
	[EUR'000]
Cash and cash equivalents	7,103
Inventories	74
Payments on account	358
Trade receivables	338
Other assets	2,979
Total current assets	**10,852**
Intangible assets	1,158
Investments	46
Deferred tax assets	1,127
Total non-current assets	**2,331**
Liabilities due to banks	-16
Trade payables	-533
Payables to affiliated companies	-1,500
Other liabilities	-250
Deferred income	-6,366
Other provisions	-700
Total current liabilities	**-9,365**
Deferred tax liabilities	-382
Total non-current liabilities	**-382**
Total net assets	**3,436**

As part of the provisional purchase price allocation, assets and liabilities were measured at fair value. At the time of initial consolidation, mainly intangible assets (customer base with a useful life of 8 years) were recognised with a fair value of EUR 1,034 thousand. Temporary differences in the revaluation resulted in deferred tax liabilities of EUR 382 thousand.

As at 31 December 2018 the purchase price allocation is still provisional because investigations regarding the intangible assets and the assessment of legal aspects are still pending.

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

	[EUR'000]
Consideration transferred	**6,063**
Total net assets	**3,436**
Pro rata net assets	**2,182**
Goodwill	**3,881**

The difference between the consideration transferred and the pro rata net assets was assigned to the goodwill in the Live Entertainment segment and mainly reflects future synergy and earnings potential. Goodwill is not tax deductible.

PROVISIONAL PURCHASE PRICE ALLOCATION FRIENDS & PARTNERS

Due to existing business relationships with third parties, the transfer of business operations within the meaning of IFRS 3 took place in October 2018. In the fourth quarter of 2018, Friends & Partners took over artist contracts, employees and all service contracts. Since the beginning of October 2018, Friends & Partners has generated revenue of EUR 23,603 thousand and earnings of EUR 497 thousand.

Based on the provisional purchase price allocation, the following table shows the fair values at the time of initial consolidation of **Friends & Partners**:

	Fair value at the time of initial consolidation - provisional purchase price allocation -
	[EUR'000]
Cash and cash equivalents	7,595
Trade receivables	1,305
Receivables from affiliated companies	1,768
Inventories	197
Payments on account	5,162
Other assets	3,685
Accrued expenses	505
Total current assets	**20,217**
Property, plant and equipment	63
Intangible assets	24,520
Financial assets	10
Deferred tax assets	87
Total non-current assets	**24,680**
Trade payables	-532
Other liabilities	-87
Advance payments received	-19,282
Other provisions	-3
Total current liabilities	**-19,904**
Pension provisions	-48
Deferred tax liabilities	-7,014
Total non-current liabilities	**-7,062**
Total net assets	**17,931**

As part of the provisional purchase price allocation, assets and liabilities were measured at fair value. At the time of initial consolidation, mainly intangible assets (customer base with a useful life of 15 years) were recognised with a fair value of EUR 24,509 thousand. Temporary differences in the revaluation resulted in deferred tax liabilities of EUR 7,014 thousand.

As at 31 December 2018 the purchase price allocation is still provisional because investigations regarding the intangible assets and the assessment of legal aspects are still pending.

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

	[EUR'000]
Consideration transferred	**22,000**
Total net assets	**17,931**
Pro rata net assets	**10,759**
Goodwill	**11,241**

The difference between the consideration transferred and the pro rata net assets was assigned to the goodwill in the Live Entertainment segment and mainly reflects future synergy and earnings potential. Goodwill is not tax deductible.

FINAL PURCHASE PRICE ALLOCATION VERTIGO

The provisional purchase price allocation of Vertigo S.r.l., Milan (hereinafter: Vertigo), was prepared in September 2017 and completed within the 12-month deadline in September 2018. No adjustments were made as a result of the final purchase price allocation. As part of the purchase price allocation, order backlog of EUR 351 thousand was recognised, as were corresponding deferred tax liabilities of EUR 98 thousand. The goodwill mainly reflects future earnings potential and non-separable intangible assets, such as artist contacts of employees. The goodwill is not tax deductible.

2.2 PRO-FORMA DISCLOSURES

The following pro-forma statement presents the financial data of the CTS Group, including the consolidated Group companies which were acquired during the financial year 2018, under the assumption that these companies had already been integrated in the consolidated financial statements at the beginning of the financial year 2018 with their actual acquisition conditions.

	2018
	[EUR'000]
Revenue	
Reported	1,241,689
Pro-forma	1,248,217
Net income attributable to shareholders' of CTS KGaA	
Reported	118,504
Pro-forma	117,437

When determining the pro-forma disclosures, amortisation of recognised hidden reserves and deferred taxes from remeasuring the intangible assets in the process of the purchase price allocation were taken into account. Material intercompany relations were eliminated for the entire financial year 2018 when recognising revenue. The pro-forma information do not include, due to the lack of information, revenue and earnings contributions from acquired business units that were purchased as part of a takeover of a business combination.

2.3 LIST OF INVESTMENTS

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

3. NOTES TO THE CONSOLIDATED BALANCE SHEET

CASH AND CASH EQUIVALENTS (1)

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

INVENTORIES (2)

Inventories comprised the following items:

	31.12.2018 [EUR'000]	31.12.2017 [EUR'000]
Raw materials and supplies	819	663
Work in progress	2,732	2,110
Finished goods and merchandise	1,846	1,827
	5,397	**4,600**

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

PAYMENTS ON ACCOUNT (3)

Payments on account, at EUR 75,109 thousand (previous year: EUR 46,084 thousand) relate to prepaid production costs in the Live Entertainment segment (e.g. artists' fees) for events taking place in 2019.

RECEIVABLES FROM INCOME TAX (4)

Receivables from income tax, at EUR 7,136 thousand (previous year: EUR 6,141 thousand), relate in particular to capital gains tax and advance prepayments.

OTHER FINANCIAL ASSETS (5)

Other current financial assets, at EUR 138,975 thousand (previous year: EUR 116,795 thousand) comprise receivables relating to ticket monies from presales in the Ticketing segment at EUR 87,085 thousand (previous year: EUR 78,429 thousand), factoring receivables from an external service from ticket monies at EUR 25,262 thousand (previous year: EUR 22,266 thousand) and receivables from promoters at EUR 19,586 thousand (previous year: EUR 6,404 thousand).

Other non-current financial assets, at EUR 10,640 thousand (previous year: EUR 4,605 thousand) primarily include receivables from promoters.

As at 31 December 2018, there were collaterals amounting to EUR 2,559 thousand (previous year: EUR 2,094 thousand), including EUR 1,714 thousand for rental deposits (previous year: EUR 1,167 thousand).

OTHER NON-FINANCIAL ASSETS (6)

The other current non-financial assets, at EUR 24,931 thousand (previous year: EUR 37,140 thousand) mainly relate to accruals in the amount of EUR 10,625 thousand (previous year: EUR 8,284 thousand), which comprise, inter alia, production costs for events in the Live Entertainment segment and in the Ticketing segment accrued payments for IT hardware and software support. Furthermore refund claims in respect of VAT and other taxes, at EUR 13,131 thousand (previous year: EUR 5,277 thousand) were recognised. In the previous year payments on account were recorded for an acquisition in the Live Entertainment segment of EUR 22,000 thousand. The other non-current non-financial assets, at EUR 2,606 thousand (previous year: EUR 1,000 thousand), mainly relate to accrued payments.

GOODWILL (7)

	2018	2017
	[EUR'000]	[EUR'000]
Historical cost		
1 January	301,520	293,202
Addition from change in scope of consolidation	21,678	13,863
Disposal from change in scope of consolidation	-60	0
Currency differences	2,306	-5,545
31 December	**325,444**	**301,520**
Accumulated depreciation and amortisation		
1 January	4,681	4,681
Addition	0	0
31 December	**4,681**	**4,681**
Carrying value as at 31 December	**320,763**	**296,839**

The disclosed goodwill totalling EUR 320,763 thousand (previous year: EUR 296,839 thousand) breaks down into EUR 244,029 thousand in the Ticketing segment (previous year: EUR 241,915 thousand) and EUR 76,734 thousand in the Live Entertainment segment (previous year: EUR 54,923 thousand). Both segments are applied as cash-generating unit (CGU) for goodwill impairment testing according to IAS 36.

In the Ticketing segment, the increase in goodwill by EUR 2,113 thousand was due to currency translation effects resulting from the measurement of goodwill in foreign currencies (Euro to Swiss franc) as at the closing date of 31 December 2018. In the Live Entertainment segment, the goodwill increased by EUR 21,811 thousand mainly due to the acquisitions in Italy and Spain.

Within the impairment test for goodwill, the recoverable amount of a cash-generating unit (CGU), the fair value less costs to sell, is determined. The fair value is the best possible estimate of the amount for which an independent third party would acquire the cash-generating unit on the balance sheet date, minus the costs of sale. The fair value is calculated on the basis of a discounted cash flow (DCF) valuation model and can be assigned to level three in the fair value hierarchy according to IFRS 13. This procedure and the basic assumptions apply to all CGUs with goodwill that is subject to impairment tests. The calculations are based on forecast cash flows derived from five-year planning. When determining budget figures, the management took into account current and future likelihoods, business and economic trends, economic development and other circumstances. At the beginning of the detailed planning period, an EBITDA margin of around 44% (previous year: 42%) in the Ticketing segment and around 5% (previous year: 4.5%) in the Live Entertainment segment was used as a basis. In subsequent years, a moderately rising EBITDA margin is assumed, based on an anticipated increase in high-margin ticket sales via the Internet. In the Ticketing segment a discount rate of 8.1% (previous year: 8.5%) and in the Live Entertainment segment a discount rate of 7.9% (previous year: 7.8%) was applied for this purpose. The discount rates used are interest rates after tax and reflect the specific risks to which the respective CGUs are exposed. The Group applies constant growth rates of 1% (previous year: 1%) to extrapolate cash flows after the detailed planning period. This growth rate is derived from past experience and does not exceed the long-term growth of the respective markets in which the entity operates. The growth rates take external macroeconomic data and trends within the industry into account. No impairment for goodwill allocated by segment was required in the 2018 financial year. If the estimated discount factor was one percentage point higher or the EBITDA margin in the Ticketing segment or in the Live Entertainment segment were 10% lower, no impairment of goodwill would have been required in the respective segment.

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

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

OTHER INTANGIBLE ASSETS (8)

	Software, licenses and similar rights	Capitalised development costs	Customer base	Payments on account / Proprietary soft-ware in progress	Total
2017	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**
Historical cost					
1 January	102,947	63,945	98,052	4,857	269,800
Addition from change in scope of consolidation	13,148	8	1,476	0	14,632
Addition	6,119	11,497	170	3,319	21,105
Disposal	-1,513	-235	0	-33	-1,780
Reclassification	-1,335	5,643	0	-4,398	-90
Currency differences	-730	-385	-1,568	-8	-2,691
31 December	**118,636**	**80,473**	**98,130**	**3,737**	**300,976**
Accumulated depreciation and amortisation					
1 January	71,371	24,036	68,635	0	164,042
Addition from change in scope of consolidation	558	0	0	0	558
Addition	10,105	8,863	8,838	0	27,806
Disposal	-1,445	-221	0	0	-1,666
Reclassification	-4,108	4,108	0	0	0
Currency differences	-628	-350	-1,508	0	-2,486
31 December	**75,853**	**36,436**	**75,964**	**0**	**188,254**
Carrying value as at 31 December 2017	**42,783**	**44,037**	**22,165**	**3,737**	**112,722**
2018					
Historical cost					
1 January	118,636	80,473	98,130	3,737	300,976
Addition from change in scope of consolidation	1,066	122	26,077	37	27,301
Disposal from change in scope of consolidation	-29	-2	0	0	-32
Addition	3,228	9,373	8	5,572	18,182
Disposal	-5,852	-219	-5,965	0	-12,035
Reclassification	127	2,713	0	-2,841	0
Currency differences	-21	175	667	-14	806
31 December	**117,155**	**92,635**	**118,916**	**6,492**	**335,198**
Accumulated depreciation and amortisation					
1 January	75,853	36,436	75,964	0	188,254
Addition from change in scope of consolidation	30	83	0	0	113
Disposal from change in scope of consolidation	-25	0	0	0	-25
Addition	9,767	10,606	7,436	0	27,810
Disposal	-5,843	-219	-5,965	0	-12,026
Reclassification	-4	4	0	0	0
Currency differences	53	156	670	0	879
31 December	**79,831**	**47,067**	**78,106**	**0**	**205,004**
Carrying value as at 31 December 2018	**37,324**	**45,568**	**40,811**	**6,492**	**130,194**

Additions to software, licenses and similar rights (EUR 3,228 thousand; previous year: EUR 6,119 thousand) include, inter alia, licenses for third-party software connected with the further development of ticket distribution systems, brand and ticket distribution rights.

Additions to capitalised development costs including payments on account (EUR 14,945 thousand; previous year: EUR 14,816 thousand) relate to the development of ticket distribution systems. Of those investments, EUR 7.095 thousand (previous year: EUR 9,222 thousand) are for proprietary software and EUR 2,278 thousand (previous year: EUR 2,275 thousand) for external software development.

The amortisation from purchase price allocation amounts to EUR 11,965 thousand (previous year: EUR 12,698 thousand).

PROPERTY, PLANT AND EQUIPMENT (9)

	Other real estate, land rights and buildings, including buildings on third-party properties	Technical equipment and machinery	Other facilities, operating and office equipment	Payments on account	Total
2017	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**
Historical cost					
1 January	2,996	2,138	60,659	238	66,032
Addition from change in the scope of consolidation	102	802	3,017	0	3,921
Addition	4,330	193	7,920	1,095	13,538
Disposal	-191	-69	-2,624	-11	-2,895
Reclassification	154	0	108	-172	90
Currency differences	-62	6	-266	0	-322
31 December	**7,330**	**3,070**	**68,813**	**1,150**	**80,364**
Accumulated depreciation and amortisation					
1 January	1,223	1,614	38,277	0	41,114
Addition from change in the scope of consolidation	72	633	1,823	0	2,527
Addition	376	279	7,436	0	8,091
Disposal	-191	-69	-2,242	0	-2,502
Currency differences	-6	4	-88	0	-90
31 December	**1,473**	**2,461**	**45,206**	**0**	**49,140**
Carrying value as at 31 Dezember 2017	**5,857**	**609**	**23,607**	**1,150**	**31,224**
2018					
Historical cost					
1 January	7,330	3,070	68,813	1,150	80,364
Addition from change in the scope of consolidation	91	696	930	0	1,717
Disposal from change in the scope of consolidation	0	0	-29	0	-29
Addition	2,292	1,156	7,684	56	11,188
Disposal	-286	0	-1,937	-5	-2,228
Reclassification	808	8	347	-1,162	0
Currency differences	18	-11	-72	0	-64
31 December	**10,253**	**4,919**	**75,736**	**39**	**90,947**
Accumulated depreciation and amortisation					
1 January	1,473	2,461	45,206	0	49,140
Addition from change in the scope of consolidation	11	152	665	0	829
Disposal from change in the scope of consolidation	0	0	-14	0	-14
Addition	1,079	316	8,269	0	9,665
Disposal	-286	-5	-1,742	0	-2,033
Currency differences	3	-5	-41	0	-43
31 December	**2,281**	**2,919**	**52,344**	**0**	**57,544**
Carrying value as at 31 Dezember 2018	**7,972**	**1,999**	**23,393**	**39**	**33,403**

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

Depreciation for other intangible assets and property, plant and equipment amounting to EUR 37,474 thousand (previous year: EUR 35,897 thousand) is included in the cost of sales, selling and administrative expenses as well as other operating expenses.

INVESTMENTS (10)

Investments include participations at EUR 782 thousand (previous year: EUR 868 thousand) and shares in affiliated companies not included in consolidation due to their insignificance of 956 thousand (previous year: EUR 238 thousand). In the previous year, securities in the held-to-maturity investments category amounting to EUR 710 thousand, which expired in December 2018, were reported.

INVESTMENTS IN ASSOCIATES ACCOUNTED FOR AT EQUITY (11)

	HAL Apollo		Other joint ventures		Associates		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
Net book value at 1 January	**16,896**	**15,624**	**99**	**42**	**2,298**	**865**	**19,294**	**16,532**
Addition	0	0	14	0	341	930	355	930
Disposal	0	0	-39	0	-488	-32	-527	-32
Dividends	-2,257	0	-39	0	-107	-332	-2,403	-332
Proportionate result of the period	2,147	1,830	-21	60	81	865	2,207	2,755
Proportionate other comprehensive income	-127	-559	0	-3	5	3	-122	-559
Net book value at 31 December	**16,659**	**16,896**	**14**	**99**	**2,130**	**2,298**	**18,803**	**19,294**

HAL Apollo is a wholly owned subsidiary of Stage C Limited, London, and is the operating company of the venue Eventim Apollo in London.

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

	31.12.2018	31.12.2017
	[EUR'000]	[EUR'000]
Current assets	6,844	7,610
thereof cash and cash equivalents	4,520	6,154
Non-current assets	41,662	42,332
Current liabilities	8,209	9,082
Non-current liabilities	6,923	6,959
Revenue	11,977	10,403
EBITDA	6,671	5,829
Depreciation	-991	-942
Interest income	0	2
Interest expense	-349	-390
Taxes	-1,038	-889
Result of the period	4,293	3,660
Other comprehensive income	-253	-1,117
Total comprehensive income	4,040	2,543

Addition to **other joint ventures** concerns the company autoTicket GmbH, Berlin, Germany. On 13 August 2018, CTS KGaA and Kapsch TrafficCom AG, Vienna, acquired a shell company as an operating company. CTS KGaA holds a 50% stake in this company with a nominal value of EUR 12,500, which is recognised as a joint venture at equity. The company's purpose is the provision of services under the operating agreement for the development, establishment and operation of a system to collect the infrastructure charge (project infrastructure charge ISA), with the Federal Republic of Germany as the principal. The operating company participated in the call for tender by the German Federal Ministry of Transport and Digital Infrastructure (hereinafter: BMVI) for the collection of the infrastructure charge (hereinafter: ISA) as a bidder consortium. The operating company was awarded the tender by BMVI on 19 December 2018 and an operating agreement with the German Federal Motor Transport Authority (hereinafter: KBA), representing the Federal Republic of Germany, was notarially certified on 30 December 2018. Please refer to item 6.6 in the other notes for explanations regarding contingent liabilities associated with the project infrastructure charge ISA.

DEFERRED TAXES (12)

The deferred tax assets, at EUR 15,986 thousand, pertain to the following:

	31.12.2018	31.12.2017
	[EUR'000]	[EUR'000]
Tax loss carryforwards	9,304	13,162
Temporary differences	6,681	5,831
	15,986	**18,993**

It is assumed that there is sufficient likelihood that the deferred tax assets on loss carryforwards of EUR 9,304 thousand (previous year: EUR 13,162 thousand) as at 31 December 2018, can be used, as the respective companies will generate tax profits of at least the same amount in future periods.

The total amount of unrecognised temporary differences relating to shares in subsidiaries, associates and joint ventures amounts to EUR 5,668 thousand (previous year: EUR 4,704 thousand). The group does not expect this to be a burden, since there is currently no release of deferred taxes planned due to a sale or a distribution.

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

	31.12.2018		31.12.2017	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
Receivables	637	64	279	74
Other assets	235	137	249	20
Current assets	**872**	**201**	**528**	**94**
Property, plant and equipment	1,015	19	142	35
Intangible assets	2,325	18,480	2,920	14,390
Investments	0	78	0	80
Non-current assets	**3,340**	**18,577**	**3,062**	**14,505**
Other provisions	450	0	240	0
Other liabilities	795	5	248	20
Current liabilities	**1,245**	**5**	**488**	**20**
Financial liabilities	0	0	73	0
Pension provisions	1,382	0	1,871	0
Non-current liabilities	**1,382**	**0**	**1,944**	**0**
Loss carryforwards	9,304	0	13,162	0
Total	**16,143**	**18,783**	**19,184**	**14,619**
Offsetting	-157	-157	-191	-191
Deferred taxes	**15,986**	**18,626**	**18,993**	**14,429**

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

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

As at 31 December 2018, the recognised fiscal loss carryforwards were as follows:

	31.12.2018 [EUR'000]	31.12.2017 [EUR'000]
Loss carry forwards international		
up to 10 years	4,745	6,192
indefinite	22,404	28,107
	27,149	**34,299**
Loss carry forwards national		
Loss carry forward national corporation tax (unlimited)	9,669	14,079
Loss carry forward national trade tax (unlimited)	8,368	13,241
	45,186	**61,619**

It is assumed that there is sufficient likelihood that the EUR 45,186 thousand (previous year: EUR 61,619 thousand) in recognised fiscal loss carryforwards as at 31 December 2018 can be used, as the respective companies will generate tax profits of at least the same amount in future periods.

Deferred tax assets were formed in respect of international income and national corporation tax losses amounting to EUR 15,110 thousand (previous year: EUR 31,465 thousand), and to EUR 7,304 thousand (previous year: EUR 13,241 thousand) in respect of national municipal trade tax losses, even though the respective companies have a history of losses and no corresponding deferred tax liabilities do exist. However, positive earnings are planned for these companies after start-up losses.

In accordance with IAS 12.36 (loss history), no deferred tax assets were recognised for national trade tax loss carryforwards in the amount of EUR 14,593 thousand (previous year: EUR 2,819 thousand) and for international income tax and national corporation tax loss carryforwards of EUR 38,795 thousand (previous year: EUR 7,234 thousand). Due to the historical loss development, usable loss carryforwards in connection with the reorganisation of show products and market extensions had to be revolved in the 2018 financial year.

Within the next six to ten years an expiry of the recognised tax loss carryforwards of EUR 8,213 thousand (previous year: EUR 1,943 thousand) is possible.

As of 31 December 2018, deferred taxes at EUR 320 thousand (previous year: EUR 496 thousand) were recognised in other reserves in equity.

FINANCIAL LIABILITIES (13)

As of the balance sheet date financial liabilities of EUR 105,298 thousand (previous year: 147,199 thousand) include loans of EUR 83,340 thousand (previous year: EUR 117,206 thousand), of which EUR 25,722 thousand (previous year: EUR 46,015 thousand) are due in short-term. In addition, purchase price obligations from the acquisition of shares in subsidiaries already included in consolidation (primarily purchase price commitments with put options of existing non-controlling interests) amounting to EUR 21,958 thousand (previous year: EUR 29,993 thousand) are reported under financial liabilities, thereof EUR 13,238 thousand (previous year: EUR 13,403 thousand) are due in short-term.

As at 31 December 2018, the loans include the following main items:

- EUR 49,000 thousand promissory note loan with a remaining term of two years
- EUR 19,403 thousand redeemable loan with a remaining term of one year. This loan was taken out in Swiss Francs and is subject to variations in carrying amount due to the translation of foreign currency liabilities as at the closing date.
- EUR 15,000 thousand final-maturity loan with a remaining term less than one year (drawing from the syndicated credit facility)

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

Cash reserves, in the form of credit lines and cash, as well as a syndicated credit line (revolving credit facility) are held. In October 2015, CTS KGaA agreed on a syndicated credit facility (revolving credit facility) of EUR 200 million with a maturity of around four years until October 2022. As at the balance sheet date of 31 December 2018, utilisation of credit facilities amounted to EUR 15 million.

Liabilities to banks were subject to interest at market rates.

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

	Current financial liabilities [EUR'000]	Non-current financial liabilities [EUR'000]
Balance as at 1 January 2018	**59,418**	**87,781**
Proceeds from borrowing financing loans	15,000	0
Payments for redemption of financing loans	-49,863	0
Payments from the acquisition of consolidated companies	-3,084	-2,733
Total change in cash flow from financing activities	**-37,947**	**-2,733**
Changes in fair value	2,798	-4,882
Changes due to currency translation	186	678
Other changes	14,505	-14,505
Total other changes, referring to financial liabilities	**17,489**	**-18,709**
Balance as at 31 December 2018	**38,960**	**66,339**

	Current financial liabilities [EUR'000]	Non-current financial liabilities [EUR'000]
Balance as at 1 January 2017	**28,987**	**128,333**
Proceeds from borrowing financing loans	12,000	0
Payments for redemption of financing loans	-16,018	-3,576
Total change in cash flow from financing activities	**-4,018**	**-3,576**
Changes in fair value	675	-644
Changes due to currency translation	-153	-2,405
Other changes	33,927	-33,927
Total other changes, referring to financial liabilities	**34,449**	**-36,976**
Balance as at 31 December 2017	**59,418**	**87,781**

ADVANCE PAYMENTS RECEIVED (14)

The advance payments received, at EUR 390,423 thousand (previous year: EUR 287,586 thousand), mainly include ticket monies already received for future events in the Live Entertainment segment. The increase is essentially due to the expansion of the scope of consolidation. EUR 522 thousand (previous year: EUR 1,132 thousand) advance payments received are long-term.

The following table shows the changes in advance payments received (contractual liabilities in accordance with IFRS 15) in the reporting period:

	Advance payments received [EUR'000]
1 January 2018	**287,586**
Revenue recognised	-286,454
Addition due to change in the scope of consolidation	48,086
Addition for events after the balance sheet date	341,205
31 December 2018	**390,423**

OTHER PROVISIONS (15)

	Maintenance [EUR'000]	Other [EUR'000]	Total [EUR'000]
1 January 2018	**9,321**	**3,161**	**12,482**
Change in scope of consolidation	0	691	691
Consumption	-1,702	-525	-2,227
Reversal	0	-1,779	-1,779
Addition	609	2,327	2,936
Currency differences	0	17	17
31 December 2018	**8,228**	**3,892**	**12,119**
thereof long-term	4,059	137	4,196

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

OTHER FINANCIAL LIABILITIES (16)

The other short-term financial liabilities (EUR 443,407 thousand; previous year: EUR 333,024 thousand) include liabilities in respect of ticketing monies that have not yet been invoiced, at EUR 422,842 thousand (previous year: EUR 314,390 thousand), liabilities from ticket insurance, at EUR 2,814 thousand (previous year: EUR 1,871 thousand), liabilities from third-party concerts in the Live Entertainment segment, at EUR 6,259 thousand (previous year: EUR 7,124 thousand), liabilities from finance leases, at EUR 66 thousand (previous year: EUR 126 thousand), and EUR 11,426 thousand in other financial liabilities (previous year: EUR 9,514 thousand).

The other long-term financial liabilities (EUR 121 thousand; previous year: EUR 260 thousand) primarily relate to liabilities from finance leases, at EUR 110 thousand (previous year: EUR 49 thousand).

OTHER NON-FINANCIAL LIABILITIES (17)

The current other non-financial liabilities (EUR 75,987 thousand; previous year: EUR 64,642 thousand) result from tax liabilities, at EUR 22,706 thousand (previous year: EUR 20,976 thousand), credit voucher liabilities, at EUR 24,849 thousand (previous year: EUR 20,694 thousand), liabilities to personnel, at EUR 20,517 thousand (previous year: EUR 16,146 thousand), deferred income, at EUR 3,675 thousand (previous year: EUR 3,365 thousand), social insurance liabilities, at EUR 1,812 thousand (previous year: EUR 1,528 thousand), and other non-financial liabilities, at EUR 2,428 thousand (previous year: EUR 1,933 thousand).

PENSION PROVISIONS (18)

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

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

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

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

The pension provisions in Austria relate to ‘severance payments’. Severance payments are one-time payments upon termination of employment, except in the case of termination by the employee himself. In accordance with IAS 19, the calculation of pension provisions only requires the recognition of service contracts concluded up to 31 December 2002.

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

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

	Defined benefit obligation	**Plan assets**	**Pension provision**
	[EUR’000]	**[EUR’000]**	**[EUR’000]**
Status 01.01.2018	**24,059**	**-14,134**	**9,925**
Service costs			
Current service costs	1,204	0	1,204
Past service costs	2	0	2
Gain (-)/loss (+) from settlement	-467	0	-467
	739	**0**	**739**
(Net) interest expense/income	**236**	**-111**	**125**
Remeasurements			
Experience-based gains (-)/losses (+)	-507	0	-507
Gain (-)/loss (+) from change in demographic assumptions	1	0	1
Gain (-)/loss (+) from change in financial assumptions	-636	0	-636
Plan asset income, not included in interest income	0	-221	-221
	-1,142	**-221**	**-1,363**
Benefits paid	**-3,268**	**2,627**	**-641**
Fund allocations			
Employer	0	-690	-690
Employee	1,458	-1,458	0
	1,458	**-2,148**	**-690**
Currency differences	**751**	**-522**	**229**
Change in the scope of consolidation	**533**	**0**	**533**
Status 31.12.2018	**23,367**	**-14,510**	**8,857**

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

The defined benefit obligation is allocated as follows:

	2018 [EUR'000]	2017 [EUR'000]
Defined benefit obligation	**23,367**	**24,059**
thereof active employees	19,972	19,630
thereof terminated employees with vested benefits	1,388	2,163
thereof retirees	2,007	2,266

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

	Defined benefit obligations		Plan assets		Pension provision	
	2018 [EUR'000]	2017 [EUR'000]	2018 [EUR'000]	2017 [EUR'000]	2018 [EUR'000]	2017 [EUR'000]
Germany	1,792	2,629	-587	-542	1,205	2,087
Switzerland	19,127	19,546	-13,922	-13,592	5,205	5,954
Rest of Europe	2,448	1,884	0	0	2,448	1,884

The current 2018 G Heubeck Tables are applicable for demographic assumptions when accounting for pension obligations in Germany. In Switzerland, the generation tables for 2015 in the Swiss Federal Law on Occupational, Survivors' and Disability Pension Plans (BVG) are used. The Pagler & Pagler tables (AVÖ 2018-P 'Employees' – Principles for calculating pension insurance benefit) were used to calculate the pension provisions for the Austrian companies. In Italy the RG48 tables and a study by the INPS were taken as the basis. In addition, the following key valuation parameters were taken into account.

	Discount rate		Future salary increases		Future pension increases	
	2018	2017	2018	2017	2018	2017
Germany	2.40%	2.25%	2.50%	2.50%	1.00%	1.00%
Switzerland	0.85%	0.70%	1.00%	1.00%	0.00%	0.00%
Rest of Europe	1.70%	1.55%	1.75%	1.55%	0.00%	0.00%

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

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

2018	Change in assumption	Increase of the assumption [EUR'000]	Decrease of the assumption [EUR'000]
Discount rate	0.50%	-2,001	2,320
Future salary increases	1.00%	345	-371
Future pension increases	1.00%	1,708	-156
Life expectancy	1 year	333	-263

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

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

The weighted average duration of the obligation as of 31 December 2018 is 18.6 years (previous year: 18.6 years). For the following year, employer contributions to the pension plans at EUR 927 thousand (previous year: EUR 798 thousand) are expected.

EQUITY (19)

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

Reference is made to the consolidated statement of changes in equity on page 90.

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

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

Based on its option right for measuring proprietary intangible assets in accordance with §284 (2) HGB, an amount of EUR 373 thousand is derived which is bared from distribution. Internally generated intangible assets amounting to EUR 550 thousand are capitalised and respective deferred tax liabilities of EUR 178 thousand recorded. The payout restriction according to § 268 (8) HGB does not come into effect. The amount blocked from distribution is offset by an available profit carried forward. The capital reserve and the legal reserve is not available for distribution.

RESOLUTIONS OF THE ANNUAL SHAREHOLDERS' MEETING:

The Annual Shareholders' Meeting of the company held on 23 August 2005 resolved to increase the **share capital** of CTS KGaA, originally amounting to EUR 12,000,000, by adding an additional EUR 12,000,000 from reserves. The Annual Shareholders' Meeting of the company held on 13 May 2011 resolved to increase the subscribed share capital of CTS KGaA from EUR 24,000,000 by adding EUR 24,000,000 from company funds. The Annual Shareholders' Meeting of the company held on 8 May 2014 resolved to increase the share capital of CTS KGaA from EUR 48,000,000 by converting EUR 48,000,000 from reserves. As at the closing date 31 December 2018, the company had thus issued 96,000,000 no-par value bearer shares. Each share represents an arithmetic share in the share capital of EUR 1.00. Furthermore, by resolution of the Annual Shareholders' Meeting on 8 May 2014, the general partner was authorised to increase the share capital in full or partial amounts, on one or more occasions, by up to EUR 48,000,000 by 7 May 2019, contingent on Supervisory Board approval, by issuing up to 48,000,000 new bearer shares against cash contributions or contributions in kind (approved capital 2014).

The premium (§ 272 (2) No. 1 HGB) for the shares issued on the stock exchange is disclosed under **capital reserve**. As part of the share capital increase using company funds implemented in October 2005, EUR 12,000,000 of the capital reserve was converted to subscribed share capital, and 12,000,000 new no-par value bearer shares were issued. As part of the further share capital increase using company funds implemented in May 2011, a further EUR 24,000,000 of reserve was converted to subscribed share capital, and 24,000,000 new no-par value bearer shares were issued. As at the balance sheet date, 31 December 2018 the capital reserve according to HGB amounts up to EUR 2,400 thousand.

By resolution of the Shareholders' Meeting held on 7 May 2015, the general partner was authorised under § 71 (1) No. 8 AktG to purchase **treasury stock** amounting to up to 10% of the registered share capital as at the date of resolution, by 6 May 2020, and to use these for specific purposes except for the purpose of trading as detailed in the resolution, partially with exclusion of subscription rights for shareholders. The counter value paid for these shares may not fall below the traded price by more than 5%. The applicable share price is defined as the mean closing price for shares on the XETRA trading platform during the last five trading days before publication of the offer to purchase the shares. The volume of the offering may be limited. If the total subscription to the bid exceeds said volume, quotas shall be allocated in proportion to the number of shares offered in each case. The authorisation to repurchase own shares may be exercised under the aforementioned restrictions in partial amounts, on one or more occasions, and to pursue one or more aims. This resolution replaces the one made in the Shareholders' Meeting of 12 May 2010, authorising the purchase of treasury shares, which will take effect upon the effective date of the new authorisation is canceled.

By resolution of the Annual Shareholders' Meeting held on 8 May 2018, the general partner was authorised, with a resolution of contingent capital, to issue **warrant bonds and convertible bonds** by 7 May 2023, to a total par value of up to EUR 800,000,000 and with a maximum term of 20 years, contingent on Supervisory Board approval, and to grant the bearers of warrant bonds options and the bearers of convertible bonds conversion rights on up to 19,200,000 new no-par bearer shares of the company, equal to share capital of up to EUR 19,200,000, and excluding the rights of the shareholders to the convertible bonds under certain conditions within the permissible statutory subscription. In view of the possibility to issue shares to the shareholder arising from warrant and convertible bonds resulted through this resolution, a contingent capital of EUR 19,200,000 was formed (contingent capital 2018).

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

NON-CONTROLLING INTERESTS (20)

The following overview shows the participation ratios and non-controlling interests for each subsidiary/subgroup with a significant non-controlling interest for the group in 2018.

		Proportional share of non-controlling interests [1]	Net income attributable to non-controlling interests [2]	Net book value of accumulated non-controlling interests [2]	Participation ratio of non-controlling interests
		31.12.2018	**31.12.2018**	**31.12.2018**	**31.12.2018**
Name and location	**Country**		**[EUR'000]**	**[EUR'000]**	
Subgroup Ticketcorner Holding AG, Rümlang	Switzerland	50.0%	3,730	19,464	50.0%
Subgroup Austria, Vienna	Austria	14.0%	1,932	4,765	14.0% - 49.0%
Subgroup MEDUSA Music Group GmbH, Bremen	Germany	5.6%	8,241	843	5.6% - 49.8%
Subgroup Medusa Music International GmbH, Bremen	Germany		-580	10,454	36.5% - 49.0%
Total subgroups				35,526	
Subsidiaries with individually immaterial non-controlling interests				-2,721	
Total non-controlling interests				**32,805**	

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

[2] The amounts include both the non-controlling interests at the level of the parent company as well as other non-controlling interests in the subgroup

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

		Proportional share of non-controlling interests [1]	Net income attributable to non-controlling interests [2]	Net book value of accumulated non-controlling interests [2]	Participation ratio of non-controlling interests
		31.12.2017	31.12.2017	31.12.2017	31.12.2017
Name and location	**Country**		**[EUR'000]**	**[EUR'000]**	
Subgroup Ticketcorner Holding AG, Rümlang	Switzerland	50.0%	2,600	15,394	50.0%
Subgroup Austria, Vienna	Austria	14.0%	1,085	3,191	14.0% - 49.0%
Subgroup MEDUSA Music Group GmbH, Bremen	Germany	5.6%	2,849	-48	5.6% - 49.8%
Total subgroups				18,537	
Subsidiaries with individually immaterial non-controlling interests				5,510	
Total non-controlling interests				**24,047**	

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

[2] The amounts include both the non-controlling interests at the level of the parent company as well as other non-controlling interests in the subgroup

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

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

There are also substantial non-controlling interests in the subgroup Medusa Music International GmbH, Bremen (hereinafter: subgroup Medusa Music International). The subgroup Medusa Music International represents the acquired international companies (in Italy and Spain) attributable to the Live Entertainment segment in the financial year 2018.

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

Significant non-controlling interests in the Ticketing segment:

Summarised balance sheet:	**Subgroup TC AG**		**Subgroup Austria**	
	31.12.2018 [EUR'000]	**31.12.2017 [EUR'000]**	**31.12.2018 [EUR'000]**	**31.12.2017 [EUR'000]**
Current assets	51,900	44,719	75,168	63,210
Non-current assets	63,762	62,212	3,200	3,692
Current liabilities	64,638	50,465	66,766	59,357
Non-current liabilities	13,203	27,472	384	444

Summarised income statement:	**Subgroup TC AG**		**Subgroup Austria**	
	31.12.2018 [EUR'000]	**31.12.2017 [EUR'000]**	**31.12.2018 [EUR'000]**	**31.12.2017 [EUR'000]**
Revenue	39,018	39,789	29,924	24,241
Taxes	-2,067	-1,626	-3,304	-2,470
Net income	7,460	5,200	11,081	6,028
Net income attributable to non-controlling interests	3,730	2,600	1,932	1,085
Dividend payments to non-controlling interests	-342	-698	-1,061	-1,095

Summarised cash flow statement:	**Subgroup TC AG**		**Subgroup Austria**	
	31.12.2018 [EUR'000]	**31.12.2017 [EUR'000]**	**31.12.2018 [EUR'000]**	**31.12.2017 [EUR'000]**
Cash flow from operating activities	9,042	6,794	19,313	15,987
Cash flow from investing activities	-1,074	-814	-654	-1,595
Cash flow from financing activities	-5,919	-6,782	-5,715	-5,575
Net increase / decrease in cash and cash equivalents	2,050	-802	12,945	8,817
Net increase / decrease in cash and cash equivalents due to currency translation	1,210	-2,767	-45	-44
Cash and cash equivalents at beginning of period	33,313	36,882	44,656	35,883
Cash and cash equivalents at end of period	36,573	33,313	57,556	44,656

Significant non-controlling interests in the Live Entertainment segment:

Summarised balance sheet:	Subgroup MEDUSA		Subgroup Medusa Music International
	31.12.2018 [EUR'000]	31.12.2017 [EUR'000]	31.12.2018 [EUR'000]
Current assets	411,726	381,576	121,232
Non-current assets	75,674	86,157	55,959
Current liabilities	466,248	444,385	162,553
Non-current liabilities	15,377	18,212	8,243

Summarised income statement:	Subgroup MEDUSA		Subgroup Medusa Music International
	31.12.2018 [EUR'000]	31.12.2017 [EUR'000]	31.12.2018 [EUR'000]
Revenue	664,056	573,732	101,358
Taxes	-12,302	-5,352	477
Net income	8,063	6,153	-2,776
Net income attributable to non-controlling interests	8,241	2,849	-580
Dividend payments to non-controlling interests	-7,390	-4,586	-571

Summarised cash flow statement:	Subgroup MEDUSA		Subgroup Medusa Music International
	31.12.2018 [EUR'000]	31.12.2017 [EUR'000]	31.12.2018 [EUR'000]
Cash flow from operating activities	35,328	62,433	38,791
Cash flow from investing activities	8,535	6,782	14,918
Cash flow from financing activities	-7,390	-3,513	416
Net increase / decrease in cash and cash equivalents	36,473	65,702	54,125
Net increase / decrease in cash and cash equivalents due to currency translation	337	-1,405	0
Cash and cash equivalents at beginning of period	212,438	148,142	2,444
Cash and cash equivalents at end of period	249,249	212,439	56,569

4. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
4.1 FINANCIAL INSTRUMENTS

The following table shows the carrying amounts, the recognition in accordance with IFRS 9 and the fair values of current and non-current financial instruments for the 2018 financial year:

		Balance sheet value according to IFRS 9				
	Carrying amount 31.12.2018	Fair value through profit and loss	Fair value hedging instruments	Financial assets at amortised cost	Financial liabilities at amortised cost	Fair value
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
ASSETS						
Cash and cash equivalents	873,206			873,206		873,206
Marketable securities and other investments	3,385	480		2,905		3,381
Trade receivables	62,206			62,206		61,690
Receivables from affiliated and associated companies accounted for at equity	628			628		628
Other original financial assets	149,615	2,725		146,890		149,069
thereof receivables relating to ticket monies	87,085			87,085		86,364
Investments	1,739	1,739				1,739
Total	**1,090,779**	**4,943**		**1,085,836**		**1,089,713**
LIABILITIES						
Financial liabilities	105,298				105,298	105,400
Trade payables	138,939				138,939	138,080
Payables to affiliated and associated companies accounted for at equity	743				743	738
Other original financial liabilities	443,495				443,495	440,752
thereof liabilities due to not yet invoiced ticket monies	422,842				422,842	420,226
Derivatives in cash flow hedges	20		20			20
Derivatives standalone	13	13				13
Total	**688,508**	**13**	**20**		**688,475**	**685,003**

The following table shows the carrying amounts, the recognition in accordance with IAS 39 and the fair values of current and non-current financial instruments for the 2017 financial year:

		Balance sheet value according to IAS 39				
	Carrying amount 31.12.2017	At amortised cost	At fair value through profit and loss	At fair value not through profit and loss	At cost	Fair value
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
ASSETS						
Cash and cash equivalents	640,726	640,726				640,726
Marketable securities and other investments (at fair value not through profit and loss)	521			521		521
Marketable securities and other investments (at amortised cost)	316	316				316
Trade receivables	60,561	60,561				60,367
Receivables from affiliated and associated companies accounted for at equity	2,218	2,218				2,224
Other original financial assets	121,358	121,358				121,167
thereof receivables relating to ticket monies	78,664	78,664				78,682
Derivatives in cash flow hedges	42			42		42
Investments (held to maturity)	710	710				713
Investments (at cost)	1,105				1,105	
Loans	3,767	3,767				3,964
LIABILITIES						
Financial liabilities	147,199	147,199				147,721
Trade payables	103,889	103,889				103,641
Payables to affiliated and associated companies accounted for at equity	554	554				554
Other original financial liabilities	333,196	333,196				332,401
thereof liabilities due to not yet invoiced ticket monies	314,390	314,390				313,640
Derivatives in cash flow hedges	88			88		88
Categories according to IAS 39:						
Loans and receivables	828,946	828,946				828,764
Financial liabilities at amortised cost	584,838	584,838				584,317
Available-for-sale financial assets	1,626			521	1,105	521
Held-to-maturity investments	710	710				713

DISCLOSURES ON FAIR VALUE

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

The principles and methods used to determine fair values are unchanged compared to the year before.

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

The fair values of original financial assets and liabilities correspond to the present values of the cash flows associated with the financial instruments, taking into account current interest rate parameters.

The fair values of certain other original financial assets are calculated using discounted cash flow (DCF) methods. The calculation is based on forecast cash flows resulting from planning over the term of the contracts. The discount rates used range between 5.1% and 6.8% and reflect the specific risks of the respective contract.

Derivative financial instruments are recognised at their fair value. The carrying amount of forward exchange transactions is therefore equal to the respective fair value. These fair values are determined on the basis of quoted forward rates on the balance sheet date and net present value calculations based on yield curves.

FAIR VALUE HIERARCHY

According to IFRS 13, the fair values of financial assets and liabilities are to be classified to the three levels of the fair value hierarchy. Level 1 contains fair values of financial instruments for which a market price can be quoted; securities are an example. In Level 2, fair values are based on market data, such as currency rates or interest curves, using market-based valuation techniques. Examples include derivatives. Fair values in Level 3 are derived using valuation techniques based on unobservable inputs, due to the lack of an active or measurable market.

Reclassifications between the levels within the fair value hierarchy are carried out at the beginning of the respective quarter in which the reason or the change in circumstances occurred that results in the reclassification.

The following table provides an overview of the fair values of current and non-current financial assets and liabilities and their allocation to the three levels within the fair value hierarchy according to IFRS 13 as at 31 December 2018:

	31.12.2018			
	Level 1	Level 2	Level 3	Total
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
ASSETS				
Cash and cash equivalents	0	873,206	0	873,206
Marketable securities and other investments	506	2,875	0	3,381
Trade receivables	0	61,690	0	61,690
Receivables from affiliated and associated companies accounted for at equity	0	628	0	628
Other original financial assets	0	146,344	2,725	149,069
thereof receivables relating to ticket monies	0	86,364	0	86,364
Investments	694	0	1,045 [1]	1,739
	1,200	**1,084,744**	**3,769**	**1,089,713**
LIABILITIES				
Financial liabilities	0	105,400	0	105,400
Trade payables	0	138,080	0	138,080
Payables to affiliated and associated companies accounted for at equity	0	738	0	738
Other original financial liabilities	0	440,752	0	440,752
thereof liabilities due to not yet invoiced ticket monies	0	420,226	0	420,226
Derivatives in cashflow hedges	0	20	0	20
Derivatives standalone	0	13	0	13
	0	**685,003**	**0**	**685,003**

[1] Due to materiality, the additional disclosures on level 3 instruments within this balance sheet item have been waived.

As at 1 January 2018, fair values of financial assets (other original financial assets) amounting to EUR 1,840 thousand were allocated to the level 3 fair value hierarchy for the first time. Additions of EUR 886 thousand were recognised as at 31 December 2018. No disposals were recorded in the reporting period. During the reporting period 2018, fair value adjustments of EUR -1 thousand were recognised in financial results. This results in a carrying amount of EUR 2,725 thousand as at 31 December 2018. The discount rates used range between 5.1% and 6.8% and reflect the specific risks of the respective contract. An adjustment of the interest rates used by +100 basis points (-100 basis points) would reduce (increase) the fair value of the financial assets by EUR -144 thousand (EUR 154 thousand). If the expected cash flows were adjusted by +10% (-10%), the fair values would increase (decrease) by EUR 197 thousand. The underlying cash flows are within a range of EUR 8,086 thousand to EUR 9,883 thousand.

The following table provides an overview of the fair values of current and non-current financial assets and liabilities and their allocation to the three levels within the fair value hierarchy according to IFRS 13 as at 31 December 2017:

	31.12.2017			
	Level 1	Level 2	Level 3	Total
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
ASSETS				
Cash and cash equivalents	0	640,726	0	640,726
Marketable securities and other investments (at fair value not through profit and loss)	521	0	0	521
Marketable securities and other investments (at amortised cost)	0	316	0	316
Trade receivables	0	60,367	0	60,367
Receivables from affiliated and associated companies accounted for at equity	0	2,224	0	2,224
Other original financial assets	0	121,167	0	121,167
thereof receivables relating to ticket monies	0	78,682	0	78,682
Derivatives in cashflow hedges	0	42	0	42
Investments (held-to-maturity)	713	0	0	713
Loans	0	3,964	0	3,964
	1,234	**828,806**	**0**	**830,040**
LIABILITIES				
Financial liabilities	0	147,721	0	147,721
Trade payables	0	103,641	0	103,641
Payables to affiliated and associated companies accounted for at equity	0	554	0	554
Other original financial liabilities	0	332,401	0	332,401
thereof liabilities due to not yet invoiced ticket monies	0	313,640	0	313,640
Derivatives in cashflow hedges	0	88	0	88
	0	**584,405**	**0**	**584,405**

NET GAINS OR LOSSES

The following table provides the net gains or losses on financial instruments in the reporting period:

	2018 [EUR'000]
Financial assets at fair value through profit and loss	816
Financial assets at amortised cost	-415
Financial liabilities at amortised cost	-502
Derivatives standalone	-13
	-114

Gains and losses on financial assets at fair value through profit or loss mainly include income from investments of EUR 648 thousand.

The net results of financial assets and liabilities at amortised cost include interest income and interest expenses, impairment losses and the effects of currency translation. Impairment losses (including reversals of impairment losses) amount to EUR 2,315 thousand (previous year: EUR 165 thousand) and are included in selling expenses and other operating income. Included are expenses for derecognised receivables of EUR 3,291 thousand (previous year: EUR 2,861 thousand) and for additions to valuation allowances (EUR 1,049 thousand, previous year: EUR 1,764 thousand) as well as income from the release of value adjustments and from written off receivables (EUR 2,025 thousand, previous year: EUR 4,460 thousand). The total interest expense calculated using the effective interest method in the category financial liabilities at amortised cost is EUR 85 thousand (previous year: EUR 91 thousand).

The negative change in value of a currency derivative that is not accounted for in hedge accounting was recognised in the income statement in the amount of EUR -13 thousand.

The following table shows the net gains or losses on financial instruments in the prior-year period:

	2017 [EUR'000]
Loans and receivables	-1,362
Available-for-sale financial assets	-1,026
Financial liabilities	2,244
Derivatives in cash flow hedges	-22
	-166

TRANSFER OF FINANCIAL ASSETS

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

In 2018, a remuneration of EUR 2,234 thousand (previous year: EUR 1,830 thousand) is recognised in the cost of sales.

The collection risk associated with the sold receivables was completely transferred to the factor. Hence, all significant risks and rewards of the assigned trade receivables are transferred to the factoring company. As at 31 December 2018, the carrying amount and the fair value of the transferred receivables to the factoring company amounts up to EUR 25,262 thousand (previous year: EUR 22,266 thousand).

The only relevant risk for risk assessment represents the possibility of a transfer of costs for default by the factoring company to the CTS KGaA. With notification and exceeding so-called ‘peak times’ (transaction per second), the factoring company can bill the resulting default rate of end customers to the CTS KGaA. In the reporting period 2018 due to the lack of unreported and incurred ‘peak times’ no further defaults were charged.

4.2 FINANCIAL RISK MANAGEMENT

DEFAULT RISK

Default risks exist when there is a risk of debtors being unable to settle their debts. In theory, the maximum default risk is equal to the value of all receivables less liabilities to the same debtor as far as the civil law offsetting can be achieved. Receivables management is carried out decentrally in the Group companies, which provides indications of the risk. Default risks are taken into account in the Group through the recognition of value adjustments on the basis of expected credit losses when financial assets are reported and measured at amortised cost.

In the 2018 business year, collaterals amounting to EUR 11,040 thousand (previous year: EUR 9,742 thousand) were provided for Group companies, mainly to hedge the risks in ticket presales by various box offices (EUR 9,004 thousand; previous year: EUR 9,616 thousand). Trade receivables, receivables relating to ticket monies and receivables from promoters from collateral providers amount to EUR 10,873 thousand (gross carrying amounts).

The allowances for doubtful accounts developed as follows:

		Simplified approach			General approach
	Total	Trade receivables	Receivables from affiliated and associated companies accounted for at equity	Receivables relating to ticket monies	Other financial assets
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
Allowances for doubtful accounts as at 31 December 2017	9,502	2,623	172	1,701	5,006
Initial application IFRS 9	1,062	658	2	300	102
Usage	-9,425	-2,068	0	-1,185	-6,172
Net change in allowances for doubtful accounts	3,274	442	-171	-219	3,221
Allowances for doubtful accounts as at 31 December 2018	**4,413**	**1,656**	**3**	**597**	**2,157**

Allowances for doubtful accounts as at 1 January 2017	11,066
Usage	-1,094
Net change in allowances for doubtful accounts	-470
Allowances for doubtful accounts 31 December 2017	**9,502**

The decline in impairments is mainly attributable to the fact that estimates for long-term impaired receivables were reviewed in the 2018 financial year. Fully impaired other financial assets (EUR 6,172 thousand) were therefore derecognised.

The following table shows the risk classes of financial assets used to determine expected credit loss and the gross carrying amounts allocated to them as at 31 December 2018 using the simplified approach:

	Gross carrying amounts as at 31.12.2018			
Risk categories simplified approach	**Total**	**Trade Receivables**	**Receivables from affiliated and associated companies accounted for at equity**	**Receivables relating to ticket monies**
	[EUR'000]	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**
Not overdue	137,595	51,449	621	85,525
< 30 days overdue	7,719	6,402	1	1,316
30 - 90 days overdue	3,465	2,735	9	722
90 - 180 days overdue	1,195	1,171	0	23
> 180 days overdue	2,203	2,106	0	97
Total	**152,176**	**63,862**	**631**	**87,683**

The following table shows the risk classes of financial assets used to determine expected credit loss and the gross carrying amounts allocated to them as at 31 December 2018 using the general approach:

	Gross carrying amounts as at 31.12.2018		
Risk categories general approach	**Total**	**Receivables from promoters**	**Other original financial assets**
	[EUR'000]	**[EUR'000]**	**[EUR'000]**
No significant increase in credit risk	931,268	22,380	908,888
Significant increase in credit risk	332	291	41
Credit-impaired	6,474	6,383	91
Total	**938,073**	**29,054**	**909,019**

LIQUIDITY RISKS

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

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

Standard credit agreements are in place with various banks. The extension risk is minimised by varying credit terms. In addition to existing financing of acquisitions, a medium- to long-term working capital credit facility is also available as part of general corporate financing. The Group had sufficient cash reserves as at the balance sheet date of 31 December 2018.

As at 31 December 2018, the Group has bank liabilities of EUR 83,340 thousand (previous year: EUR 117,206 thousand). Of the external loans, EUR 34,403 thousand (previous year: EUR 68,410 thousand) are tied up to comply with standard ‚financial covenants' for companies with good creditworthiness ratings. There is no certainty that the ‚financial covenants' will be honoured in the future. However, based on current budget planning, the CTS Group assumes that the covenants will also be honoured in the years ahead.

The following table shows the contractually agreed (undiscounted) interest payments and repayments in respect of the current and non-current original and derivative financial liabilities, as at 31 December 2018:

	Carrying value 31.12.2018	Redemption < 1 year	Interest < 1 year	Redemption < 2 years	Interest < 2 years	Redemption < 4 years	Interest < 4 years	Redemption > 4 years	Interest > 4 years
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
Financial liabilities	105,298	-40,749	-1,072	-56,617	-547	0	0	-8,142	0
Trade payables	138,939	-138,939	0	0	0	0	0	0	0
Payables to affiliated and associated companies accounted for at equity	743	-743	0	0	0	0	0	0	0
Other original financial liabilities	443,495	-439,449	0	-3,316	0	-721	0	-9	0
thereof liabilities due to not yet invoiced ticket monies	442,842	-442,842	0	0	0	0	0	0	0
Other derivative financial liabilities	33	1	0	0	0	0	0	0	0
	688,508	**-619,879**	**-1,072**	**-59,933**	**-547**	**-721**	**0**	**-8,151**	**0**

The carrying amount of the financial liabilities as at 31 December 2018 is lower due to amortisation of the transaction costs at a constant effective interest rate.

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

	Carrying value 31.12.2017	**Redemption < 1 year**	**Interest < 1 year**	**Redemption < 2 years**	**Interest < 2 years**	**Redemption < 4 years**	**Interest < 4 years**	**Redemption > 4 years**	**Interest > 4 years**
	[EUR'000]	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**
Financial liabilities	147,199	-60,937	-1,413	-8,694	-686	-77,681	-671	0	0
Trade payables	103,889	-103,700	0	-189	0	0	0	0	0
Payables to affiliated and associated companies accounted for at equity	554	-542	0	0	0	0	0	-12	0
Other original financial liabilities	333,196	-329,306	-54	-3,134	-18	-735	-6	-22	0
thereof liabilities due to not yet invoiced ticket monies	314,483	-313,675	0	-808	0	0	0	0	0
Other derivative financial liabilities	88	-63	0	0	0	0	0	0	0
Other derivative financial assets	-42	42	0	0	0	0	0	0	0
	584,885	**-494,506**	**-1,467**	**-12,017**	**-704**	**-78,416**	**-677**	**-34**	**0**

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

INTEREST RISKS

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

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

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

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

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

Hypothetical changes in market interest rates as at 31 December 2018 would have effects on ongoing interest payments and/or interest income and expenditure in income after tax and on equity. The hypothetical effect on income results from the potential effects of original cash and cash equivalents and financial debts of EUR 859,754 thousand (previous year: EUR 623,232 thousand), as well as original financial assets at fair value through profit and loss with a fixed rate interest EUR 785 thousand (previous year: EUR 0).

If the level of market interest rates had been 100 base points higher (lower) as at 31 December 2018, net income after tax would have been EUR 6,128 thousand higher (EUR 1,445 thousand lower). The effect on net income after tax in 2018 concerns to floating interest rates in cash and cash equivalents and financial debts at banks and original financial assets at fair value through profit and loss with a fixed rate interest.

If the level of market interest rates had been 100 base points higher (lower) as at 31 December 2017, net income after tax would have been EUR 4,313 thousand higher (EUR 851 thousand lower). The effect on net income after tax in 2017 concerns exclusively to floating interest rates in cash and cash equivalents.

FOREIGN EXCHANGE RISKS AND HEDGE ACCOUNTING

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

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

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

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

This would have the following effects on earnings after tax and equity:

		31.12.2018		31.12.2017	
		Net income after tax	Equity	Net income after tax	Equity
		[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
Exchange rate fluctuation CHF	10%	11	480	-422	52
	-10%	-11	-480	422	-52
Exchange rate fluctuation USD	10%	-1,001	0	86	-314
	-10%	1,001	0	-86	314
Exchange rate fluctuation SEK	10%	-257	0	35	0
	-10%	257	0	-35	0
Exchange rate fluctuation other exchange currencies	10%	-118	0	-406	0
	-10%	118	0	406	0
Total effects (all currencies)	**10%**	**-1,365**	**480**	**-707**	**-262**
	-10%	**1,365**	**-480**	**707**	**262**

In the reporting period, cash flows denominated in foreign currencies were mainly hedged on a short-term basis. As at 31. December 2018, the CTS Group recognised the following forward exchange contracts in cash flow hedges:

	31.12.2018				During the reporting period 2018		
	Nominal amount	Carrying amount		Line item in the statement of financial position where the hedging instrument is included	Change in value of hedging instrument recognised in OCI	Amount reclassified from OCI to profit or loss	Line item effected in profit or loss because of the reclassifi-cation
		Asset	Liability				
	[EUR'000]	[EUR'000]	[EUR'000]		[EUR'000]	[EUR'000]	
Foreign exchange contracts to hedge license fees in CHF	4,772	0	-20	Other financial liabilities	-27	35	Revenue
Foreign exchange contracts to hedge artist fees in USD	0	0	0	-	-55	-143	Cost of sales
Total	**4,772**	**0**	**-20**		**-82**	**-108**	

The nominal amount of the underlying transactions corresponds to the nominal amount of the hedging instrument. The cash flows will mainly affect net income in 2019.

As at 31 December 2018, there was a forward exchange contract with a nominal amount of EUR 3,475 thousand (previous year: EUR 0 thousand) to hedge artists fees in USD, which does not meet the criteria for hedge accounting. The market value of EUR -13 thousand was recognised in the income statement.

As at 31 December 2017, the CTS Group recognised the following forward exchange contracts in cash flow hedges:

	31.12.2017				During the reporting period 2017		
	Nominal amount	Carrying amount		Line item in the statement of financial position where the hedging instrument is included	Change in value of hedging instrument recognised in OCI	Amount reclassified from OCI to profit or loss	Line item effected in profit or loss because of the reclassifi-cation
		Asset	Liability				
	[EUR'000]	[EUR'000]	[EUR'000]		[EUR'000]	[EUR'000]	
Foreign exchange contracts to hedge license fees in CHF	563	42	0	Other financial assets	130	84	Revenue
Foreign exchange contracts to hedge artist fees in USD	3,229	0	-88	Other financial liabilities	-122	-33	Cost of sales
Total	**3,792**	**42**	**-88**		**8**	**51**	

OTHER PRICE RISKS

The marketable securities and other investments held by the CTS Group are subject to market price risks. In accordance with IFRS 7, these market price risks are presented in the form of sensitivity analyses by determining the effects that hypothetical changes in market prices will have on the recognition of a securities portfolio reported under marketable securities and other investments.

If market prices as at 31 December 2018 had been higher (lower) by one standard deviation from the historical relative changes in value over the financial year, net income after tax would have been EUR 3 thousand higher (lower) (previous year equity: EUR 1 thousand).

5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

REVENUE (1)

In the reporting period, the Group generated revenue of EUR 1,241,689 thousand (previous year: EUR 1,033,980 thousand).

	2018	2017
	[EUR'000]	[EUR'000]
Ticketing		
Ticket fees	381,542	357,492
Commissions	14,072	11,970
Other service charges	10,830	10,426
License fees	6,974	7,056
Other	33,666	31,450
	447,083	**418,394**
Live Entertainment		
Entertainment services	741,371	561,320
Catering and merchandising	27,900	29,198
Sponsoring	13,320	11,617
Other	29,867	24,521
	812,458	**626,655**
Intersegment consolidation	-17,852	-11,069
CTS Group	**1,241,689**	**1,033,980**

Of the external revenue generated by the CTS Group, an amount of EUR 835,732 thousand (previous year: EUR 649,696 thousand) was recorded over time pursuant to IFRS 15. A total of EUR 82,203 thousand (previous year: EUR 79,771 thousand) of this amount was attributable to the Ticketing segment and EUR 753,528 thousand (previous year: EUR 569,925 thousand) to the Live Entertainment segment. In the Live Entertainment segment, the periods of time in which revenue is recognised are very short and extend over a maximum of a small number of days, in the case of festivals.

Revenue recognised in the reporting period that was included at the beginning of the period in the balance of current advanced payments received amounted to EUR 286,454 thousand and was attributable to the Live Entertainment segment. The current advance payments received of EUR 389,901 thousand as at 31 December 2018 are likely to result in revenue over the subsequent 12 months.

COST OF SALES (2)

The costs of sale rendered to generate revenue (EUR 901,121 thousand, previous year: EUR 728,767 thousand) comprise all material expenses (EUR 798,349 thousand; previous year: EUR 633,208 thousand) as well as pro rata personnel expenses (EUR 69,073 thousand; previous year: EUR 62,470 thousand), amortisation (EUR 10,648 thousand; previous year: EUR 11,505 thousand) and other operating expenses (EUR 22,979 thousand; previous year: EUR 21,584 thousand).

OTHER OPERATING INCOME (3)

	2018	2017
	[EUR'000]	[EUR'000]
Income from insurance compensation	5,261	5,161
Income from written-off liabilities / written-off receivables	4,699	5,478
Income from advertising and marketing	3,953	3,391
Income from currency translation	2,425	1,152
Income from passed on expenses	2,134	2,459
Income relating to other periods	1,836	925
Income from the reversal of allowances for doubtful accounts	1,481	3,239
Other operating income	6,292	2,948
	28,081	**24,753**

The other operating income in the reporting period included, among others, income from the sale of shares in the Danish investment portfolio of the FKP SCORPIO Group of EUR 3,049 thousand.

OTHER OPERATING EXPENSES (4)

	2018	2017
	[EUR'000]	[EUR'000]
Expenses for third-party services	3,081	3,352
Expenses passed on from third parties	2,838	2,729
Non-recurring items	2,896	3,115
Currency translation expenses	1,850	2,765
Expenses relating to other periods / non-operating costs	1,385	735
Other operating expenses	808	2,382
Donations	585	790
Cost for the supply of goods sold	126	208
Loss from disposal of fixed assets	83	266
	13,651	**16,341**

In the reporting period, CTS Group earnings were negatively impacted due to non-recurring items in the Ticketing segment amounting to EUR 1,770 thousand (previous year: EUR 2,555 thousand) and in the Live Entertainment segment to EUR 1,125 thousand (previous year: EUR 560 thousand). These non-recurring items mainly relate to legal and consulting fees for the performance of due diligence for acquisitions that have been carried out or are being planned. Significant legal and consultancy costs relating to participation in the tender process of the Federal Ministry of Transport and Digital Infrastructure (Bundesministerium für Verkehr und digitale Infrastruktur), which took approximately a year, are also normalised.

FINANCIAL INCOME (5)

Financial income includes interest income of EUR 851 thousand (previous year: EUR 828 thousand) and other financial income of EUR 4,694 thousand (previous year: EUR 9,367 thousand). The previous year's result was disproportionately high due to the measurement at fair value of a subsidiary accounted for at equity and fully consolidated from 1 January 2017 in the amount of EUR 5,373 thousand. In addition, there was increased financial income from the updated fair value measurement of liabilities from put options granted to minority shareholders in the amount of EUR 4,607 thousand (previous year: EUR 3,443 thousand).

FINANCIAL EXPENSES (6)

Financial expenses comprise interest expenses, at EUR 3,156 thousand (previous year: EUR 3,830 thousand) and EUR 2,966 thousand in other financial expenses (previous year: EUR 1,318 thousand). Other financial expenses include changes in variable purchase price liabilities and liabilities from put options of EUR 2,306 thousand (previous year: EUR 524 thousand).

TAXES (7)

	2018	2017
	[EUR'000]	[EUR'000]
Actual Income taxes	62,260	60,099
Deferred taxes	362	-7,639
	62,623	**52,460**

Actual income taxes comprise actual tax income of EUR 3,657 thousand which predominantly result from tax refunds for previous years. In the previous year, actual tax expenses for previous periods were recognised due to the completion of tax audits (EUR 264 thousand).

The deferred taxes included in the statement of other comprehensive income for the remeasurement of the net defined benefit obligation for pension plans amount to EUR -299 thousand (previous year: EUR -683 thousand), for financial assets measured at fair value amount to EUR 0 thousand (previous year: EUR 1 thousand) and for derivatives in cash flow hedges amount to EUR -8 thousand (previous year: EUR 14 thousand).

Deferred tax income / expenses developed as follows:

	2018	2017
	[EUR'000]	[EUR'000]
Deferred taxes	362	-7,639
thereof:		
from temporary differences	-3,706	-3,364
from tax loss carryforwards	4,069	-4,276

Deferred tax income from temporary differences mainly result from the purchase price allocations in respect of the acquisitions made from 2010 onwards. The deferred tax expense due to tax loss carryforwards result from the revaluation of existing loss carryforwards in connection with temporary burden from the expansion of entertainment products and new ticketing markets.

The following table shows the reconciliation of the tax expenses expected in the respective financial year with the tax expense as actually disclosed. To determine the expected tax expense for 2018, an average tax rate of 32.3% (previous year: 31.6%) was multiplied by the pre-tax profit. The average tax rate is the tax rate for CTS KGaA, which is composed of German corporation tax at a rate of 15.0% (previous year: 15.0%) plus 5.5% solidarity supplement and local municipal trade tax at around 16.4% (previous year: around 15.8%).

	2018	2017
	[EUR'000]	[EUR'000]
Earnings before tax (EBT)	192,904	170,792
Reconciliation to effective tax expenses		
Expected income taxes	**62,236**	**53,970**
Deviations from average tax rate	-4,151	-2,583
Changes in value adjustment of deferred tax assets	7,459	729
Usage of not capitalised tax loss carry-forward	0	43
Losses without the formation of deferred tax assets	661	1,223
Effects due to municipal trade tax additions and reduction	791	791
Actual taxes referring to previous years	-3,657	264
Non-deductable expenses / non-taxable income	-800	-2,215
Other	84	238
Effective income taxes	**62,623**	**52,460**

6. OTHER NOTES

6.1 CAPITAL MANAGEMENT

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

The capital structure of the CTS Group comprises debt, cash and cash equivalents and the equity attributable to the shareholders of CTS KGaA. The latter consists in particular of issued shares and the retained earnings.

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

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

	31.12.2018 [EUR'000]	31.12.2017 [EUR'000]
Debt [1]	436,478	379,553
Cash and cash equivalents	-873,206	-640,726
Net debt	**-436,728**	**-261,173**
Equity	471,289	393,800
Net debt to equity	-92.7%	-66.3%

[1] Debt is defined here as non-current and current financial liabilities (EUR 105,298 thousand; previous year: EUR 147,199 thousand) and other non-current and current financial liabilities (EUR 443,528 thousand; previous year: EUR 333,285 thousand). The other financial liabilities from ticket monies that have not yet been invoiced are set off against receivables relating to ticket monies and factoring receivables (EUR 112,347 thousand; previous year: EUR 100,931 thousand).

Net debt indicates the amount of debt a company has after all financial liabilities have been redeemed with cash and cash equivalents. The CTS Group has more cash and cash equivalents than debt at the end of 2018. The negative net debt-equity ratio means that the Group is de facto free of debt. The leverage of loan capital is expected to have positive effects on the return on equity.

The financial liabilities recognised on the balance sheet date of EUR 105,298 thousand (previous year: EUR 147,199 thousand) include loans of EUR 83,340 thousand (previous year: EUR 117,206 thousand) as well as EUR 21,958 thousand in purchase price obligations and put options of non-controlling interests (previous year: EUR 29,993 thousand).

Of the liabilities, EUR 34,403 thousand (previous year: EUR 68,410 thousand) are tied up at the balance sheet date to comply with standard 'financial covenants' for companies with good creditworthiness ratings (equity ratio, adjusted net debt). Other than fulfilment of these 'financing covenants', there are no specific restrictions that might adversely affect the availability of funds. The CTS Group also assumes that the 'financing covenants' will be honoured in the years ahead.

Cash reserves, in the form of credit lines and cash, as well as a syndicated credit line (revolving credit facility) are held. In October 2015, CTS KGaA agreed on a syndicated credit facility (revolving credit facility) of EUR 200 million with a maturity of four years until October 2022. As at the balance sheet date of 31 December 2018, utilisation of credit facilities amounted to EUR 15 million.

6.2 EARNINGS PER SHARE

Earnings per share were calculated according to IAS 33 by dividing the consolidated net income for the year, after deduction of non-controlling interests, 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:

	2018	2017
	[EUR]	[EUR]
Net income attributable to shareholders	118,503,599	112,808,165
Quantity of issued shares	96,000,000	96,000,000
Quantity of treasury shares	-8,700	-8,700
Quantity of outstanding shares	95,991,300	95,991,300
Earnings per share	**1.23**	**1.18**

In fiscal year 2018, CTS KGaA generated EUR 103,870 thousand in net income. The Management Board of the general partner and the Supervisory Board of the company propose to the Annual Shareholders' Meeting to distribute a dividend of EUR 59,515 thousand (EUR 0.62 per eligible share) and to carry forward the remaining amount of EUR 44,355 thousand to the balance sheet profit.

6.3 SEGMENT REPORTING

The Group operates in the leisure events market with its Ticketing and Live Entertainment segments. Selling tickets for leisure events is the basic object of the Ticketing segment, which markets events (tickets) using the internet (eventim.de), its market-leading network platform (EVENTIM.Net), the inhouse ticketing product (EVENTIM.Inhouse), the sport ticketing product (EVENTIM.Tixx) and a solution for ticket sales and admission control (EVENTIM.Access). The basic object of the Live Entertainment division is to organise and execute events as well as the operation of venues.

The Group is segmented on the basis of the internal reports to the chief operating decision maker (corporate management) and includes the components required by IFRS 8. The chief operating decision maker is responsible for decisions on the allocation of resources to the operating segments and for assessing their performance.

Transfer prices for intercompany services are determined in accordance with normal market conditions.

The segment revenue is shown after consolidation within the segments but before consolidation between the segments.

The segment-related data were determined by the main accounting principles and methods described in section 1.5.

Internal revenues between the Group companies in a given segment have already been consolidated at segment level. The assets were allocated to the segments in the course of consolidation. Revenue between the segments is eliminated in the consolidation column. Services were invoiced at the normal market prices charged to third parties. Depending on their business content, individual transactions are allocated to their segment, in deviation from their allocation according to corporate structure.

Reconciliation of the operating profit (EBIT) of the segments with Group earnings:

	Ticketing		Live Entertainment		Intersegment consolidation		Group	
	2018 [EUR'000]	2017 [EUR'000]	2018 [EUR'000]	2017 [EUR'000]	2018 [EUR'000]	2017 [EUR'000]	2018 [EUR'000]	2017 [EUR'000]
Revenue	447,083	418,394	812,458	626,655	-17,852	-11,069	1,241,689	1,033,980
EBITDA	194,033	176,088	34,207	25,538	0	0	228,240	201,626
Depreciation and amortisation	-29,547	-30,839	-7,927	-5,058	0	0	-37,474	-35,897
EBIT	164,486	145,249	26,280	20,480	0	0	190,765	165,730
Financial result							2,138	5,062
Earnings before tax (EBT)							192,904	170,792
Taxes							-62,623	-52,460
Net income before non-controlling interests							130,281	118,332
Non-controlling interests							-11,777	-5,524
Net income after non-controlling interests							118,504	112,808
Average number of employees	1,719	1,697	1,151	1,030			2,870	2,727
Normalised EBITDA [1]	195,803	178,643	35,332	26,098	0	0	231,135	204,741
Normalised EBIT before amortisation from purchase price allocation [1]	174,711	158,650	30,916	22,893	0	0	205,627	181,542

[1] Temporary non-recurring items are adjusted as normalisation

	Ticketing		Live Entertainment		Intersegment consolidation		Group	
	2018 [EUR'000]	2017 [EUR'000]	2018 [EUR'000]	2017 [EUR'000]	2018 [EUR'000]	2017 [EUR'000]	2018 [EUR'000]	2017 [EUR'000]
EBITDA	**194,033**	**176,088**	**34,207**	**25,538**			**228,240**	**201,626**
Non-recurring items	1,770	2,555	1,125	560			2,896	3,115
Normalised EBITDA	**195,803**	**178,643**	**35,332**	**26,098**	**0**	**0**	**231,135**	**204,741**
Depreciation and amortisation	-29,547	-30,839	-7,927	-5,058			-37,474	-35,897
Amortisation resulting from purchase price allocation	8,455	10,845	3,511	1,853			11,965	12,698
Normalised EBIT before amortisation from purchase price allocation	**174,711**	**158,650**	**30,916**	**22,893**	**0**	**0**	**205,627**	**181,542**

Key performance indicators for assessing the performance (key financial figures) of the operating business per segment are the sustained increase in revenue, in EBITDA, in normalised EBITDA, in EBIT and in normalised EBIT before amortisation from purchase price allocation.

The non-recurring items mainly relate to legal and consulting fees for the performance of due diligence for acquisitions that have been carried out or are being planned. Significant legal and consultancy costs relating to participation in the tender process of the Federal Ministry of Transport and Digital Infrastructure (Bundesministerium für Verkehr und digitale Infrastruktur) for the collection of the infrastructure charge, which took approximately a year, are also normalised.

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

	Ticketing		Live Entertainment		Total for segments	
	2018 [EUR'000]	2017 [EUR'000]	2018 [EUR'000]	2017 [EUR'000]	2018 [EUR'000]	2017 [EUR'000]
External revenue	433,131	411,492	808,558	622,488	1,241,689	1,033,980
Internal revenue	13,952	6,902	3,900	4,167	17,852	11,069
Revenue after consolidation within the segment	**447,083**	**418,394**	**812,458**	**626,655**	**1,259,541**	**1,045,049**

GEOGRAPHICAL DISCLOSURES

The following table shows the **external revenue** for the 2018 financial year, broken down by geographical distribution:

	2018	2017
	[EUR'000]	[EUR'000]
Germany	808,840	692,532
Italy	151,488	61,216
Switzerland	87,851	107,042
Austria	66,245	51,093
Finland	34,041	22,564
Netherlands	21,376	20,428
Spain	18,710	8,894
Great Britain	9,223	11,491
Other countries	43,916	58,720
	1,241,689	**1,033,980**

The carrying values of **non-current non-financial assets** (without deferred taxes) for the 2018 financial year are shown in the following table according to geographical distribution:

	2018	2017
	[EUR'000]	[EUR'000]
Germany	359,937	358,079
Switzerland	67,217	64,944
Italy	60,596	21,417
Denmark	7,339	6,447
Austria	1,996	1,576
Great Britain	342	343
Other countries	8,342	7,272
	505,769	**460,078**

The non-current non-financial assets include goodwill, property, plant and equipment, intangible assets, investments in associates accounted for at equity and other non-current non-financial assets.

6.4 EMPLOYEES

Personnel expenses	2018	2017
	[EUR'000]	[EUR'000]
Wages and salaries	131,534	116,153
Social insurance contributions and expenses for pension and other employee benefits	22,753	20,858
	154,286	**137,011**

Personnel expenses were considered with EUR 69,073 thousand (previous year: EUR 62,470 thousand) in cost of sales, with EUR 43,405 thousand (previous year: EUR 38,375 thousand) in selling expenses and with EUR 41,808 thousand (previous year: EUR 36,166 thousand) in general administrative expenses.

The employer's contribution to the statutory pension insurance classified as a contribution-based pension scheme amounted to EUR 8,703 thousand (previous year: EUR 8,329 thousand). It is included in social contributions and expenditures for pensions and other employee benefits.

On average over the year, 2,870 salaried staff (previous year: 2,727) were employed by the Group. Of that total, 1,730 (previous year: 1,682) were employed in Germany, and 1,140 (previous year: 1,045) in foreign countries.

6.5 LITIGATIONS

In the context of administrative proceedings, the German Federal Cartel Office (Bundeskartellamt) has been investigating the market position and market conduct of CTS KGaA, particularly regarding whether CTS KGaA exploits its market position in the Ticketing segment to an unreasonable extent or puts market partners at a disadvantage, as well as the content of specific regional cooperation agreements. An administrative procedure that has been ongoing since October 2014 was completed by the German Federal Cartel Office on 4 December 2017. As part of these proceedings, it raised objections concerning a limited number of existing exclusive agreements and also restricted the scope and duration of future exclusive agreements. CTS KGaA has filed an appeal against this decision with the Higher Regional Court (Oberlandesgericht) in Dusseldorf, which is expected to be decided in spring 2019. In addition, consumer protection proceedings in Germany and administrative proceedings in Italy and Switzerland are still pending. The outcome of the proceedings is still uncertain. It cannot be ruled out that antitrust authorities, consumer protection organisations or other institutions will take issue with individual practices or agreements during ongoing or future proceedings and issue an order for modification; there are currently no major negative effects on future business developments expected.

The Group is involved in pending procedures and processes as they arise in the ordinary course of business. In the opinion of the legal representatives, the conclusion of these matters will not have a significant impact on the earnings performance, financial position and cash flow of the Group. Provisions of EUR 1,150 thousand were formed for litigation costs at the balance sheet date.

6.6 CONTINGENT LIABILITIES

CTS KGaA has issued a letter of comfort valid until 31 March 2019 to FKP SCORPIO Konzertproduktionen GmbH, Hamburg, to secure payment obligations of EUR 2,500 thousand. Due to the positive budget of FKP SCORPIO a claim is not expected.

On 13 August 2018, CTS KGaA and Kapsch TrafficCom AG, Vienna, acquired a shell company as an operating company. CTS KGaA holds a 50% stake in this company with a nominal value of EUR 12,500, which is accounted for using the equity method.

The operating company participated in the call for tender by the BMVI for the collection of the ISA as a bidder consortium. The operating company was awarded the tender by BMVI on 19 December 2018 and an operating agreement with the KBA, representing the Federal Republic of Germany, was notarially certified on 30 December 2018.

The shareholders each submitted capital commitments of EUR 42,500 thousand to finance the operating company.

Under the operating agreement, the shareholders provided the operating company with a time-limited joint and several declaration of liability to the Federal Republic of Germany, represented by the KBA, in the amount of EUR 300,000 thousand. In addition, the shareholders assumed temporary joint and several liability for loan receivables from banks to the operating company in the amount of EUR 175,000 thousand. Due to the positive budget of the operating company, a claim is not expected.

6.7 LEASING

FINANCE LEASE AS LESSEE

Other current financial liabilities include liabilities from finance leases, at EUR 66 thousand (previous year: EUR 126 thousand), and the non-current financial liabilities include liabilities from finance leases with a remaining term of up to four years, at EUR 110 thousand (previous year: EUR 49 thousand). The main leases relate to motor vehicles. Leasing agreements for motor vehicles generally do not include renewal or purchase options and have a fixed term after which the vehicle is returned. The leasing rate is based on brand, model and equipment. The interest rates on which the leasing agreements are based vary between 1.8% and 2.8%, depending on the market rates and the date of conclusion. The present value of future minimum lease payments amount to EUR 73 thousand (previous year: EUR 71 thousand) with a remaining term of up to one year and EUR 111 thousand (previous year: EUR 100 thousand) between one and five years.

OPERATING LEASE AS LESSEE

The rental obligations relate to rental payments for office premises, the LANXESS arena in Cologne, Arena Berlin and 'Waldbühne' in Berlin. The leasing obligations pertain primarily to maintenance agreements for software and telecommunication as well as vehicles. Other obligations relate to agency agreements and agreements for service contracts.

The rental, leasing and other obligations are shown in the following table:

	2018			2017		
	< 1 year [EUR'000]	1 - 5 years [EUR'000]	> 5 years [EUR'000]	< 1 year [EUR'000]	1 - 5 years [EUR'000]	> 5 years [EUR'000]
Rental obligations	16,344	42,530	6,726	16,047	44,573	6,293
Leasing obligations	870	906	4	668	604	22
Other obligations	1,216	1,495	0	663	508	380
	18,430	**44,931**	**6,731**	**17,378**	**45,685**	**6,694**

Payments made in operating leases which are recorded in the reporting period as expenses amount to EUR 9,209 thousand (previous year: EUR 16,249 thousand).

OPERATING LEASE AS LESSOR

The CTS Group leases IT hardware to box offices as a lessor. Of the minimum lease payments from non-cancellable operating leases of EUR 4,072 thousand (previous year: EUR 1,899 thousand), EUR 1,394 thousand (previous year: EUR 1,498 thousand) are due within one year and EUR 2,678 thousand (previous year: EUR 402 thousand) between one and five years. In the reporting period, income from lease payments of EUR 1,497 thousand (previous year: EUR 1,503 thousand) was collected.

The carrying amount of the leased items developed as follows:

Rented IT hardware	**[EUR'000]**
Historical cost	
Status 1 January 2018	5,956
Addition	379
Disposal	-76
Status 31 December 2018	**6,259**
Accumulated depreciation and amortisation	
Status 1 January 2018	5,011
Addition	670
Disposal	-2
Status 31 December 2018	**5,679**
Carrying value as at 31 December 2018	**580**
Historical cost	
Status 1 January 2017	5,822
Addition	216
Disposal	-82
Status 31 December 2017	**5,956**
Accumulated depreciation and amortisation	
Status 1 January 2017	4,805
Addition	264
Disposal	-58
Status 31 December 2017	**5,011**
Carrying value as at 31 December 2017	**945**

6.8 EVENTS AFTER THE BALANCE SHEET DATE

No other events requiring disclosure took place following the balance sheet date.

6.9 DECLARATION OF COMPLIANCE

On 3 December 2018, the Management Board of the general partner and the Supervisory Board of CTS KGaA released a further declaration of compliance with the recommendations of the 'Government Commission on the German Corporate Governance Code' pursuant to § 161 AktG, and made the declaration permanently available to shareholders on the CTS KGaA website (https://www.eventim.de/tickets.html?affiliate=QEV&fun=tdoc&doc=eventim/default/info/en/investor/investorCorporateGovernance).

6.10 APPLICATION OF § 264 (3) HGB AND § 264B HGB

Some consolidated corporate companies and business partnerships of CTS KGaA qualify for § 264 (3) HGB and § 264b HGB with regard to the preparation and disclosure of their annual financial statements. Therefore, the consolidated financial statements of CTS KGaA are the exempting consolidated financial statements for these subsidiaries:

- CTS Eventim Solutions GmbH, Bremen
- Ticket Online Sales & Service Center GmbH, Parchim
- CTS Eventim Sports GmbH, Hamburg
- Marek Lieberberg Konzertagentur GmbH & Co. KG, Frankfurt/Main
- Peter Rieger Konzertagentur GmbH & Co. KG, Cologne
- JUG Jet Air GmbH & Co. KG, Bremen
- JUG Jet Air Verwaltungs-GmbH, Bremen
- getgo consulting GmbH, Hamburg
- Arena Event GmbH, Cologne
- Arena Management GmbH, Cologne
- Arena Holding GmbH, Cologne

6.11 NOTIFIABLE SECURITIES TRANSACTIONS PURSUANT TO SECTION 19 MAR (MARKET ABUSE REGULATION)

No transactions were carried out by members of the corporate management and Supervisory Board of CTS KGaA with no-par value bearer shares of the Company (ISIN DE0005470306) in financial year 2018.

6.12 RELATED PARTY DISCLOSURES

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

The transactions of the CTS Group with related companies and persons pertain to reciprocal services and were concluded only at the arm's-length conditions which normally apply between third parties.

As the majority shareholder of the general partner of EVENTIM Management AG and majority shareholder of CTS KGaA, Mr. Klaus-Peter Schulenberg was the controlling shareholder until 28 December 2015. On 28 December 2015, Mr. Klaus-Peter Schulenberg transferred his shares of CTS KGaA as well as his shares of EVENTIM Management AG to KPS Stiftung seated in Hamburg. Mr. Klaus-Peter Schulenberg's holdings in CTS KGaA and EVENTIM Management AG are only being converted from a direct into an indirect holding. Therefore Mr. Klaus-Peter Schulenberg has to be classified as a controlling person. He is also the controlling shareholder of other companies associated with the KPS Group.

The contractual relationships with related companies and persons resulted in the following goods and services being sold to and bought from related parties in the 2018 reporting period:

	2018	2017
	[EUR'000]	[EUR'000]
Goods and services supplied by the Group		
Services related to events	1,802	3,295
Passing on of operating costs	787	1,127
Supply of ticketing software	742	149
Other	371	355
	3,702	**4,925**

EUR 659 thousand in goods and services were supplied by the Group to subsidiaries not included in consolidation due to insignificance (previous year: EUR 733 thousand), EUR 1,863 thousand to associates accounted for at equity (previous year: EUR 3,380 thousand) and EUR 1,181 thousand to other related parties (KPS Group) (previous year: EUR 812 thousand).

The contractual relationship with related companies and persons resulted in the following goods and services being received from related parties in the 2018 reporting period:

Goods and services received by the Group	2018 [EUR'000]	2017 [EUR'000]
Fulfillment and customer services, transfer of postage	22,292	20,863
Production costs for events	3,427	1,504
Call center operations	2,474	2,657
Tenancy agreements	1,432	1,357
Agency agreements	273	522
Payment services	1,121	1,134
Other	259	126
	31,279	**28,162**

EUR 2,353 thousand in goods and services were received by the Group from subsidiaries not included in consolidation due to insignificance (previous year: EUR 641 thousand), while EUR 317 thousand in goods and services were supplied by associates accounted for at equity (previous year: EUR 264 thousand) and EUR 28,610 thousand were supplied by other related parties (KPS Group) (previous year: EUR 27,258 thousand).

Receivables from related companies and persons break down as follows as at 31 December 2018:

Receivables from	2018 [EUR'000]	2017 [EUR'000]
Subsidiaries not included in consolidation due to insignificance	490	351
Associates accounted for at equity	142	457
Joint Venture	0	1,298
Other related parties	58	297
	689	**2,403**

Liabilities to related companies and persons break down as follows as at 31 December 2018:

Liabilities to	2018 [EUR'000]	2017 [EUR'000]
Subsidiaries not included in consolidation due to insignificance	287	151
Associates accounted for at equity	456	480
Other related parties	3,412	4,372
	4,154	**5,003**

Liabilities to related parties are unsecured.

Compensations paid to managers in key positions are disclosed under item 6.14 in the notes to the consolidated financial statements.

6.13 AUDITOR EXPENSES

At the Annual Shareholders' Meeting of CTS KGaA in May 2018, KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, (hereinafter: KPMG) was elected as the auditor for the 2018 financial year.

In the 2018 financial year, auditing expenses of EUR 513 thousand (previous year: EUR 402 thousand) and fees of EUR 253 thousand (previous year: EUR 295 thousand) were charged for other services as well as EUR 34 thousand for attestation services of and EUR 0 thousand for tax advisory services (previous year: EUR 2 thousand).

The other services primarily relate to services for the EU General Data Protection Regulation (EU-GDPR) project amounting to EUR 252 thousand (previous year: EUR 241 thousand). The European General Data Protection Regulation is aimed at ensuring a standard level of data protection and was mandatory for all EU member states from 25 May 2018.

6.14 MANDATES AND EMOLUMENTS OF THE CORPORATE MANAGEMENT

The Management Board and the Supervisory Board are members of the management in key positions in the CTS Group.

The remuneration of the Management Board, all short-term benefits within the meaning of IAS 19, totaled EUR 5,904 thousand (previous year: EUR 5,101 thousand). This includes performance-related components in the amount of EUR 1,700 thousand (previous year: EUR 1,350 thousand), which has not yet been paid out as of the balance sheet date.

During the reporting year, the members of the Management Board of EVENTIM Management AG, Hamburg, did not hold any supervisory board positions requiring disclosure.

The members of the Supervisory Board of CTS KGaA received emoluments totaling EUR 250 thousand (previous year: EUR 233 thousand) as well as reimbursement expenses of EUR 4 thousand (previous year: EUR 4 thousand) for the 2018 financial year. These payments relate solely to short-term benefits within the meaning of IAS 19. Thereof, EUR 218 thousand (previous year: EUR 118 thousand) has not yet been paid out on the balance sheet date.

The members of the Supervisory Board exercised the following mandates in the business year:

Dr. Bernd Kundrun, Managing Director of Start 2 Ventures GmbH, Hamburg/Germany – chairman –
other supervisory board positions and comparable regulatory bodies:

- EVENTIM Management AG, Hamburg, Germany (chairman of the board)
- gut.org non-profit limited company, Berlin, Germany (honorary chairman)
- RTL Group, Luxembourg, Luxembourg
- NZZ AG, Zurich, Switzerland
- Comecave GmbH, Dortmund, Germany
- Gilde Buy Out Partners AG, Zurich, Switzerland

Prof. Jobst W. Plog, Lawyer, Hamburg/Germany – deputy chairman –
other supervisory board positions:

- EVENTIM Management AG, Hamburg, Germany (deputy chairman)

Dr. Juliane Thümmel, Senior Government Official at the Permanent Representation of the Federal Republic of Germany to the European Union, St. Gilles/Belgium
other supervisory board positions:

- EVENTIM Management AG, Hamburg, Germany

Justinus J.B.M. Spee, Businessman, Amsterdam, Badhoevedorp/Netherlands
other supervisory board positions and comparable regulatory bodies:

- EVENTIM Management AG, Hamburg, Germany
- Duinrell B.V., Wassenaar, Netherlands
- Brunel N.V., Amsterdam, Netherlands
- Asito Diensten Groep S.E., Almelo, Netherlands
- Redevco B.V., Amsterdam, Netherlands
- Panther Media Group, Dubai, United Arab Emirates
- Stichting OLVG, Amsterdam, Netherlands

Individualised information on the remuneration of the Management Board and the Supervisory Board is presented in the compensation report, which is part of the combined management report.

6.15 PARTICIPATING PERSONS

The company received notifications under § 33 WpHG (Securities Trading Act) concerning investments exceeding 3% or 5% of the voting rights, and investments increasing beyond of falling below 3% or 5% of the voting rights.

Ameriprise Financial Inc., Wilmington, Delaware, USA, notified in accordance with § 33 WpHG that its share of voting rights in CTS KGaA fell below the 3% threshold on 24 October 2018 and amounted on the latter date to 2.995% (2,875,672 votes) and that these voting rights of 2.995% (2,875,672 votes) are allocated in their entirety to Ameriprise Financial under § 33 WpHG and § 34 WpHG.

On 28 December 2015, Mr. Klaus-Peter Schulenberg transferred his shares of CTS KGaA as well as his shares of EVENTIM Management AG to KPS Stiftung seated in Hamburg. Mr. Klaus-Peter Schulenberg's holdings in CTS KGaA and EVENTIM Management AG are only being converted from a direct into an indirect holding and amounts up to 43.2% of the voting rights in the company as at 31 December 2018.

7. ASSURANCE BY LEGAL REPRESENTATIVES

To the best of our knowledge, the consolidated financial statements give a true and fair view of the Group's earnings performance, financial position and cash flow, in accordance with the applicable reporting principles, and that the combined management report presents the course of business, including the Group's profits and situation, in a way that accurately reflects actual circumstances and truthfully describes the main opportunities and risks associated with the Group's expected development.

Bremen, 28 February 2019

CTS EVENTIM AG & Co. KGaA

represented by:

EVENTIM Management AG, general partner

Klaus-Peter Schulenberg   Volker Bischoff   Alexander Ruoff

7. AUDITOR'S REPORT

To CTS Eventim AG & Co. KGaA, Munich

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

OPINION

We have audited the consolidated financial statements of CTS Eventim AG & Co. KGaA, and its subsidiaries ('the Group'), which comprise the consolidated balance sheet as at 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholder's equity and consolidated cash flow statement for the financial year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of CTS Eventim AG & Co. KGaA and the Group for the financial year from 1 January to 31 December 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2018, and of its financial performance for the financial year from 1 January to 31 December 2018, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and EU Audit Regulation No. 537/2014 (referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report” section of our auditor’s report.

We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

IMPAIRMENT TESTING OF GOODWILL

Please refer to note 1.5 and 3.7 to the consolidated financial statements for more information on the accounting policies applied and the assumptions used. Disclosures on the amount of goodwill can be found under note 3.7 to the consolidated financial statements.

THE FINANCIAL STATEMENT RISK

Goodwill amounted to EUR 321 million as at 31 December 2018 and thus represents 73% of consolidated equity, meaning that it has considerable significance for the financial position.

Impairment of goodwill is tested annually at the level of the Ticketing and Live Entertainment operating segments. For this purpose, the carrying amount of the assets is primarily compared with the fair value less costs to sell of the respective operating segment. If the carrying amount exceeds this recoverable amount, there is a need for impairment. The recoverable amount is the higher of the operating segment's fair value less costs to sell and value in use. The date for the annual impairment test is 31 December 2018. Of the goodwill of EUR 321 million, EUR 244 million is attributable to the Ticketing operating segment and EUR 77 million to the Live Entertainment operating segment.

Impairment testing of goodwill is complex and based on a range of assumptions that require judgement. This includes the expected EBITDA margin at the beginning of the detail planning period, which was 44% in the Ticketing operating segment and 5% in the Live Entertainment business segment. In addition to this, the assumed long-term growth rates of 1% and the applied discount rate of 8.1% for the Ticketing operating segment and 7.9% for the Live Entertainment operating segment represent significant measurement assumptions. The discount rates used are after-tax interest rates and reflect the specific risks of the respective operating segments.

Based on the impairment tests conducted, the Company did not identify any need to recognise impairment losses. The sensitivity analyses of the Company found that a reasonably possible increase of one percentage point in the discount rate or a fall in the EBITDA margin by 10% in both operating segments would not result in impairment.

There is the risk for the financial statements that an impairment loss existing as at the reporting date was not recognised. There is also the risk that the related disclosures in the notes are not appropriate.

OUR AUDIT APPROACH

With the involvement of our valuation specialists, we assessed the appropriateness of the significant assumptions and the calculation model of the Company for the impairment test. For this purpose we discussed the expected business and earnings development (including the EBITDA margins) and the assumed long-term growth rates with those responsible for planning. We also reconciled this information with the five-year plan prepared by the Management Board and the budget prepared by the Management Board and approved by the Supervisory Board. Furthermore, we evaluated the consistency of assumptions with external market assessments.

We also confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual results and analysed deviations. Since changes to the discount rate can have a significant impact on the results of impairment testing, we compared the assumptions and parameters underlying the discount rate with our own assumptions and publicly available data. The Group's market capitalisation was also reconciled with the valuation of the two operating segments.

To ensure the computational accuracy of the valuation model used, we verified the Company's calculations by performing our own control calculations.

To take forecast uncertainty into account, we examined the impact of potential changes in the discount rate and the EBITDA margin in the last detail planning year on the recoverable amount (sensitivity analysis) by calculating alternative scenarios and comparing them with the values stated by the Company.

Finally, we assessed whether the disclosures in the notes regarding impairment of goodwill were appropriate. This also included an assessment of the appropriateness of disclosures in the notes according to IAS 36.134(f) on sensitivity in the event of a reasonably possible change in the key assumptions used for measurement.

OUR OBSERVATIONS

The calculation method used for impairment testing of goodwill is appropriate and in line with the accounting policies to be applied.

The Company's assumptions and parameters used for measurement are balanced overall.

The related disclosures in the notes are appropriate.

ACQUISITION OF SUBSIDIARIES

Please refer to note 1.5 in the notes to the consolidated financial statements for more information on the accounting policies applied. Explanations on the scope of consolidation can be found under note 2 et seqq.

THE FINANCIAL STATEMENT RISK

In the Live Entertainment segment, the number of fully consolidated entities increased from 51 entities to 58 entities, largely due to acquisitions and new establishments.

In particular, the assessment of control of the entity over these acquired entities can be subject to judgement in individual cases. Judgement is required also to identify and measure the identifiable assets acquired and liabilities assumed.

There is the risk for the financial statements that acquired entities are incorrectly fully consolidated or incorrectly included using the equity method. There is also the risk that the assets acquired and liabilities assumed are identified improperly or measured inaccurately.

OUR AUDIT APPROACH

We evaluated the underlying agreements concerning the significant newly acquired entities, particularly with regard to the control criteria, to assess the consolidation decisions of the Group.

With the involvement of our valuation specialists, we verified that the purchase price had been allocated appropriately for the material newly acquired entities. To do this, we obtained an explanation of the process and the underlying assumptions and parameters of the purchase price allocation by referring to other documentation available, for example long-term corporate planning or valuation opinions. Furthermore, we evaluated the consistency of assumptions with external market estimates concerning revenue and developments in margins.

Where the Company received assistance from external experts for the purchase price allocation concerning the significant newly acquired entities to identify and measure the assets acquired and liabilities assumed, we verified their competence and impartiality and assessed the identification and valuation methods used.

Through a reconciliation of results with values actually entered, an assessment was made as to whether the equity consolidation was presented correctly.

OUR OBSERVATIONS

The consolidation decisions taken by the Company are appropriate.

The approach used for identifying and measuring the assets acquired and liabilities assumed in first-time consolidation is appropriate and in line with the accounting policies. The Company's assumptions, estimates and parameters are appropriate.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the annual report, with the exception of the audited annual financial statements, consolidated financial statements and combined management report and our auditor's report.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group’s position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the annual general meeting on 8 May 2018. We were engaged by the supervisory board on 29 November 2018. We have been the group auditor of CTS Eventim AG & Co. KGaA since financial year 2017 without interruption.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The audit partner primarily responsible for the engagement is Haiko Schmidt.

Hamburg, 8 March 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft

Schmidt German Public Auditor	Müllensiefen German Public Auditor

8. FINANCIAL STATEMENTS OF CTS KGaA 2018

BALANCE SHEET OF CTS KGaA AS AT 31 DECEMBER 2018 (HGB)

ASSETS	31.12.2018 [EUR]	31.12.2017 [EUR]
A. FIXED ASSETS		
I. Intangible assets		
1. Internally generated industrial property rights and similar rights and assets	550,380	605,487
2. Aquired concessions, industrial property rights and similar rights and assets, and licenses in such right and assets	52,850,026	52,394,472
3. Goodwill	26,772,600	34,421,914
4. Payments on account	3,436,101	2,782,223
	83,609,107	**90,204,096**
II. Property, plant and equipment		
1. Other real estate, land rights and buildings, including buildings on third-party properties	2,049,418	87,328
2. Technical equipment and machinery	1	1
3. Other facilities, operating and office equipment	3,165,593	3,345,351
4. Payments on account and construction in progress	0	771,467
	5,215,012	**4,204,147**
III. Investments		
1. Shares in affiliated companies	214,491,171	210,674,824
2. Participations	20,290	6,540
	214,511,461	**210,681,364**
B. CURRENT ASSETS		
I. Inventories		
Finished products and goods	205,168	294,532
II. Receivables and other assets		
1. Trade receivables	6,476,355	7,757,342
2. Receivables from affiliated companies	85,047,011	59,767,725
3. Receivables from participations	26,140	27,930
4. Other assets	58,639,218	44,361,020
	150,188,723	**111,914,017**
III. Cheques, cash in hand and bank balances	**355,701,896**	**231,347,913**
C. PREPAID EXPENSES	**2,893,808**	**2,424,463**
D. DEFERRED TAX ASSETS	**94,881**	**96,154**
Total assets	**812,420,055**	**651,166,686**

EQUITY AND LIABILITIES	31.12.2018	31.12.2017
	[EUR]	[EUR]
A. EQUITY		
I. Share capital	96,000,000	96,000,000
./. less par value of treasury stock	-8,700	-8,700
II. Capital reserve	2,400,000	2,400,000
III. Statutory reserve	7,200,000	7,200,000
IV. Balance sheet profit	229,190,312	181,955,231
	334,781,612	**287,546,531**
B. PROVISIONS		
1. Tax provisions	51,081,946	28,360,019
2. Other provisions	21,599,623	15,049,539
	72,681,569	**43,409,558**
C. LIABILITIES		
1. Liabilities to banks	64,072,443	93,383,523
2. Trade payables	10,717,000	11,102,043
3. Liabilities to affiliated companies	7,299,662	2,854,792
4. Other liabilities	321,596,309	211,697,133
	403,685,415	**319,037,490**
D. DEFERRED INCOME	**373,869**	**59,896**
E. DEFERRED TAX LIABILITIES	**897,589**	**1,113,211**
Total equity and liabilities	**812,420,055**	**651,166,686**

INCOME STATEMENT OF CTS KGaA FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2018 (HGB)

	01.01.2018 - 31.12.2018 [EUR]	01.01.2017 - 31.12.2017 [EUR]
1. Revenue	243,746,370	225,062,532
2. Cost of sales	-97,794,368	-92,239,726
3. Gross profit	**145,952,002**	**132,822,806**
4. Selling expenses	-41,292,320	-36,079,646
5. General administrative expenses	-21,321,676	-19,373,692
6. Other operating income thereof from currency translation EUR 324,371 (2017: EUR 364,492)	12,336,748	10,854,572
7. Other operating expenses thereof from currency translation EUR 632,993 (2017: EUR 526,197)	-7,225,127	-6,854,062
8. Income from participations	23,639,976	22,800,371
9. Income from loans held as financial assets	0	943
10. Income from profit transfer agreements	33,782,177	30,885,680
11. Other interest and similar income	718,659	689,783
12. Interest and similar expenses	-1,628,251	-2,078,025
13. Income taxes thereof from deferred taxes EUR 214,348 (2017: EUR 261,510)	-41,089,644	-38,276,145
14. Profit after taxes	**103,872,544**	**95,392,585**
15. Other taxes	-2,596	-908
16. Net income for the year	**103,869,948**	**95,391,677**

NOTES TO THE FINANCIAL STATEMENTS FOR THE 2018 FINANCIAL YEAR

1. PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the 2018 financial year of the CTS KGaA, Munich (registered in the commercial register at Munich local court under no. HRB 212700) were prepared in accordance with the German Commercial Code (Handelsgesetzbuch – HGB) for large companies and the supplementary regulations of the Stock Corporation Act (Aktiengesetz). The financial year is the calendar year. Optional disclosures are made in the notes in order to maintain clarity and transparency. All amounts are rounded to the nearest Euro.

2. ACCOUNTING POLICIES

2.1 GENERAL DISCLOSURES

The layout of the balance sheet complies with that specified in § 266 HGB in combination with § 152 AktG; the income statement conforms to the German form of income statement showing ‘cost of sales’, pursuant to § 275 (3) HGB. The supplementary disclosures pursuant to § 158 AktG are provided in the notes.

The expenses are presented in the income statement according to functions. The income statement is set up according to the total cost method and via a conversion key method the cost elements to be assigned have been reclassified to the functional costs of the cost of sales method. The assignment of the cost types is either done on a 100% basis or allocated due to the number of employees and the personnel costs. Based on this the conversion key the cost of materials, personnel expenses, depreciation and other operating expenses according to the total cost method are allocated to cost of sales, selling expenses, general administrative expenses and other operating expenses.

For greater clarity and simplicity of presentation, the remarks to be made in accordance with statutory requirements in respect of items in the balance sheet and the income statement, and which may be made in the balance sheet or in the income statement, respectively, are mostly presented in the notes.

2.2 RECOGNITION AND MEASUREMENT

Intangible assets acquired for consideration are recognised at cost. Internally generated intangible assets are recognised at cost according to the reporting option under § 248 (2) HGB. In the reporting year, internal development costs accounted for the total of recognised costs of EUR 144 thousand. Intangible assets are amortised on a straight-line pro rata basis temporis in the year of acquisition. A useful life of ten years is assumed for the capitalised releases of the ‘Global Ticketing System’. Other intangible assets, such as software and licenses, are amortised over a useful life of 2 - 10 years. Trademarks are amortised over 5 - 10 years.

The **goodwill** capitalised in connection with the chain merger of Ticket Online Software and See Tickets Germany as at 1 January 2013 is subject to systematic straight-line amortisation over a useful life of 9.5 years. The useful life of the goodwill capitalised in connection with the chain merger is defined on the basis of an important distribution agreement concluded at the time of acquisition of See Tickets Germany / Ticket Online Group.

Property, plant and equipment are measured at cost minus systematic depreciation, if depreciable. Depreciation is charged on a straight-line basis on the basis of normal useful lives. Depreciation is charged on a pro rata temporis basis. Depreciation of other property, plant and office equipment is mainly based on useful lives of between 3 and 13 years. Impairments to the lower fair value are also carried out if necessary. Independently usable, movable items of fixed assets that are subject to depreciation and acquired at a cost of no more than EUR 800 are capitalised in the year of acquisition and written off in full.

Investments are recognised at cost, with extraordinary depreciation to the lower fair value, for any permanent or temporary reduction in value that is expected.

Inventories are measured at cost, taking ancillary expenses into account, or at the lower market prices. The principles of loss-free measurement have been respected.

Receivables and other assets are measured at their nominal value minus adjustments for all discernible risks. Impairments are made to account for any discernible risk exposure in respect of insolvencies or creditworthiness. Overall impairments amounting to 1% of the net amount of receivables are made. Other assets include factoring receivables against an external service provider that arose in connection with the introduction of new types of payment to secure customer receivables from ticket sales. With regard to the sale of receivables (real factoring), all significant opportunities and risks are transferred without giving rise to a sustained engagement. The corresponding receivables are therefore fully booked out.

Cash in hand and bank balances are carried at their nominal value on the balance sheet date.

Prepaid expenses include payments made before the closing date that represent expenses for a specific period after the closing date.

Shareholders' equity is measured at nominal value. Treasury stocks are deducted from 'share capital' and are reported in a separate line.

Provisions are recognised at the settlement amount and are formed in appropriate measure to cover discernible risks and contingencies, in accordance with the principles of prudent business judgement. Future increases in prices and costs were taken into account when determining provisions.

Liabilities are shown at their settlement amount.

Deferred taxes are recognised due to temporary or quasi-permanent differences between the commercial value of assets, liabilities and deferred income and their tax bases or tax loss carryforwards. These differences are valued at the company-specific tax rates at the time the differences are reduced. A discounting of the resulting tax and relief amounts does not occur. Active and passive deferred taxes are shown are not set off against each other.

Assets and liabilities denominated in foreign currencies were recognised in principle with the average spot exchange rate converted at balance sheet date. With a remaining term of more than a year the principle of realisation (§ 252 (1) no. 4 clause 2 HGB) and the cost of acquisition principle (§ 253 (1) Sentence 1 HGB) was observed. The notes on currency translation presented in the income statement include both realised and unrealised exchange rate differences.

If valuation units for **derivative financial instruments** are formed in accordance with § 254 HGB, the following accounting and valuation principles are applied:

Economic hedging relationships are reflected in the balance sheet through the formation of valuation units. In cases where both the ‘net hedge presentation method’, in which the compensating changes in value from the hedged risk are not accounting for, as well as the ‘book-through method’, according to which the offsetting changes in value from the hedged risk of both the hedged item and the hedging instrument is accounted for, can be applied, the net hedge presentation method is applied.

3. NOTES AND COMMENTS ON SPECIFIC ITEMS OF THE ANNUAL FINANCIAL STATEMENTS
3.1 BALANCE SHEET

ASSETS

Statement of changes in assets for the period from 1 January to 31 December 2018

	Historical cost				
	Status 01.01.2018	Addition	Merger	Reclassification	Status 31.12.2018
	[EUR]	[EUR]	[EUR]	[EUR]	[EUR]
I. Intangible assets					
1. Internally generated industrial property rights and similar rights and assets	918,026	144,156	0	0	1,062,182
2. Aquired concessions, industrial property rights and similar rights and assets, and licenses in such rights and assets	116,956,216	7,472,593	5,260,245	5,714,432	124,882,996
3. Goodwill	77,574,530	0	0	0	77,574,530
4. Payments on account and construction in progress	6,269,081	2,881,452	0	-5,714,432	3,436,101
	201,717,853	**10,498,201**	**5,260,245**	**0**	**206,955,809**
II. Property, plant and equipment					
1. Other real estate, land rights and buildings, including buildings on third-party properties	416,361	1,408,616	0	766,181	2,591,158
2. Technical equipment and machinery	572,445	0	0	0	572,445
3. Other property, plant and office equipment	14,436,468	1,655,021	101,196	36,159	16,026,452
4. Payments on account and construction in progress	807,626	0	5,286	-802,340	0
	16,232,900	**3,063,637**	**106,482**	**0**	**19,190,055**
III. Investments					
1. Shares in affiliated companies	210,674,824	5,116,347	1,300,000	0	214,491,171
2. Participations	576,034	13,750	0	0	589,784
	211,250,858	**5,130,097**	**1,300,000**	**0**	**215,080,955**
Total	**429,201,611**	**18,691,935**	**6,666,727**	**0**	**441,226,819**

Accumulative depreciation and amortisation				Carrying value	
Status 01.01.2018	Addition	Disposal	Status 31.12.2018	Status 31.12.2018	Status 31.12.2017
[EUR]	[EUR]	[EUR]	[EUR]	[EUR]	[EUR]
312,540	199,262	0	511,802	550,380	605,486
68,048,603	9,243,100	5,258,733	72,032,970	52,850,026	48,907,613
43,152,616	7,649,314	0	50,801,930	26,772,600	34,421,914
0	0	0	0	3,436,101	6,269,081
111,513,759	**17,091,676**	**5,258,733**	**123,346,702**	**83,609,107**	**90,204,094**
329,033	212,707	0	541,740	2,049,418	87,328
572,444	0	0	572,444	1	1
11,127,275	1,827,346	93,762	12,860,859	3,165,593	3,309,193
0	0	0	0	0	807,626
12,028,752	**2,040,053**	**93,762**	**13,975,043**	**5,215,012**	**4,204,148**
0	0	0	0	214,491,171	210,674,824
569,494	0	0	569,494	20,290	6,540
569,494	**0**	**0**	**569,494**	**214,511,461**	**210,681,364**
124,112,005	**19,131,729**	**5,352,495**	**137,891,239**	**303,335,580**	**305,089,606**

The EUR 18,692 thousand additions to **fixed assets** (previous year: EUR 14,938 thousand) relate to intangible assets (EUR 10,498 thousand; previous year: EUR 12,704 thousand), property, plant and equipment (EUR 3,064 thousand; previous year: EUR 2,144 thousand) and financial assets (EUR 5,130 thousand; previous year: EUR 720 thousand). The additions to intangible assets including payments on account, primarily comprise the continued development of the Global Ticketing System (EUR 9,938 thousand; previous year: EUR 9,123 thousand) and development services for Information Science (EUR 156 thousand; previous year: EUR 608 thousand). The additions to property, plant and equipment relate primarily to IT hardware for operating the Global Ticketing System (EUR 913 thousand; previous year: EUR 1,098 thousand), for the construction of the new backstage area at the Waldbühne Berlin (EUR 1,409 thousand; previous year: EUR 646 thousand included in the payments on account and construction in progress) and for connecting box offices to the Global Ticketing System (EUR 177 thousand; previous year: EUR 69 thousand). Additions to investments primarily concern the acquisition of the remaining 49% stake in kinoheld GmbH, Munich (EUR 2,997 thousand), the acquisition of a 51% stake in Mitra Intelligence GmbH, Berlin (EUR 756 thousand) and a capital increase in relation to the acquisition of the residual shareholdings of up to 100% in Eventim Scandinavia A/S, Copenhagen, Denmark (EUR 1,364 thousand).

The disposals of fixed assets with a residual carrying amount of EUR 1,314 thousand primarily relate to intangible assets (written off distribution rights) and financial assets (distribution of a capital reserve at a subsidiary).

Reclassifications to intangible assets comprise, in particular, software development services launched in relation to the Global Ticketing System. Reclassifications to property, plant and equipment mainly concern the construction of a new backstage area at the Waldbühne Berlin.

All **trade receivables** are payable within one year.

Receivables from affiliated companies include trade receivables amounting to EUR 12,137 thousand (previous year: EUR 10,956 thousand) and loan receivables of EUR 65,005 thousand (previous year: EUR 31,367 thousand). With an amount of EUR 1,897 thousand (previous year: EUR 6,462 thousand) receivables from affiliated companies have a remaining term of more than one year.

Receivables from participations include loan receivables amounting to EUR 26 thousand (previous year: EUR 28 thousand). All receivables are due within one year.

Other assets include EUR 3,370 thousand in receivables with a remaining term of between one and five years (previous year: EUR 1,990 thousand).

Prepaid expenses mainly comprise EUR 221 thousand in prepaid financing expenses (previous year: EUR 455 thousand), EUR 1,422 thousand in maintenance expenses (previous year: EUR 1,170 thousand).

Deferred tax assets result from different accounting and tax balance sheet items for provisions (EUR 95 thousand; previous year: EUR 96 thousand).

SHAREHOLDERS' EQUITY AND LIABILITIES

As at the closing date, the company had issued 96,000,000 no-par value bearer shares. Each share represents an arithmetic share in the **share capital** of EUR 1.00.

The company's **contingent capital** as at 31 December 2018 amounted to EUR 19,200 thousand in accordance with the resolution of the Annual Shareholders' Meeting on 8 May 2018.

Treasury stock of EUR 8,700 resulting from initial shares of 2,175 shares that were purchased on 31 July 2007 at a price of EUR 28.99 per share due to a shareholder resolution according to § 71 (1) No. 8 AktG. As a result of the share capital increase the number of treasury stock currently amounts to 8,700 shares at an appropriate purchase price of EUR 7.25. They represent 0.009% or EUR 8.700 of the registered share capital. In the context of the current application of the recognition and measurement rules the nominal value of treasury stock was deducted from subscribed capital.

The premium (§ 272 (2) No. 1 HGB) for the shares issued on the stock exchange is disclosed under capital reserve. As part of the share capital increase using company funds implemented in October 2005, EUR 12,000 thousand of the capital reserve was converted to subscribed share capital, and 12,000,000 new no-par value bearer shares were issued. As part of the further share capital increase using company funds implemented in May 2011, a further EUR 24,000 thousand of reserve was converted to subscribed share capital, and 24,000,000 new no-par value bearer shares were issued. At the shareholders' meeting on 8 May 2014, the company decided to increase the subscribed capital of CTS KGaA by EUR 48,000 thousand from company funds through the conversion of reserves by an additional EUR 48,000 thousand. The capital reserve as of 31 December 2018 amounts up to EUR 2,400 thousand.

According to § 150 AktG, corporations must form a **statutory reserve** if the capital reserve does not constitute 10% of the registered capital. Annual allocations to the statutory reserve amount to 5% of net income for the year until 10% of subscribed share capital is covered by the capital reserve and statutory reserve. In the financial year 2015, the legal reserve was increased by EUR 1,982 thousand for the last time so that the statutory reserve and the capital reserve as of 31 December 2015 totalled 10% of the share capital. The statutory reserve amounts up to EUR 7,200 thousand as at 31 December 2018.

Based on its option right for measuring internally generated assets in accordance with § 248 (2) HGB, an amount of EUR 373 thousand is derived which is barred from distribution. Internally generated intangible assets of EUR 550 thousand were recorded and based on these deferred tax liabilities of EUR 178 thousand were recognised. As there are sufficient available profit carried forward compared to the amount bared from distribution, the **payout restriction** according to § 268 (8) HGB does not come into effect.

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

	2018	2017
	[EUR'000]	[EUR'000]
Balance sheet profit as at 1 January	181,955	180,635
Net income for the year	103,870	95,392
	285,825	**276,027**
Dividends	-56,635	-94,071
Balance sheet profit as at 31 December	**229,190**	**181,955**

Resolutions of the Annual Shareholders' Meeting:

The Annual Shareholders' Meeting of the company held on 23 August 2005 resolved to increase the share capital of CTS KGaA, originally amounting to EUR 12,000,000, by adding an additional EUR 12,000,000 from reserves. The Annual Shareholders' Meeting of the company held on 13 May 2011 resolved to increase the subscribed share capital of CTS KGaA from EUR 24,000,000 by adding EUR 24,000,000 from company funds. The Annual Shareholders' Meeting of the company held on 8 May 2014 resolved to increase the share capital of CTS KGaA from EUR 48,000,000 by converting EUR 48,000,000 from reserves. As at the closing date 31 December 2018, the company had thus issued 96,000,000 no-par value bearer shares. Each share represents an arithmetic share in the share capital of EUR 1.00. Furthermore, by resolution of the Annual Shareholders' Meeting on 8 May 2014, the general partner was authorised to increase the share capital in full or partial amounts, on one or more occasions, by up to EUR 48,000,000 by 7 May 2019, contingent on Supervisory Board approval, by issuing up to 48,000,000 new bearer shares against cash contributions or contributions in kind (approved capital 2014).

The premium (§ 272 (2) No. 1 HGB) for the shares issued on the stock exchange is disclosed under capital reserve. As part of the share capital increase using company funds implemented in October 2005, EUR 12,000,000 of the capital reserve was converted to subscribed share capital, and 12,000,000 new no-par value bearer shares were issued. As part of the further share capital increase using company funds implemented in May 2011, a further EUR 24,000,000 of reserve was converted to subscribed share capital, and 24,000,000 new no-par value bearer shares were issued. As at the balance sheet date, 31 December 2018 the capital reserve amounts up to EUR 2,400 thousand.

By resolution of the Shareholders' Meeting held on 7 May 2015, the general partner was authorised under § 71 (1) No. 8 AktG to purchase treasury stock amounting to up to 10% of the registered share capital as at the date of resolution, by 6 May 2020, and to use these for specific purposes except for the purpose of trading as detailed in the resolution, partially with exclusion of subscription rights for shareholders. The counter value paid for these shares may not fall below the traded price by more than 5%. The applicable share price is defined as the mean closing price for shares on the XETRA trading platform during the last five trading days before publication of the offer to purchase the shares. The volume of the offering may be limited. If the total subscription to the bid exceeds said volume, quotas shall be allocated in proportion to the number of shares offered in each case. The authorisation to repurchase own shares may be exercised under the aforementioned restrictions in partial amounts, on one or more occasions, and to pursue one or more aims. This resolution replaces the one made in the Shareholders‘ Meeting of 12 May 2010, authorising the purchase of treasury shares, which will take effect upon the effective date of the new authorisation is canceled.

By resolution of the Annual Shareholders' Meeting held on 8 May 2018, the general partner was authorised, with a resolution of contingent capital, to issue warrant bonds and convertible bonds by 7 May 2023, to a total par value of up to EUR 800,000,000 and with a maximum term of 20 years, contingent on Supervisory Board approval, and to grant the bearers of warrant bonds options and the bearers of convertible bonds conversion rights on up to 19,200,000 new no-par bearer shares of the company, equal to share capital of up to EUR 19,200,000, and excluding the rights of the shareholders to the convertible bonds under certain conditions within the permissible statutory subscription. In view of the possibility to issue shares to the shareholder arising from warrant and convertible bonds resulted through this resolution, a contingent capital of EUR 19,200,000 was formed (contingent capital 2018).

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

Other provisions include EUR 5,495 thousand in provisions for personnel expenses (previous year: EUR 4,063 thousand), EUR 10,032 thousand for outstanding supplier invoices (previous year: EUR 6,684 thousand), EUR 4,083 thousand for outstanding commission (previous year: EUR 2,959 thousand), EUR 201 thousand for accounting and auditing expenses (previous year: EUR 167 thousand), EUR 218 thousand for Supervisory Board emoluments (previous year: EUR 118 thousand).

Of the **liabilities to affiliated companies**, EUR 2,899 thousand (previous year: EUR 1,433 thousand) relate to trade payables. In the previous year liabilities to affiliated companies comprised loan liabilities of EUR 1,420 thousand.

The residual terms of the liabilities as at 31 December 2018 are shown in the following statement of liabilities:

2018	Carrying value	Remaining term	
	31.12.2018	≤1 year	>1 year
	[EUR]	[EUR]	[EUR]
Liabilities to banks	64,072,443	15,072,443	49,000,000
Trade payables	10,717,000	10,717,000	0
Payables to affiliated companies	7,299,662	7,299,662	0
Other liabilities	321,596,309	321,596,309	0
Liabilities, total	**403,685,415**	**354,685,415**	**49,000,000**

The residual terms of the liabilities as at 31 December 2017 are shown in the following statement of liabilities:

2017	Carrying value	Remaining term	
	31.12.2017	≤1 year	>1 year
	[EUR]	[EUR]	[EUR]
Liabilities to banks	93,383,523	44,383,523	49,000,000
Trade payables	11,102,043	11,102,043	0
Payables to affiliated companies	2,854,792	1,434,792	1,420,000
Other liabilities	211,697,133	211,697,133	0
Liabilities, total	**319,037,490**	**268,617,490**	**50,420,000**

As in the previous year, there are no liabilities with a maturity of more than five years.

Other liabilities, at EUR 321,596 thousand, mainly include EUR 293,998 thousand in liabilities in respect of ticket monies that have not yet been invoiced (previous year: EUR 187,661 thousand). The liabilities result primarily from presales for future events and tours. The liabilities in respect of ticket monies that have not yet been invoiced are offset by bank balances and by receivables in respect of outstanding ticket monies of EUR 28,591 thousand (previous year: EUR 17,558 thousand) and factoring receivables of EUR 25,262 thousand (previous year: EUR 22,266 thousand), as stated under other assets. Other liabilities include EUR 44,455 thousand in liabilities to affiliated companies in respect of ticket monies that have not yet been invoiced (previous year: EUR 34,396 thousand). Other liabilities include liabilities from taxes in the amount of EUR 6,809 thousand (previous year: EUR 6,306 thousand). As at the balance sheet date no liabilities for social security were recorded, same as last year.

Deferred tax liabilities primarily relate to different accounting policies governing the recognition of intangible assets in the commercial balance sheet and fiscal balance sheet in connection with the chain merger of See Tickets Germany GmbH, Hamburg, and Ticket Online Software GmbH, Hamburg in 2013 (EUR 652 thousand; previous year: EUR 846 thousand) and the recognition of internally generated intangible assets in the reporting year of EUR 178 thousand (previous year: EUR 195 thousand). Furthermore, deferred tax liabilities were recognised for different accounting policies relating to participations in affiliated companies (EUR 68 thousand; previous year: EUR 78 thousand).

Measurement of deferred taxes are based on an effective taxation rate of 32.3%, obtained from a corporate tax rate of 15.0% plus a solidarity supplement of 5.5% on corporation tax, and a municipal trade tax rate of 16.5%.

3.2 INCOME STATEMENT

Revenue is broken down as follows:

	2018	2017	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Ticket fees	199,833	182,098	17,735
License fees	13,507	14,124	-617
Other revenues			
Other service charges	10,047	10,675	-628
Commissions	6,559	5,074	1,486
Recharged services	3,025	3,348	-323
Others	10,775	9,745	1,030
	243,746	**225,063**	**18,683**

EUR 21,274 thousand of total revenue was generated in foreign countries (previous year: EUR 19,717 thousand).

Material expenses comprised the following items pursuant to § 275 (2) 5 HGB:

Material expenses (according to total cost method)	2018	2017	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Cost of purchased merchandise	1,243	823	420
Cost of purchased services	84,304	80,467	3,837
	85,547	**81,290**	**4,257**

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

Personnel expenses (according to total cost method)	2018	2017	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Wages and salaries	27,410	23,532	3,878
Social security contributions and expenses for pension and employee support thereof expenses for pension EUR 0 (2017: EUR 0)	3,048	2,757	290
	30,458	**26,289**	**4,168**

The **selling expenses (according to the 'cost of sales' method)** for the 2018 financial year include EUR 12,736 thousand in personnel expenses (previous year: EUR 10,993 thousand), EUR 13,441 thousand in other operating expenses (previous year: EUR 10,536 thousand) and EUR 7,649 thousand in amortisation of goodwill (previous year: EUR 7,649 thousand).

Other operating income included income attributable to other periods, particularly from the reversal of impairments on receivables of EUR 722 thousand (previous year: EUR 1,735 thousand), from the reversal of provisions of EUR 1,130 thousand (previous year: EUR 654 thousand), from subsequent reimbursements of EUR 80 thousand (previous year: EUR 41 thousand) and from the disposal of fixed assets of EUR 9 thousand (previous year: EUR 36 thousand).

The increase in other operating income primarily resulted from the collection of loan receivables of EUR 4,720 thousand relating to the acquisition of shares in a subsidiary at an amount of EUR 1 in the 2010 financial year.

In the previous year, other operating income included income of EUR 2,453 thousand from the integration of the GSO Gesellschaft für Softwareentwicklung und Organisation & Co. KG, Bremen.

Other operating expenses include expenses attributable to other periods resulting from follow-up invoices and granted credit notes in the amount of EUR 183 thousand (previous year: EUR 71 thousand) as well as losses from the disposal of fixed assets of EUR 2 thousand (previous year: EUR 5 thousand).

The EUR 23,640 thousand in **income from participations** was entirely generated by affiliated companies (previous year: EUR 22,800 thousand).

Other interest and similar income includes EUR 607 thousand in income from affiliated companies (previous year: EUR 436 thousand).

Interest and similar expenses include expenses of affiliated companies amounting to EUR 13 thousand (previous year: EUR 25 thousand).

Taxes on income include EUR 21,007 thousand in municipal trade tax (previous year: EUR 19,117 thousand), EUR 18,937 thousand in corporation tax (previous year: EUR 17,876 thousand) and EUR 1,042 thousand (previous year: EUR 983 thousand) in solidarity surcharge to corporation tax for financial year 2018. Taxes on income also include foreign withholding tax expense of EUR 100 thousand (previous year: EUR 95 thousand), expenses attributable to other periods for retrospective tax refunds relating to previous years, at EUR 381 thousand (previous year: EUR 471 thousand), income for retrospective tax payments for previous years of EUR 163 thousand (previous year: EUR 5 thousand).

In addition, taxes on income also include deferred tax income in the amount of EUR 214 thousand (previous year: EUR 262 thousand). Deferred tax income primarily results from changes to deferred tax liabilities.

Other taxes amounting to EUR 3 thousand (previous year: EUR 1 thousand) and relate to vehicle tax expenses as in the previous year.

In accordance with § 158 AktG, reconciliation of the net income for the year to the balance sheet profit is as follows:

	2018	2017
	[EUR'000]	[EUR'000]
Net income for the year	103,870	95,392
Profit carried forward	125,320	86,564
Balance sheet profit as at 31 December	**229,190**	**181,955**

Of the balance sheet profit for the previous year, at EUR 181.955 thousand, EUR 56,635 thousand were distributed to shareholders and EUR 125,320 thousand were carried forward to the new account.

4. OTHER DISCLOSURES

4.1 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

The company bears liability for debts owed to banks by the subsidiary CTS Eventim Solutions GmbH, Bremen. As at the closing date, CTS Eventim Solutions GmbH, Bremen, has no liabilities to banks.

CTS KGaA also bears liability for bank credit and guarantee facilities granted to subsidiaries, which amount to EUR 8,550 thousand (previous year: EUR 8,161 thousand). As at the closing date, there was a claim for guarantee facilities amounting to EUR 5,750 thousand (previous year: EUR 5,492 thousand). It is not expected that any claims will be asserted against CTS KGaA on account of this assumption of liability, given the positive future earnings position and financial situation of the subsidiaries.

The company is also liable for liabilities from outstanding fees of four foreign subsidiaries with regard to payment service providers from the settlement of retail payments. A claim is not to be expected because the payment service provider withheld the fees continuously from the payments processed.

Following acquisition of the Ticketcorner Group in 2010, the company also bears liability for up to a maximum of CHF 26,000 thousand owed to banks by Ticketcorner Holding AG, Rümlang (hereinafter: Ticketcorner Holding AG). The debts owed to banks by Ticketcorner Holding AG amount to CHF 21,866 thousand as at the closing date. Due to the positive earnings performance expected of the Ticketcorner Group, it is assumed that Ticketcorner Holding AG as holding company will be able to honour its obligations. No demands on CTS KGaA due to the assumption of liability are therefore expected. As further collateral for these liabilities, the company has pledged its shares, which amount to 50% of the share capital of Tickercorner Holding AG, to the bank. For the aforementioned reasons, it is not expected that any claims will be made against the pledge.

CTS KGaA has issued a letter of comfort limited valid until 31 March 2019 to FKP SCORPIO Konzertproduktionen GmbH, Hamburg, to secure payment obligations of EUR 2,500 thousand. Due to the positive budget of FKP SCORPIO Konzertproduktionen GmbH, Hamburg, a claim is not expected.

For the benefit of kinoheld GmbH, Munich, the company has issued a subordination declaration for EUR 360 thousand. A claim is not expected due to the positive forecast of kinoheld GmbH, Munich.

The company has a temporary letter of comfort for Eventim Scandinavia A/S, Copenhagen, Denmark to secure payment obligations. The temporary letter of comfort ends at the earliest on 31 December 2018 and at the latest upon submission of the local commercial annual accounts for the financial year 2018. A claim will not be expected due to the capital measures implemented and the positive business plan of Eventim Scandinavia A/S, Copenhagen, Denmark.

On 13 August 2018, CTS KGaA and Kapsch TrafficCom AG, Vienna, acquired a shell company, autoTicket GmbH, Berlin, Germany (hereinafter: operating company). CTS KGaA holds a 50% stake in this company with a nominal value of EUR 12,500.

The operating company participated in the call for tender by the BMVI for the collection of the ISA as a bidder consortium. The operating company was awarded the tender by BMVI on 19 December 2018 and an operating agreement with the KBA, representing the Federal Republic of Germany, was notarially certified on 30 December 2018.

The shareholders each submitted capital commitments of EUR 42,500 thousand to finance the operating company.

Under the operating agreement, the shareholders provided operating company with a time-limited joint and several declaration of liability to the Federal Republic of Germany, represented by the KBA, in the amount of EUR 300,000 thousand. In addition, the shareholders assumed temporary joint and several liability for loan receivables from banks to the operating company in the amount of EUR 175,000 thousand. Due to the positive budget of the operating company, a claim is not expected.

The company has undertaken to make regular deposits to the capital reserve of Mitra-Intelligence GmbH, Berlin, as soon as defined milestones in a software development project have been reached in 2019. This obligation amounts to EUR 845 thousand.

As at the closing date, other financial obligations relating to short- and medium-term rental, leasing and other contractual agreements amounted to EUR 6,718 thousand (previous year: EUR 6,962 thousand). Of this amount, EUR 3,345 thousand (previous year: EUR 3,121 thousand) is due within one year. Future rental obligations account for EUR 5,516 thousand (previous year: EUR 6.337 thousand), leasing obligations for EUR 404 thousand (previous year: EUR 440 thousand) and other obligations for EUR 798 thousand (previous year: EUR 184 thousand). The other financial obligations amount to EUR 5 thousand and are attributable to affiliated companies (previous year: EUR 33 thousand).

4.2 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised at market value for each single instrument. When the requirements for forming valuation units are met the hedging and underlying transactions are combined in a single valuation unit. The basis for the formed valuation units are micro-hedge-relationship where the risk from the underlying transaction is hedged by each hedging instrument.

In the reporting year, CTS KGaA concluded forward foreign exchange transactions to hedge against budgeted license fees denominated in Swiss Francs (CHF). Valuation units were formed, in the sense of § 254 HGB, for the share in expected future license fee income. The fair value of forward exchange contracts in terminated valuation units amounted to EUR -20 thousand (previous year: EUR 42 thousand) as at the balance sheet date.

The effectiveness of the hedging instruments is assessed prospectively and retrospectively on the basis of the dollar offset method, in which the absolute changes in the value of the hedged item and the hypothetical derivative are compared.

The valuation units for foreign exchange risks were recognised by using the net hedge presentation method. Effective results from hedging instruments are not recorded until the underlying business transaction takes place. Negative impacts (ineffectiveness) were valued using the imparity principle and recorded as provision for pending losses. Provisions for pending losses did not exist as of the balance sheet date.

4.3 TRANSFER OF FINANCIAL ASSETS

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

In 2018, a remuneration of EUR 2,234 thousand (previous year: EUR 1,830 thousand) is recognised in the cost of sales.

The collection risk associated with the sold receivables was completely transferred to the factor. Hence, all significant risks and rewards of the assigned trade receivables are transferred to the factoring company. As at 31 December 2018, the carrying amount and the fair value of the transferred receivables to the factoring company amounts up to EUR 25,262 thousand (previous year: EUR 22,266 thousand).

The only relevant risk for risk assessment represents the possibility of a transfer of costs for default by the factoring company to the CTS KGaA. With notification and exceeding so-called ‘peak times’ (transaction per second), the factoring company can bill the resulting default rate of end customers to the CTS KGaA. In the reporting period 2018 due to the lack of unreported and incurred ‘peak times’ no further defaults were charged.

4.4 APPROPRIATION OF EARNINGS

In the 2018 financial year, CTS KGaA generated EUR 103,870 thousand in net income according to the German Commercial Code. The Management Board of the general partner and Supervisory Board of the company propose to the Shareholders’ Meeting that out of the balance sheet profit as at 31 December 2018 amounting to EUR 229,190 thousand a dividend of EUR 59,515 thousand (EUR 0.62 per eligible share) shall be distributed and that the remaining amount shall be carried forward to the new account.

4.5 LIST OF INVESTMENTS

A list of shareholdings is published on the company’s website. These disclosures are published on the CTS KGaA website under www.eventim.de/tickets.html?affiliate=TUG&fun=tdoc&doc=eventim/default/info/en/investor/investor Structure.

4.6 EXECUTIVE BODIES OF CTS KGaA

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

Klaus-Peter Schulenberg, Bremen - CEO -

Dipl.-Ökonom Volker Bischoff, Bremen - CFO -

Dipl.-Betriebswirt Alexander Ruoff, Bremen - COO -

The amounts of compensation amount to EUR 5,904 thousand (previous year: EUR 5,101 thousand).

The members of the Supervisory Board exercised the following mandates in the business year:

Dr. Bernd Kundrun, Managing Director of Start 2 Ventures GmbH, Hamburg/Germany – chairman –
other supervisory board positions and comparable regulatory bodies:

- EVENTIM Management AG, Hamburg, Germany (chairman of the board)
- gut.org non-profit limited company, Berlin, Germany (honorary chairman)
- RTL Group, Luxembourg, Luxembourg
- NZZ AG, Zurich, Switzerland
- Comecave GmbH, Dortmund, Germany
- Gilde Buy Out Partners aG, Zurich, Switzerland

Prof. Jobst W. Plog, Lawyer, Hamburg/Germany – deputy chairman –
other supervisory board positions:

- EVENTIM Management AG, Hamburg (deputy chairman)

Dr. Juliane Thümmel, Senior Government Official at the Permanent Representation of the Federal Republic of Germany to the European Union, St. Gilles/Belgium
other supervisory board positions:

- EVENTIM Management AG, Hamburg

Justinus J.B.M. Spee, Businessman, Amsterdam, Badhoevedorp/Netherlands
other supervisory board positions and comparable regulatory bodies:

- EVENTIM Management AG, Hamburg, Germany
- Duinrell B.V., Wassenaar, Netherlands
- Brunel N.V., Amsterdam, Netherlands
- Asito Diensten Groep S.E., Almelo, Netherlands
- Redevco B.V., Amsterdam, Netherlands
- Panther Media Group, Dubai, United Arab Emirates
- Stichting OLVG, Amsterdam, Netherlands

The members of the Supervisory Board of CTS KGaA received emoluments totaling EUR 250 thousand (previous year: EUR 233 thousand) as well as reimbursement expenses of EUR 4 thousand (previous year: EUR 4 thousand) for the 2018 financial year.

Individualised information on the remuneration of the Management Board and the Supervisory Board is presented in the compensation report, which is part of the combined management report.

4.7 EMPLOYEES

On average, 378 persons were employed by the company during the year (previous year: 338). These were all salaried employees.

4.8 DECLARATION CONCERNING THE CORPORATE GOVERNANCE CODE

On 3 December 2018, the Management Board of the general partner and the Supervisory Board of CTS KGaA released a further declaration of compliance with the recommendations of the 'Government Commission on the German Corporate Governance Code' pursuant to § 161 AktG, and made said declaration permanently available to shareholders on the CTS KGaA website (https://www.eventim.de/tickets.html?affiliate=QEV&fun=tdoc&doc=eventim/default/info/en/investor/investorCorporateGovernance).

4.9 PARTICIPATING PERSONS

The company received notifications under § 33 WpHG (Securities Trading Act) concerning investments exceeding 3% or 5% of the voting rights, and investments increasing beyond or falling below 3% or 5% of the voting rights.

Ameriprise Financial Inc., Wilmington, Delaware, USA, notified in accordance with § 33 WpHG that its share of voting rights in CTS KGaA fell below the 3% threshold on 24 October 2018 and amounted on the latter date to 2.995% (2,875,672 votes) and that these voting rights of 2.995% (2,875,672 votes) are allocated in their entirety to Ameriprise Financial under § 33 WpHG and § 34 WpHG.

On 28 December 2015, Mr. Klaus-Peter Schulenberg transferred his shares of CTS KGaA as well as his shares of EVENTIM Management AG to KPS Stiftung seated in Hamburg. Mr. Klaus-Peter Schulenberg's holdings in CTS KGaA and EVENTIM Management AG are only being converted from a direct into an indirect holding and amounts up to 43.2% of the voting rights in the company as at 31 December 2018.

4.10 AUDITOR EXPENSES

Disclosure of the fees paid to the company's auditor is waived because these details are provided in item 6.13 of the notes to the consolidated financial statements. In the 2018 financial year, fees were paid for the audit and other services.

The other services primarily relate to benefits for the project EU General Data Protection Regulation (EU-GDPR) amounting to EUR 252 thousand (previous year: EUR 241 thousand). The European General Data Protection Regulation aims at a uniform level of data protection and was be mandatory from 25 May 2018 in all EU Member States.

4.11 EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date, there were no significant changes in the economic environment or our industry situation. No further events requiring disclosure took place after the balance sheet date for the CTS KGaA.

4.12 ASSURANCE BY LEGAL REPRESENTATIVES

To the best of our knowledge, the annual financial statements give a true and fair view of the company's earnings performance, financial position and cash flow, in accordance with the applicable reporting principles, and that the combined management report presents the course of business, including the company's profits and situation, in a way that accurately reflects actual circumstances and truthfully describes the main opportunities and risks associated with the company's expected development.

Bremen, 28 February 2019

CTS EVENTIM AG & Co. KGaA,

represented by:

EVENTIM Management AG, general partner

Klaus-Peter Schulenberg	Volker Bischoff	Alexander Ruoff

9. AUDITOR'S REPORT

To CTS Eventim AG & Co. KGaA, Munich

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

OPINIONS

We have audited the annual financial statements of CTS Eventim AG & Co. KGaA, Munich, which comprise the balance sheet as at 31 December 2018, and the income statement for the financial year from 1 January to 31 December 2018, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the combined management report of CTS Eventim AG & Co. KGaA and the Group for the financial year from 1 January to 31 December 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2018, and of its financial performance for the financial year from 1 January to 31 December 2018, in compliance with German Legally Required Accounting Principles, and

- the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the combined management report.

BASIS FOR THE OPINIONS

We conducted our audit of the annual financial statements and of the combined management report in accordance with Section 317 HGB and EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Combined Management Report" section of our auditor's report.

We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the combined management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

IMPAIRMENT TESTING OF SHARES IN AFFILIATED COMPANIES

Please refer to note 2 in the notes to the financial statements for more information on the accounting policies applied.

THE FINANCIAL STATEMENT RISK

In the financial statements of CTS Eventim AG & Co. KGaA as at 31 December 2018, shares in affiliated companies of EUR 214 million are recognised under financial assets. The shares in affiliated companies account in total for 26% of total assets and thus have a material effect on the Company's net assets.

Shares in affiliated companies are recognised at cost or, if they are expected to be permanently impaired, at their lower fair value. The Company determines the fair value of the shares in affiliated companies using the discounted cash flow method (DCF).

The cash flows used for the DCF method are based on individual projections for each investment for the next five years which are extrapolated based on assumptions for long-term growth rates. The respective capitalisation rate is derived from the return on a risk-appropriate alternative investment.

Impairment testing including the measurement of fair value using the DCF earnings method is complex and, as regards the assumptions made, heavily dependent on the Company's estimates and judgements. This also applies to estimates of future cash flows and long-term growth rates, and the determination of the capitalisation rate.

The Company did not recognise impairment losses on shares in affiliated companies in financial year 2018.

There is a risk for the financial statements that shares in affiliated companies are impaired.

OUR AUDIT APPROACH

We initially referred to explanations of the investment controlling department and assessed documentation to obtain an understanding of the Company's process for impairment testing shares held in affiliated companies. In doing so, we thoroughly examined the Company's approach to determining the need to recognise impairment losses and, based on the information obtained in the course of our audit, assessed whether there were indications of impairment that had not been identified by the Company.

Based on the information obtained and with the involvement of our valuation specialists, we then evaluated shares selected according to risk criteria and assessed the appropriateness of the significant assumptions and the valuation model of the Company with respect to these shares. For this purpose we discussed the expected cash flows and the assumed long-term growth rates with those responsible for planning. We also reconciled this information with the five-year plan prepared by the Management Board and the budget prepared by the Management Board and approved by the Supervisory Board. Furthermore, we evaluated the consistency of assumptions with external market assessments.

We also confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual results and analysed deviations.

We compared the assumptions and parameters underlying the capitalisation rate to our own assumptions and publicly available data. In order to take account of forecast uncertainty, we also investigated the impact of potential changes in the capitalisation rate and the long-term growth rate on fair value (sensitivity analysis) by calculating alternative scenarios and comparing these with the Company's measurements. We investigated the methodical approach and accuracy of client's calculations by performing our own control calculations. To ensure the computational accuracy of the valuation model used, we verified the Company's calculations on the basis of selected risk-based elements.

OUR OBSERVATIONS

The approach used for impairment testing of shares in affiliated companies is appropriate and in line with the accounting policies. The Company's assumptions and estimates are balanced on the whole.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the annual report, with the exception of the audited annual financial statements, consolidated financial statements and combined management report and our auditor's report.

Our opinions on the annual financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the combined management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Annual Financial Statements and the Combined Management Report

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the combined management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the annual financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

- Evaluate the consistency of the combined management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as auditor by the annual general meeting on 8 May 2018. We were engaged by the supervisory board on 29 November 2018. We have been the auditor of CTS Eventim AG & Co. KGaA since financial year 2017 without interuption.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The audit partner primarily responsible for the engagement is Haiko Schmidt.

Hamburg, 8 March 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft

Schmidt	Müllensiefen
German Public Auditor	German Public Auditor

FORWARD-LOOKING STATEMENTS

This Annual Report contains forecasts based on assumptions and estimates by the management of CTS KGaA. These statements based on assumptions and estimates are in the form of forward-looking statements using terms such as ‘believe’, ‘assume’, ‘expect’ etc. Even though management believes that these assumptions and estimates are correct, it is possible that actual results in the future may deviate materially from such assumptions and estimates due to a variety of factors. The latter may include changes in the macroeconomic environment, in the statutory and regulatory framework in Germany and the EU, and changes within the industry. CTS KGaA does not provide any guarantee or accept any liability or responsibility for any divergence between future developments and actual results, on the one hand, and the assumptions and estimates expressed in this Annual Report. CTS KGaA has no intention and undertakes no obligation to update forward-looking statements in order to adjust them to actual events or developments occurring after the date of this report.

The German version of the Annual Report takes priority over the English translation in the event of any discrepancies. Both language versions can be downloaded at www.eventim.de.

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