Annual Report **2019**

eventim

KEY GROUP FIGURES

	2019 [1]	2018	2017	2016
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
Revenue	1,443,125	1,241,689	1,033,980	829,906
EBITDA	284,278	225,166 [2]	201,626	193,589
EBITDA margin	19.7%	18.1% [2]	19.5%	23.3%
EBIT	230,194	187,691 [2]	165,730	161,973
EBIT margin	16.0%	15.1% [2]	16.0%	19.5%
Normalised EBITDA	286,489	228,061 [2]	204,741	194,451
Normalised EBIT before amortisation from purchase price allocation	242,928	202,552 [2]	181,542	174,060
Normalised EBITDA margin	*19.9%*	*18.4%* [2]	*19.8%*	*23.4%*
Normalised EBIT margin before amortisation from purchase price allocation	*16.8%*	*16.3%* [2]	*17.6%*	*21.0%*
Non-recurring items [3]	2,211	2,896	3,115	861
Amortisation resulting from purchase price allocation	10,522	11,965	12,698	11,226
Earnings before tax (EBT)	224,018	192,904	170,792	155,475
Net income attributable to shareholders of CTS KGaA	132,900	118,504	112,808	94,560
	[EUR]	[EUR]	[EUR]	[EUR]
Earnings per share [4], undiluted (= diluted)	1.38	1.23	1.18	0.99
	[Qty.]	[Qty.]	[Qty.]	[Qty.]
Number of employees [5]	3,202	3,063	3,020	2,384
Of which temporary	(502)	(473)	(580)	(427)

[1] *The Group applied IFRS 16 as of 1 January 2019 for the first time using the modified retrospective method. When applying this method, the comparative information for fiscal year 2018 will not be adjusted. Effect of IFRS 16: normalised EBITDA/EBITDA EUR +18,635 thousand, normalised EBIT before amortisation from purchase price allocation/EBIT EUR +870 thousand*

[2] *With regard to the change in the disclosure of results from the sale of shares in subsidiaries, joint ventures and associated companies, see chapter 1.2 in the notes*

[3] *Cf. page 37 for non-recurring items for the years 2019 and 2018*

[4] *Number of shares: 96 million*

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

CONTENT

1.	**LETTER TO THE SHAREHOLDERS**	**2**
2.	**REPORT BY THE SUPERVISORY BOARD**	**6**
3.	**CTS EVENTIM SHARES**	**10**
4.	**CORPORATE GOVERNANCE REPORT OF CTS Eventim AG & Co. KGaA**	**12**
5.	**COMBINED MANAGEMENT REPORT**	**14**
1.	Preliminary statements	14
2.	Explanation of corporate and organisational structure of CTS KGaA	15
3.	Business and macroenvironment	15
3.1	Business operations and corporate structure	15
3.2	Corporate management	23
3.3	Research and development	24
3.4	Overview of the course of business	25
4.	CTS Group: Earnings performance, financial position and cash flow	33
4.1	Earnings performance	34
4.2	Financial position	44
4.3	Cash flow	52
5.	CTS KGaA: Earnings performance, financial position and cash flow	55
5.1	Earnings performance	55
5.2	Financial position	58
5.3	Cash flow	62
6.	Appropriation of earnings by CTS KGaA	63
7.	Dependency report for CTS KGaA	64
8.	Risk and opportunities report	64
8.1	Structure and operation of the risk management system	65
8.2	Major risk areas	67
8.3	Opportunity management	78
8.4	Assessment of the Group's opportunities and risk exposure	80
9.	Internal accounting control system	80
10.	Report on expected future development	82
10.1	Future macroeconomic environment	82
10.2	Expected earnings performance	82
10.3	Expected cash flow	88
10.4	General assessment of the Group's prospective development	88
11.	Disclosures required under takeover law	89
12.	Compensation report	92
13.	Corporate Governance declaration	95

6.	**CONSOLIDATED FINANCIAL STATEMENTS 2019**	**96**
	Consolidated balance sheet	96
	Consolidated income statement	98
	Consolidated statement of comprehensive income	99
	Consolidated statement of changes in equity	100
	Consolidated cash flow statement	101
	Notes to the consolidated financial statements	103
7.	**AUDITOR'S REPORT FOR THE GROUP**	**190**
8.	**FINANCIAL STATEMENTS OF CTS KGaA 2019**	**200**
	Balance sheet of CTS KGaA	200
	Income statement of CTS KGaA	202
	Notes to the financial statements for the 2019 financial year	203
9.	**AUDITOR'S REPORT FOR CTS KGaA**	**222**
	Forward-looking statements	230
	Contact	233

1. LETTER TO THE SHAREHOLDERS

Klaus-Peter Schulenberg
Chief Exectutive Officer

Dear Sirs/Mesdames,

2019 was another record-breaking year – for CTS EVENTIM and equally for our shareholders. Our Group revenue rose by 16.2% to 1.4 billion Euro, and normalised EBITDA by 25.6% to 286.5 million Euro. Both these figures signify a new record in the company's history. Thanks to your loyalty and a constantly high level of demand, the value of our shares has appreciated by more than 72% over the past year. The shares have also been relisted in the MDAX index.

The Ticketing and Live Entertainment segments have both shown very dynamic growth. Driven by continuing growth in online ticket sales, successful acquisition of content and technological optimisation, Ticketing revenue increased by 7.7% to 481.6 million Euro, and normalised EBITDA by 12.6% to 220.4 million Euro.

Achievements in 2019 included the launch of our new webshop, the digital backbone for most of our eCommerce activities at national and international level. Not only was the project completed within the planned timeframe – all the prior specifications in respect of performance and conversion rate improvement, for example, were also met or overachieved. The international rollout is well underway.

By acquiring a stake in France Billet, the leading operator on the French ticketing market, with the option to take a majority of shares after four years, CTS EVENTIM has significantly bolstered its position on one of Europe's biggest live entertainment markets.

With our high-revenue fanSALE platform for the secondary ticketing market, we have managed to give our customers a serious alternative that provides much more security to both buyers and sellers. Our services are frequently commended for their transparency and fairness. fanSALE was available in five countries in 2019, with others to follow.

Praise has again been lavished, also by the live events industry, on our efforts to continuously enhance the ticketing experience in the interest of artists, promoters and fans alike. CTS EVENTIM received the coveted Arthur Award, the most renowned of its kind in the global live entertainment industry and comparable in importance to the Hollywood Oscars, in the 'Best Ticketing Provider' category.

In the Live Entertainment segment, successful handling of major tours resulted in record performance figures. Revenue grew by 21.3% to reach 985.8 million Euro, while normalised EBITDA was up 104.9% at 66.1 million Euro in the 2019 reporting year.

In March 2019, to make our Live Entertainment segment even stronger, we pulled all our activities and investments together in a new and unified promoter network called EVENTIM LIVE. Thanks to the pan-European network thus created, we are now able to give our performers even more comprehensive offers for international touring and to foster cooperation among promoters, including the resultant synergies.

The international expansion of our promoter network has continued unabated under the new EVENTIM LIVE brand. At the end of 2019 and the start of 2020, we acquired Barracuda Music (the Austrian tour and concert promoter), set up the Gadget Entertainment abc Entertainment Group in Switzerland and announced a partnership with Michael Cohl, the legendary US promoter based in New York.

Today, our network comprises 34 international and national promoters, who each year organise more than 40 festivals and around 6,000 live events attended by 12 million people in 15 countries.

Last year, these included the two biggest concerts ever given by Ed Sheeran. On two successive evenings, around 200,000 fans flocked to the Hockenheimring in Germany to hear the British singer-songwriter.

Elton John's 'Farewell Yellow Brick Road' tour met with similar resonance and was no less successful. The tour will end this year after three years on the road and three more concerts in Germany. Other highlights in 2019 from the EVENTIM LIVE network included The Kelly Family's jubilee tour and appearances by Sarah Connor. The live tour of the highly popular TV show 'Let's Dance' was another major success with the public.

The classic 'Rock am Ring' and 'Rock im Park' festivals also performed superbly, thus contributing to the overall result.

Seven EVENTIM LIVE enterprises made it into the Top 100 Promoters in the global rankings published by Pollstar, the well-known industry publication, including Semmel Concerts Entertainment in fourth place and FKP Scorpio in seventh place. These accumulated rankings would even have meant a third place overall for CTS EVENTIM, thus placing it among the global 'medal winners'. Two of our festivals made it into the global Top 10 for festivals, namely Southside (fifth) and Hurricane (sixth).

Our venues, too, were ranked among the world's best. The LANXESS arena achieved third place in the Pollstar rankings of the world's most successful arenas, behind none other than Madison Square Garden in New York and the SSE Hydro in Glasgow. The Waldbühne in Berlin was again the most successful amphitheatre in Europe.

In addition to its core Ticketing and Live Entertainment segments, CTS EVENTIM is continuously expanding into new fields of business and developing business models to match. These benefit from the company's core competencies and assets, extend the value chains and generally add to our earnings power. Among the topics currently undergoing development as marketable products are customised travel deals 'made by EVENTIM'.

CTS EVENTIM has long been an integrated entertainment corporation that offers its customers a full and highly diversified range of live events. The company is constantly developing and changing, adapting itself to the needs and requirements of new markets and a new age. The members of our large and motivated workforce are not only giving shape to this transformation, but are also implementing it in their own working environment. Agility at work and entrepreneurial thinking are part and parcel of lived reality in more and more areas, right down to the smallest organisational entity.

I wish to express my thanks to our employees, partners and customers in Germany and around the world, and especially, of course, to you the shareholders for the confidence shown in our company, and I look forward to pursuing with you all the successful path we have paved over the years.

Yours very sincerely,

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 2019 TO 31 DECEMBER 2019.

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). All four members confirmed in office by the company's Annual Shareholders' Meeting on 8 May 2019.

Dr. Bernd Kundrun acted continuously as chairman of the Supervisory Board. Vice Chairman was until 8 May 2019 Prof. Jobst W. Plog, and from 9 May 2019 Mr. Justinus J.B.M. Spee. 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 opportunity 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 19 March 2019 (‘financial statements meeting’), 7 May 2019, 8 May 2019, 20 August 2019 and on 7 November 2019. 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 7 November 2019, there was also a joint strategy meeting between the supervisory board and corporate management.

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

III. At the company’s Annual Shareholders’ Meeting held in Bremen, Germany, on 8 May 2019, KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, Germany, was chosen to audit the annual financial statements as at 31 December 2019 and the consolidated financial statements as at 31 December 2019. The audit mandate was duly granted by the Chairman of the Supervisory Board Chairman on behalf of all Supervisory Board members.

The 2019 annual financial statements, the 2019 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 11 March 2020, corporate management and the Supervisory board discussed in detail the annual financial statements and the consolidated financial statements for 2019 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 2019 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 2019 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 2019 financial year.

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

V. Due to a German law intended to strengthen non-financial reporting in companies (CSR Directive Implementation Act – CSR-Richtlinie-Umsetzungsgesetz) the CTS Group reports separately on non-financial aspects of its activities. 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 November 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 2019 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 11 March 2020. 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 7 November 2019, 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 21 November 2019 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 2019 financial year.

11 March 2020

Bernd Kundrun

Dr. Bernd Kundrun
Chairman

Justinus J.B.M. Spee
Vice Chairman

Jobst Plog

Prof. Jobst W. Plog

Juliane Thümmel

Dr. Juliane Thümmel

3. CTS EVENTIM SHARES

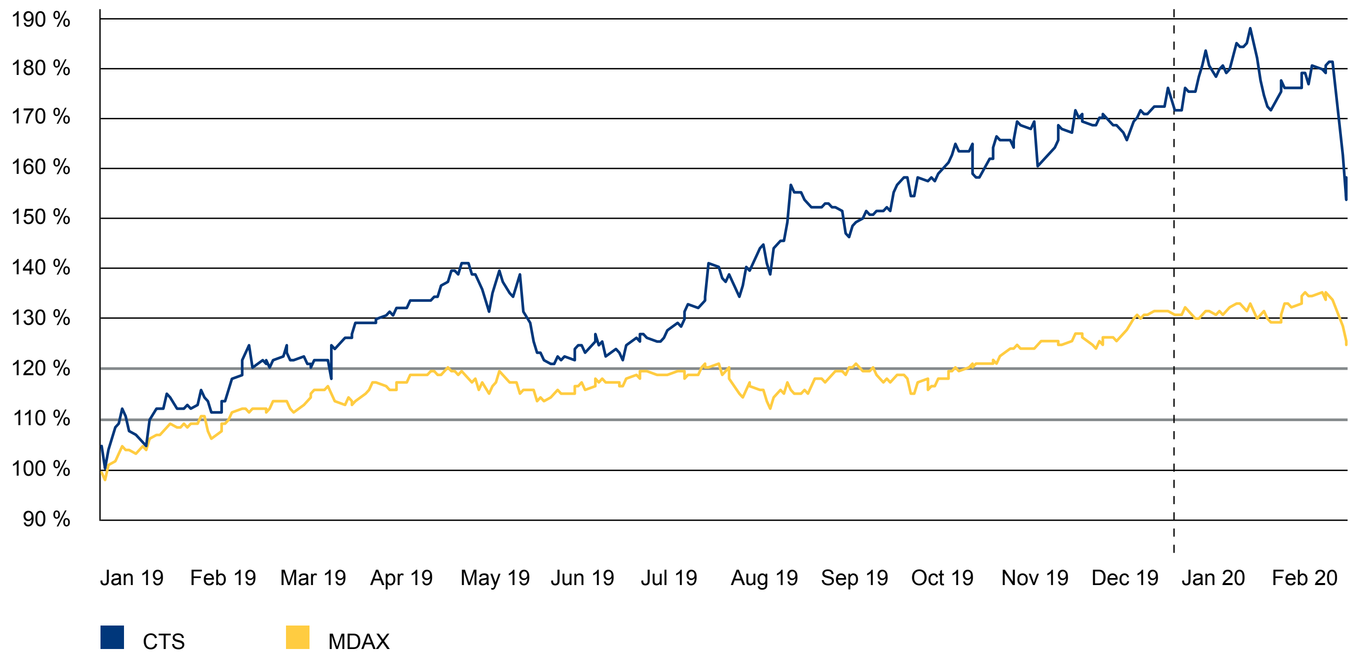
Despite simmering uncertainties in the unsettled conflict between the trading powers of China and the US, as well as the impasse over Brexit, 2019 recovered from the severe market correction of the previous year. Although the trade dispute has led to a temporary slowing down of the global economy and fuelled persistent fears of a recession in the market, a final resolution of the power struggle failed to materialise in 2019. The stabilisation of the trade conflict boosted the global economy, which enabled the capital market to at least partially detach itself from its negative macro environment at the end of the year. In view of the weak economic signals and temporary price corrections in May and September, the stock markets benefited above all from the interest rate turnaround by the US Federal Reserve and the continuing low interest rate policy of the European Central Bank. The intention to reduce interest rates further or to maintain an expansionary monetary policy ensured a full-on recovery on the markets and allowed market indices to reach old and new highs despite geopolitical unrest.

The positive business development of CTS KGaA was also reflected in the performance of CTS EVENTIM shares. The CTS EVENTIM share price rose by 72% in the 2019 financial year. The CTS EVENTIM share was able to perform significantly better than the MDAX benchmark index, which achieved an increase of 33% in the 2019 financial year. In addition to the strong price development, the 14th dividend in a row was paid out to shareholders in the 2019 financial year, which further emphasizes the performance of the share as a long-term investment. CTS KGaA has distributed almost EUR 460 million in dividends to shareholders since the first dividend payment was made in the 2006 financial year.

CTS EVENTIM shares attract the attention of various analysts, who offer analysis and investment recommendations to CTS KGaA on an ongoing basis. The shares are currently receiving attention from Baader Helvea, Bankhaus Lampe, Berenberg, Commerzbank, DZ Bank, Hauck & Aufhäuser, Kepler Cheuvreux, NordLB and Pareto Securities. Seven out of nine analysts issue buy or hold recommendations for the shares.

CTS KGaA was also represented at a number of domestic and international capital market conferences, at investor road shows and in individual meetings in the 2019 financial year. Its excellent relations with various capital market players and transparent capital market communications form an integral part of CTS EVENTIM’s corporate philosophy. Continually increasing awareness of CTS EVENTIM shares on global capital markets remains the objective of the CTS Investor Relations Strategy.

THE CTS EVENTIM SHARE PRICE (1 JANUARY 2019 TO 26 FEBRUARY 2020 – 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	MDAX; Prime All Share
Sectoral index	Prime Media

	2019	2018
	EUR	EUR
Earnings per share	1.38	1.23
High (Xetra)	57.65	43.50
Low (Xetra)	32.58	31.38
Year-end-price (Xetra)	56.05	32.58
Market capitalisation (based on year-end-price)	5,380,800,000	3,127,680,000
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 6.13 in the notes to the consolidated financial statements. Related party disclosures are made under section 6.11 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 7 November 2019:

'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 increasing the efficiency of the Supervisory Board's work (GCGC 5.3.1, 5.3.2 and 5.3.3). For the same reason, the Supervisory Board continues to refrain from specifying and publishing concrete objectives for its composition or profiles on skills and expertise (GCGC 5.4.1). A regular limit of length of membership for the members of the Supervisory Board (GCGC 5.4.1 section 2) 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, the following transactions were carried out by members of the corporate management and Supervisory Board of the CTS KGaA with no-par value bearer shares of the company:

Name	Position	Transaction	Date	Number of shares
Prof. Jobst W. Plog	Member of Supervisory Board	Sale	22.08.2019	2,200
Klaus-Peter Schulenberg / KPS Stiftung[1]	Member of corporate management	Sale	14.11.2019	4,200,000

[1] Klaus-Peter Schulenberg holds shares in CTS KGaA through the KPS Stiftung.

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 articles of association and 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 Finance Officer (CFO) and Chief Operating Officer (COO).

4.4 DECLARATION REGARDING THE INDEPENDENCE OF MEMBERS OF THE SUPERVISORY BOARD OF CTS KGaA

With regard to items 5.4.1 and 5.4.2 of the German Corporate Governance Code (GCGC) in the version published on 24 April 2017 in the German Federal Gazette, the company hereby declares that the Supervisory Board members Dr. Bernd Kundrun, Prof. Jobst Plog and Justinus Spee are independent within the meaning of item 5.4.2 GCGC and, in particular, do not have a personal or business relationship with the corporation, its governing bodies, a controlling shareholder or a company affiliated with the controlling shareholder that may cause a substantial and not merely temporary conflict of interest. The Supervisory Board member Dr. Juliane Thümmel is the daughter of the domestic partner of Klaus-Peter Schulenberg, the majority shareholder of CTS Eventim AG & Co. KGaA and the Chief Executive Officer of its general partner, and is therefore not independent within the meaning of item 5.4.2 GCGC.

5. COMBINED MANAGEMENT REPORT

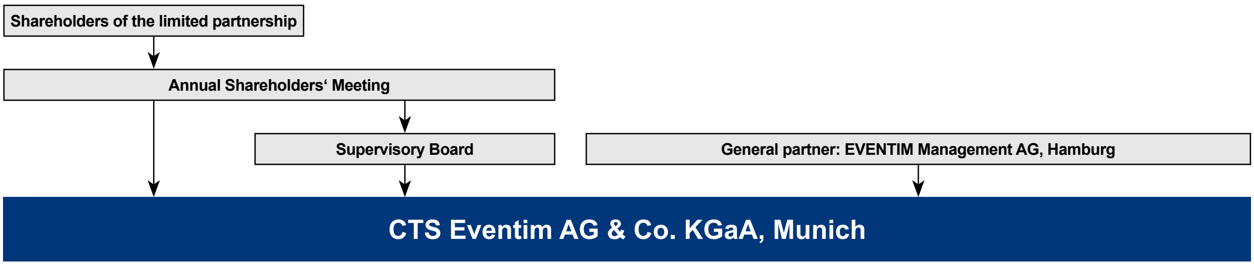
1. PRELIMINARY STATEMENTS

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 IFRIC Interpretations as applicable in the European Union (EU) on the balance sheet date. The annual financial statements of CTS KGaA for the 2019 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. 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 most modern 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 promoters (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 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.

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

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

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

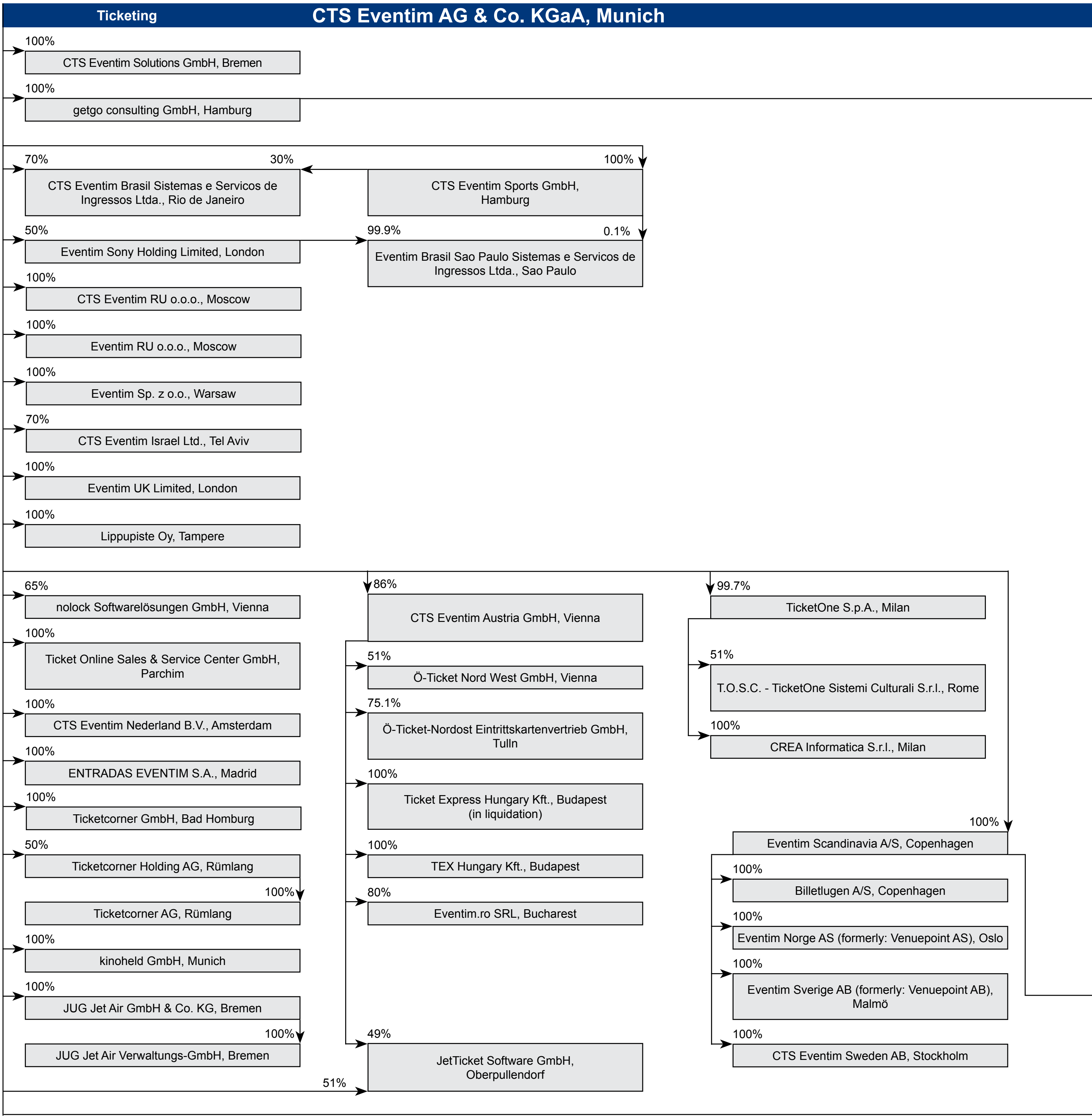
In addition to the German market, the Group's Ticketing segment also operates in Austria, Brasil, Bulgaria, Croatia, Denmark, Finland, France, Hungary, Israel, Italy, Norway, the Netherlands, Poland, Romania, Russia, Slovenia, Spain, Sweden, Switzerland and United Kingdom.

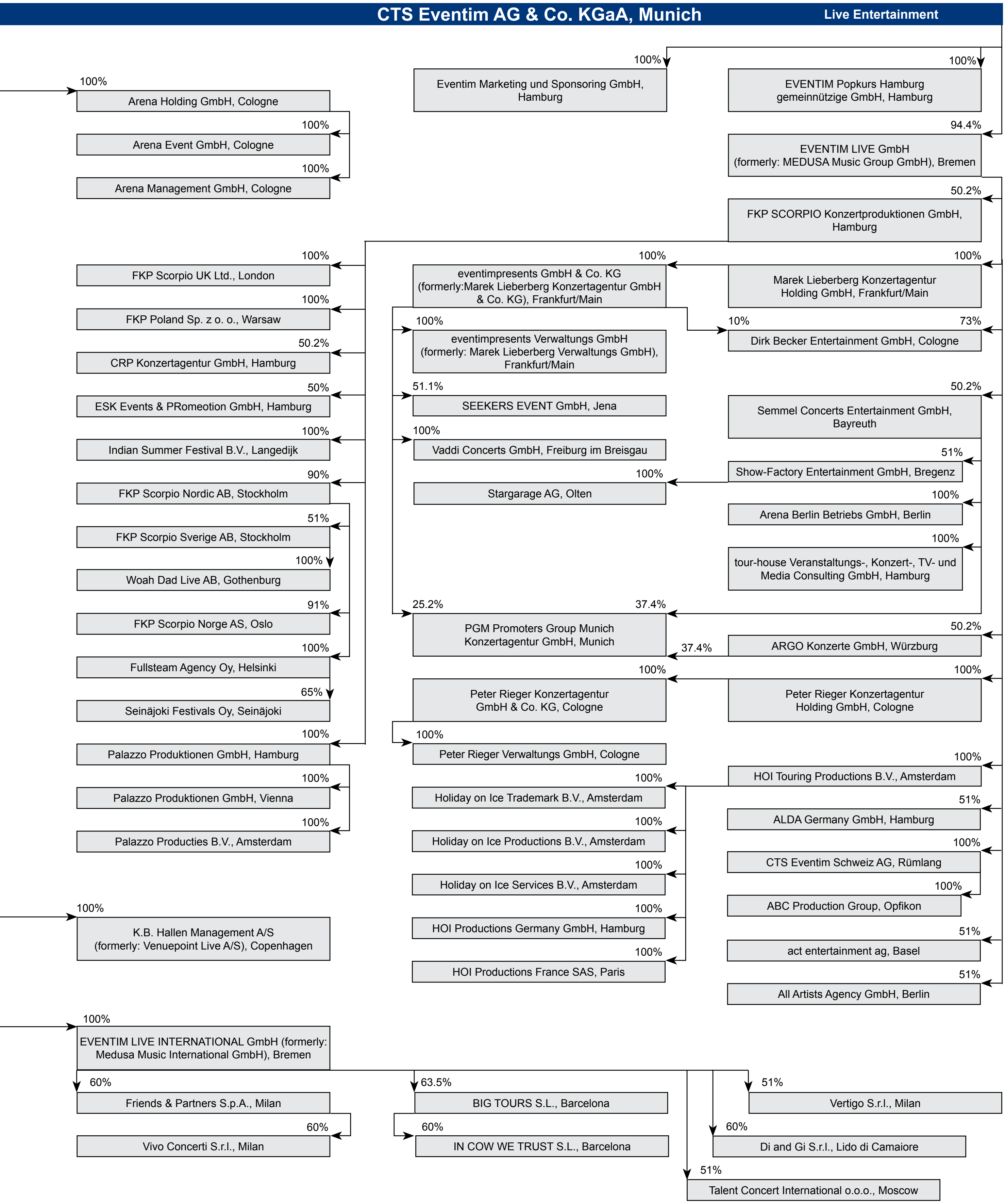
In the Live Entertainment segment, the Group operates in addition to the German market in Austria, Denmark, Finland, Italy, the Netherlands, Norway, Poland, Russia, Spain, Sweden, Switzerland and United Kingdom.

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 2019:




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%
EVENTIM LIVE GmbH (formerly: MEDUSA Music Group GmbH), Bremen
50.2%
FKP SCORPIO Konzertproduktionen GmbH, Hamburg
100%
FKP Scorpio UK Ltd., London
100%
FKP Poland Sp. z o. o., Warsaw
50.2%
CRP Konzertagentur GmbH, Hamburg
50%
ESK Events & PRomeotion GmbH, Hamburg
100%
Indian Summer Festival B.V., Langedijk
90%
FKP Scorpio Nordic AB, Stockholm
51%
FKP Scorpio Sverige AB, Stockholm
100%
Woah Dad Live AB, Gothenburg
91%
FKP Scorpio Norge AS, Oslo
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%
eventimpresents GmbH & Co. KG (formerly:Marek Lieberberg Konzertagentur GmbH & Co. KG), Frankfurt/Main
100%
Marek Lieberberg Konzertagentur Holding GmbH, Frankfurt/Main
100%
eventimpresents Verwaltungs GmbH (formerly: Marek Lieberberg Verwaltungs GmbH), Frankfurt/Main
10%
73%
Dirk Becker Entertainment GmbH, Cologne
51.1%
SEEKERS EVENT GmbH, Jena
50.2%
Semmel Concerts Entertainment GmbH, Bayreuth
100%
Vaddi Concerts GmbH, Freiburg im Breisgau
51%
Show-Factory Entertainment GmbH, Bregenz
100%
Stargarage AG, Olten
100%
Arena Berlin Betriebs GmbH, Berlin
100%
tour-house Veranstaltungs-, Konzert-, TV- und Media Consulting GmbH, Hamburg
25.2%
37.4%
PGM Promoters Group Munich Konzertagentur GmbH, Munich
37.4%
50.2%
ARGO Konzerte GmbH, Würzburg
100%
Peter Rieger Konzertagentur GmbH & Co. KG, Cologne
100%
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
51%
ALDA Germany GmbH, Hamburg
100%
Holiday on Ice Productions B.V., Amsterdam
100%
CTS Eventim Schweiz AG, Rümlang
100%
Holiday on Ice Services B.V., Amsterdam
100%
ABC Production Group, Opfikon
100%
K.B. Hallen Management A/S (formerly: Venuepoint Live A/S), Copenhagen
100%
HOI Productions Germany GmbH, Hamburg
51%
act entertainment ag, Basel
100%
HOI Productions France SAS, Paris
51%
All Artists Agency GmbH, Berlin
100%
EVENTIM LIVE INTERNATIONAL GmbH (formerly: Medusa Music International GmbH), Bremen
60%
Friends & Partners S.p.A., Milan
63.5%
BIG TOURS S.L., Barcelona
51%
Vertigo S.r.l., Milan
60%
Vivo Concerti S.r.l., Milan
60%
IN COW WE TRUST S.L., Barcelona
60%
Di and Gi S.r.l., Lido di Camaiore
51%
Talent Concert International o.o.o., Moscow

CHANGES TO THE GROUP STRUCTURE

In the 2019 reporting period, the following changes in the structure of the Group occurred:

TICKETING

In April 2019, Lippupiste Oy, Tampere, Finland, acquired the remaining 4% of the shares in Liigalippu Suomi Oy, Helsinki, Finland, and in September 2019, Liigalippu Suomi Oy, Helsinki, was merged to Lippupiste Oy, Tampere.

In October 2019, the CTS Group acquired 48% of the shares in France Billet SAS, Paris, France (hereinafter: France Billet), which is included in the consolidated financial statements using the equity method, and at the same time sold 100% of its shares in CTS Eventim France S.A.S., Paris (hereinafter: CTS Eventim France), to France Billet.

LIVE ENTERTAINMENT

At the beginning of July 2019, through its subsidiary FKP Scorpio Sverige AB, Stockholm, Sweden, the CTS Group acquired 100% of the shares in tour and concert promoter Woah Dad Live AB, Gothenburg, Sweden (hereinafter: Woah Dad Live) and at the same time sold 49% of the shares in FKP Scorpio Sverige AB, Stockholm, to the former shareholders of Woah Dad Live.

Show-Factory Entertainment GmbH, Bregenz, Austria, acquired the remaining 5% of the shares in Stargarage AG, Olten, Switzerland, in July 2019 and now holds 100% of the shares in the company.

At the beginning of August 2019, FKP Scorpio Nordic AB, Stockholm, Sweden, increased its shares in FKP Scorpio Norge AS, Oslo, Norway, from 51% to 91%.

In August 2019, FKP SCORPIO Konzertproduktionen GmbH, Hamburg, acquired 100% of the shares in the newly founded company FKP Scorpio Poland zo.o., Warsaw, Poland at nominal value. The purpose of the company is the organisation and realisation of concerts.

In September 2019, Semmel Concerts Entertainment GmbH, Bayreuth, sold its shares in LS Konzertagentur GmbH, Vienna, Austria, to Show-Factory Entertainment GmbH, Bregenz, Austria, so that Show-Factory Entertainment GmbH, Bregenz, holds 100% of the shares. Upon entry in the Commercial Register in December 2019, LS Konzertagentur GmbH, Vienna, was merged with Show-Factory Entertainment GmbH, Bregenz.

At the beginning of October 2019, EVENTIM LIVE INTERNATIONAL GmbH, Bremen, acquired 51% of the shares in the Russian tour promoter Talent Concert International o.o.o., Moscow, Russia (hereinafter: TCI). In this context, TCI becomes part of the promoter network EVENTIM LIVE, which is now also represented in the Russian market.

All Artist Agency GmbH, Berlin, was founded in November 2019. The object of the company is the organisation, financing and realisation of concerts, events and open-air shows, the booking of artists, promotional work, consulting (management) of artists and the sale and distribution of merchandising products. The CTS Group holds 51% of the shares in the company through EVENTIM LIVE GmbH, Bremen.

By contract dated 27 December 2019, EVENTIM LIVE GmbH, Bremen, acquired 30% of the shares of Peter Rieger Konzertagentur Holding GmbH, Cologne, and now holds 100% of the shares in the company.

3.1.4 SUSTAINABILITY INFORMATION

The Supervisory Board, Management Board and the employees of the CTS Group share a belief that sustainable, responsible actions are 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 parties form civil society and the environment.

The CTS Group not only sees gathering information 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, in the 2017 financial year the CTS Group identified six areas of focus for its sustainable development: customer focus, product performance and product safety, compliance management, employee matters, corporate citizenship, and climate and environmental issues. The validity of these reporting areas for the company was largely confirmed with the non-financial report for the Group in the 2019 financial year, and reporting regarding the company's activities continued accordingly.

On 17 March 2020, CTS KGaA will be publishing sustainability information in a separate non-financial report for the Group for the 2019 financial year on the company website at https://corporate.eventim.de/en/investor-relations/corporate-governance/.

3.1.5 LEGAL AND ECONOMIC FACTORS

In the context of administrative proceedings, the German Federal Cartel Office (Bundeskartellamt) is investigating the market position and market behaviour of CTS KGaA, particularly whether CTS KGaA exploits its market position in the Ticketing segment to an unreasonable extent and puts market partners at a disadvantage, as well as the content of specific regional cooperation agreements. On 4 December 2017, the Federal Cartel Office completed an administrative proceeding initiated in October 2014. In their findings, the authorities objected to a small number of existing exclusive agreements and limited the scope and terms of future exclusive agreements. The requirements of the Federal Cartel Office were implemented accordingly in early 2018 and reported to the German Federal Cartel Office in a timely manner.

The appeal filed by CTS KGaA against this decision was rejected by the higher regional court (Oberlandesgericht) in Dusseldorf in April 2019 and the appeal was not allowed. The company has since filed an appeal of non-admission at the German Federal Court of Justice (Bundesgerichtshof) and a decision is expected to be made on this in 2020. In addition, 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.

CTS KGaA holds 50% of the shares in autoTicket GmbH, Berlin (operating company for collecting the German infrastructure charge 'car toll'; hereinafter referred to as autoTicket or the operating company), which is accounted for at equity. 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 minimum duration of 12 years, by the Federal Motor Transport Office. At the end of June 2019, the agreement between the Federal Motor Transport Office and the operating company was terminated by the Federal Ministry of Transport and Digital Infrastructure (Bundesministerium für Verkehr und digitale Infrastruktur), effective as at 30 September 2019. Following the termination of the operating agreement, the shareholders made a resolution in December 2019 to assert the contractually agreed financial claims of EUR 560,000 thousand against the federal government in several stages. In the present case of the termination of the agreement by the federal government, the contracting parties have agreed on the loss of profit over the term of the agreement (i.e. the gross company value less expenses saved due to termination). Furthermore, the operating agreement provides for the compensation of termination costs, including claims for damages by subcontractors. The operating agreement provides for an efficient dispute resolution procedure. An independent auditor will review the determination of the gross company value. Then, an arbitration panel will decide on the legality of all claims.

Due to the contractual relationship between the operating company and the CTS Group subcontractors, the contractually owed services were provided until the termination became effective. Claims totalling EUR 19,373 thousand were invoiced in the 2019 financial year. As at the balance sheet date, there were receivables from contractual services of EUR 3,484 thousand outstanding vis-à-vis the operating company.

The financial claims of the operating company against the federal government, which are to be clarified in arbitration proceedings, and the resulting claims of the CTS Group from the contractual services with the operating company and from its position as shareholder of the operating company are not capitalised as at the balance sheet date, with the exception of the outstanding receivables from the contractual services in the amount of EUR 3,484 thousand, the loans granted to the operating company in the amount of EUR 14,500 thousand and the investment in the operating company accounted for using the equity method.

Further details are provided in the risk and opportunities report shown in section 8.2.6 and in the notes under section 6.6 Contingent Liabilities.

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. Furthermore, legal costs in the CTS Group in connection with the terminated contracts for the collection of the German infrastructure charge were normalised. In the business year 2018, significant legal and consultancy fees 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, were also normalised.

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

When purchase price allocation is conducted in accordance with IFRS, the intangible assets of the target companies, in particular trademarks, customer base and software, must be remeasured with their fair values as at the date of first inclusion in consolidation within the Group and amortised on the basis of redefined useful lives.

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 referred to collectively as ‘earnings figures’ summarised for both the Group and the segments. Reporting for the 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 reserarch 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 15,100 thousand (previous year: EUR 14,945 thousand) and were capitalised. In the reporting year, EUR 10,456 thousand (previous 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 344.

When opening 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 primary focus was on the development of data-based solutions in the following fields of application: customer relationship management (mainly the optimisation of B2C ticket sales), business performance monitoring (controlling and management of the divisions) and analytical services for B2B partners (EVENTIM. Analytics) - these 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 2019, two aspects were added to the development focus of the Information Science department: On the one hand, explorative dashboards for individual departments were introduced in reporting. These allow employees intuitive access to relevant business performance indicators in order to analyse cause-and-effect relationships and optimise operating business. Secondly, personalisation was introduced for the webshop's homepage, which - depending on the course of the session - optimises the display of event suggestions in real time in order to achieve relevant personalisation of advertising space with individual event suggestions. In particular, different algorithms from the so-called machine learning (sub-area of the research area artificial intelligence) are used here, which have been specially optimised for Live Entertainment and Ticketing and enable a significant uplift in ticket sales. In 2020, both approaches will be rolled out across the board in other environments and consistently further optimised with regard to added value.

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 slowed down noticeably in 2019 and the world trade volume recorded a decline. At the same time, trade conflicts such as those between the US and China increased the uncertainty in the markets and contributed to dampening investment growth. According to the German Council of Economic Experts (Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung), economic momentum is likely to remain subdued.

The German Council of Economic Experts forecasts Gross Domestic Product (GDP) growth of 1.2% for the eurozone in 2019, which points to a loss of economic momentum. Developments in the member states varied. The European Central Bank has further relaxed its expansionary monetary policy against the background of falling inflation rates, which could pose risks to financial stability.

Germany is particularly affected by the global slowdown in economic growth. Nevertheless, the German Council of Economic Experts expects GDP growth of 0.5% in 2019 and forecasts further growth of 0.9% in 2020. This means that economic growth has slowed considerably compared with previous years and is below that of the eurozone. At the same time, however, the data also shows a cyclical dichotomy. While the industry is in recession due to its strong focus on capital goods and exports, the service sectors are proving to be robust. Despite initial signs of an associated weakening of the labour market, the German Council of Economic Experts does not expect a broad-based macroeconomic recession.

For 2020, the German Council of Economic Experts expects the economy in Germany to make a slow recovery. Momentum is likely to be driven, among other things, by a positive development in consumption.

3.4.2 INDUSTRY CONDITIONS

In its ‘Global Entertainment & Media Outlook 2019-2023’ study, published in September 2019, the audit firm PricewaterhouseCoopers (hereinafter: PwC) predicts constant robust growth in the live entertainment and ticketing sectors in the coming years.

According to the study, global ticketing revenue will reach USD 25 billion for the first time in 2023, and total revenue in the live entertainment sector will even reach an all-time high of USD 31.5 billion. PwC estimates average annual industry growth of 4.3% in the period up to 2023.

The Live Entertainment segment continues to be the most important source of revenue for the entire music industry. However, the strong growth in streaming revenues enabled the recorded music segment to close the gap. The demand for subscription-based and advertising-financed models for music use has increased in all regions. At the same time, in the long-term study, “The Future of Music Use 2018-2020”, which presented current figures as at September 2019, 72% of those surveyed stated that music videos, for example, could not replace live music events.

While the appeal of live events remains undiminished, the use of AI (artificial intelligence) or VR (virtual reality) technologies offers new potential – especially with the increasing availability of high-speed mobile internet connections. For example, 5G, the new standard for mobile internet and mobile telephone services, will simplify and reduce the cost of access to media content. In addition, 5G will further accelerate the trend towards personalisation of services and content. In general, personalisation is one of the big issues for the coming decade. The live entertainment sector therefore addresses an audience of billions of individuals, not just billions of people.

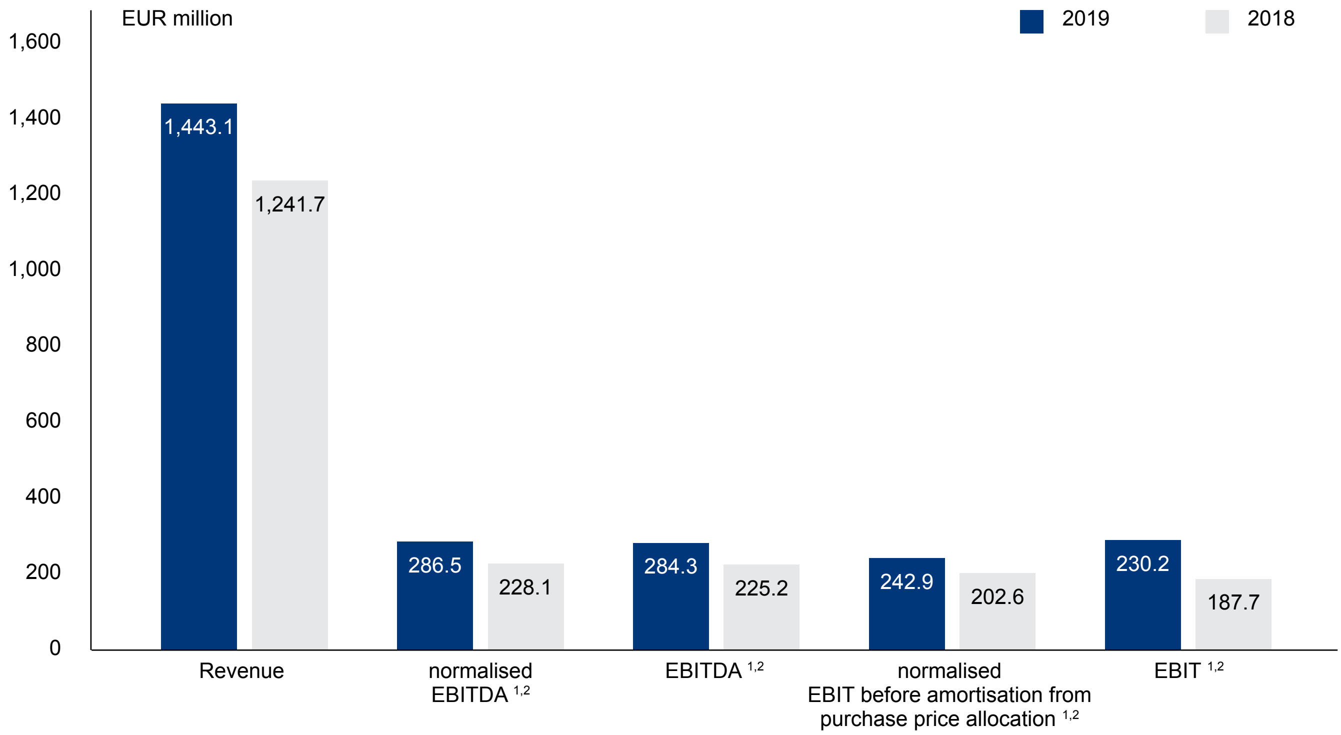
These developments offer the ticketing sector and, in particular, international and integrated companies and technology leaders, a wide range of opportunities to take advantage of the change in the consumer habits of their end customers resulting from digitalisation – for example, announcements of relevant events, additional services related to event attendance, the data protection-compliant use of data for new areas of business, improved user-friendliness or direct communication with existing and potential users. Analysing large volumes of data offers particular potential in this regard (‘big data’).

3.4.3 BUSINESS PERFORMANCE OF THE CTS GROUP

In the 2019 financial year, the CTS Group built up on its successes in the record year 2018. Group revenue increased by 16.2%. EBITDA also increased by 26.3% 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:



[1] The Group applied IFRS 16 as of 1 January 2019 for the first time using the modified retrospective method. When applying this method, the comparative information for fiscal year 2018 will not be adjusted. Effect of IFRS 16 in the CTS Group: normalised EBITDA/EBITDA EUR +18,635 thousand, normalised EBIT before amortisation from purchase price allocation/EBIT EUR +870 thousand

[2] With regard to the change in the disclosure of results from the sale of shares in subsidiaries, joint ventures and associated companies, see chapter 1.2 in the notes

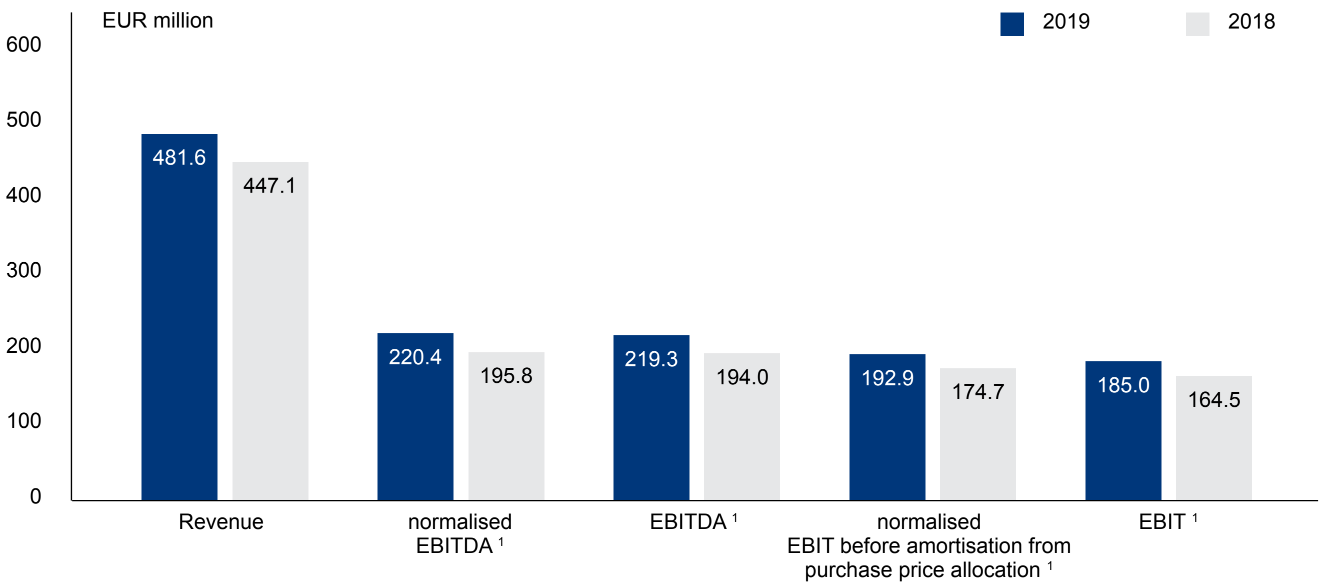
Group-EPS increased from EUR 1.23 to EUR 1.38 in the reporting period.

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:

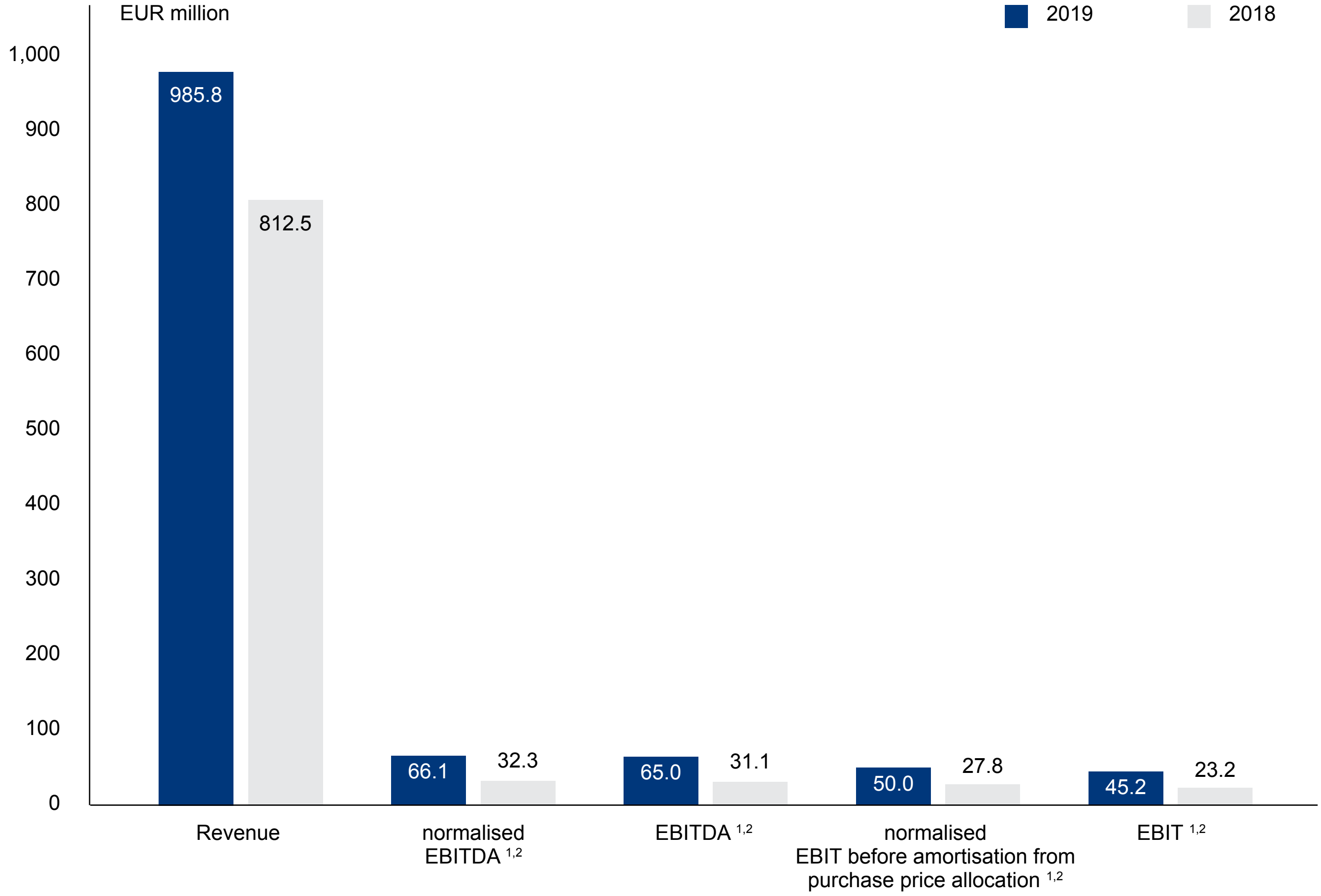


[1] The Group applied IFRS 16 as of 1 January 2019 for the first time using the modified retrospective method. When applying this method, the comparative information for fiscal year 2018 will not be adjusted. Effect of IFRS 16 in the Ticketing segment: normalised EBITDA/EBITDA EUR +6,835 thousand, normalised EBIT before amortisation from purchase price allocation/EBIT EUR +269 thousand

The Internet ticket volume (non-financial key figure) achieved with 57.3 million tickets an increase of around 5.6% compared to the previous year (54.3 million tickets).

The excellent business development in the **Live Entertainment** segment is based in particular on a large number of major tours with a large audience and successful events and festivals by various EVENTIM LIVE promoters in Germany and by newly acquired event companies abroad in the previous year.

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



[1] The Group applied IFRS 16 as of 1 January 2019 for the first time using the modified retrospective method. When applying this method, the comparative information for fiscal year 2018 will not be adjusted. Effect of IFRS 16 in the Live Entertainment segment: normalised EBITDA/EBITDA EUR +11,800 thousand, normalised EBIT before amortisation from purchase price allocation/EBIT EUR +601 thousand

[2] With regard to the change in the disclosure of results from the sale of shares in subsidiaries, joint ventures and associated companies, see chapter 1.2 in the notes

3.4.4 CTS EVENTIM SHARE PERFORMANCE

Despite simmering uncertainties in the unsettled conflict between the trading powers of China and the US, as well as the impasse over Brexit, 2019 recovered from the severe market correction of the previous year. In view of the weak economic signals and temporary price corrections in May and September, the stock markets benefited above all from the continued expansionary stance of central banks, leading to a strong catch-up movement in particular in the fourth quarter and, despite geopolitical unrest, led the markets to new highs. The intention to reduce interest rates further or to maintain an expansionary monetary policy ensured a full-on recovery on the markets and allowed market indices to reach old and new highs despite geopolitical unrest.

However, the positive business development of CTS KGaA in this market environment was reflected in particular in the performance of CTS EVENTIM shares. The CTS EVENTIM share price rose by 72% in the 2019 financial year. The CTS EVENTIM share was able to perform significantly better than the MDAX benchmark index, which achieved an increase of 33% in the 2019 financial year. In addition to the strong price development, the 14th dividend in a row was paid out to shareholders in the 2019 financial year, which further emphasizes the performance of the share as a long-term investment. CTS KGaA has distributed almost EUR 460 million in dividends to shareholders since the first dividend payment was made in the 2006 financial year.

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 2019 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 successful tours and the expansion of the number of companies included in consolidation, the CTS Group was able to record revenue and earnings as forecast (1st quarter 2019).

In the **Ticketing segment**, the forecast regarding revenue was met in the reporting year 2019. Excluding the effects of the application of IFRS 16, EBIT met the forecast, while EBITDA, normalised EBITDA and normalised EBIT before amortisation from purchase price allocation fell slightly short of expectations due to the reduced earnings contributions from the contract for the 'car toll' project that was terminated in 2019. Taking into account the effects of IFRS 16, the earnings figures have reached the forecasts. 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. Negative effects on earnings were due to further technological development and internationalisation. The planned growth in the number of tickets sold via the internet was slightly below the forecast volume.

In the **Live Entertainment segment**, the CTS Group increased revenue in the 2019 financial year 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 meet its revenue forecast and significantly exceed its earnings forecast both taking and not taking IFRS 16 effects into account. The unique offering of attractive events and an exclusive portfolio of renowned event locations are the main contributors to the success of the Live Entertainment segment. The basis for the broad variety of events on offer is the newly founded EVENTIM LIVE promoter network, which offers artists of all genres cross-border touring possibilities with tailor-made solutions from a single source, as well as the collaborations and long-standing contacts of the CTS Group in the event industry.

ACTUAL-TARGET COMPARISON OF FINANCIAL AND NON-FINANCIAL INDICATORS

The quarterly statement for the first quarter of 2019 published an updated forecast for the 2019 financial year, which has been created based on the preliminary revenue and earnings planning for the 'car toll' project.

At the end of June 2019, the agreement between the Federal Motor Transport Office (Kraftfahrt-Bundesamt) and the operating company for the collection of the German infrastructure charge was terminated by the Federal Ministry of Transport and Digital Infrastructure (Bundesministerium für Verkehr und digitale Infrastruktur), effective as at 30 September 2019.

Due to the terminated contractual relationships between the federal government, the operating company and the subcontractors in the CTS Group, the contractually owed services were assessed and billed. In addition, the profit or loss from investments in associates accounted for at equity by the operating company was also recognised.

When the consolidated interim report was published on 30 June 2019, material changes to the estimated segment and Group development were not expected in the 2019 financial year in accordance with the quarterly statement as at 31 March 2019.

An actual-target comparison for the business year 2019:

	Ticketing		Live Entertainment		Group	
	Forecast 2019 (1st Quarter 2019)	Actual	Forecast 2019 (1st Quarter 2019)	Actual	Forecast 2019 (1st Quarter 2019)	Actual
Revenue	upper single-digit percentage range	7.7%	lower double-digit percentage range	21.3%	lower double-digit percentage range	16.2%
Not taking into account the effects of IFRS 16:						
Earnings figures	lower double-digit percentage range	9.1% - 12.3%	lower double-digit percentage range	68.3% - 92.2%	lower double-digit percentage range	17.5% - 22.2%
EPS					lower double-digit percentage range	12.2%
Internet ticket volume	upper single-digit percentage range	5.6%				
Taking into account the effects of IFRS 16:						
EBITDA/ normalised EBITDA	lower double-digit percentage range	12.6% -13.0%	mid double-digit percentage range	104.9% - 108.7%	lower double-digit percentage range	25.6% -26.3%

Comparison of the forecast in the 2018 annual report (AR 2018) with the actual figures for the 2019 financial year:

	Ticketing		Live Entertainment		Group	
	Forecast 2019 (AR 2018)	**Actual**	**Forecast 2019 (AR 2018)**	**Actual**	**Forecast 2019 (AR 2018)**	**Actual**
Revenue	mid single-digit percentage range	7.7%	lower double-digit percentage range	21.3%	upper single-digit percentage range	16.2%
Not taking into account the effects of IFRS 16:						
Earnings figures	mid single-digit percentage range	9.1% - 12.3%	lower double-digit percentage range	68.3% - 92.2%	mid single-digit percentage range	17.5% - 22.2%
EPS					mid single-digit percentage range	12.2%
Internet ticket volume	upper single-digit percentage range	5.6%				
Taking into account the effects of IFRS 16:						
EBITDA/normalised EBITDA	upper single-digit percentage range	12.6% -13.0%	mid double-digit percentage range	104.9% - 108.7%	lower double-digit percentage range	25.6% -26.3%

Comparison of the forecast of CTS KGaA in the 2018 annual report (AR 2018) with the actual figures for the 2019 financial year:

	CTS KGaA	
	Forecast 2019 (AR 2018)	**Actual**
Revenue	mid single-digit percentage range	5.9%
Not taking into account the effects of IFRS 16:		
Earnings figures	mid single-digit percentage range	10.6% -14.4%
Internet ticket volume	upper single-digit percentage range	7.6%
Taking into account the effects of IFRS 16:		
EBITDA/normalised EBITDA	upper single-digit percentage range	10.6% -14.4%

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

CHANGE IN THE REPORTING OF RESULTS FROM THE SALE OF SHARES IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

In connection with the sale of the previously fully consolidated CTS Eventim France to France Billet and the acquisition of 48% of the shares in France Billet, which will be accounted for using the equity method from this time on, the disclosure of results from the deconsolidation of previously fully consolidated companies and the sale of shares in joint ventures and associated companies has been changed. These results were previously reported in the operating result, but from the 2019 financial year onwards, they will be reported in the financial result. Income of EUR 6,076 thousand from the deconsolidation of CTS Eventim France was reported in financial income accordingly. The change in reporting results in a better presentation of the operating profitability of the CTS Eventim Group and better comparability. In accordance with IAS 8, an adjustment was made to the comparative information for the 2018 financial year so that the income from the sale of the associated companies of the FKP Scorpio Group in Denmark, which was reported under other operating income in the 2018 consolidated financial statements at EUR 3,074 thousand, was reclassified to financial income. The reclassification had no effect on net income for the year or the undiluted and diluted earnings per share of the previous year. The reclassification reduced EBITDA, normalised EBITDA, EBIT and normalised EBIT before amortisation resulting from purchase price allocation of the previous year by EUR 3,074 thousand. The information presented in this management report for the 2018 financial year for these key figures has been adjusted accordingly.

EFFECTS FROM THE APPLICATION OF IFRS 16

The Group applied IFRS 16 “Leases” for the first time as at 1 January 2019 using the modified retrospective approach. In applying this approach, the comparative information for the 2018 financial year was not adjusted. IFRS 16 contains new accounting rules for the recognition of leases and 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 the new standard, assets (the right to use the leased object) and financial liabilities for rent (the obligation to pay the lease instalments) are recognised in the balance sheet. At the point of first-time adoption, the option to recognise lease assets and lease liabilities at the same amount was exercised.

The application of IFRS 16 had a positive effect on EBITDA/normalised EBITDA, amounting to EUR 18,635 thousand (EUR +6,835 thousand in Ticketing and EUR +11,800 thousand in Live Entertainment). This effect was offset by depreciation of EUR 17,766 thousand (EUR 6,566 thousand in Ticketing and EUR 11,200 thousand in Live Entertainment). Thus, the application of IFRS 16 resulted in a positive Group effect of EUR 870 thousand on EBIT/normalised EBIT before amortisation from purchase price allocation (EUR +269 thousand in Ticketing and EUR +601 thousand in Live Entertainment). After interest expenses of EUR 1,454 thousand and deferred taxes of EUR 172 thousand, the effect on net income was EUR -413 thousand.

4.1 EARNINGS PERFORMANCE

2019 was a very positive year for the CTS Group, with double-digit growth in revenue and earnings. Revenue increased to EUR 1,443,125 thousand and EBITDA improved significantly to EUR 284,278 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:

	2019 [1]	2018	Change	
	[EUR'000]	[EUR'000]	[EUR'000]	[in %]
Revenue	**1,443,125**	**1,241,689**	**201,436**	**16.2**
Gross profit	**401,756**	**340,568**	**61,188**	**18.0**
EBITDA	**284,278**	**225,166** [2]	**59,112**	**26.3**
Depreciation and amortisation	**-54,083**	**-37,474**	**-16,609**	**44.3**
EBIT	**230,194**	**187,691** [2]	**42,503**	**22.7**
Financial result	-6,177	5,212 [2]	-11,389	-218.5
Earnings before tax (EBT)	**224,018**	**192,904**	**31,114**	**16.1**
Taxes	-77,933	-62,623	-15,310	24.5
Net income attributable to shareholders of CTS KGaA	**132,900**	**118,504**	**14,396**	**12.2**
Net income attributable to non-controlling interests	13,185	11,777	1,408	12.0

[1] The Group applied IFRS 16 as of 1 January 2019 for the first time using the modified retrospective method. When applying this method, the comparative information for fiscal year 2018 will not be adjusted. Effect of IFRS 16 in the CTS Group: normalised EBITDA/EBITDA EUR +18,635 thousand; normalised EBIT before amortisation from purchase price allocation/EBIT EUR +870 thousand

[2] With regard to the change in the disclosure of results from the sale of shares in subsidiaries, joint ventures and associated companies, see chapter 1.2 in the notes

4.1.1 REVENUE PERFORMANCE

Group revenue growth is shown in the following table:

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
2019 [EUR'000]	**1,443,125**

The **CTS Group** was able to achieve revenue with an organic and inorganic average growth rate (CAGR) of around 12% over the past ten years.The business model of the CTS Group once again proved to be very robust.

In the reporting period EUR 1,443,125 thousand in revenue was generated (previous year: EUR 1,241,689 thousand; +16.2%). Revenue (before consolidation between segments) breaks down into EUR 481,595 thousand in the Ticketing segment (previous year: EUR 447,083 thousand; +7.7%) and EUR 985,771 thousand in the Live Entertainment segment (previous year: EUR 812,458 thousand; +21.3%).

The following table shows revenue by geographic distribution:

	2019 [EUR'000]	2018 [EUR'000]
Germany	878,043	808,840
Italy	270,890	151,488
Switzerland	97,491	87,851
Austria	59,565	66,245
Finland	41,669	34,041
Netherlands	20,552	21,376
Spain	22,129	18,710
Other countries	52,786	53,139
	1,443,125	**1,241,689**

Of revenue growth in Germany, 39% relate to the Ticketing segment and 61% relate to the Live Entertainment segment; largely as a result of the higher number of major tours and events with large audiences and high revenue. In Italy the increase in revenue in the Live Entertainment segment was mainly due to the rise in the number of consolidated companies.

The decline in revenue in Austria and the Netherlands was mainly due to the Live Entertainment segment (among others due to the lack of major tours). In Finland and Spain, the increase in revenue was mainly due to the Live Entertainment segment.

In the **Ticketing segment**, revenue increased by EUR 34,512 thousand (+7.7%) to EUR 481,595 thousand (previous year: EUR 447,083 thousand) and thus shows an unchanged growth dynamic, after the outstanding growth figures for the 2018 financial year. The main contributing factor was an increase in the online ticket volume. The CTS Group's webshops sold 57.3 million tickets alone, an increase of 5.6% compared to the previous year (54.3 million tickets). In the reporting period, revenue from services performed in the project for the collection of the German infrastructure charge 'car-toll' of EUR 9,547 thousand were recorded. Both, in Germany and abroad, revenue growth was achieved; the revenue share of foreign companies decreased to 43.1% (previous year: 44.6%).

In the **Live Entertainment segment**, revenue increased by EUR 173,313 thousand (+21.3%) to EUR 985,771 thousand (previous year: EUR 812,458 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 (EUR +105,016 thousand). The CTS Group continued its international expansion with the acquisitions of the promoters Woah Dad Live in Sweden and TCI in Russia.

4.1.2 EARNINGS PERFORMANCE

GROSS PROFIT

The gross profit of the **CTS Group** for the 2019 reporting period is EUR 401,756 thousand, compared to the previous year's figure of EUR 340,568 thousand (+18.0%). The Group's gross margin was 27.8% (previous year: 27.4%).

In the **Ticketing segment**, the gross margin was in 2019 with 60.5% almost on previous year's level (previous year: 61.2%). The gross margin is affected, among other things, by higher personnel costs in connection with technological development.

In the **Live Entertainment segment**, the gross margin was above previous year's level with 11.1% (8.4%) due to a variety of high-margin events.

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 1,098 thousand (previous year: EUR 1,770 thousand) and in the Live Entertainment segment to EUR 1,113 thousand (previous year: EUR 1,125 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 of EUR 1,713 thousand (previous year: EUR 1,600 thousand). Furthermore, legal costs in the CTS Group in connection with the terminated contracts for the collection of the German infrastructure charge (EUR 498 thousand) were normalised. In the business year 2018, 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, were also normalised (EUR 1,297 thousand).

NORMALISED EBITDA / EBITDA[1]

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

	2019 [1]	2018	Change	
	[EUR'000]	[EUR'000]	[EUR'000]	[in %]
EBITDA	**284,278**	**225,166** [2]	**59,112**	**26.3**
Non-recurring items	2,211	2,896	-684	23.6
Normalised EBITDA	**286,489**	**228,061** [2]	**58,428**	**25.6**
Depreciation and amortisation	-54,083	-37,474	-16,609	44.3
thereof amortisation from purchase price allocation	10,522	11,965	-1,443	-12.1
Normalised EBIT before amortisation from purchase price allocation	**242,928**	**202,552** [2]	**40,376**	**19.9**

[1] The Group applied IFRS 16 as of 1 January 2019 for the first time using the modified retrospective method. When applying this method, the comparative information for fiscal year 2018 will not be adjusted. Effect of IFRS 16 in the CTS Group: normalised EBITDA/EBITDA EUR +18,635 thousand; normalised EBIT before amortisation from purchase price allocation/EBIT EUR +870 thousand

[2] With regard to the change in the disclosure of results from the sale of shares in subsidiaries, joint ventures and associated companies, see chapter 1.2 in the notes

The normalised **CTS Group** EBITDA figure increased by EUR 58,428 thousand (+25.6%) from EUR 228,061 thousand to EUR 286,489 thousand. In the previous year, the disclosure of income from the sale of shares in subsidiaries, joint ventures and associated companies was changed. As a result of the reclassification from other operating income to the financial result, normalised EBITDA/EBITDA decreased by EUR 3,074 thousand. The application of IFRS 16 resulted in positive effects of EUR 18,635 thousand. The change in normalised EBITDA breaks down into EUR 24,599 thousand in the Ticketing segment and EUR 33,829 thousand in the Live Entertainment segment. The normalised EBITDA margin increased to 19.9%, compared to 18.4% the year before. Foreign subsidiaries accounted for 27.0% of normalised Group EBITDA (previous year: 26.9%).

Group EBITDA improved by EUR 59,112 thousand or 26.3% to EUR 284,278 thousand (previous year: EUR 225,166 thousand). This growth in EBITDA of EUR 59,112 thousand breaks down into EUR 25,271 thousand in the Ticketing segment and EUR 33,841 thousand in the Live Entertainment segment. The Group EBITDA margin amounts up to 19.7% (previous year: 18.1%).

In the **Ticketing segment**, the normalised EBITDA figure rose by EUR 24,599 thousand (+12.6%) from EUR 195,803 thousand to EUR 220,403 thousand. The normalised EBITDA margin was 45.8% (previous year: 43.8%). The 5.6% growth in online ticket volumes both nationally and internationally contributed to this increase in earnings. Additional positive impacts on earnings resulted from the application of IFRS 16 (EUR 6,835 thousand) and from the services performed in the project for the collection of the German infrastructure charge 'car-toll' (EUR 4,412 thousand). Furthermore, higher personnel costs resulted from the implementation of technological development and ongoing internationalisation. The share of normalised EBITDA generated by foreign subsidiaries decreased to 32.3% (previous year: 32.7%).

In the Ticketing segment, the EBITDA figure rose by EUR 25,271 thousand (+13.0%) to EUR 219,304 thousand (previous year: EUR 194,033 thousand). The EBITDA margin was 45.5% (previous year: 43.4%).

In the **Live Entertainment segment**, the normalised EBITDA figure increased from EUR 32,258 thousand by EUR 33,829 thousand (+104.9%) to EUR 66,087 thousand. Normalised EBITDA margin was 6.7% (previous year: 4.0%). The excellent business development is based in particular from a large number of large-scale tours and successful events and Festivals at various EVENTIM LIVE promoters in Germany and at concert promoters newly acquired in the previous year abroad. The attractive range of events at the Cologne LANXESS arena, Waldbühne Berlin and the newly reopened K.B. Hallen in Copenhagen in January 2019 were further success factors of the Segment. The application of IFRS 16 led to an additional positive earnings effect (EUR 11,800 thousand).

EBITDA in the Live Entertainment segment increased from EUR 31,133 thousand by EUR 33,841 thousand (+108.7%) to EUR 64,974 thousand. The EBITDA margin was 6.6%, after 3.8% the year before.

NORMALISED EBIT BEFORE AMORTISATION FROM PURCHASE PRICE ALLOCATION / EBIT [1]

Normalised **CTS Group** EBIT before amortisation from purchase price allocation increased by EUR 40,376 thousand (+19.9%) from EUR 202,552 thousand to EUR 242,928 thousand. The normalised EBIT margin of 16.8% was above previous year's level (16.3%). The Group EBIT figure, at EUR 230,194 thousand was 22.7% higher than in the previous year (EUR 187,691 thousand). The EBIT margin increased to 15.9% (previous year: 15.1%).

Total depreciation and amortisation within the **CTS Group** amounted up to EUR 54,083 thousand (previous year: EUR 37,474 thousand). The change mainly results from the application of IFRS 16 (EUR 17,766 thousand). The amor-

[1] With regard to the change in the disclosure of results from the sale of shares in subsidiaries, joint ventures and associated companies, see chapter 1.2 in the notes

tisation from purchase price allocations decreased to EUR 10,522 thousand (previous year: EUR 11,965 thousand). The amortisation of intangible assets and of property, plant and equipment rose to EUR 25,796 thousand (previous year: EUR 25,509 thousand).

In the **Ticketing segment**, the normalised EBIT before amortisation from purchase price allocation rose from EUR 174,711 thousand by EUR 18,225 thousand to EUR 192,936 thousand (+10.4%). The normalised EBIT margin was 40.1%, compared to 39.1% the year before. The EBIT rose from EUR 164,486 thousand to EUR 184,987 thousand (+12.5%). The EBIT margin was 38.4% (previous year: 36.8%).

The **Live Entertainment segment** achieved a normalised EBIT before amortisation from purchase price allocation of EUR 49,992 thousand, compared to EUR 27,842 thousand the year before. The normalised EBIT margin increased to 5.1% (previous year: 3.4%). EBIT increased to EUR 45,208 thousand compared to EUR 23,205 thousand the year before (+94.8%). The EBIT margin was 4.6% (previous year: 2.9%).

FINANCIAL RESULT

The financial result decreased from EUR 5,212 thousand by EUR 11,389 thousand to EUR -6,177 thousand. The financial expenses increased by EUR 7,752 thousand while the income from participations and associated companies decreased by EUR 1,992 thousand and financial income by EUR 1,645 thousand decreased.

The increase in financial expenses of EUR 7,752 thousand mainly includes interest expenses from the application of IFRS 16 (EUR 1,454 thousand), expenses from updated measurements of existing contractual agreements (put options, earn-out agreements) due to improved business developments/ -forecasts (EUR 4,132 thousand) and effects from the revaluation of investments (EUR 2,239 thousand).

The decline in financial income of EUR 1,645 thousand mainly includes lower financial income from an updated valuation of liabilities from put options (EUR 4,607 thousand) and income from the sale of associated companies (EUR 3,074 thousand) in the previous year. This is offset by a positive deconsolidation effect of CTS Eventim France of EUR 6,076 thousand.

Furthermore, income from investments in relation to third parties and associated companies decreased by EUR 1,992 thousand.

TAXES

Tax expenses increased in fiscal year 2019 by EUR 15,310 thousand to EUR 77,933 thousand partly due to the successful business development. Tax expenses included deferred tax income (EUR 396 thousand; previous year: deferred tax expense EUR 362 thousand) and actual tax expenses of the consolidated standalone companies (EUR 78,328 thousand; previous year: EUR 62,260 thousand).

NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF CTS KGaA

After deducting tax expenses and non-controlling interests, the net profit attributable to the shareholders of CTS KGaA was EUR 132,900 thousand (previous year: EUR 118,504 thousand). Earnings per share (EPS) for the 2019 financial year improved significantly to EUR 1.38, compared to EUR 1.23 the year before.

NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Net income attributable to non-controlling interests increased from EUR 11,777 thousand by EUR 1,408 thousand to EUR 13,185 thousand. The increase is primarily the result from the positive business development in the Ticketing segment.

4.1.3 ADDITIONAL NOTES TO SINGLE ITEMS IN THE CONSOLIDATED INCOME STATEMENT

	2019 [1]	2018	Change	
	[EUR'000]	[EUR'000]	[EUR'000]	[in %]
Selling expenses	105,213	96,190	9,023	9.4
General administrative expenses	74,348	68,043	6,305	9.3
Other operating income	31,460	25,007 [2]	6,453	25.8
Other operating expenes	23,461	13,651	9,811	71.9
thereof non-recurring items	*2,211*	*2,896*	*-684*	*-23.6*

[1] The Group applied IFRS 16 as of 1 January 2019 for the first time using the modified retrospective method. When applying this method, the comparative information for fiscal year 2018 will not be adjusted. Effect of IFRS 16 in the CTS Group: normalised EBITDA/EBITDA EUR +18,635 thousand; normalised EBIT before amortisation from purchase price allocation/EBIT EUR +870 thousand

[2] With regard to the change in the disclosure of results from the sale of shares in subsidiaries, joint ventures and associated companies, see chapter 1.2 in the notes

SELLING EXPENSES

Selling expenses rose by EUR 9,023 thousand to EUR 105,213 thousand. The increase in selling expenses is mainly due to higher personnel expenses (EUR +3,146 thousand), depreciation (EUR +1,514 thousand) and other operating expenses (EUR +4,363 thousand). The personnel expenses mainly increased due to the expansion of the scope of consolidation in the Live Entertainment segment. The other operating expenses result, among other things, from higher write-off of receivables. As a percentage of revenue, selling expenses decreased from 7.7% to 7.3%.

GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses rose by EUR 6,305 thousand to EUR 74,348 thousand. The increase in general administrative expenses is principally due to higher personnel expenses (EUR +5,655 thousand) and depreciation (EUR +2,531 thousand). The personnel expenses and other operating expenses mainly increased due to the expansion of the scope of consolidation in the Live Entertainment segment. This contrasts with a decline in other operating expenses (EUR -1,881 thousand) due to the application of IFRS 16. As a percentage of revenue, general administrative expenses decreased from 5.5% to 5.2%.

OTHER OPERATING INCOME

Other operating income increased by EUR 6,453 thousand to EUR 31,460 thousand. The increase mainly results from income from services in connection with the project ‘car toll’ amounting to EUR 6,795 thousand which were not reported as revenue due to the termination of the contracts and thus the termination of revenue recognition according to the percentage of completion method. This was offset with lower income from insurance reimbursements especially in the Live Entertainment segment.

OTHER OPERATING EXPENSES

Other operating expenses increased by EUR 9,811 thousand to EUR 23,461 thousand. The increase concerns, amongst other things, higher expenses from services in connection with the project ‘car toll’ (EUR 9,505 thousand). As a percentage of revenue, other operating expenses increased from 1.1% to 1.6%.

4.1.4 PERSONNEL

Personnel expenses increased by EUR 16,412 thousand (+10.6%) to EUR 170,698 thousand (previous year: EUR 154,286 thousand). The increase in personnel expenses relates to the Live Entertainment segment with EUR 9,309 thousand and to the Ticketing segment with EUR 7,103 thousand. The increase in personnel expenses in the Live Entertainment segment is due to the expansion of the number of companies included in consolidation. The rise in the Ticketing segment is on the one hand due to salary adjustments and on the other hand a result of the expanding internationalisation and further technological development.

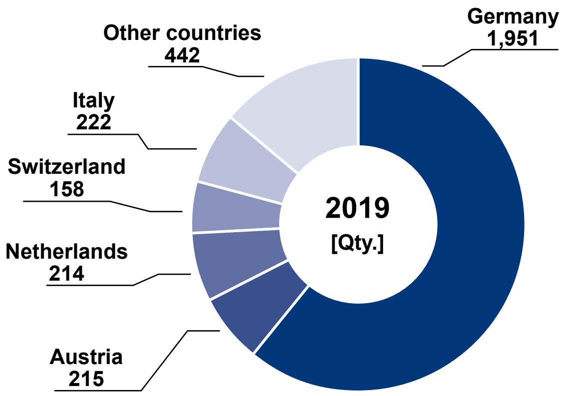
Breakdown of workforce by segment (permanent and temporary employees), year-end figures:

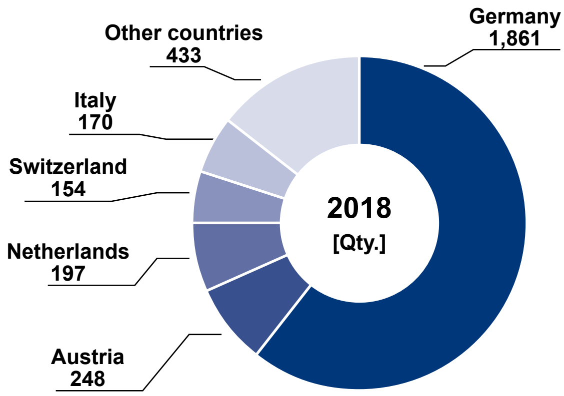
	2019	2018	Change	
	[Qty.]	[Qty.]	[Qty.]	[in %]
Ticketing	1,708	1,677	31	1.8
Live Entertainment	1,494	1,386	108	7.8
Total	**3,202**	**3,063**	**139**	**4.5**

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.

In the Live Entertainment segment the increase in the number of employees was mainly due to the expansion of the number of companies included in consolidation.

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





During 2019, the Group had on average 171 more employees than in the 2018 financial year.

4.1.5 DEVELOPMENT OF THE TICKETING AND LIVE ENTERTAINMENT SEGMENTS

TICKETING

	2016	2017	2018	2019 [1]
	[EUR million]	[EUR million]	[EUR million]	[EUR million]
Revenue	395.1	418.4	447.1	481.6
Gross profit	235.4	251.9	273.4	291.5
Gross margin	59.6%	60.2%	61.2%	60.5%
EBITDA	166.4	176.1	194.0	219.3
Normalised EBITDA	167.3	178.6	195.8	220.4
EBIT	136.5	145.2	164.5	185.0
Normalised EBIT before amortisation from purchase price allocation	148.4	158.6	174.7	192.9

[1] The Group applied IFRS 16 as of 1 January 2019 for the first time using the modified retrospective method. When applying this method, the comparative information for fiscal year 2018 will not be adjusted. Effect of IFRS 16 in the CTS Group: normalised EBITDA/EBITDA EUR +6,835 thousand; normalised EBIT before amortisation from purchase price allocation/EBIT EUR +269 thousand

In the years 2016 to 2019 annual revenue growth in the Ticketing segment averaged around 7.0%. Of the total segment revenue in the 2019 reporting year, EUR 366,389 thousand (previous year: EUR 344,841 thousand) were generated via the Internet, equivalent to Internet revenue growth of 6.2%. Revenue generated via the Internet increased year-on-year to 77.6% (previous year: 77.1%) of total Ticketing segment revenue.

EBITDA (excluding IFRS 16 effects) improved by an average of 8.3% in the annual development from 2016 to 2019 and normalised EBITDA (excluding IFRS 16 effects) by an average of 8.5%.

LIVE ENTERTAINMENT

	2016	2017	2018	2019 [1]
	[EUR million]	[EUR million]	[EUR million]	[EUR million]
Revenue	439.2	626.7	812.5	985.8
Gross profit	48.3	54.2	68.6	109.1
Gross margin	11.0%	8.6%	8.4%	11.1%
EBITDA	27.2	25.5	31.1 [2]	65.0
Normalised EBITDA	27.2	26.1	32.3 [2]	66.1
EBIT	25.5	20.5	23.2 [2]	45.2
Normalised EBIT before amortisation from purchase price allocation	25.7	22.9	27.8 [2]	50.0

[1] The Group applied IFRS 16 as of 1 January 2019 for the first time using the modified retrospective method. When applying this method, the comparative information for fiscal year 2018 will not be adjusted. Effect of IFRS 16 in the CTS Group: normalised EBITDA/EBITDA EUR +11,800 thousand; normalised EBIT before amortisation from purchase price allocation/EBIT EUR +601 thousand

[2] With regard to the change in the disclosure of results from the sale of shares in subsidiaries, joint ventures and associated companies, see chapter 1.2 in the notes

In the years 2016 to 2019 annual revenue growth in the Live Entertainment segment averaged by around 31%. The increase in revenue in the reporting year 2019 resulted mainly from the expansion of the scope of consolidation and from a higher number of high-profile tours and concerts.

EBITDA (excluding IFRS 16 effects) improved by an average of 25.1% in the annual development from 2016 to 2019 and normalised EBITDA (excluding IFRS 16 effects) by an average of 25.9%.

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 and the first time application of IFRS 16. It amounted to EUR 1,898,874 thousand as at the closing date of 31 December 2019 and was thus 10.1% higher year-on-year. In the year under review, investments in intangible assets and property, plant and equipment were above the previous year's level at EUR 42,042 thousand (EUR 29,370 thousand). The equity ratio improved by 1.6% to 29.0%. Return on equity of 24.2% shows that a conservative balance sheet structure can also lead to an attractive return on capital.

Working capital (current assets less current liabilities) decreased from EUR 35,595 thousand by EUR -70,354 thousand to EUR -34,760 thousand compared to the previous year. A higher decline in current assets was offset by a lower increase in current liabilities. The decline in current assets mainly results from a decline in cash and cash equivalents. Current liabilities mainly increased due to matching maturity reclassification from non-current financial liabilties to current financial liabilities. This is offset by lower advance payments received in the Live Entertainment segment.

Non-current liabilities amounted to EUR 172,767 thousand as of the closing date, and were 75.1% or EUR 74,105 thousand above the previous year (EUR 98,662 thousand): The increase mainly resulted from the first-time recognition of lease liabilities in accordance with IFRS 16 (EUR +122,068 thousand). The share of non-current liabilities in the balance sheet total rose from 5.7% to 9.1%.

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 2019 prove the economic strength.

4.2.1 GROUP FINANCIAL POSITION

	31.12.2019 [1]		31.12.2018		Change
	[EUR'000]	[in %]	[EUR'000]	[in %]	[EUR'000]
Current assets					
Cash and cash equivalents	790,511	41.6	873,206	50.6	-82,695
Marketable securities and other investments	13,062	0.7	3,385	0.2	9,677
Trade receivables	69,685	3.7	62,050	3.6	7,634
Receivables from affiliated and associated companies accounted for at equity	3,700	0.2	563	0.0	3,137
Inventories	5,623	0.3	5,397	0.3	226
Payments on account	70,721	3.7	75,109	4.4	-4,388
Other financial assets	139,997	7.4	138,975	8.1	1,022
Other non-financial assets	41,311	2.2	32,067	1.9	9,244
Non-current assets held for sale	6,746	0.4	0	0.0	6,746
Total current assets	**1,141,356**	**60.1**	**1,190,752**	**69.0**	**-49,396**
Non-current assets					
Goodwill	327,202	17.2	320,763	18.6	6,439
Fixed assets	394,786	20.8	184,139	10.7	210,648
Trade receivables	45	0.0	156	0.0	-111
Receivables from affiliated and associated companies accounted for at equity	0	0.0	66	0.0	-66
Other financial assets	19,419	1.0	10,640	0.6	8,779
Other non-financial assets	1,239	0.1	2,606	0.2	-1,366
Deferred tax assets	14,827	0.8	15,986	0.9	-1,158
Total non-current assets	**757,519**	**39.9**	**534,355**	**31.0**	**223,163**
Total assets	**1,898,874**	**100.0**	**1,725,107**	**100.0**	**173,767**

[1] *The Group applied IFRS 16 as of 1 January 2019 for the first time using the modified retrospecitve method. When applying this method, the comparative information for fiscal year 2018 will not be adjusted.*

	31.12.2019 [1]		31.12.2018		Change
	[EUR'000]	[in %]	[EUR'000]	[in %]	[EUR'000]
Current liabilities					
Financial liabilities	85,843	4.5	38,960	2.3	46,883
Trade payables	139,620	7.3	138,939	8.1	681
Payables to affiliated and associated companies accounted for at equity	1,040	0.1	743	0.0	298
Advance payments received	333,340	17.5	389,901	22.6	-56,561
Other provisions	6,834	0.4	7,924	0.5	-1,090
Tax debts	66,641	3.5	59,297	3.4	7,344
Other financial liabilities	448,778	23.6	443,341	25.7	5,436
Lease liabilities	16,978	0.9	66	0.0	16,912
Other non-financial liabilities	77,040	4.1	75,987	4.4	1,054
Total current liabilities	**1,176,115**	**61.9**	**1,155,157**	**67.0**	**20,959**
Non-current liabilities					
Financial liabilities	14,273	0.8	66,339	3.8	-52,065
Advance payments received	3,710	0.2	522	0.0	3,188
Provisions	4,131	0.2	4,196	0.2	-64
Other financial liabilities	11	0.0	11	0.0	0
Lease liabilities	122,178	6.4	110	0.0	122,068
Pension provisions	11,815	0.6	8,857	0.5	2,957
Deferred tax liabilities	16,648	0.9	18,626	1.1	-1,978
Total non-current liabilities	**172,767**	**9.1**	**98,662**	**5.7**	**74,105**
Equity					
Share capital	96,000	5.1	96,000	5.6	0
Capital reserve	1,890	0.1	1,890	0.1	0
Statutory reserve	7,200	0.4	7,200	0.4	0
Retained earnings	408,663	21.5	335,098	19.4	73,566
Other reserves	-1,931	-0.1	-1,652	-0.1	-279
Treasury stock	-52	0.0	-52	0.0	0
Total equity attributable to shareholders of CTS KGaA	**511,770**	**27.0**	**438,483**	**25.4**	**73,286**
Non-controlling interests	38,223	2.0	32,805	1.9	5,418
Total equity	**549,992**	**29.0**	**471,289**	**27.3**	**78,704**
Total equity and liabilities	**1,898,874**	**100.0**	**1,725,107**	**100.0**	**173,767**

[1] The Group applied IFRS 16 as of 1 January 2019 for the first time using the modified retrospecitve method. When applying this method, the comparative information for fiscal year 2018 will not be adjusted.

CURRENT ASSETS decreased by EUR 49,396 thousand to EUR 1,141,356 thousand mainly due to a decline in cash and cash equivalents (EUR -82,695 thousand). This is offset by an increase of marketable securities and other investments (EUR +9,677 thousand), other non-financial assets (EUR +9,244 thousand) and non-current assets held for sale (EUR +6,746 thousand).

The decline in **cash and cash equivalents** by EUR 82,695 thousand mainly results from lower advance payments received, higher cash outflows due to the acquisition of shares in France Billet accounted for at equity, as well as payments to the capital reserve and the issuance of loans to autoTicket accounted for at equity.

Cash and cash equivalents, at EUR 790,511 thousand (previous year: EUR 873,206 thousand) include inter alia ticket monies from not yet invoiced presales for events (ticket monies not yet invoiced primarily in the Ticketing segment), which are reported in other financial liabilities (EUR 429,052 thousand; previous year: EUR 422,842 thousand). Other financial assets also include receivables relating to ticket monies from presales in the Ticketing segment (EUR 83,993 thousand; previous year: EUR 87,085 thousand) and factoring receivables (EUR 30,201 thousand; previous year: EUR 25,262 thousand).

Marketable securities and other investments increased mainly due to time deposits (EUR +9,677 thousand).

The increase in **other non-financial assets** (EUR +9,244 thousand) mainly results from higher VAT tax receivables of EUR 10,028 thousand.

The increase in **non-current assets held for sale** (EUR +6,746 thousand) is related to an asset held for sale of JUG Jet Air GmbH & Co. KG, Bremen.

NON-CURRENT ASSETS increased by EUR 223,163 thousand to EUR 757,519 thousand mainly due to an increase in goodwill (EUR +6,439 thousand), in the right-of-use assets from leases due to the application of IFRS 16 (EUR +138,571 thousand), in investments in associated companies accounted for at equity (EUR +69,555 thousand) and other financial assets (EUR +8,779 thousand).

The increase in **goodwill** by EUR +6,439 thousand was the result of an expansion in the scope of consolidation mainly through acquisitions in Russia and Sweden in the Live Entertainment segment as well as currency translation effects in Swiss francs as at the closing date of 31 December 2019 mainly in the Ticketing segment.

The increase in **fixed assets** mainly relates to the application of IFRS 16 (EUR +138,571 thousand). Within the scope of IFRS 16, in particular right-of-use assets for venues and office buildings are recognised. Furthermore, the investments in associated companies accounted for at equity notably increased due to the acquisition of shares in France Billet accounted for at equity (EUR +60,602 thousand) and the capital increase at autoTicket of EUR 10,000 thousand.

The non-current **other financial assets** (EUR +8,779 thousand) mainly increased due to loan receivables against the operating company (EUR +12,500 thousand). This is offset by a decline in receivables against promoters of EUR 1,055 thousand in the course of business.

Assets tied up for the long-term account for 39.9% of the balance sheet total (previous year: 31.0 %) and are predominately financed by equity.

CURRENT LIABILITIES increased by EUR 20,959 thousand to EUR 1,176,115 thousand. This rise is mainly attributable to current financial liabilities (EUR +46,883 thousand), tax debts (EUR +7,344 thousand), other financial liabilities (EUR +5,436 thousand) and to current lease liabilities (EUR +16,912 thousand). This is offset by a decrease in advance payments received (EUR -56,561 thousand).

Current financial liabilities (EUR +46,883 thousand) increased due to matching maturity reclassification from non-current financial liabilties (promissory note). This is offset by repayments of loans.

Advance payments received (EUR -56,561 thousand) mainly decreased due to the performance of events.

Tax debts (EUR +7,344 thousand) mainly increased due to the rise in net income.

The change in **other financial liabilities** by EUR 5,436 thousand is predominantly due to higher liabilities in the Ticketing segment from ticket monies that have not yet been invoiced. 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 from 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 due to events being held and invoiced.

Lease liabilities (EUR +16,912 thousand) increased due to the first-time application of IFRS 16.

NON-CURRENT LIABILITIES increased by EUR 74,105 thousand mainly due to lease liabilities as part of the IFRS 16 application (EUR +122,068 thousand). This is offset by the timely reclassification of non-current financial liabilities in current financial liabilities (EUR -52,065 thousand).

EQUITY increased by EUR 78,704 thousand to EUR 549,992 thousand. The increase is due to retained earnings (EUR +73,566 thousand) and to non-controlling interests (EUR +5,418 thousand). The change in retained earnings results from net income attributable to shareholders of CTS KGaA of EUR 132,900 thousand and equity reducing higher dividend payments for the financial year 2018 of EUR 59,515 thousand.

The equity ratio (equity/balance sheet total) is with 29.0% above previous year's level of 27.3%.

The increase of the equity ratio results from the disproportionately high increase in equity compared to balance sheet total. The return on equity (net income/equity) is 24.2%, compared to 25.1% in the previous year.

4.2.2 FINANCIAL MANAGEMENT

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

With a cash flow from operating activities of EUR 141,000 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 the CTS Group's financial policy is to keep the Group's financial strength at a high level, thereby securing the company's financial independence through sufficient liquidity. Risks are to be largely avoided or effectively counteracted.

The capital structure of the CTS Group comprises debt, cash and cash equivalents and 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. The treasury department 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 2019 to hedge currency risks. In the reporting year, this specifically involved forward foreign exchange transactions in Swiss francs and US dollars as well as currency options in Pounds Sterling. 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. Options were used to hedge intercompany loans in Pounds Sterling. One focus of financial management is to hedge the Group's currency, the euro. Instruments are used to 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 2019. The funds required for the acquisitions in the past financial year 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 of EUR 200 million with a maturity of around three years, until October 2022. As at the balance sheet date of 31 December 2019, there was no utilisation.

The Group has a solid equity ratio of 29.0% and is therefore essentially geared towards being largely independent of lenders. The financing strategy requires the constant review and optimisation of the capital structure, however.

Current and non-current financial liabilities declined from EUR 105,298 thousand to EUR 100,116 thousand. As of the balance sheet date of 31 December 2019, they accounted for 5.3% of the Group's balance sheet total (previous year: 6.1%).

The financial liabilities recognised on the balance sheet date amounting to EUR 100,116 thousand (previous year: EUR 105,298 thousand) include loans (cf. Notes item 15) of EUR 69,296 thousand (previous year: EUR 83,340 thousand) as well as EUR 30,820 thousand (previous year: EUR 21,958 thousand) in purchase price obligations and put option liabilities of non-controlling shareholders.

Of the external loans, EUR 9,089 thousand (previous year: EUR 34,403 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 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:

	31.12.2019 [EUR'000]	31.12.2018 [EUR'000]
Debt [1]	573,867	436,478
Cash and cash equivalents	-790,511	-873,206
Net debt	**-216,644**	**-436,728**
Equity	549,992	471,289
Net debt to Equity	-39.4%	-92.7%

[1] Debt is defined here as non-current and current financial liabilities (EUR 100,116 thousand; previous year: EUR 105,298 thousand) and other non-current and current financial liabilities and non-current and current lease liabilites (EUR 587,945 thousand; previous year: EUR 443,528 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 114,194 thousand; previous year: EUR 112,347 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 increase in net debt mainly results due to the rise in current and non-current lease liabilities (first-time application of IFRS 16). The CTS Group has higher cash and cash equivalents than debt items. The negative net debt/equity ratio means that the Group is de facto debt-free.

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

4.3 CASH FLOW

	2019 [EUR'000]	2018 [EUR'000]	Change [EUR'000]
Cash flow from:			
Operating activities	141,000	337,507	-196,507
Investing activities	-124,145	-1,219	-122,926
Financing activities	-102,054	-104,357	2,302
Net increase / decrease in cash and cash equivalents	**-85,199**	**231,932**	**-317,131**
Net increase / decrease in cash and cash equivalents due to currency translation	2,504	548	1,956
Cash and cash equivalents at beginning of period	873,206	640,726	232,480
Cash and cash equivalents at end of period	**790,511**	**873,206**	**-82,695**

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 2018, cash and cash equivalents decreased by EUR 82,695 thousand from EUR 873,206 thousand to EUR 790,511 thousand.

Cash and cash equivalents, at EUR 790,511 thousand (previous year: EUR 873,206 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 429,052 thousand; previous year: EUR 422,842 thousand). Other financial assets also include receivables relating to ticket monies from presales in the Ticketing segment (EUR 83,993 thousand; previous year: EUR 87,085 thousand) and factoring receivables (EUR 30,201 thousand; previous year: EUR 25,262 thousand).

Due to the first-time application of IFRS 16 the cash flow from operating activities improved by EUR 17,260 thousand. This is offset by a negative cash flow effect from financing activities due to repayments of lease liabilities in accordance with IFRS 16.

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 decreased year-on-year by EUR 196,507 thousand from EUR 337,507 thousand to EUR 141,000 thousand. The main reason for this decline in cash flow from operating activities is the change in liabilities (EUR -249,653 thousand), in receivables and other assets (EUR -7,502 thousand) and paid income taxes (EUR -26,217 thousand). This is offset by an increase in payments on account (EUR +30,322 thousand) and a higher net income (EUR +15,804 thousand).

The EUR -249,653 thousand negative cash flow effect from the change in liabilities compared to the previous year is mainly due to the higher reduction in liabilities from ticket monies in the Ticketing segment and advance payments received in the Live Entertainment segment. While positive cash flow effects were being achieved in the fourth quarter 2018 from higher ticket monies in the Ticketing segment and advance payments received in the Live Entertainment segment due to the presale of events with large audiences; negative cash flow effects were being achieved in the reporting period 2019 due to a reduction in advance payments received related to the performance of events.

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 increased by EUR 122,926 thousand from EUR 1,219 thousand to EUR 124,145 thousand. The negative change in cash flow from investing activities was mainly the result from the acquisition of shares in a company accounted for at equity (France Billet of EUR 60,602 thousand), as well as from cash outflows for payments in the capital reserve of EUR 10,000 thousand and for issued loans of EUR 14,500 thousand to autoTicket. In addition, the negative change in cash flow includes higher cash outflows from the acquisiton of subsidiaries less cash and cash equivalents acquired (EUR 25,599 thousand) and higher investments in tangible assets (EUR 12,806 thousand). This is offset by cash inflows from the sale of consolidated companies less sold cash and cash equivalents of EUR 6,039 thousand.

In the previous year, the cash flow was positvely affected by cash inflows from disposals of financial assets and by the transfer of cash and cash equivalents in connection with the acquisition of consolidated companies.

CASH FLOW FROM FINANCING ACTIVITIES

The negative cash flow from financing activities decreased year-on-year by EUR 2,302 thousand from EUR 104,357 thousand to EUR 102,054 thousand. Compared to the same period of the previous year, lower redemption of financial loans (EUR 24,071 thousand) led to a positive cash flow effect. This is offset by negative cash flow effects from the repayment of lease liabilities as a result of the application of IFRS 16 of EUR -17,260 thousand and lower proceedings of borrowing loans (EUR -3,799 thousand).

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).

	2019	2018	Change	
	[EUR'000]	[EUR'000]	[EUR'000]	[in %]
Revenue	**258,053**	**243,746**	**14,307**	**5.9**
Gross profit	**157,168**	**145,952**	**11,216**	**7.7**
EBITDA	**119,869**	**107,581**	**12,288**	**11.4**
EBIT	**101,176**	**88,450**	**12,726**	**14.4**
Financial result	75,461	56,513	18,948	33.5
Earnings before tax (EBT)	**176,637**	**144,962**	**31,675**	**21.9**
Taxes	-44,292	-41,092	-3,199	7.8
Net income for the year	**132,345**	**103,870**	**28,475**	**27.4**

5.1.1 REVENUE PERFORMANCE

In the 2019 financial year, CTS KGaA revenue increased by EUR 14,307 thousand from EUR 243,746 thousand to EUR 258,053 thousand; this equates to a 5.9% growth in revenue. This positive revenue development results mainly from the further growth in the number of tickets sold via the Internet by 1.7 million (+7.6%) from 22.9 million up to 24.6 million tickets.

5.1.2 EARNINGS PERFORMANCE

GROSS PROFIT

Gross profit increased by EUR 11,216 thousand year-on-year due to the high-margin internet business. The gross margin improved to 60.9% (previous year: 59.9%), but was burdened by higher personnel expenses due to increasing technological development and ongoing internationalisation.

EBITDA

A successful business performance in 2019 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 119,869 thousand (previous year: EUR 107,581 thousand). The EBITDA margin is 46.5% (previous year: 44.1%). In the reporting year expenses due to increasing technological development and ongoing internationalisation had a negative effect on earnings and margins.

EBIT

The EBIT figure for the reporting year increased to EUR 101,176 thousand (previous year: EUR 88,450 thousand) and the EBIT margin rose to 39.2% (previous year: 36.3%).

FINANCIAL RESULT

The financial result increased from EUR 56,513 thousand in the previous year by EUR 18,948 thousand to EUR 75,461 thousand.

The financial result mainly includes investment income in the form of dividends, profit transfer agreements and profit shares in commercial partnerships of EUR 77,054 thousand (previous year: EUR 57,422 thousand), depreciation of financial assets of EUR 1,133 thousand (previous year: EUR 0 thousand), EUR 720 thousand in interest income (previous year: EUR 719 thousand), EUR 759 thousand in interest expenses (previous year: EUR 1,065 thousand) and other financial expenses amounting to EUR 502 thousand (previous year: EUR 563 thousand).

The increase in income resulting from dividends, profit transfer agreements and profit shares in commercial partnerships mainly results (EUR +19,776 thousand) from dividends.

TAXES

Tax expenses increased from EUR 41,092 thousand by EUR 3,199 thousand to EUR 44,292 thousand. These tax expenses include taxes on income of EUR 44,728 thousand (previous year: EUR 41,304 thousand) and income from deferred taxes amounting to EUR 441 thousand (previous year: EUR 214 thousand) as well as other taxes of EUR 5 thousand (previous year: EUR 3 thousand). The taxation rate (taxes on income / earnings before tax) is 25.0% (previous year: 28.4%). The decrease in the taxtion rate results mainly from the higher investment income from dividends (EUR +19,776 thousand).

NET INCOME FOR THE YEAR

The net income for the year, according to HGB, increased by EUR 28,475 thousand to EUR 132,345 thousand (previous year: EUR 103,870 thousand). The distributable earnings per share amounted to EUR 1.38 (previous year: EUR 1.08).

5.1.3 ADDITIONAL NOTES TO SINGLE ITEMS IN THE INCOME STATEMENT

	2019	2018	Change	
	[EUR'000]	[EUR'000]	[EUR'000]	[in %]
Selling expenses	40,631	41,292	-662	-1.6
General administrative expenses	22,980	21,322	1,659	7.8
Other operating income	15,510	12,337	3,173	25.7
Other operating expenses	7,891	7,225	666	9.2
thereof non-recurring items	*1,099*	*1,770*	*-673*	*-38.1*

SELLING EXPENSES

The selling expenses have decreased by EUR -662 thousand to EUR -40,631 thousand compared to the previous year. Higher personnel expenses (EUR +1,227 thousand) are offset by lower other expenses (EUR -1,604 thousand) and depreciation (EUR -285 thousand).

GENERAL ADMINISTRATIVE EXPENSES

The increase in general administrative expenses in the reporting year by EUR 1,659 thousand to EUR 22,980 thousand is mainly the result of higher personnel expenses (EUR +1,094 thousand).

OTHER OPERATING INCOME

Other operating income increased from EUR 12,337 thousand by EUR 3,173 thousand to EUR 15,510 thousand. In the reporting year the other operating income includes a positive effect from the sale of shares in affiliated company CTS Eventim France to the associated company France Billet (EUR 5,604 thousand). In the previous year, other operating income included a positive effect from the realisation of an impaired receivable taken over as the result of an acquisition (EUR 4,720 thousand).

PERSONNEL

Personnel expenses increased year-on-year by EUR 2,935 thousand from EUR 30,458 thousand to EUR 33,392 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 2019 financial year, CTS KGaA had 372 employees on its payroll (previous year: 372 employees). The average number of employees over the year increased from 345 in the previous year to 373 in the reporting period.

5.2 FINANCIAL POSITION

	31.12.2019		31.12.2018		Change
	[EUR'000]	[in %]	[EUR'000]	[in %]	[EUR'000]
Current assets					
Cash and cash equivalents	311,132	35.2	355,702	43.8	-44,570
Trade receivables	8,309	0.9	6,476	0.8	1,833
Receivables from affiliated companies and participations	55,455	6.3	83,176	10.2	-27,721
Inventories	155	0.0	205	0.0	-50
Other assets and prepaid expenses	57,907	6.6	58,247	7.2	-340
Total current assets	**432,958**	**49.0**	**503,807**	**62.0**	**-70,849**
Non-current assets					
Fixed assets	373,611	42.3	276,563	34.0	97,048
Goodwill	19,123	2.2	26,773	3.3	-7,649
Receivables from affiliated companies and participations	56,159	6.4	1,897	0.2	54,262
Other assets and prepaid expenses	1,727	0.2	3,286	0.4	-1,559
Deferred tax assets	294	0.0	95	0.0	199
Total non-current assets	**450,914**	**51.0**	**308,613**	**38.0**	**142,301**
Total assets	**883,872**	**100.0**	**812,420**	**100.0**	**71,452**

	31.12.2019		31.12.2018		Change
	[EUR'000]	[in %]	[EUR'000]	[in %]	[EUR'000]
Current liabilities					
Financial liabilities	60,269	6.8	15,072	1.9	45,196
Trade payables	6,232	0.7	10,717	1.3	-4,485
Payables to affiliated companies and participations	28,258	3.2	7,300	0.9	20,959
Provisions	74,490	8.4	72,682	8.9	1,808
Other liabilities and deferred income	306,356	34.7	321,970	39.6	-15,614
Total current liabilities	**475,605**	**53.8**	**427,741**	**52.7**	**47,864**
Non-current liabilities					
Financial liabilities	0	0.0	49,000	6.0	-49,000
Deferred tax liabilities	656	0.1	898	0.1	-242
Total non-current liabilities	**656**	**0.1**	**49,898**	**6.1**	**-49,242**
Equity					
Share capital	96,000	10.9	96,000	11.8	0
less par value of treasury stock	-9	0.0	-9	0.0	0
Capital reserve	2,400	0.3	2,400	0.3	0
Statutory reserve	7,200	0.8	7,200	0.9	0
Balance sheet profit	302,021	34.2	229,190	28.2	72,830
Total equity	**407,612**	**46.1**	**334,782**	**41.2**	**72,830**
Total equity and liabilities	**883,872**	**100.0**	**812,420**	**100.0**	**71,452**

The balance sheet total of CTS KGaA increased year-on-year by EUR 71,452 thousand (+8.8%) to EUR 883,872 thousand.

CURRENT ASSETS decreased by EUR 70,849 thousand to EUR 432,958 thousand (-14.1%). The changes mainly derive from a decrease in cash and cash equivalents (EUR -44,570 thousand) and receivables from affiliated companies and participations (EUR -27,721 thousand).

The decrease of **cash and cash equivalents** from EUR 355,702 thousand by EUR 44,570 thousand to EUR 311,132 thousand is on the one hand attributable to lower ticket monies from not yet invoiced presales for events (EUR -19,721 thousand), which are reported in other liabilities (EUR 274,277 thousand; previous year: EUR 293,998 thousand). Further liquidity-reducing effects on the other hand result from the payouts in the connection with the associated companies France Billet and autoTicket (EUR -83,102 thousand) and the reduction of borrowings (EUR -15,000 thousand). This is offset by a positive effect from current earnings less dividends paid in the form of increased retained earnings (EUR +72,830 thousand).

Receivables from affiliated companies and participations decreased from EUR 83,176 thousand by EUR 27,721 thousand to EUR 55,455 thousand. The decrease results mainly from the prolongation of a loan to a subsidiary for acquisition financing in Live Entertainment, which was reported under current receivables from affiliated companies and participations in the previous year (EUR -45,820 thousand). Receivables from existing profit and loss transfer agreements have increased due to the positive business development of the affiliated companies (EUR +14,674 thousand).

NON-CURRENT ASSETS increased from EUR 308,613 thousand by EUR 142,301 thousand to EUR 450,914 thousand. The increase mainly relates to a higher level of fixed assets (EUR +97,048 thousand) and the increase in receivables from affiliated companies and participations (EUR +54.262 thousand). This is offset by the decrease in goodwill (EUR -7,649 thousand).

Additions to **fixed assets**, at EUR +97,048 thousand mainly relate to the addition of the participation in the associated company France Billet (EUR +60,602 thousand), a capital contribution to JUG Jet Air GmbH & Co. KG (hereafter: JUG KG) (EUR +13,347 thousand), the non-current financing (EUR +12,500 thousand) and the increase in the capital reserve of autoTicket (EUR +10,000 thousand) and the further development of the Global Ticketing System (EUR +10,123 thousand). This is offset by scheduled (EUR -11,044 thousand) and unscheduled depreciation (EUR -1,133 thousand).

The decrease in **goodwill** by EUR 7,649 thousand to EUR 19,123 thousand derives mainly from the scheduled amortisation of goodwill according to HGB.

Receivables from affiliated companies and participations increased from EUR 1,897 thousand by EUR 54,262 thousand to EUR 56,159 thousand. The increase mainly results from the prolongation and increase of a loan to an affiliated company for acquisition financing in Live Entertainment, which was reported in the previous year under current receivables from affiliated companies and investments (EUR +48,077 thousand).

CURRENT LIABILITIES increased by EUR 47,864 thousand to EUR 475,605 thousand. The increase derives mainly from financial liabilities (EUR +45,196 thousand) as well as payables to affiliates and participations (EUR +20,959 thousand). This is offset by a decrease in other liabilities and deferred income (EUR -15,614 thousand).

Financial liabilities (EUR 60,269 thousand; previous year EUR 15,072 thousand) increased by EUR 45,196 thousand mainly due to the reclassification of a promissory note loan previously reported under non-current financial liabilities.

The increase in **payables to affiliates and participations** by EUR 20,959 thousand to EUR 28,258 thousand mainly relates to liabilities from cash pooling with selected subsidiaries of the CTS Group (EUR +15,514 thousand).

The change in **other liabilities and deferred income** in the amount of EUR -15,614 thousand mainly relates to lower liabilities from ticket money not yet invoiced (EUR -19,721 thousand). Compared to the previous year, there was a lower number of events not yet invoiced as of 31 December 2019. In contrast, other liabilities from vouchers sold and not yet redeemed increased (EUR +3,151 thousand).

NON-CURRENT LIABILITIES decreased by EUR 49,242 thousand to EUR 656 thousand. This reduction is mainly due to the reclassification of a promissory note loan, which was reported under non-current financial liabilities in the previous year.

EQUITY rose by EUR 72,830 thousand to EUR 407,612 thousand due to the positive year-end result of EUR 132,345 thousand. This is offset by an equity reducing dividend payment of EUR 59,515 thousand, which was resolved at the Annual General Meeting in May 2019.

The increase in the equity ratio (equity / balance sheet total) from 41.2% to 46.1% is mainly due to the higher net retained earnings, with the level of debt otherwise virtually unchanged. On the assets side, this is offset by investments in non-current assets (participations).

The return on equity (net income / equity) amounts to 32.5% (previous year: 31.0%).

5.3 CASH FLOW

	2019 [EUR'000]	2018 [EUR'000]	Change [EUR'000]
Cash flow from:			
Operating activities	122,401	227,610	-105,210
Investing activities	-103,697	-17,371	-86,326
Financing activities	-63,314	-85,921	22,607
Net increase / decrease in cash and cash equivalents	**-44,610**	**124,319**	**-168,929**
Net increase/decrease in cash and cash equivalents due to currency translation	40	35	5
Cash and cash equivalents at beginning of period	355,702	231,348	124,354
Cash and cash equivalents at end of period	**311,132**	**355,702**	**-44,570**

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 2018, cash and cash equivalents decreased from EUR 355,702 thousand by EUR 44,570 thousand to EUR 311,132 thousand.

Cash and cash equivalents of EUR 311,132 thousand (previous year: EUR 355,702 thousand) include ticket monies from not yet invoiced presales for events, which are reported in other financial liabilities (EUR 274,277 thousand; previous year: EUR 293,998 thousand). Other assets also include receivables relating to ticket monies from presales (EUR 22,681 thousand; previous year: EUR 28,591 thousand) and factoring receivables from ticket monies (EUR 30,203 thousand; previous year: EUR 25,263 thousand).

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities decreased by EUR 105,210 thousand to EUR 122,401 thousand. The reduction in cash flow from operating activities is mainly due to the change in liabilities (EUR -113,779 thousand), income taxes paid (EUR -26,134 thousand) and book gains from asset disposals (EUR -5,521 thousand). This is offset by positive cash flow effects from receivables (EUR +14,692 thousand) and the higher net income for the year (EUR +28,475 thousand).

The cash flow effect from the change in **liabilities** (EUR -113,779 thousand) mainly results from the change in liabilities from ticket money not yet invoiced (EUR -126,364 thousand). Counteracting these effects are liabilities to affiliated companies and investments (EUR +16,415 thousand). This effect results mainly from cash pooling with selected companies of the CTS Group.

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 from 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. This balance decreased in the reporting year as at the balance sheet date.

The change in **book gains from asset disposals** (EUR -5,521 thousand) mainly results from the sale of shares in the affiliated company CTS Eventim France to the investment in the associated company France Billet (EUR -5,604 thousand), which is to be reported under cash flow from investing activities.

The positive cash flow effect from **receivables** (EUR +14,692 thousand) is mainly due to the changes in receivables from ticket monies from ticket presale (EUR +16,942 thousand).

CASH FLOW FROM INVESTING ACTIVITIES

Negative **cash flow from investing activities** increased from EUR 17,371 thousand by EUR 86,326 thousand to EUR 103,697 thousand. The increase in cash outflows is mainly due to the investment in the associated company France Billet (EUR -60,602 thousand), the capital injection at JUG KG (EUR -13,347 thousand) as well as the non-current financing (EUR -12,500 thousand) and the increase of the capital reserve at autoTicket (EUR -10,000 thousand). The disposal of fixed assets, due to the sale of the shares in the affiliated company CTS Eventim France to the investment in the associated company France Billet, resulted in a positive cash flow effect (EUR +7,183 thousand).

CASH FLOW FROM FINANCING ACTIVITIES

Negative **cash flow from financing activities** decreased compared to the previous year from EUR 85,921 thousand by EUR 22,607 thousand to EUR 63,314 thousand. The change is mainly due to the systematic lower repayment (EUR +29,286 thousand) and the inverse effects from the lower borrowing (EUR -3,799 thousand) of financial loans and a higher distribution to shareholders (EUR -2,880 thousand).

6. APPROPRIATION OF EARNINGS BY CTS KGaA

In the 2018 financial year, CTS KGaA generated net income for the year (according to HGB) of EUR 103,870 thousand. The Annual Shareholders' Meeting on 8 May 2019 adopted a resolution to distribute EUR 59,515 thousand (EUR 0.62 per eligible share) of the balance sheet profit of EUR 229,190 thousand as at 31 December 2018 to shareholders. The remaining balance sheet profit of EUR 169,676 thousand was carried forward to the new account.

In the 2019 financial year, CTS KGaA generated EUR 132,345 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 66,234 thousand (EUR 0.69 per eligible share) out of the balance sheet profit of EUR 302,021 thousand as at 31 December 2019 and to carry forward the remaining amount to the balance sheet profit.

7. DEPENDENCY REPORT FOR CTS KGaA

According to § 17 (1) AktG, a dependent relationship exists at the closing date with Mr. Klaus-Peter Schulenberg/KPS Stiftung (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 2019. 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 2020 and the following business year 2021.

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

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

The CTS Group divides risks into seven risk categories:

Risk category	Risk area
1. Strategy	Success risks which represent a significant threat and arise from strategic decisions: • Risks relating to future macroeconomic trends • Industry, market and competition
2. Market	Risks based on changes in the market (prices, competition etc.): • Products, services, innovation, business and enterprise values
3. Performance	Risks related to services provided and the required resources: • Stability and reliability of the IT infrastructure being used • Risks from internet security threats • Procurement • Personnel risks
4. Projects	Risks arising from large projects
5. Finance	Financially-based risks: • Liquidity risks • Default risks • Foreign exchange risks • Interest 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’ (expected value impairs EBIT > 10%), ‘medium’ (expected value impairs EBIT by ≥ 1% and ≤ 10%) and ‘low’ (expected value 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

The German Council 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 tension. 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.

As a result of the withdrawal of the UK from the EU on 31 January 2020 based on an agreement between the UK and the EU, the risks associated with Brexit have been reduced. The intention of the parties to conclude a trade agreement during the subsequent eleven-month transition period also indicates a mutual desire for agreement. Yet there may still be adverse effects on the UK economy and on the economic development of EU Member States as a result of Brexit.

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 risk.

INDUSTRY, MARKET AND COMPETITION

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

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

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

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

The risk is classified as medium.

8.2.2 MARKET RISKS

PRODUCTS, SERVICES, INNOVATION, BUSINESS AND ENTERPRISE VALUES

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 licences have been purchased. If the rights to use these technologies are lost for whatever reason, this could delay development and limit operation of the products, or could result in higher royalties being paid.

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

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

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

Market risks are classified at low risk.

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 2019, 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 availability and security of the Group's IT systems was further increased by centralising the office IT structures of the national companies. This project is scheduled for completion at the end of 2020.

CTS is continuously working on expanding its multi-cloud strategy to systematically increase the scalability and efficiency of the ticketing platform.

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

The risk is downgraded to a low 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 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 2019.

The risk is classified as low.

DEFAULT RISKS

Default risks result from the risk that the debtor of a receivable may no longer be able to settle it in full or in part. The maximum default risk is equal 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. 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 Group's foreign exchange risks result from investments, financing and operating activities in foreign currencies. Within the Group, some contracts with artists as well as licensing agreements are concluded in foreign currencies.

Foreign exchange risks which do not affect the cash flow of the Group (that is, risks which result from translating the assets and liabilities of foreign entities into the Group reporting currency) remain unsecured, as a basic principle. Foreign exchange 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 exclusively for risk hedging, not for speculative purposes.

A foreign exchange 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 existing short-term loans. Short-term credit lines are not used continuously throughout the year. A syndicated credit line (revolving credit facility) concluded in 2015 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.

The CTS Group does not expect any effects from the IBOR reform on the variable-interest financial instruments recorded. The calculation method for IBOR (interbank offered rates) interest rates is changing as part of the IBOR reform. The current status of the IBOR reform is that the successors to the interest rates are not determined uniformly, but that the calculation method is determined individually by the respective central banks. In the future, manipulation of the IBOR interest rates is expected to be less likely thanks to a stronger link to real transactions.

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 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 risk.

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

TAXES

Actual income taxes are calculated on the basis of the respective national tax results and regulatory of the year. In addition, the current taxes reported in the financial year also include adjustment amounts for any tax payments or refunds for years not yet finally assessed, but exclude interest payments or interest refunds and penalties on retrospective tax refunds. In the event that amounts recognised in the tax returns will probably not be realised (uncertain tax items), tax liabilities are recognised. The amount is based on the best possible estimate of the expected tax payment (expected value or most likely value of the tax uncertainty). Tax receivables from uncertain tax items are recognised in the balance sheet if it is probable that they can be realised. If a tax loss carryforward exists, no tax provision or tax receivable is recognised for these uncertain tax items, but instead the deferred tax asset is adjusted for the not yet used tax loss carryforwards.

The risk is classified as medium.

LITIGATION AND CLAIMS FOR DAMAGES

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

The risk is classified as low.

Additional reporting is made in section 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 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 CTS 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 pandemics/epidemics/pestilences (e.g. COVID 19 'Corona Virus') and natural catastrophes, can negatively impact the financial position and earnings, cash flow and revenue and operating profit figures in both segments. The effects of the spread of the COVID 19 'Coronavirus' on the development of ticket volume and on the performance of events can currently not be assessed.

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 German Federal Cartel Office completed an administrative proceeding initiated in October 2014. In their findings, the authorities objected to a small number of existing exclusive agreements and limited the scope and terms of future exclusive agreements. The requirements of the German Federal Cartel Office were implemented accordingly in early 2018 and reported to the German Federal Cartel Office in a timely manner. The appeal filed by CTS KGaA against the decision was rejected by the higher regional court (Oberlandesgericht) in Düsseldorf in April 2019 and the appeal was not allowed. The company has since filed an appeal of non-admission at the German Federal Court of Justice (Bundesgerichtshof) and a decision is expected to be made in 2020.

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.

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 based on the IDW auditing standard 980 is operated. 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 business success. 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.

From the totality of the opportunities identified for the Group, those opportunities in the 2020 financial year which, from today's perspective, could have a positive impact on the financial position, cash flow and earnings performance are explained below. The opportunity assessment includes the evaluation of the opportunities as a positive EBIT plan deviation in terms of the probability of occurrence and a theoretical opportunity potential. The expected value is calculated by multiplying the theoretical opportunity potential by the probability of occurrence. Opportunities are classified as 'high' (expected value influences EBIT > 10%), 'medium' (expected value influences EBIT ≥ 1% and ≤ 10%) and 'low' (expected value influences EBIT < 1%). The opportunity classification is based on the highest individual opportunity.

Unless otherwise stated, the opportunities described relate to both segments.

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 eCommerce 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. EVENTIM.Light, a web-based self-service tool, offers promoters a simple and easy entry into the world of professional ticketing, even without specialised knowledge.

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 operations.

The opportunity is classified as medium.

8.3.2 FINANCE OPPORTUNITIES

Potential opportunities are seen in the area of litigation and claims for damages.

CTS KGaA filed an appeal of non-admission at the German Federal Court of Justice (Bundesgerichtshof) against the German Federal Cartel Office's specifications (administrative proceedings in 2017), which limited the scope and terms of exclusive agreements, and a decision is expected to be made in 2020.

The opportunity is classified as low.

After the operating agreement for the infrastructure charge was terminated on 30 September 2019 by the Federal Ministry of Transport and Digital Infrastructure, autoTicket GmbH, Berlin, and its two shareholders made a resolution in December 2019 to assert the contractually agreed financial claims against the federal government in the amount of approximately EUR 560,000 thousand. In the present case of the termination of the agreement by the federal government, the contracting parties have agreed on the loss of profit over the term of the agreement (i.e. the gross company value less expenses saved due to termination). Furthermore, the operating agreement provides for the compensation of termination costs, including claims for damages by subcontractors. The operating agreement provides for an efficient dispute resolution procedure. An independent auditor will review the gross company value. Then, an arbitration panel will decide on the legality of the claims.

8.4 ASSESSMENT OF THE GROUP'S OPPORTUNITIES AND RISK EXPOSURE

An overview of the risks shows that the Group could mainly be exposed to risks relating to the industry, market and competition, Internet security threats, taxes, reporting and planning, as well as social, political, legal and compliance risks. The assessment of individual 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) include 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 expenses and profits and losses, 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 for all associated financial information to be reported by the domestic and foreign subsidiaries included in the consolidated financial statements. In addition to defining the scope of consolidation, the accounting rules also contain detailed definitions of the specific elements in the reporting packages to be produced by the Group companies. These formal requirements stipulate, inter alia, the mandatory use of a standardised and complete set of 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 standardized 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 December 2019 Economic Outlook, the Kiel Institute for the World Economy (IfW) reported that global economic dynamics had slowed further. At the same time signs of stabilisation had appeared. It stated that this growth was supported by more expansionary monetary policies and the stimulus provided by financial policies. The IfW expects the world economy to gradually gain traction going forward. As the robust US economy will start to lose momentum and the trend of a gradual slowdown in China will persist, production is expected to increase moderately to 3.0% in 2020 and to 3.4% in 2021. Substantially lower growth could result in the case of a further significant deterioration of the environment for international trade leading to an additional slowdown of investment. The IfW believes that downward risks to the forecast rise with the degree of weakness in the industry. In February 2020, the US Federal Reserve also warned of risks to economic development that could arise from the outbreak of the coronavirus in China.

Furthermore, the IfW forecasts that the German economy will recover only gradually. Economic activity still provides two contrasting pictures. While the industry is in recession, the consumer-related service sectors continue to expand. Despite the fact that employment growth has slowed, disposable incomes of private households continue to rise due, among other things, to wage increases and income-increasing fiscal policy measures. The IfW believes that production overall will gradually pick up again in 2020, which in turn means industrial production will also start to rise again. GDP growth is expected to be 1.1% in 2020, compared to an increase of 0.5% in 2019.

10.2 EXPECTED EARNINGS PERFORMANCE

Positive developments in the 2019 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 2019.

The CTS Group further strengthened its market position in the 2019 financial year with new strategic partnerships and investments both in the Ticketing and the Live Entertainment segments. 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, more than 250 million tickets are sold through the globally leading CTS EVENTIM ticketing systems.

The CTS Group will 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, among others. On the one hand, the emphasis here is on the further expansion of the highly profitable area of ticketing via eCommerce – also via our secondary market platform fanSALE. On the other hand, it is on the establishment and expansion of new complementary areas of business, including in the Lifestyle and Travel segments. In addition, the company constantly monitors the international Ticketing and Live Entertainment market for opportunities for additional 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

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 eCommerce sector. 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, as well as the international market expansion, will also remain a focus of its business activities.

In the 2019 financial year, the planned expansion in Europe was continued by joining the ticketing market leader France Billet in France. In November 2019, the CTS Group successfully concluded negotiations on a strategic ticketing partnership with Fnac Darty (owner of France Billet) and acquired 48% of the shares in France Billet. The company is also bringing its existing activities in France into the partnership. In addition, the CTS Group has the option to acquire a majority stake in the joint venture four years after the completion of the transaction.

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

The focus of **online ticket distribution** remains on optimising the user experience for customers and thereby increasing sales across all platforms. The use of relevant data is of particular importance here in order to enhance the event portfolio, provide users of the various platforms with even more relevant offers and support partners in optimising their planning and campaigns.

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.

With the relaunch of the web shop in mid-2019, a strong focus was placed on the mobile optimisation of the customer experience in addition to a contemporary, fresh design, in order to offer an enjoyable shopping experience to the steadily increasing number of mobile users. In addition, our URL structures and content management have been further optimised to ensure that EVENTIM can be found even better via search engines such as Google (SEO).

The trend towards mobile internet use continues, with growing numbers of customers purchasing tickets from their smartphones. All 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 mailed to them, use it as a mobile online ticket or print it directly from a home PC. In addition to the growing eCommerce channel, more than 20,000 points of sale across Europe remain a crucial pillar of our sales network.

With its diverse range of solutions, CTS EVENTIM is also 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 through in-house distribution channels, as is the case with other suppliers, but can also be booked via all EVENTIM channels including online portals, box offices and call centres.

EVENTIM.Light was successfully internationalised and is now available in the markets of Finland, Denmark, Sweden, Switzerland, Austria and the United Kingdom.

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 2019, the CTS Group invested in the further development of its software solutions for the sports sector. An integrated product solution was created under the guiding principle of 'efficient digitalisation', which enables sports clubs to digitalise their revenue streams by thinking outside of the box. Alongside the modernised ticket management solution 'Tixx', this product suite includes a merchandising shop and a newly developed CRM solution (Tixx.CRM). This solution is connected to other club software systems via state-of-the-art interface technology (Tixx.Connect). Data silos can be dismantled and usage can be integrated through the bi-directional exchange of data in real time.

In the past financial year a large number of new customers were again 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. A market-leading single sign-on (SSO) solution completes the service portfolio.

In the **cultural field**, leading promoters of cultural events in Europe use the specialised EVENTIM.Inhouse and Jet-Ticket 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 in Milan, the Zürich Opera House, the Finnish National Opera in Helsinki, the Berlin Philharmonic, the Montreux Jazz Festival, the Schauspielhaus Bochum and the Elbe Philharmonic Hall in Hamburg.

In the cultural field, the Group also made comprehensive investments in the products listed above in the 2019 financial year. The responsive, mobile optimised online shop is used 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 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. Inhouse product in 2020.

EVENTIM.Access, a central access control service, rounds out the EVENTIM ticketing platform portfolio. Lastly, the EVENTIM.Access service was expanded to include new scan devices that make 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) allows comprehensive use and ensures compatibility in integration scenarios.

In 2019, EVENTIM.Access was redesigned as a cloud-based software as a service (SaaS) solution and further 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 was 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 eCommerce customers. The relevant channels here are e-mail, web shop, app and display advertising. In 2019, personalised data-driven advertising media in particular was further developed. The EVENTIM.Campaign solution developed for the CTS Group was also made available to event partners 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 channel of eCommerce 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. A novel solution for the attribution model was developed and put into operation in 2019. It analyses the allocation of a ticket sale to the various previous advertising material contacts and thereby allows the marketing budget to be optimised in terms of cost-benefit.

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. This 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. For example, geographical analyses of event buyers with corresponding map displays became possible in 2019. EVENTIM.Analytics is available internationally in all EVENTIM markets and ticketing solutions and already has more than 7,000 registered users and 1,500 active users per month in the field of promoters.

There will be a focus on further **innovations** in 2020. 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.

The newly developed web shop ‘Evolution’, which is to form the basis of all future eCommerce activities, was launched in six countries in 2019, including Germany. At least ten more are set to follow suit in 2020. In addition to an optimised mobile interface, Evolution promises a noticeable reduction in loading times and a more user-friendly content management system. The modular architecture also simplifies the integration of future features.

The popular fanSALE portal will continue to be expanded and optimised in 2020. fanSALE is a German online portal specifically for the resale of event tickets. Through it, CTS EVENTIM offers its ticket purchasers an opportunity to pass on their purchased tickets to third parties. On this platform, personalised tickets may also be ‘verified’ and passed on at a maximum of the original sales price and thereby transferred to the name of the new seller. The unauthorised sale of personalised tickets is therefore not possible on fanSALE and prohibited on other platforms. With this platform, CTS EVENTIM is doing everything in its power to offer fans and customers a safe, convenient and reliable way to resell and purchase event tickets.

CTS KGaA holds 50% of the shares in the operating company for the **collection of the German infrastructure charge ‘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 minimum duration of 12 years, by the Federal Motor Transport Office. At the end of June, the agreement between the Federal Motor Transport Office and the operating company for the collection of the German infrastructure charge was terminated by the Federal Ministry of Transport and Digital Infrastructure (Bundesministerium für Verkehr und digitale Infrastruktur), effective as at 30 September 2019.

Due to the contractual relationship between the operating company and the CTS Group subcontractors, the contractually owed services were provided until the termination became effective. Claims totalling EUR 19,373 thousand were invoiced in the 2019 financial year. As at the balance sheet date, there were receivables from contractual services of EUR 3,484 thousand outstanding vis-à-vis the operating company.

The financial claims of the operating company against the federal government, which are to be clarified in arbitration proceedings, and the resulting claims of the CTS Group from the contractual services with the operating company and from its position as shareholder of the operating company are not capitalised as at the balance sheet date, with the exception of the outstanding receivables from the contractual services in the amount of EUR 3,484 thousand, the loans granted to the operating company in the amount of EUR 14,500 thousand and the investment in the operating company accounted for using the equity method, and therefore do not form part of the 2020 forecast.

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 Russia, Austria and Switzerland and created the new common EVENTIM LIVE name for its Live Entertainment activities. The increase in earnings in the Live Entertainment segment essentially comprises successful major tours, festivals and events as well as positive earnings contributions from the development of innovative music events.

Expansion in Live Entertainment in the Russian market in the 2019 financial year comprised the takeover of TCI. TCI operates from Kaliningrad and the cities of St. Petersburg and Moscow to Vladivostok and East Asia and has organised concerts for Blur, Nick Cave, Deep Purple, Kraftwerk, Limp Bizkit, Motörhead, Rihanna, the Scorpions and Robbie Williams, to name just a few. The highlights of this year's events calendar were Jennifer Lopez, Rammstein and Whitesnake.

At the start of January 2020, the CTS Group also secured a majority stake in Austria's leading Live Entertainment company, Barracuda Music, which not only hosts the renowned music festival Nova Rock, but also counts many international stars among its partners, including Bob Dylan, David Gilmour, Elton John, the Rolling Stones, Ed Sheeran and Robbie Williams.

At the end of January 2020, the CTS Group acquired 60% of the shares in Gadget Entertainment AG, Zürich, and a 60% stake in wepromote Entertainment Group Switzerland AG, St. Gallen, both in Switzerland. This acquisition ramps up CTS EVENTIM's involvement in the live sector and significantly boosts business activities there. Following the transaction, Gadget Entertainment AG and wepromote Entertainment Group Switzerland AG merged their activities with ABC Production AG, belonging to CTS EVENTIM, to make joint use of existing synergies in the future. The new company is called Gadget abc Entertainment Group AG and its headquarter is in Zürich. With the acquisition of a majority stake in the Swiss companies, CTS EVENTIM is expanding its event portfolio to include around 400 to 500 concerts a year and popular music festivals, such as 'Open Air St. Gallen', 'SummerDays Festival', 'Seaside Festival' and 'Unique Moments'. At the same time, EVENTIM LIVE is expanding its national and international network to 32 promoters now.

Both companies now form part of the pan-European EVENTIM LIVE promoter network, which was set up this year. All promoters in which CTS EVENTIM holds a controlling majority are included in this new network. EVENTIM LIVE will strengthen international cooperation, further improve the service for artists touring across borders and create a powerful hub with access to the CTS Group's tools for various tasks and applications. This includes purchasing, marketing and sponsorship, as well as the IT infrastructure and also data-driven planning and analysis systems.

The company also invests continuously in new content formats such as the multi-day Country to Country festival or the adaptation of successful TV formats for the arena stage, including The Voice of Germany© and Let's Dance©.

The CTS Group also operates four of the most successful and impressive venues in Europe — the Waldbühne in Berlin, the Eventim Apollo in London, the LANXESS arena in Cologne and the K.B. Hallen in Copenhagen. The LANXESS arena in Cologne took third place in the Pollstar ranking of the world's busiest event arenas in 2019, the Waldbühne was once again the leading amphitheater in Europe.

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 to acquire additional market shares. The close network established over many years with promoters, artists and their agents is being constantly expanded.

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 set in the middle of February 2020 are fulfilled, the CTS Group expects positive business development in the 2020 financial year. These expectations are supported by the constant expansion of online ticketing, ongoing international expansion and the launch of new products and services. The statements on the forecast were made without taking into account negative effects caused by the spread of COVID 19 ('Coronavirus') on the future development of the two segments and the CTS Group, which cannot be estimated at present.

In the Ticketing segment we expect online ticket volume growth in the high single-digit percentage range in the 2020 financial year. We also expect growth in revenue and earnings figures in the lower single-digit percentage range. Excluding the positive revenue and earnings effects in the 2019 financial year from the German infrastructure charge 'car toll' project terminated in June 2019, revenue and earnings growth is expected to be in the mid-single-digit percentage range.

For CTS KGaA, we expect online ticket volume growth in the high single-digit percentage range and a growth in revenue and earnings figures in the mid-single-digit percentage range for the 2020 financial year

In the 2020 financial year, we expect a decline in revenue in the mid-single-digit percentage range and a decline in earnings figures in the high single-digit percentage range in the Live Entertainment segment due to the record figures in the previous year (due to a number of successful major tours in Germany and abroad).

Based on the segment forecasts for the 2020 financial year, the CTS Group will achieve a low single-digit percentage decrease in Group revenue and earnings. Excluding the positive revenue and earnings effects in the 2019 financial year from the German infrastructure charge 'car toll' project terminated in June 2019, revenue and earnings growth is expected to be in the low single-digit percentage range. EPS is expected to improve in the low single-digit percentage range in 2020.

The financial claims of the operating company against the federal government, which are to be clarified in arbitration proceedings, and the resulting claims of the CTS Group from the contractual services with the operating company and from its position as shareholder of the operating company are not capitalised as at the balance sheet date, with the exception of the outstanding receivables from the contractual services in the amount of EUR 3,484 thousand, the loans granted to the operating company in the amount of EUR 14,500 thousand and the investment in the operating company accounted for using the equity method, and therefore do not form part of the 2020 forecast.

Uncertainty on markets worldwide may have an 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. In November 2019, CTS KGaA was informed by the KPS Stiftung that the KPS Stiftung has completed a sale of 4,200,000 shares of CTS KGaA, so that since then the KPS Stiftung holds 37,274,000 shares (38.8% 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 is authorized, 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 19,200,000 until 7 May 2024 by issuing up to 19,200,000 bearer shares in return for cash deposits and/or contributions in kind (authorised capital 2019). The authorised Capital 2019 is intended to maintain the Company's existing flexibility, which was previously provided by the authorised Capital 2014, which expired on 7 May 2019, and to secure the options for action granted to the Company in the interests of its shareholders by the authorised Capital 2014 in the future.

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 compensation granted to members of the corporate management in financial year 2019 amounted to EUR 6,331 thousand (previous year: EUR 5,904 thousand). Compensation consists of fixed annual emoluments and a variable, performance-based remuneration. The agreed criteria for granting and the variable components 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 remuneration components are subject to limits. They take into account positive and negative developments. The members of the management board also receive payments in kind, specifically in the form of an appropriate company car.

Stock options or similar components of remuneration 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:

	Klaus-Peter Schulenberg | CEO			
Granted Benefits/Allocations [1]	**2018**	**2019**	**2019 (Min)**	**2019 (Max)**
Fixed salary	2,800,000	2,800,000	2,800,000	2,800,000
Benefits	13,325	13,837	13,837	13,837
Total (non-performance-related)	**2,813,325**	**2,813,837**	**2,813,837**	**2,813,837**
One-year term variable cash remuneration	800,000	800,000	0	800,000
Multi-year variable cash remuneration	200,000	200,000	0	200,000
Total (performance-related)	**1,000,000**	**1,000,000**	**0**	**1,000,000**
Pension expenses	0	0	0	0
Total remuneration	**3,813,325**	**3,813,837**	**2,813,837**	**3,813,837**

	Alexander Ruoff | COO			
Granted Benefits/Allocations [1]	**2018**	**2019**	**2019 (Min)**	**2019 (Max)**
Fixed salary	750,000	750,000	750,000	750,000
Benefits	21,085	22,321	22,321	22,321
Total (non-performance-related)	**771,085**	**772,321**	**772,321**	**772,321**
One-year term variable cash remuneration	350,000	450,000	0	450,000
Multi-year variable cash remuneration	50,000	50,000	0	50,000
Total (performance-related)	**400,000**	**500,000**	**0**	**500,000**
Pension expenses	0	0	0	0
Total remuneration	**1,171,085**	**1,272,321**	**772,321**	**1,272,321**

	Volker Bischoff | CFO			
Granted Benefits/Allocations [1]	**2018**	**2019**	**2019 (Min)**	**2019 (Max)**
Fixed salary	600,000	750,000	750,000	750,000
Benefits	19,992	20,245	20,245	20,245
Total (non-performance-related)	**619,992**	**770,245**	**770,245**	**770,245**
One-year term variable cash remuneration	250,000	410,000	0	410,000
Multi-year variable cash remuneration	50,000	65,000	0	65,000
Total (performance-related)	**300,000**	**475,000**	**0**	**475,000**
Pension expenses	0	0	0	0
Total remuneration	**919,992**	**1,245,245**	**770,245**	**1,245,245**

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

The compensations to members of the corporate management include EUR 1,975 thousand (previous year: EUR 1,700 thousand) in variable components and EUR 4,356 thousand (previous year: EUR 4,204 thousand) in fixed components. Ancillary benefits include company cars among other things.

REMUNERATION OF THE SUPERVISORY BOARD

The fixed annual remuneration for the ordinary members of the Supervisory Board of CTS KGaA is EUR 50 thousand (previous year: EUR 50 thousand). The members of the Supervisory Board of CTS KGaA received emoluments totalling EUR 225 thousand as well as reimbursed expenses of EUR 5 thousand (previous year: EUR 4 thousand) for the 2019 financial year. In the business year 2019 Dr. Thümmel waived 50% of her Supervisory Board renumeration as an ordinary member of the Supervisory Board of CTS KGaA for the year 2017 and for all subsequent years. The remuneration of the Supervisory Board for the 2018 financial year amounts to EUR 225 thousand after the waiver by Dr. Thümmel.

Fixed compensation for the 2019 financial year 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 25 thousand (previous year: EUR 25 thousand) and Mr. Spee EUR 50 thousand (previous year: EUR 50 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 0 thousand) and Mr. Spee EUR 3 thousand (previous year: EUR 2 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 https://corporate.eventim.de/en/investor-relations/corporate-governance/.

Bremen, 5 March 2020

CTS Eventim AG & Co. KGaA,

Represented by:

EVENTIM Management AG, general partner

The Management Board

6. CONSOLIDATED FINANCIAL STATEMENTS 2019

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

ASSETS		31.12.2019 [1]	31.12.2018
		[EUR'000]	[EUR'000]
Current assets			
Cash and cash equivalents	(1)	790,511	873,206
Marketable securities and other investments		13,062	3,385
Trade receivables		69,685	62,050
Receivables from affiliated and associated companies accounted for at equity		3,700	563
Inventories	(2)	5,623	5,397
Payments on account	(3)	70,721	75,109
Receivables from income tax	(4)	4,843	7,136
Other financial assets	(5)	139,997	138,975
Other non-financial assets	(6)	36,468	24,931
Non-current assets held for sale	(7)	6,746	0
Total current assets		**1,141,356**	**1,190,752**
Non-current assets			
Goodwill	(8)	327,202	320,763
Other intangible assets	(9)	124,429	130,194
Property, plant and equipment	(10)	40,462	33,403
Right-of-use assets from leases	(11)	138,571	0
Investments	(12)	2,966	1,739
Investments in associates accounted for at equity	(13)	88,358	18,803
Trade receivables		45	156
Receivables from affiliated and associated companies accounted for at equity		0	66
Other financial assets	(5)	19,419	10,640
Other non-financial assets	(6)	1,239	2,606
Deferred tax assets	(14)	14,827	15,986
Total non-current assets		**757,519**	**534,355**
Total assets		**1,898,874**	**1,725,107**

[1] The Group applied IFRS 16 as of 1 January 2019 for the first time using the modified retrospecitve method. When applying this method, the comparative information for fiscal year 2018 will not be adjusted.

EQUITY AND LIABILITIES		31.12.2019 [1]	31.12.2018
		[EUR'000]	[EUR'000]
Current liabilities			
Financial liabilities	(15)	85,843	38,960
Trade payables		139,620	138,939
Payables to affiliated and associated companies accounted for at equity		1,040	743
Advance payments received	(16)	333,340	389,901
Other provisions	(17)	6,834	7,924
Tax debts		66,641	59,297
Other financial liabilities	(18)	448,778	443,341
Lease liabilities	(19)	16,978	66
Other non-financial liabilities	(20)	77,040	75,987
Total current liabilities		**1,176,115**	**1,155,157**
Non-current liabilities			
Financial liabilities	(15)	14,273	66,339
Advance payments received	(16)	3,710	522
Other provisions	(17)	4,131	4,196
Other financial liabilities	(18)	11	11
Lease liabilities	(19)	122,178	110
Pension provisions	(21)	11,815	8,857
Deferred tax liabilities	(14)	16,648	18,626
Total non-current liabilities		**172,767**	**98,662**
Equity			
Share capital		96,000	96,000
Capital reserve		1,890	1,890
Statutory reserve		7,200	7,200
Retained earnings		408,663	335,098
Other reserves		-1,931	-1,652
Treasury stock		-52	-52
Total equity attributable to shareholders of CTS KGaA	(22)	**511,770**	**438,483**
Non-controlling interests	(23)	38,223	32,805
Total equity		**549,992**	**471,289**
Total equity and liabilities		**1,898,874**	**1,725,107**

[1] *The Group applied IFRS 16 as of 1 January 2019 for the first time using the modified retrospecitve method. When applying this method, the comparative information for fiscal year 2018 will not be adjusted.*

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

		01.01.2019 - 31.12.2019 [1]	01.01.2018 - 31.12.2018
		[EUR'000]	[EUR'000]
Revenue	(1)	1,443,125	1,241,689
Cost of sales	(2)	-1,041,369	-901,121
Gross profit		**401,756**	**340,568**
Selling expenses		-105,213	-96,190
General administrative expenses		-74,348	-68,043
Other operating income	(3)	31,460	25,007 [2]
Other operating expenses	(4)	-23,461	-13,651
Operating profit (EBIT)		**230,194**	**187,691**
Income / expenses from participations		891	648
Income / expenses from investments in associates accounted for at equity		-28	2,207
Financial income	(5)	6,975	8,620 [2]
Financial expenses	(6)	-14,014	-6,262
Income before tax (EBT)		**224,018**	**192,904**
Taxes	(7)	-77,933	-62,623
Net income		**146,085**	**130,281**
Net income attributable to			
Shareholders of CTS KGaA		**132,900**	**118,504**
Non-controlling interests		13,185	11,777
Earnings per share (in EUR); undiluted (= diluted)		1.38	1.23
Average number of shares in circulation; undiluted (= diluted)		96 million	96 million

[1] The Group applied IFRS 16 as of 1 January 2019 for the first time using the modified retrospective method. When applying this method, the comparative information for fiscal year 2018 will not be adjusted. Effect of IFRS 16 in the CTS Group: normalised EBITDA/EBITDA EUR +18,635 thousand; normalised EBIT before amortisation from purchase price allocation/EBIT EUR +870 thousand

[2] With regard to the change in the disclosure of results from the sale of shares in subsidiaries, joint ventures and associated companies, see chapter 1.2 in the notes

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

	01.01.2019 - 31.12.2019 [1]	01.01.2018 - 31.12.2018
	[EUR'000]	[EUR'000]
Net income	146,085	130,281
Remeasurement of the net defined benefit obligation for pension plans	-2,257	971
Items that will not be reclassified to profit or loss	**-2,257**	**971**
Exchange differences on translating foreign subsidiaries	2,121	1,089
Change in the fair value of derivatives in cash flow hedges	2	18
Share of other comprehensive income (exchange differences) of investments accounted for using the equity method	868	-122
Items that will be reclassified subsequently to profit or loss when specific conditions are met	**2,991**	**985**
Other results (net)	**735**	**1,955**
Total comprehensive income	**146,820**	**132,236**
Total comprehensive income attributable to		
Shareholders of CTS KGaA	132,620	119,141
Non-controlling interests	14,200	13,095

[1] *The Group applied IFRS 16 as of 1 January 2019 for the first time using the modified retrospecitve method. When applying this method, the comparative information for fiscal year 2018 will not be adjusted.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders of CTS KGaA											
					Other reserves							
	Share capital	Capital reserve	Statutory reserve	Retained earnings	Currency translation	Hedging instruments	Associated companies accounted for at equity	Remeasurement of the net defined benefit obligation for pension plans	Treasury stock	Total equity attributable to shareholders of CTS KGaA	Non-controlling 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]
Status 01.01.2018	**96,000**	**1,890**	**7,200**	**266,394**	**1,571**	**-18**	**-2,084**	**-1,759**	**-52**	**369,142**	**23,841**	**392,982**
Net income	0	0	0	118,504	0	0	0	0	0	**118,504**	11,777	**130,281**
Other income	0	0	0	0	177	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	**-56,635**	-9,882	**-66,517**
Capital increase / decrease	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	**6,835**	2,912	**9,747**
Other changes	0	0	0	0	-283	0	283	0	0	**0**	0	**0**
Status 31.12.2018	**96,000**	**1,890**	**7,200**	**335,098**	**1,465**	**-14**	**-1,923**	**-1,181**	**-52**	**438,483**	**32,805**	**471,289**
Net income	0	0	0	132,900	0	0	0	0	0	**132,900**	13,185	**146,085**
Other income	0	0	0	0	122	2	868	-1,272	0	**-280**	1,015	**735**
Total income										**132,620**	**14,200**	**146,820**
Dividends	0	0	0	-59,515	0	0	0	0	0	**-59,515**	-10,662	**-70,177**
Changes in the scope of consolidation	0	0	0	180	0	0	0	0	0	**180**	1,880	**2,060**
Status 31.12.2019	**96,000**	**1,890**	**7,200**	**408,663**	**1,587**	**-12**	**-1,054**	**-2,453**	**-52**	**511,770**	**38,223**	**549,992**

eventim

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

	01.01.2019 - 31.12.2019 [1]	01.01.2018 - 31.12.2018
A. Cash flow from operating activities	**[EUR'000]**	**[EUR'000]**
Net income	146,085	130,281
Depreciation and amortisation on fixed assets	54,083	37,474
Changes in pension provisions	2,690	-1,068
Deferred tax expenses / income	-396	362
Other non-cash transactions	-1,692	-11,484
Profit / loss from disposal of fixed assets	153	-3,525
Interest expenses / Interest income	3,730	2,304
Income tax expenses	78,328	62,260
Interest received	764	730
Interest paid	-2,713	-2,200
Income tax paid	-68,098	-41,881
Increase (-) / decrease (+) in inventories	-216	-505
Increase (-) / decrease (+) in payments on account	8,699	-21,622
Increase (-) / decrease (+) in marketable securities and other investments	-9,650	-2,044
Increase (-) / decrease (+) in receivables and other assets	-19,406	-11,904
Increase (+) / decrease (-) in provisions	-1,808	229
Increase (+) / decrease (-) in liabilities	-49,554	200,099
Cash flow from operating activities	**141,000**	**337,507**
B. Cash flow from investing activities		
Payments for investments in intangible assets	-18,048	-18,182
Payments for investments in property, plant and equipment	-23,994	-11,188
Payments for investments in non-current financial assets	-86,447	-769
Proceeds from sales of intangible assets	22	0
Proceeds from sales of property, plant and equipment	486	169
Proceeds from sales of non-current financial assets	0	5,902
Dividends from associated companies accounted for at equity	1,893	2,257
Payments from the acquisition of consolidated companies less cash and cash equivalents acquired	-4,096	21,502
Effects from the disposal of deconsolidated subsidiaries	0	-911
Proceeds from disposal of deconsolidated subsidiaries less cash and cash equivalents	6,039	0
Cash flow from investing activities	**-124,145**	**-1,219**
C. Cash flow from financing activities		
Proceeds from borrowing financing loans	11,201	15,000
Payments for redemption of financing loans	-25,792	-49,863
Proceeds from equity transfers of non-controlling interests (capital increases)	5	2,840
Payments for the acquisition of consolidated companies	-32	-5,817
Payments of lease liabilities	-17,260	0
Dividend payments to non-controlling interests	-10,662	-9,882
Dividend payments to shareholders of CTS KGaA	-59,515	-56,635
Cash flow from financing activities	**-102,054**	**-104,357**
D. Net increase / decrease in cash and cash equivalents	**-85,199**	**231,932**
Net increase / decrease in cash and cash equivalents due to currency translation	2,504	548
Cash and cash equivalents at beginning of period	873,206	640,726
E. Cash and cash equivalents at end of period	**790,511**	**873,206**
F. Composition of cash and cash equivalents		
Cash and cash equivalents	790,511	873,206
Cash and cash equivalents at end of period	**790,511**	**873,206**

[1] The Group applied IFRS 16 as of 1 January 2019 for the first time using the modified retrospective method. When applying this method, the comparative information for fiscal year 2018 will not be adjusted. Effect of IFRS 16 in the CTS Group: normalised EBITDA/EBITDA EUR +18,635 thousand; normalised EBIT before amortisation from purchase price allocation/EBIT EUR +870 thousand

CONTENT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS		104
1.	Preliminary statements	104
1.1	Structure and business operations of the Group	104
1.2	Accounting principles	104
1.3	New and amended standards in 2019	105
1.4	New accounting standards issued but not yet applied	108
1.5	Significant accounting policies	109
2.	Consolidated subsidiaries	119
2.1	Significant changes in the Ticketing segment	120
2.2	Significant changes in the Live Entertainment segment	121
2.3	Pro-forma disclosures	127
2.4	List of investments	127
3.	Notes to the consolidated balance sheet	128
4.	Additional disclosures on financial instruments and financial risk management	156
4.1	Financial instruments	156
4.2	Financial risk management	163
5.	Notes to the consolidated income statement	171
6.	Other notes	175
6.1	Capital management	175
6.2	Earnings per share	176
6.3	Segment reporting	176
6.4	Employees	180
6.5	Litigations	180
6.6	Contingent liabilities	181
6.7	Events after the balance sheet date	182
6.8	Declaration of compliance	182
6.9	Exemption of subsidiaries from preparation, audit and disclosure	183
6.10	Notifiable securities transactions pursuant to § 19 MAR	183
6.11	Related party disclosures	183
6.12	Auditor expenses	186
6.13	Mandates and emoluments of the corporate management	186
6.14	Participating persons	187
7.	Assurance by legal representatives	188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM 1 JANUARY – 31 DECEMBER 2019

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, 81669 Munich, Germany, is registered in the Commercial Register at Munich Local Court under no. HRB 212700. The company's head office is in Bremen, Germany. Shares in CTS KGaA are traded under securities code 547030 in the MDAX segment of the Frankfurt Stock Exchange.

The corporate management of the CTS KGaA is perceived by 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 its subsidiaries, the combined management report, audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, are published in the 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 5 March 2020, for presentation to the Supervisory Board. The financial statements are to be presented for approval at the meeting of the Supervisory Board on 11 March 2020.

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 balance sheet relate to the consolidated financial statements as at 31 December 2018. The Group applied IFRS 16 'Leases' for the first time using the modified retrospective approach. In applying this method, the comparative information for the 2018 financial year is not adjusted, so that comparability is only possible for a limited extent (see 1.3).

The comparative figures in the income statement generally relate to the consolidated financial statements as at 31 December 2018. In connection with the sale and contribution of the previously fully consolidated CTS Eventim France S.A.S., Paris (hereinafter: CTS Eventim France), to France Billet SAS, Paris (hereinafter: France Billet) and the acquisition of 48% of the shares in France Billet, which will be accounted for using the equity method in the future, the disclosure of results from the deconsolidation of previously fully consolidated companies and the sale of shares in joint ventures and associated companies has been changed. These results were previously reported in the operating result, but from the 2019 financial year onwards, they will be reported in the financial result. The change in reporting results in a better presentation of the operating profitability of the CTS Group and better comparability. In accordance with IAS 8, an adjustment was made to the comparative information for the 2018 financial year so that the income from the sale of the associated companies of the FKP Scorpio Group in Denmark, which was reported under other operating income in the 2018 consolidated financial statements at EUR 3,074 thousand, was reclassified to financial income. The reclassification had no effect on net income or the undiluted and diluted earnings per share of the previous year.

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 2019

The following new and amended standards have been adopted for the first time 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' - Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement
- Amendment within the Annual-Improvements-Process 2015–2017: Amendments to IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements', IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs'
- IFRIC 23, Uncertainty over Income Tax Treatments'

IFRS 16 implies that almost all leases must be recognised in the balance sheet as the distinction between operating and finance leases for lessees was eliminated. Assets (right-of-use asset) and financial liabilities (the obligation to pay the lease instalments) are recognised in the balance sheet. The previous assessment of the existence of a lease in accordance with IAS 17 and IFRIC 4 was retained for existing agreements.

The standard is only applied to tangible assets at the CTS Group (IFRS 16.4). The CTS Group makes use of its option to waive the capitalisation of right-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). Direct costs were not included in the valuation of the right-of-use. The Group applied IFRS 16 for the first time as at 1 January 2019 using the modified retrospective approach. In applying this method, the comparative information for the 2018 financial year was not adjusted. At the point of first-time adoption, the option to recognise lease assets and lease liabilities at the same amount was exercised.

Assets are depreciated over the term of the underlying lease agreement. For certain individual contracts - especially venues and buildings – extension or termination options exist. If it can be assumed with sufficient certainty and taking all circumstances into account that these options will be exercised, they are included in the determination of the lease term. If the estimates regarding options change, the corresponding contracts are revalued.

A currency-specific incremental borrowing rate is used to calculate the present value of lease liabilities and right-of-use for each lease agreement, unless an interest rate on which the lease is based can be determined. To determine the incremental borrowing rates, reference interest rates for a period of up to 30 years were derived from the yields of corporate bonds or, if not available, government bonds. A country-specific risk was also taken into account. The lessee's weighted average incremental borrowing rate applied to lease liabilities as of 1 January 2019, is 1.0%. Interest expense is recognised in the financial result in the income statement.

At the point of first-time adoption total assets of the CTS Group increased by EUR 146,341 thousand. The extension of the balance sheet is primarily the result of the capitalisation of right-of-use assets for venues (EUR 101,671 thousand), office buildings (EUR 42,910 thousand) and vehicles (EUR 1,414 thousand) and the corresponding recognition of other financial liabilities (of which EUR 15,628 thousand are current and EUR 130,713 thousand are non-current). The entered leases mainly relate to venues such as LANXESS arena in Cologne, Waldbühne in Berlin as well as rented office space or buildings and vehicles for employees. Deferred tax assets on other financial liabilities and deferred tax liabilities on capitalised right-of-use assets are of the same amount at the point of first-time adoption and are offsetted against each other; in total, they have no effect on the balance sheet.

The adoption of IFRS 16 had a positive impact on EBITDA/normalised EBITDA of EUR 18,635 thousand of the CTS Group. This effect was offsett by depreciation of EUR 17,766 thousand. Thus, the application of IFRS 16 resulted in a positive Group effect of EUR 870 thousand on EBIT/normalised EBIT before amortisation from purchase price allocation. After interest expenses of EUR 1,454 thousand and deferred taxes of EUR 172 thousand, the effect on net income was EUR -413 thousand.

The following table shows the reconciliation of the operating leases existing as of 31 December 2018 and to the lease liabilities when first applying IFRS 16:

	[EUR'000]
Operating lease obligations as at 31 December 2018 (see Annual Report 2018 page 174)	**67,381**
Effects from discounting using the incremental borrowing rate	-8,906
Finance lease liabilities as at 31 December 2018	176
Recognition exemption from current leases	-2,593
Recognition exemption for leases of low-value assets	-23
Adjustments due to differential assessment of contract renewal options	92,382
Asset not yet accessible	-2,075
Lease liabilities as at 1 January 2019	**146,341**

The undiscounted lease liabilities structured by maturity are shown below:

	Lease liabilities according to IFRS 16 31.12.2019 [EUR'000]	Lease liabilities according to IFRS 16 01.01.2019 [EUR'000]
Maturity less than 1 year	18,309	17,110
Maturity between 1 - 5 years	58,563	59,164
Maturity higher than 5 years	70,254	78,974
Total	**147,126**	**155,248**

The following expenses were recognised in the income statement for leases:

	Ticketing 2019 [EUR'000]	Live Entertainment 2019 [EUR'000]	Group 2019 [EUR'000]
Expense relating to current leases	350	45,743	46,093
Expense relating to variable lease payments	249	676	925
Expense relating to leases of low-value assets	31	34	65
Depreciation of right-of-use assets	6,566	11,200	17,766
Interest expenses on lease liabilities	361	1,093	1,454

The redemption for lease liabilities of EUR 17,260 thousand are included in cash flow from financing activities whereas interest payments of EUR 1,454 thousand are included in cash flow from operating activities in the consolidated cash flow statement.

In the financial year, possible additional lease payments of EUR 1,033 thousand were not taken into account in the measurement of lease liabilities with regard to an extension option, as it is not sufficiently certain that the lease agreements will be extended or not terminated. Leases not yet commenced as of the balance sheet date which have been entered into by the CTS Group include potential future lease payments of EUR 3,764 thousand.

CTS Group has applied **IFRIC 23** for the first time for fiscal year 2019 using the modified retrospective method. The Group reviewed its income tax treatments in order to determine whether the IFRIC 23 interpretation could have an impact on the consolidated financial statements. The first-time adoption did not have any material effects on the financial position, cash flow and earnings performance.

Furthermore, no material effects on the financial position, cash flow and earnings performance from other applicable and amended standards and interpretations have been identified.

1.4 NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

The IASB and the IFRS Interpretations Committee (IFRIC) have adopted additional standards and interpretations that are not yet mandatory for the 2019 financial year and which have not been applied to the consolidated annual financial statements as at 31 December 2019.

Applicable on or after 1 January 2020:

Not yet adopted by the European Law:

- Amendment to IAS 1 ‘Presentation of Financial Statements’ and IAS 8 ‚Accounting policies, changes in accounting estimates and errors’ – Materiality definition

- Amendment to IFRS 3 ‘Business combinations’ – Business definition

- Amendments to the Conceptual Framework of accounting

Applicable on or after 1 January 2021:

- IFRS 17 ‘Insurance contracts’

Standards that are not applicable until after the balance sheet date have not been prematurely applied. The effects of IFRS 17 on the presentation of the financial position, earnings performance and cash flow are currently being reviewed, so that a reliable estimate of the effects is currently not yet possible.

1.5 SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION POLICIES

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

As a basic principle, the financial statements of the companies included in the consolidated financial statements are prepared in accordance with uniform accounting policies. The balance sheet date of the fully consolidated companies is principly identical to that of the CTS KGaA parent company. The financial year of FKP Scorpio UK Ltd., London, HOI Group and Palazzo companies do not correspond to the reporting date of CTS KGaA; but they 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 decisive activities can only be taken unanimously as a result of contractual agreements. These joint ventures are accounted for by applying the equity method.

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

Companies accounted for at equity are initially carried at the proportionate interest in the investee's revalued shareholders' 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. 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, or on appropriate valuation methods. Intangible assets must be recognised separately if they are clearly definable or their recognition is based on a contractual or other law. They are not included in goodwill.

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

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

Contracts which obligate the group to purchase the equity instruments of its subsidiaries are recognised as financial liabilities carried at the present value of the purchase price. This principle also applies when the obligation to purchase such instruments is conditional on the contractual partner exercising an option, and is independent of the probability of such option being exercised. This principle is also applicable to the forward purchase of non-controlling shares and to put options granted to non-controlling interests in the CTS Group. The first-time recognition of the obligation from put options of minority shareholders is a reduction of the non-controlling interests, if the opportunities and risks have already been transferred to the CTS Group and as a reduction of shareholders' equity of the CTS Group if this is not the case. Subject to the exercise of the put options, the liabilities are recognised at 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 method. The functional currency used for those parts of the company outside Germany is the local currency in each case. Accordingly, assets and liabilities of entities outside Germany or outside the Eurozone are translated to Euro using the rate of exchange on the balance sheet date. Income and expenses are translated using the average exchange rate for the respective financial year. Currency translation differences are disclosed as a separate item in other reserves.

INVENTORIES

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

PAYMENTS ON ACCOUNT

Payments on account are carried at cost of purchase.

OPERATING LEASES

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

FINANCIAL INSTRUMENTS

The stated values of the Group's financial 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 trade receivables.

Other financial assets include original financial assets such as receivables from ticket monies, loan receivables from affiliated companies not consolidated and associated companies accounted for at equity, receivables from factoring 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 OF FINANCIAL INSTRUMENTS

Financial assets are divided into the following measurement categories:

- financial assets that are subsequently measured at fair value (directly in equity 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 of, 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 payment 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 directly in equity.

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 directly in equity; 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 (directly in equity or at amortised cost) takes place at fair value plus directly attributable transaction costs.

Marketable securities and other investments (securities portfolio) and investments are subsequently measured at fair value. Net profit and loss from these financial instruments includes 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 profit and loss from these financial instruments includes 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. The contractual liabilities are discharged, cancelled or expired. Net gains and 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 OF FINANCIAL INSTRUMENTS

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

The simplified approach is applied for trade receivables, receivables from affiliated and associated companies accounted for at equity (trade receivables) and receivables from ticket monies; under this approach, the expected credit loss is recognised over the full term of the respective financial asset. Expected losses are calculated for each company and each 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 credit-impaired financial asset. 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. A 12 month budget plan exists 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 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 dollar offset method is also used to differentiate between effective and ineffective portions within the hedging relationships. Generally, the nominal volume, the maturity and the remaining contractual details of the underlying transaction and the hedge transaction are the same and so 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 shareholders' 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, minus systematic straight-line depreciation and amortisation.

Development costs for proprietary software are recognised as assets if they meet the criteria specified in IAS 38. The 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 are 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, licences and similar rights: 2 - 15 years
- Trademarks: 5 – 18 years
- Customer base: 4 - 15 years
- Other real estate, land rights and buildings, including buildings on third-party properties: 4 - 25 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 goodwill is allocated to cash-generating units for the purpose of the impairment test. The allocation is made to those cash generating units that are expected to benefit from the business combination on which the goodwill arose. The cash-generating units correspond to the segments. The Group tests its goodwill for impairment at least once a year on the balance sheet date. Impairments of goodwill may not be reversed.

In compliance with IAS 36, the Group routinely assesses the carrying values of all assets for possible impairment. If events or changes in circumstances provide basis for believing that the carrying value of such an asset might no longer reach the applicable amount, the Group makes a comparison between the recoverable amount and the carrying value of the particular asset (impairment test). If the asset is impaired, the Group records an impairment loss so that the asset is written down to the recoverable amount.

In no case did the carrying values of reporting entities exceeded the respective fair value, so there were no indications of impairments to the stated value of any reporting entity in the 2019 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 tax 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. Non-current provisions, are recognised with the present value to the extent that discounting results have a significant effect. A maturity and currency-adequate, risk-free interest rate is used. A discounting with negative interest rates is not done.

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

RECOGNITION OF REVENUE AND EXPENSES

Revenue from contracts with customers is recognised upon the fulfilment of the service obligations derived from contracts. At the beginning of the contractual relationship, it is determined whether the CTS Group fulfills 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 primarily 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, licence fees, commission and other service charges. Usually, the CTS Group provides agency services in the Ticketing segment (broker/commission agent), in which rights of access documented on behalf of a promoter are marketed 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 at which 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. The CTS Group assumes that the corresponding events will take place when measuring these variable compensations.

Revenue in the ordinary course of business in the Live Entertainment segment mainly relates to the provision of services. Services encompass 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 providing 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 functions 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 less 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.

Deferred tax assets in respect of tax 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.

The indication of carrying amounts of goodwill and deferred taxes are stated in the notes to the consolidated balance sheet in chapter 3, numbers 8 and 14.

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: 97) in the consolidated financial statements.

In the reporting year, the number of fully consolidated companies in the Ticketing segment was reduced from 39 to 37 largely as a result of disposals and mergers.

In the Live Entertainment segment, the number of fully consolidated companies increased from 58 to 60. Additions from acquisitions and newly established companies (4) are offset by disposals from mergers and deconsolidations (2).

In the Live Entertainment segment, one joint venture (previous year: 1) and 10 associated companies (previous year: 11) are included in the consolidated financial statements. The main joint venture (HAL Apollo) concerns Stage C Ltd. based in the United Kingdom. The CTS Group holds 50% stake in Stage C Ltd., London, based in United Kingdom, which holds 100% in Hammersmith Apollo Ltd., London, which is the operating company of the Eventim Apollo venue in London.

In the Ticketing segment, one joint venture and one associated company is included in the consolidated financial statements using the equity method. CTS KGaA holds 50% of the joint venture shares in autoTicket GmbH, Berlin (operating company for the collection of the German infrastructure charge 'car toll'). CTS KGaA holds 48% of the shares in the associated company France Billet, whose business purpose is to broke, distribute and market tickets for concerts, sports, theatre and other events.

Due to their insignificance, 13 subsidiaries (previous year: 10 subsidiaries) are recognised in investments at fair value through profit or loss in the reporting year.

2.1 SIGNIFICANT CHANGES IN THE TICKETING SEGMENT

In October 2019, the CTS Group acquired 48% of the shares in France Billet at a purchase price of EUR 59.4 million, which are included in the consolidated financial statements using the equity method. At the same time the Group sold 100% of its shares in CTS Eventim France for EUR 7.2 million to France Billet. The incidental acquisition costs of EUR 1,198 thousand were capitalised according to IAS 28. Additionally, the CTS Group has an option to aquire the majority stake in the associated company four years after the transactions date. The purpose of France Billet is the brokerage, distribution and marketing of tickets for concerts, sports, theatre and other events. CTS Group has strengthened its position in France by acquiring a stake in the ticketing market leader France Billet. In the financial year 2023, a call option (based on a multiple of average EBITDAs) for a further 17% of the shares in France Billet can be exercised, which is the prerequisite for the acceptance of a put option (based on a multiple of average EBITDAs) for the remaining 35% of the shares in France Billet in the financial year 2026 at the earliest.

The deconsolidation resulted in income before taxes of EUR 6,076 thousand, which are recognised in financial income.

The assets and liabilities of **CTS Eventim France** that were sold are shown below:

	[EUR'000]
Fixed assets	926
Trade receivables	171
Tax receivables	82
Other financial assets	592
Other non-financial assets	115
Cash and cash equivalents	1,144
Trade payables	-103
Other financial liabilities	-1,435
Other non-financial liabilities	-91
Deferred tax liabilities	-293
Net assets sold	**1,107**

PROVISIONAL PURCHASE PRICE ALLOCATION FRANCE BILLET

The following overview shows the fair values of **France Billet** at the time of initial consolidation, based on the provisional purchase price allocation, which are recognised in the balance sheet using the equity method:

	Fair value at the time of initial consolidation - provisional purchase price allocation -
	[EUR'000]
Current assets	73,969
Non-current assets	105,630
Current liabilities	125,441
Non-current liabilities	18,890
Total net assets	**35,269**
Pro rata net assets	**16,929**

Within the scope 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 3 to 19 years and brands with a useful life of 6 to 8 years) with a fair value of EUR 52,546 thousand were recognised. The carrying amount of the investment at the time of initial consolidation of EUR 60,602 thousand and the proportionate share of net assets aquired of EUR 16,929 thousand results in goodwill of EUR 43,673 thousand. Deferred tax liabilities totaling EUR 12,045 thousand were recognised for temporary differences from revaluation.

As of 31 December 2019, the purchase price allocation is still provisional, as investigations relating to intangible assets and final assessments of legal issues are still pending.

2.2 SIGNIFICANT CHANGES IN THE LIVE ENTERTAINMENT SEGMENT

Beginning of July 2019, EVENTIM LIVE GmbH, Bremen, via its subsidiary FKP Scorpio Sverige AB, Stockholm, Sweden, acquired 100% of the shares in the Swedish tour and concert promoter Woah Dad Live AB, Gothenburg, Sweden (hereinafter: Woah Dad Live) for a purchase price of EUR 1.4 million in order to strengthen its market position in Sweden. At the same time the company transferred 49% of the shares in FKP Scorpio Sverige AB, Stockholm, Schweden for EUR 0.9 million to the previous shareholders. The incidental acquisition costs of EUR 40 thousand were recognised in the income statement.

Beginning of October 2019, the CTS Group acquired 51% of the shares in the Russian tour and concert promoter Talent Concert International o.o.o., Moscow, Russia (hereinafter: TCI) for a purchase price of EUR 3.7 million. The incidental acquisition costs of EUR 272 thousand were recognised in profit or loss. In this context, TCI will become part of the promoter network EVENTIM LIVE, which is now also represented on the Russian market.

PROVISIONAL PURCHASE PRICE ALLOCATION
PROVISIONAL PURCHASE PRICE ALLOCATION WOAH DAD LIVE

Since its initial consolidation in July 2019, Woah Dad Live contributed with EUR 2,872 thousand to revenue and with EUR 52 thousand to net income. Cash and cash equivalents of EUR 59 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 **Woah Dad Live**:

	Fair values at the time of initial consolidation - provisional purchase price allocation - [EUR'000]
Cash and cash equivalents	59
Inventories	205
Payments on account	4,049
Trade receivables	60
Other assets	4
Total current assets	**4,377**
Intangible assets	508
Deferred tax assets	202
Total non-current assets	**710**
Trade payables	563
Other provisions	431
Advance payments received	584
Other liabilities	3,534
Total current liabilities	**5,111**
Deferred tax liabilities	147
Total non-current liabilities	**147**
Total net assets	**-171**

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 3 years) and order backlog with a useful life of 1 year were recognised with a fair value of EUR 713 thousand. Temporary differences in the revaluation resulted in deferred tax liabilities of EUR 147 thousand.

As at 31 December 2019 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	1,406
Total net assets	**-171**
Pro rata net assets	**-87**
Goodwill	1,493

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 TCI

Since its initial consolidation at the beginning of October 2019, TCI contributed with EUR 242 thousand to revenue and with EUR -63 thousand to net income. Cash and cash equivalents of EUR 24 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 TCI:

	Fair value at the time of initial consolidation - provisional purchase price allocation -
	[EUR'000]
Cash and cash equivalents	24
Trade receivables	155
Total current assets	**177**
Intangible assets	3,092
Total non-current assets	**3,092**
Other liabilities	29
Advance payments received	140
Total current liabilities	**167**
Deferred tax liabilities	621
Total non-current liabilities	**621**
Total net assets	**2,481**

As part of the provisional purchase price allocation, assets and liabilities were measured at fair value. At the time of initial consolidation, intangible assets (customer base with a useful life of 10 years) were recognised with a fair value of EUR 2,993 thousand and order backlog of EUR 99 thousand. In addition further changes in fair value in advance payments received of EUR 12 thousand were recognised. Temporary differences in the revaluation resulted in deferred tax liabilities of EUR 621 thousand.

As at 31 December 2019 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	3,709
Total net assets	**2,481**
Pro rata net assets	**1,265**
Goodwill	2,444

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 DIGI

The initial consolidation of Italian festival- and concert promoter Di and Gi S.r.l., Lido di Camaiore, Italy, was prepared in February 2018 while the provisional purchase price allocation was completed within the 12-month deadline in February 2019. No adjustments were made as a result of the final purchase price allocation. As part of the purchase price allocation, intangible assets (customer base and trademark) with a fair value amounting to EUR 530 thousand were recognised. Furthermore, changes in fair value of advance payments received of EUR 1,049 have been recognised. Deferred tax liabilities of EUR 441 thousand were recognised for the temporary differences from the revaluation. The difference between the consideration and the pro rata net assets was allocated to goodwill in the Live Entertainment segment and essentially reflects future synergy and growth potentials. The goodwill is not tax deductible.

VIVO CONCERTI

The provisional purchase price allocation of Italian concert promoter Vivo Concerti S.r.l., Milan, Italy, was prepared in April 2018 and completed within the 12-month deadline in April 2019. No adjustments were made as a result of the final purchase price allocation. As part of the purchase price allocation, intangible assets (customer base) of EUR 151 thousand were recognised. Deferred tax liabilities of EUR 50 thousand were recognised for the temporary differences from the revaluation. The difference between the consideration and the pro rata net assets was allocated to goodwill in the Live Entertainment segment and essentially reflects future synergy and growth potentials. The goodwill is not tax deductible.

BIG TOURS

The initial consolidation of Spanish concert promoter BIG TOURS S.L., Barcelona, Spain, was prepared in May 2018 while the provisional purchase price allocation was completed within the 12-month deadline in May 2019. No adjustments were made as a result of the final purchase price allocation. As part of the purchase price allocation, intangible assets (customer base) of EUR 1,034 thousand were recognised. Deferred tax liabilities of EUR 382 thousand were recognised for the temporary differences from the revaluation. The difference between the consideration and the pro rata net assets was allocated to goodwill in the Live Entertainment segment and essentially reflects future synergy and growth potentials. The goodwill is not tax deductible.

FRIENDS & PARTNERS

The transfer of business operations with economic benefit (e.g. artist's contracts, employees) according to IFRS 3 of Italian concert- and event promoter Friends & Partners S.p.A., Milan, Italy, was prepared in October 2018. The purchase price allocation has been completed within the 12-month deadline in October 2019. No adjustments were made as a result of the final purchase price allocation. As part of the purchase price allocation, intangible assets (customer base) of EUR 24,509 thousand were recognised. Deferred tax liabilities of EUR 7,014 thousand were recognised for the temporary differences from the revaluation. The difference between the consideration and the pro rata net assets was allocated to goodwill in the Live Entertainment segment and essentially reflects future synergy and growth potentials. The goodwill is not tax deductible.

2.3 PRO-FORMA DISCLOSURES

The following pro-forma statement presents the financial data of the CTS Group, including the consolidated Group companies which were acquired during the financial year 2019, under the assumption that these companies had already been integrated in the consolidated financial statements at the beginning of the financial year 2019 with their actual acquisition conditions.

	2019
	[EUR'000]
Revenue	
Reported	1,443,125
Pro-forma	1,443,584
Net income	
Reported	132,900
Pro-forma	132,182

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 2019 when recognising revenue.

2.4 LIST OF INVESTMENTS

The disclosures pursuant to § 313 (2) HGB are stated online at the CTS KGaA website under https://corporate.eventim.de/en/investor-relations/corporate-governance/.

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 monies from presales for events in subsequent quarters (ticket monies not yet invoiced in the Ticketing segment).

INVENTORIES (2)

Inventories comprise the following items:

	31.12.2019 [EUR'000]	31.12.2018 [EUR'000]
Raw materials and supplies	843	819
Work in progress	2,823	2,732
Finished goods and merchandise	1,956	1,846
	5,623	**5,397**

Raw materials and supplies mainly comprise ticket blanks. Work in progress relate in particular to production costs for Holiday on Ice Shows. Finished goods and merchandise mainly include IT hardware, merchandise and catering articles.

PAYMENTS ON ACCOUNT (3)

Payments on account, at EUR 70,721 thousand (previous year: EUR 75,109 thousand) pertain to prepaid production costs in the Live Entertainment segment (e.g. artists' fees) for events taking place in 2020.

RECEIVABLES FROM INCOME TAX (4)

Receivables from income tax, at EUR 4,843 thousand (previous year: EUR 7,136 thousand) relate in particular to capital gains tax and advance prepayments.

OTHER FINANCIAL ASSETS (5)

Other current financial assets, at EUR 139,997 thousand (previous year: EUR 138,975 thousand) comprise receivables from ticket monies from presales mainly in the Ticketing segment at EUR 83,993 thousand (previous year: EUR 87,085 thousand), factoring receivables from an external service provider from ticket monies at EUR 30,201 thousand (previous year: EUR 25,262 thousand) and receivables from promoters at EUR 12,785 thousand (previous year: EUR 19,586 thousand).

Other non-current financial assets, at EUR 19,419 thousand (previous year: EUR 10,640 thousand) primarily include loan receivables (EUR 12,500 thousand) from autoTicket GmbH, Berlin (operating company for collecting the German infrastructure charge), as well as receivables from promoters.

As at 31 December 2019, collaterals amounting to EUR 2,762 thousand (previous year: EUR 2,559 thousand), including EUR 1,853 thousand for rental deposits (previous year: EUR 1,714 thousand).

OTHER NON-FINANCIAL ASSETS (6)

The other current non-financial assets, at EUR 36,468 thousand (previous year: EUR 24,931 thousand), mainly relate to refund claims in respect of sales tax and other taxes, at EUR 23,927 thousand (previous year: EUR 13,131 thousand) and accruals in the amount of EUR 11,002 thousand (previous year: EUR 10,625 thousand) which relate, inter alia, to accrued payments for events in the Live Entertainment segment and for IT hardware and software support in the Ticketing segment. The other non-current non-financial assets, at EUR 1,239 thousand (previous year: EUR 2,606 thousand) mainly relate to accrued payments.

NON-CURRENT ASSETS HELD FOR SALE (7)

Since the replacement purchase has been completed, the sale of a non-current asset is planned. The non-current asset held for sale of EUR 6,746 thousand (previous year: EUR 0) relates to an asset of the subsidiary JUG Jet Air GmbH & Co. KG, Bremen.

GOODWILL (8)

	2019 [EUR'000]	2018 [EUR'000]
Historical cost		
1 January	325,444	301,520
Addition from change in scope of consolidation	3,936	21,678
Disposal from change in scope of consolidation	0	-60
Currency differences	2,503	2,306
31 December	**331,883**	**325,444**
Accumulated amortisation		
1 January	4,681	4,681
Addition	0	0
31 December	**4,681**	**4,681**
Carrying value as at 31 December	**327,202**	**320,763**

The disclosed goodwill totalling EUR 327,202 thousand (previous year: EUR 320,763 thousand) breaks down into EUR 246,345 thousand in the Ticketing segment (previous year: EUR 244,029 thousand) and EUR 80,857 thousand in the Live Entertainment segment (previous year: EUR 76,734 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 2,316 thousand was due to currency translation effects resulting from the measurement of goodwill in foreign currencies (Euro to Swiss francs) as at the closing date of 31 December 2019. In the Live Entertainment segment, the goodwill increased by EUR 4,123 thousand due to acquisitions of Woah Dad Live in Sweden and TCI in Russia. Furthermore, there were currency translation effects from the measurement of goodwill as at the closing date of 31 December 2019 (Euro to Swiss francs).

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 45% (previous year: around 44%) in the Ticketing segment and around 6% (previous year: around 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 7.4% (previous year: 8.1%) and in the Live Entertainment segment a discount rate of 7.5% (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 of goodwill, subdivided according to segment, was required in the 2019 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 (9)

2018	Software, licences and similar rights [EUR'000]	Brands [EUR'000]	Capitalised development costs [EUR'000]	Customer base [EUR'000]	Payments on account / Propri-etary software in progress [EUR'000]	Total [EUR'000]
Historical cost						
1 January	87,160	31,476	80,473	98,130	3,737	300,976
Addition from change in scope of consolidation	917	149	122	26,077	37	27,301
Disposal from change in scope of consolidation	-9	-20	-2	0	0	-32
Addition	2,576	653	9,373	8	5,572	18,182
Disposal	-5,852	0	-219	-5,965	0	-12,035
Reclassification	127	0	2,713	0	-2,841	0
Currency differences	-78	56	175	667	-14	806
31 December	**84,841**	**32,314**	**92,635**	**118,916**	**6,492**	**335,198**
Accumulated amortisation						
1 January	56,738	19,115	36,436	75,964	0	188,254
Addition from change in scope of consolidation	30	0	83	0	0	113
Disposal from change in scope of consolidation	-9	-16	0	0	0	-25
Addition	6,512	3,255	10,606	7,436	0	27,810
Disposal	-5,843	0	-219	-5,965	0	-12,026
Reclassification	-4	0	4	0	0	0
Currency differences	-3	56	156	670	0	879
31 December	**57,421**	**22,410**	**47,067**	**78,106**	**0**	**205,004**
Carrying value as at 31 December 2018	**27,420**	**9,904**	**45,568**	**40,811**	**6,492**	**130,194**
2019						
Historical cost						
1 January	84,841	32,314	92,635	118,916	6,492	335,198
Addition from change in scope of consolidation	505	0	0	2,993	0	3,498
Disposal from change in scope of consolidation	-879	0	0	-3	0	-882
Addition	2,483	465	6,449	0	8,651	18,048
Disposal	-776	-1	-1,632	0	-37	-2,444
Reclassification	233	0	4,040	0	-4,273	0
Currency differences	441	250	231	799	12	1,733
31 December	**86,850**	**33,028**	**101,724**	**122,706**	**10,845**	**355,152**
Accumulated amortisation						
1 January	57,421	22,410	47,067	78,106	0	205,004
Addition	6,755	1,830	10,456	7,465	0	26,506
Disposal	-631	-1	-1,611	0	0	-2,243
Reclassification	8	0	-8	0	0	0
Currency differences	319	234	211	692	0	1,456
31 December	**63,871**	**24,474**	**56,115**	**86,263**	**0**	**230,723**
Carrying value as at 31 December 2019	**22,979**	**8,554**	**45,608**	**36,443**	**10,845**	**124,429**

Additions to software, licences and similar rights (EUR 2,483 thousand; previous year: EUR 2,576 thousand) include, inter alia, licences for third-party software connected with the further development of ticket distribution systems and ticket distribution rights.

Additions to capitalised development costs including payments on account (EUR 15,100 thousand; previous year: EUR 14,945 thousand) relate to the development of ticket distribution systems. Of the capitalised development costs of, EUR 6,449 thousand (previous year: EUR 9,373 thousand) EUR 5,254 thousand (previous year: EUR 7,095 thousand) are for proprietary software and EUR 1,195 thousand (previous year: EUR 2,278 thousand) for external software development.

The amortisation from purchase price allocation amounts to EUR 10,522 thousand (previous year: EUR 11,965 thousand).

PROPERTY, PLANT AND EQUIPMENT (10)

	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
2018	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**
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					
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**
2019					
Historical cost					
1 January	10,253	4,919	75,736	39	90,947
Disposal from change in the scope of consolidation	0	-30	-52	0	-82
Addition	739	682	8,015	14,557	23,994
Disposal	-60	-166	-2,271	0	-2,498
Reclassification	0	0	-8,941	-5	-8,945
Currency differences	46	3	141	0	190
31 December	**10,978**	**5,408**	**72,629**	**14,591**	**103,606**
Accumulated depreciation					
1 January	2,281	2,919	52,344	0	57,544
Disposal from change in the scope of consolidation	0	-14	-32	0	-46
Addition	1,145	503	8,163	0	9,812
Disposal	-8	-134	-1,932	0	-2,074
Reclassification	22	-2	-2,219	0	-2,199
Currency differences	18	3	87	0	108
31 December	**3,458**	**3,275**	**56,411**	**0**	**63,144**
Carrying value as at 31 Dezember 2019	**7,520**	**2,132**	**16,218**	**14,591**	**40,462**

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. Additions to payments on account relate to an investment for a non-current asset of the subsidiary JUG Jet Air GmbH & Co. KG, Bremen.

Depreciation and amortisation for other intangible assets and property, plant and equipment (including IFRS 16) amounting to EUR 54,083 thousand (previous year: EUR 37,474 thousand) is included in the cost of sales, selling and administrative expenses as well as other operating expenses.

OPERATING LEASE AS LESSOR

The CTS Group leases IT hardware to box offices and promoters as the lessor. Of the minimum lease payments from non-cancellable operating leases of EUR 4,402 thousand (previous year: EUR 4,072 thousand), EUR 1,515 thousand (previous year: EUR 1,394 thousand) are due within one year and EUR 2,887 thousand (previous year: EUR 2,678 thousand) between one and five years. In the reporting year, income from lease payments of EUR 1,517 thousand (previous year: EUR 1,497 thousand) was collected.

The carrying amount of the leased items developed as follows:

Rented IT hardware	**[EUR'000]**
Historical cost	
1 January 2019	6,259
Addition	573
Disposal	-126
31 December 2019	**6,706**
Accumulated depreciation	
1 January 2019	5,679
Addition	524
Disposal	-123
31 December 2019	**6,080**
Carrying value as at 31 December 2019	**626**
Historical cost	
1 January 2018	5,956
Addition	379
Disposal	-76
31 December 2018	**6,259**
Accumulated depreciation	
1 January 2018	5,011
Addition	670
Disposal	-2
31 December 2018	**5,679**
Carrying value as at 31 December 2018	**580**

RIGHT-OF-USE ASSETS FROM LEASES (11)

The following right-of-use assets are presented within property, plant and equipment:

2019	Venues [EUR'000]	Buildings [EUR'000]	Vehicles [EUR'000]	Office equipment [EUR'000]	Total [EUR'000]
Historical cost					
1 January (First-time application)	101,671	42,910	1,414	346	146,341
Addition	0	5,477	1,340	95	6,912
Disposal	-25	-336	-173	-15	-549
Reassessment	1,361	1,408	93	-7	2,854
Currency differences	-6	263	5	2	263
31 December	**103,001**	**49,721**	**2,679**	**420**	**155,821**
Accumulated depreciation					
1 January	0	0	0	0	0
Addition	7,869	8,758	1,021	118	17,766
Disposal	-25	-336	-173	-15	-549
Currency differences	0	32	1	0	33
31 December	**7,844**	**8,454**	**849**	**103**	**17,250**
Carrying value as at 31 Dezember 2019	**95,157**	**41,267**	**1,829**	**317**	**138,571**

INVESTMENTS (12)

Investments include participations at EUR 1,008 thousand (previous year: EUR 782 thousand) and shares in affiliated companies not included in consolidation due to their insignificance of EUR 1,959 thousand (previous year: EUR 956 thousand).

INVESTMENTS IN ASSOCIATES ACCOUNTED FOR AT EQUITY (13)

Net book values of significant investments in associates accounted for at equity have developed as follows:

	HAL Apollo		autoTicket		France Billet		Associated companies		Total	
	2019 [EUR'000]	**2018** [EUR'000]	**2019** [EUR'000]	**2018** [EUR'000]	**2019** [EUR'000]	**2018** [EUR'000]	**2019** [EUR'000]	**2018** [EUR'000]	**2019** [EUR'000]	**2018** [EUR'000]
Net book value at 1 January	**16,659**	**16,896**	**14**	**99**	**0**	**0**	**2,130**	**2,298**	**18,803**	**19,294**
Addition	0	0	10,000	14	60,602	0	0	341	70,602	355
Disposal	0	0	0	-39	0	0	0	-488	0	-527
Dividends	-1,763	-2,257	0	-39	0	0	-130	-107	-1,893	-2,403
Proportionate result of the period	1,848	2,147	-2,414	-21	1,002	0	-463	81	-27	2,207
Proportionate other comprehensive income	863	-127	0	0	0	0	11	5	874	-122
Net book value at 31 December	**17,606**	**16,659**	**7,599**	**14**	**61,604**	**0**	**1,549**	**2,130**	**88,358**	**18,803**

The column 'Associated companies' includes all investments in associated companies accounted for at equity which are immaterial in themselves.

The key figures below represent the financial information on the basis of a 100% shareholding:

	HAL Apollo		autoTicket		France Billet
	31.12.2019 [EUR'000]	31.12.2018 [EUR'000]	31.12.2019 [EUR'000]	31.12.2018 [EUR'000]	31.12.2019 [EUR'000]
Current assets	14,549	6,844	917	25	118,974
thereof cash and cash equivalents	13,154	4,520	911	25	61,512
Non-current assets	43,304	41,662	50,549	0	122,754
Current liabilities	15,169	8,209	11,271	1	203,825
Non-current liabilities	7,286	6,923	25,000	0	18,899
Revenue	11,450	11,977	48,618	0	4,651
EBITDA	5,928	6,671	-2,194	-1	3,937
Depreciation and amortisation	-1,006	-991	-16	0	-624
Financial result	-326	-349	-4,688	0	-10
Taxes	-901	-1,038	2,070	0	-1,143
Result of the period	3,695	4,293	-4,829	-1	2,087
Other comprehensive income	1,726	-253	0	0	0
Total comprehensive income	5,421	4,040	-4,829	-1	2,087

DEFERRED TAXES (14)

The deferred tax assets, at EUR 14,827 thousand, pertain to the following:

	31.12.2019	31.12.2018
	[EUR'000]	[EUR'000]
Tax loss carryforwards	6,496	9,304
Temporary differences	8,331	6,681
	14,827	**15,986**

It is assumed with sufficient likelihood that the deferred tax assets on loss carryforwards of EUR 6,496 thousand (previous year: EUR 9,304 thousand) as at 31 December 2019 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 5,906 thousand (previous year: EUR 5,668 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:

	31.12.2019		31.12.2018	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
Receivables	775	86	637	64
Other assets	395	80	235	137
Current assets	**1,170**	**166**	**872**	**201**
Property, plant and equipment	751	42,463	1,015	19
Intangible assets	2,689	16,425	2,325	18,480
Loans	0	0	0	78
Non-current assets	**3,440**	**58,889**	**3,340**	**18,577**
Other provisions	1,038	0	450	0
Other liabilities	43,116	56	795	5
Current liabilities	**44,154**	**56**	**1,245**	**5**
Pension provisions	2,030	0	1,382	0
Non-current liabilities	**2,030**	**0**	**1,382**	**0**
Loss carryforwards	6,496	0	9,304	0
Total	**57,290**	**59,111**	**16,143**	**18,783**
Offset	-42,463	-42,463	-157	-157
Deferred taxes	**14,827**	**16,648**	**15,986**	**18,626**

The deferred tax liabilities mainly result from temporary differences arising from the fair value measurement of intangible assets in the context of purchase price allocations. The decrease in deferred tax liabilities is mainly due to scheduled amortisations of purchase price allocations in the reporting period for acquisitions made in previous years.

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

As at 31 December 2019, the recognised tax loss carryforwards were as follows:

	31.12.2019	31.12.2018
	[EUR'000]	[EUR'000]
Loss carryforwards international		
up to 5 years	212	0
up to 10 years	4,363	4,745
indefinite	15,146	22,404
	19,720	**27,149**
Loss carryforwards national		
Corporate tax (unlimited)	6,405	9,669
Trade tax (unlimited)	5,487	8,368
	31,612	**45,186**

It is assumed with sufficient likelihood that the EUR 31,612 thousand (previous year: EUR 45,186 thousand) in recognised tax loss carryforwards as at 31 December 2019 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 foreign income tax and domestic corporate tax losses amounting to EUR 10,217 thousand (previous year: EUR 15,110 thousand), and to EUR 3,496 thousand (previous year: EUR 7,304 thousand) in respect of domestic 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 domestic trade tax loss carryforwards in the amount of EUR 21,236 thousand (previous year: EUR 14,593 thousand) and for foreign income tax and domestic corporate tax loss carryforwards of EUR 64,297 thousand (previous year: EUR 38,795 thousand). Due to the historical loss development which was related to the reorganisation of show products and market extensions, the usable loss carryforwards had to be revalued in the 2019 financial year.

Within the next six to ten years an expiry of currently unusable recognised tax loss carryforwards of EUR 9,688 thousand (previous year: EUR 8,213 thousand) is possible in some European contries.

As of 31 December 2019, deferred taxes at EUR 687 thousand (previous year: EUR 320 thousand) were recognised in other reserves in equity.

FINANCIAL LIABILITIES (15)

As of the balance sheet date financial liabilities of EUR 110,116 thousand (previous year: EUR 105,298 thousand) include loans of EUR 69,296 thousand (previous year: EUR 83,340 thousand) of which EUR 69,296 thousand (previous year: EUR 25,722 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 30,820 thousand (previous year: EUR 21,958 thousand) are reported under financial liabilities, thereof EUR 16,547 thousand (previous year: EUR 13,238 thousand) short-term.

As at 31 December 2019, the loans include the following main items:

- EUR 49,000 thousand promissory note with a remaining term of one year
- EUR 9,089 thousand redeemable loan with a remaining term less than one year. The loan was taken out in Swiss francs and is subject to fluctuations in carrying amount due to the translation of liabilities in foreign currencies on the balance sheet date.

The majority of the loans are at fixed interest rates.

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 of EUR 200 million with a maturity of around three years until October 2022. As at the balance sheet date of 31 December 2019, there was no utilization.

Liabilities to banks were subject to interest at market rates.

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

	Current financial liabilities	Non-current financial liabilities	Current lease liabilities	Non-current lease liabilities
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
Balance as at 1 January 2019	**38,960**	**66,339**	**15,628**	**130,713**
Proceeds from borrowing financing loans	11,201	0	0	0
Payments for redemption of financing loans	-25,792	0	0	0
Payments for redemption of lease liabilities	0	0	-17,260	0
Total change in cash flow from financing activities	**-14,591**	**0**	**-17,260**	**0**
New leases			2,093	4,768
Changes in fair value or modifications of lease agreements	3,305	5,638	1,184	1,732
Changes due to currency translation	348	118	112	186
Changes due to timely reclassifications	57,821	-57,821	15,221	-15,221
Total other changes, referring to financial and lease liabilities	**61,474**	**-52,066**	**18,610**	**-8,535**
Balance as at 31 December 2019	**85,843**	**14,273**	**16,978**	**122,178**

	Current financial liabilities	Non-current financial liabilities
	[EUR'000]	[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
Changes due to timely reclassifications	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**

ADVANCE PAYMENTS RECEIVED (16)

The advance payments received, at EUR 337,050 thousand (previous year: EUR 390,423 thousand), mainly include ticket monies already received for future events in the Live Entertainment segment. The decrease is mainly due to the execution of major tours in the reporting period. EUR 3,710 thousand (previous year: EUR 522 thousand) of the advance payments received are non-current.

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
Events after the balance sheet date	341,205
31 December 2018	**390,423**
1 January 2019	**390,423**
Revenue recognised	-389,901
Addition due to change in the scope of consolidation	724
Events after the balance sheet date	335,804
31 December 2019	**337,050**

OTHER PROVISIONS (17)

	Maintenance	Other	Total
	[EUR'000]	[EUR'000]	[EUR'000]
1 January 2019	**8,228**	**3,892**	**12,119**
Change in scope of consolidation	0	441	441
Usage	-1,933	-3,099	-5,032
Reversal	-6	-602	-608
Addition	920	3,114	4,034
Currency differences	0	11	11
31 December 2019	**7,209**	**3,757**	**10,965**
thereof non-current	4,050	82	4,132

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

OTHER FINANCIAL LIABILITIES (18)

The other current financial liabilities (EUR 448,778 thousand; previous year: EUR 443,341 thousand) include liabilities from ticket monies that have not yet been invoiced at EUR 429,052 thousand (previous year: EUR 422,842 thousand), liabilities from ticket insurances at EUR 3,706 thousand (previous year: EUR 2,814 thousand), liabilities from third-party concerts in the Live Entertainment segment at EUR 3,034 thousand (previous year: EUR 6,259 thousand), and other financial liabilities EUR 12,987 thousand (previous year: EUR 11,426 thousand).

LEASE LIABILITIES (19)

The increase in current lease liabilities (EUR 16,978 thousand; previous year: EUR 66 thousand) and non-current lease liabilities (EUR 122,178 thousand; previous year: EUR 110 thousand) results from the first-time application of IFRS 16 as at 1 January 2019.

OTHER NON-FINANCIAL LIABILITIES (20)

The other current non-financial liabilities (EUR 77,040 thousand; previous year: EUR 75,987 thousand) result from tax liabilities at EUR 19,178 thousand (previous year: EUR 22,706 thousand), credit voucher liabilities at EUR 29,505 thousand (previous year: EUR 24,849 thousand), liabilities to personnel at EUR 21,915 thousand (previous year: EUR 20,517 thousand), deferred income at EUR 2,897 thousand (previous year: EUR 3,675 thousand), social insurance liabilities at EUR 2,021 thousand (previous year: EUR 1,812 thousand), and other non-financial liabilities at EUR 1,523 thousand (previous year: EUR 2,428 thousand).

PENSION PROVISIONS (21)

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.

A defined benefit plan exists for one German company in the CTS Group. This plan provides 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. In the previous year there were pension commitments at another company which were paid and ended in the fiscal year 2019.

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

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

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

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

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

	Defined benefit obligation	Plan assets	Pension provision
	[EUR'000]	[EUR'000]	[EUR'000]
Status 01.01.2019	**23,367**	**-14,510**	**8,857**
Service costs			
Current service costs	1,444	0	1,444
Gain (-)/loss (+) from settlement	-1,221	587	-633
	223	**587**	**811**
(Net) interest expense /income	**222**	**-123**	**99**
Remeasurements			
Experience-based gains (-)/losses (+)	267	-5	262
Gain (-)/loss (+) from change in demographic assumptions	-13	0	-13
Gain (-)/loss (+) from change in financial assumptions	2,360	0	2,360
Plan asset income, not included in interest income	0	177	177
	2,614	**172**	**2,786**
Benefits paid	**-1,762**	**1,528**	**-234**
Fund allocations			
Employer	0	-721	-721
Employee	2,209	-2,209	0
	2,209	**-2,930**	**-721**
Currency differences	**731**	**-532**	**199**
Change in the scope of consolidation	**17**	**0**	**17**
Status 31.12.2019	**27,622**	**-15,807**	**11,815**

	Defined benefit obligation [EUR'000]	Plan assets [EUR'000]	Pension provision [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**

The defined benefit obligation is allocated as follows:

	2019 [EUR'000]	2018 [EUR'000]
Defined benefit obligation	**27,622**	**23,367**
thereof active employees	25,044	19,972
thereof terminated employees with vested benefits	245	1,388
thereof retirees	2,333	2,007

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

	Defined benefit obligations		Plan assets		Pension provision	
	2019 [EUR'000]	**2018 [EUR'000]**	**2019 [EUR'000]**	**2018 [EUR'000]**	**2019 [EUR'000]**	**2018 [EUR'000]**
Germany	825	1,792	0	-587	825	1,205
Switzerland	24,085	19,127	-15,807	-13,922	8,278	5,205
Rest of Europe	2,712	2,448	0	0	2,712	2,448

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	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Germany	1.75%	2.40%	2.50%	2.50%	1.00%	1.00%
Switzerland	0.30%	0.85%	1.00%	1.00%	0.00%	0.00%
Rest of Europe	1.10%	1.70%	2.00%	1.75%	0.00%	0.00%

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

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

2019	Change in assumption	Increase of the assumption [EUR'000]	Decrease of the assumption [EUR'000]
Discount rate	0.50%	-2,434	2,830
Future salary increases	1.00%	496	-527
Future pension increases	1.00%	2,067	0
Life expectancy	1 Jahr	411	-425

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 Jahr	333	-263

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 2019 is 19.4 years (previous year: 18.6 years). For the following year, employer contributions to the pension plans at EUR 932 thousand (previous year: EUR 927 thousand) are expected.

EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF CTS KGaA (22)

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 100.

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.

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 2019.

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.

Based on its option right for measuring internally generated intangible assets in accordance with §248 (2) HGB, an amount of EUR 228 thousand (previous year: EUR 373 thousand) is derived which is bared from distribution. Internally generated intangible assets amounting to EUR 337 thousand (previous year: EUR 550 thousand) are capitalised and respective deferred tax liabilities of EUR 109 thousand (previous year: EUR 178 thousand) recorded. As there are sufficient available profit carried forwared compared to the amount bared from distribution, the payout restriction according to § 268 (8) HGB does not come into effect.

RESOLUTIONS OF THE ANNUAL SHAREHOLDERS’ MEETING:

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 2019, the company had thus issued 96,000,000 no-par value bearer shares. Each share represents an arithmetic share in the share capital of EUR 1.00. By resolution of the Annual Shareholders’ Meeting on 8 May 2019, the general partner was authorised to increase the share capital in full or partial amounts, on one or more occasions, by up to EUR 19,200,000 until 7 May 2024, contingent on Supervisory Board approval, by issuing up to 19,200,000 new bearer shares against cash contributions or contributions in kind (approved capital 2019).

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 2019 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.

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 (23)

The following overview shows the participation ratios and non-controlling interests for each subsidiary/subgroup with a group-material non-controlling interest in 2019.

		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
		31.12.2019	**31.12.2019**	**31.12.2019**	**31.12.2019**
Name and location	**Country**		**[EUR'000]**	**[EUR'000]**	
Subgroup Ticketcorner Holding AG, Rümlang	Switzerland	50.00%	4,870	23,490	50.00%
Subgroup Austria, Vienna	Austria	14.00%	2,105	6,444	14.0% - 49.0%
Subgroup EVENTIM LIVE GmbH, Bremen (formerly: Subgroup MEDUSA Music Group GmbH)	Germany	5.60%	8,293	3,863	5.6% - 49.8%
Subgroup EVENTIM LIVE INTERNATIONAL GmbH, Bremen (formerly: Medusa Music International GmbH, Bremen)	Germany		-2,004	9,647	36.5% - 49.0%
Total subgroups				43,444	
Subsidiaries with individually immaterial non-controlling interests				-5,221	
Total non-controlling interests				**38,223**	

[1] *The proportional share of non-controlling interest 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 group-material non-controlling interest in 2018.

Name and location	Country	Proportional share of non-controlling interests [1] 31.12.2018	Net income attributable to non-controlling interests [2] 31.12.2018 [EUR'000]	Net book value of accumulated non-controlling interests [2] 31.12.2018 [EUR'000]	Participation ratio of non-controlling interests 31.12.2018
Subgroup Ticketcorner Holding AG, Rümlang	Switzerland	50.00%	3,730	19,464	50.00%
Subgroup Austria, Vienna	Austria	14.00%	1,932	4,765	14.0% - 49.0%
Subgroup EVENTIM LIVE GmbH, Bremen (formerly: Subgroup MEDUSA Music Group GmbH, Bremen)	Germany	5.60%	8,241	843	5.6% - 49.8%
Teilkonzern EVENTIM LIVE INTERNATIONAL GmbH, Bremen (vormals: 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 interest 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 EVENTIM LIVE GmbH, Bremen, (formerly: MEDUSA Music Group GmbH, Bremen; hereinafter: subgroup EVENTIM LIVE), represents a substantial part of companies that are allocated to the Live Entertainment segment.

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

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

Significant non-controlling interests in the Ticketing segment:

Summarised balance sheet:	**Subgroup TC AG**		**Subgroup Austria**	
	31.12.2019 [EUR'000]	**31.12.2018 [EUR'000]**	**31.12.2019 [EUR'000]**	**31.12.2018 [EUR'000]**
Current assets	69,395	51,900	71,651	75,168
Non-current assets	70,756	63,762	5,506	3,200
Current liabilities	83,047	64,638	62,151	66,766
Non-current liabilities	11,123	13,203	2,216	384

Summarised income statement:	**Subgroup TC AG**		**Subgroup Austria**	
	31.12.2019 [EUR'000]	**31.12.2018 [EUR'000]**	**31.12.2019 [EUR'000]**	**31.12.2018 [EUR'000]**
Revenue	45,128	39,018	30,507	29,924
Taxes	-2,621	-2,067	-3,744	-3,304
Net income	9,739	7,460	12,322	11,081
Net income attributable to non-controlling interests	4,870	3,730	2,105	1,932
Dividend payments to non-controlling interests	-800	-342	-1,861	-1,061

Summarised cash flow statement:	**Subgroup TC AG**		**Subgroup Austria**	
	31.12.2019 [EUR'000]	**31.12.2018 [EUR'000]**	**31.12.2019 [EUR'000]**	**31.12.2018 [EUR'000]**
Cash flow from operating activities	18,779	9,042	13,260	19,313
Cash flow from investing activities	-709	-1,074	-543	-654
Cash flow from financing activities	-12,854	-5,919	-11,119	-5,715
Net increase / decrease in cash and cash equivalents	5,216	2,050	1,598	12,945
Net increase / decrease in cash and cash equivalents due to currency translation	1,193	1,210	-87	-45
Cash and cash equivalents at beginning of period	36,573	33,313	57,556	44,656
Cash and cash equivalents at end of period	42,982	36,573	59,067	57,556

Significant non-controlling interests in the Live Entertainment segment:

Summarised balance sheet:	Subgroup EVENTIM LIVE (formerly: Subgroup MEDUSA)		Subgroup EVENTIM LIVE INTERNATIONAL (formerly: Subgroup Medusa Music International)	
	31.12.2019 [EUR'000]	31.12.2018 [EUR'000]	31.12.2019 [EUR'000]	31.12.2018 [EUR'000]
Current assets	355,250	411,726	122,599	121,232
Non-current assets	95,209	75,674	61,141	55,959
Current liabilities	405,648	466,248	171,180	162,553
Non-current liabilities	42,302	15,377	11,142	8,243

Summarised income statement:	Subgroup EVENTIM LIVE (formerly: Subgroup MEDUSA)		Subgroup EVENTIM LIVE INTERNATIONAL (formerly: Subgroup Medusa Music International)	
	31.12.2019 [EUR'000]	31.12.2018 [EUR'000]	31.12.2019 [EUR'000]	31.12.2018 [EUR'000]
Revenue	702,975	664,056	228,956	101,358
Taxes	-15,657	-12,302	-3,952	477
Net income	6,726	8,063	-4,591	-2,776
Net income attributable to non-controlling interests	8,293	8,241	-2,004	-580
Dividend payments to non-controlling interests	-6,075	-7,390	-1,541	-571

Summarised cash flow statement:	Subgroup EVENTIM LIVE (formerly: Subgroup MEDUSA)		Subgroup EVENTIM LIVE INTERNATIONAL (formerly: Subgroup Medusa Music International)	
	31.12.2019 [EUR'000]	31.12.2018 [EUR'000]	31.12.2019 [EUR'000]	31.12.2018 [EUR'000]
Cash flow from operating activities	-6,503	35,328	-6,353	38,791
Cash flow from investing activities	-2,612	8,535	-6,373	14,918
Cash flow from financing activities	-14,718	-7,390	-2,007	416
Net increase / decrease in cash and cash equivalents	-23,833	36,473	-14,733	54,125
Net increase / decrease in cash and cash equivalents due to currency translation	545	337	-39	0
Cash and cash equivalents at beginning of period	249,249	212,438	56,569	2,444
Cash and cash equivalents at end of period	225,961	249,249	41,797	56,569

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

The following table shows the carrying amounts, valuations and fair values of current and non-current financial instruments for the 2019 financial year:

		Balance sheet value according to IFRS 9				
	Carrying amount 31.12.2019	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	790,511			790,511		790,511
Marketable securities and other investments	13,062	512		12,550		13,062
Trade receivables	69,729			69,729		69,729
Receivables from affiliated and associated companies accounted for at equity	3,700			3,700		3,700
Other original financial assets	159,407	785		158,622		159,534
thereof receivables from ticket monies	83,993			83,993		83,993
Derivatives standalone	10	10				10
Investments	2,966	2,966				2,966
Total	**1,039,385**	**4,273**		**1,035,112**		**1,039,512**
LIABILITIES						
Financial liabilities	100,116				100,116	100,135
Trade payables	139,620				139,620	139,620
Payables to affiliated and associated companies accounted for at equity	1,040				1,040	1,040
Other original financial liabilities	448,771				448,771	448,771
thereof liabilities from not yet invoiced ticket monies	429,052				429,052	429,052
Lease liabilities	139,157					139,157
Derivatives in cash flow hedges	17		17			17
Total	**828,722**		**17**		**689,548**	**828,741**

The following table shows the carrying amounts, valuations and fair values of current and non-current financial instruments for the 2018 financial year:

		Balance sheet value according to IFRS 9				
	Carrying value 31.12.2019	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 from 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 from 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**

FAIR VALUE DISCLOSURES

The fair value of a financial instrument is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing and independent parties.

Compared to the previous year, the fair value of cash and cash equivalents and other current original financial instruments not listed on an active market is not calculated, as it is assumed that the carrying amount is a reasonable approximation of the fair value. This change in method has an effect on the disclosure of the fair value of current original financial assets of -0.1% and current original financial liabilities of 0.5%, based on the information at 31 December 2018.

Other principles and methods used to determine fair values are unchanged compared to previous years.

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

The fair values of non-current 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.

Excluded from the above are the fair values of certain other original financial assets, which 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.

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 classified according to the three levels of the fair value hierarchy. Level 1 contains fair values of financial instruments for which a market price can be quoted; securities traded on active markets 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. There have been no reclassifications within the fair value hierarchy In the reporting period.

The following table provides an overview of the calculated 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 2019:

	31.12.2019			
	Level 1	Level 2	Level 3	Total
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
ASSETS				
Marketable securities and other investments	512	0	0	512
Trade receivables [2]	0	44	0	44
Other original financial assets [2]	0	18,758	785	19,543
Derivatives standalone	0	10	0	10
Investments	716	0	2,250 [1]	2,966
	1,228	**18,813**	**3,035**	**23,075**
LIABILITIES				
Financial liabilities	0	100,135	0	100,135
Other original financial liabilities [2]	0	11	0	11
Derivatives in cash flow hedges	0	17	0	17
	0	**100,163**	**0**	**100,163**

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

[2] *For the current part of this item, it is assumed that the carrying amount is a reasonable approximation of the fair value. Therefore, it is not included in the fair value hierarchy.*

As at 31 December 2018, the fair value of other original financial assets in the level 3 fair value hierarchy was EUR 2,725 thousand. Due to changes in the forecasted cash flows during the reporting period, fair values of EUR 1,940 thousand were derecognised through profit and loss. At this point in time, no further cash flows are expected from the contracts. The carrying amount as at 31 December 2019 is EUR 785 thousand.

The discount rate used is 6.6% and reflects the specific risks of the contract. An adjustment of the interest rates used by +100 basis points (-100 basis points) would reduce (increase) the fair value of the financial asset by EUR -47 thousand (EUR 53 thousand). If the expected cash flows were adjusted by +10% (-10%), the fair values would increase (decrease) by EUR 4 thousand. The underlying cash flows are within a range between EUR 5,270 thousand and EUR 6,441 thousand.

The following table provides an overview of the fair values of financial assets and liabilities, and their allocation to the three levels within the fair value hierarchy according to IFRS 13 as at 31 December 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 form 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 affilitiated and associated companies accounted for at equity	0	738	0	738
Other original financial liabilities	0	440,752	0	440,752
thereof liabilities from 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.*

NET GAINS OR LOSSES

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

	2019 [EUR'000]
Financial assets at fair value through profit and loss	-1,462
Financial assets at amortised cost	-4,947
Financial liabilities at amortised cost	-7,926
Derivatives standalone	-81
	-14,416

Gains and losses on financial assets at fair value through profit or loss mainly include income from investments of EUR 891 thousand and expenses due to fair value measurement of EUR 2,239 thousand.

The net results of financial assets at amortised cost contain interest income, impairment losses on receivables as well as effects of currency translation. Impairment losses (including reversals of impairment losses) amount to EUR 6,541 thousand (previous year: EUR 2,315 thousand) and are included in selling expenses and other operating income. Included are expenses for derecognised receivables of EUR 5,383 thousand (previous year: EUR 3,291 thousand) and for additions to valuation allowances (EUR 3,559 thousand, previous year: EUR 1,049 thousand), as well as income from the release of value adjustments and from written off receivables (EUR 2,401 thousand, previous year: EUR 2,025 thousand).

The net results of financial liabilities at amortised cost contain interest expenses (EUR 2,570 thousand), currency effects, expenses from the subsequent measurement of liabilities from put options (EUR 3,628 thousand) and from variable purchase price liabilities (EUR 3,376 thousand). This was offset by income from derecognised financial liabilities in the amount of EUR 2,051 thousand. The total interest expense in the category financial liabilities at amortised cost calculated using the effective interest method amounts to EUR 85 thousand (previous year: EUR 85 thousand).

Currency options for hedging intercompany loans in Pounds Sterling resulted in expenses of EUR 81 thousand.

The following table shows the net gains/losses on financial instruments in the prior-year 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

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 methods 'purchase on account' and 'purchase on instalments' for trade receivables connected with the web shops of the company. The factoring company performs the credit management including credit checks, default payment and collection proceedings of receivables on account for CTS KGaA.

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 2019, receivables from the factoring company amounting to EUR 30,201 thousand (previous year: EUR 25,262 thousand) are outstanding.

eventim

4.2 FINANCIAL RISK MANAGEMENT

DEFAULT RISK

Default risks exist when there is a risk of debtors being unable to settle their debts in whole or in part. The maximum default risk is equal to the value of all receivables, minus liabilities owed to the same debtor if set-off by civil law is possible. Receivables management is carried out decentrally in the Group companies, what 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 posted and measured at amortised cost.

In the 2019 business year, collaterals amounting to EUR 11,113 thousand (previous year: EUR 11,040 thousand) were provided to Group companies mainly to hedge the risks in ticket presales by various box offices (EUR 9,161 thousand; previous year: EUR 9,004 thousand). Trade receivables, receivables from ticket monies and receivables against promoters from collateral providers amount to EUR 8,565 thousand (gross carrying amounts; previous year: EUR 10,873 thousand).

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 from ticket monies	Other financial assets
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
Allowances for doubtful accounts as at 31 December 2018	4,413	1,656	3	597	2,157
Usage	-117	-87	0	-10	-20
Net change in allowances for doubtful accounts	3,132	3,053	3	-237	313
Allowances for doubtful accounts as at 31 December 2019	**7,428**	**4,622**	**6**	**350**	**2,450**
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 Dezember 2018	**4,413**	**1,656**	**3**	**597**	**2,157**

The increase in net change of allowances for doubtful accounts is mainly due to a reassessment of trade receivables from current business activities in the Live Entertainment segment.

The following table shows the risk categories of financial assets used to determine expected credit losses and the gross carrying amounts allocated to them as at 31 December 2019 according to the simplified approach:

Risk categories simplified approach	Gross carrying amounts 31.12.2019			
	Total	Trade Receivables	Receivables from affiliated and associated companies accounted for at equity	Receivables from ticket monies
	[EUR'000]	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**
Not overdue	140,617	56,115	3,626	80,876
< 30 days overdue	12,050	8,860	55	3,135
30 - 90 days overdue	3,692	3,639	0	54
90 - 180 days overdue	1,913	1,780	0	133
> 180 days overdue	4,129	3,958	25	146
Total	**162,401**	**74,351**	**3,706**	**84,343**

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

Risk categories simplified approach	Gross carrying amounts 31.12.2018			
	Total	Trade Receivables	Receivables from affiliated and associated companies accounted for at equity	Receivables from 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 categories of financial assets used to determine expected credit loss and the gross carrying amounts allocated to them as at 31 December 2019 according to the general approach:

	Gross carrying amounts 31.12.2019			
Risk categories general approach	**Total**	**Receivables against promoter**	**Other receivables from affiliated and associated companies accounted for at-equity**	**Other original financial assets**
	[EUR'000]	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**
No significant increase in credit risk	871,539	13,880	16,473	841,187
Significant increase in credit risk	1,349	252	1,066	31
Credit-impaired	5,518	5,220	0	297
Total	**878,405**	**19,352**	**17,538**	**841,515**

In the reporting year, other receivables from a company accounted for at equity of EUR 1,000 thousand were recognised after being completely written off in previous years, due to the positive development of business. Taking the history into account, these are classified in the risk category 'significant increase in credit risk'.

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

	Gross carrying amounts 31.12.2018			
Risk categories general approach	**Total**	**Receivables against promoter**	**Other receivables from affiliated and associated companies accounted for at-equity**	**Other original financial assets**
	[EUR'000]	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**
No significant increase in credit risk	931,268	22,380	0	908,888
Significant increase in credit risk	332	291	0	41
Credit-impaired	6,474	6,383	0	91
Total	**938,073**	**29,054**	**0**	**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 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 2019.

As at 31 December 2019, the Group has bank liabilities of EUR 69,296 thousand (previous year: EUR 83,340 thousand). Of the external loans, EUR 9,089 thousand (previous year: EUR 34,403 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 well as derivative financial assets, as at 31 December 2019:

	Carrying amount 31.12.2019	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	100,116	-85,844	-488	-3,866	0	0	0	-10,407	0
Trade payables	139,620	-139,620	0	0	0	0	0	0	0
Payables to affiliated and associated companies accounted for at equity	1,040	-1,040	0	0	0	0	0	0	0
Other original financial liabilities	448,771	-448,761	0	-4	0	-4	0	-3	0
thereof liabilities from not yet invoiced ticket monies	429,052	-429,052	0	0	0	0	0	0	0
Other derivative financial liabilities	17	-17	0	0	0	0	0	0	0
Other derivative financial assets	-10	8	0	2	0	0	0	0	0
	689,555	**-675,274**	**-488**	**-3,868**	**0**	**-4**	**0**	**-10,410**	**0**

With regard to the maturities of the lease liabilities please refer to section 1.3.

The carrying amount of the financial liabilities as at 31 December 2019 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 as at 31 December 2018:

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

INTEREST RISKS

Fixed-rate loan agreements are mostly in place for short-term loans. In addition, short-term credit lines are not used continuously throughout the year. A syndicated credit line (revolving credit facility) concluded in 2015 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 bearing 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.

The CTS Group does not expect any effects from the IBOR (interbank offered rates) reform on variable-interest financial instruments recognised. In the course of the IBOR reform, the methodology for determining IBOR interest rates will be changed. The current status of the IBOR reform is that the successors to the interest rates are not determined uniformly, but the determination methodology is set individually by the respective central banks. In future, the manipulability of IBOR interest rates is to be better countered by linking them more closely to real transactions.

Changes in the market interest rates of original financial instruments with fixed interest rates affect earnings only when these are accounted for 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 2019 would have effects on ongoing interest payments and/or interest income and expenditure in net income. The hypothetical effect on income results from the potential effects of original, variable interest cash and cash equivalents and other financial assets of EUR 722,697 thousand (previous year: EUR 859,754 thousand) and financial liabilities of EUR 3,542 thousand (previous year: EUR 0 thousand), as well as of original fixed interest bearing financial assets measured at fair value through profit and loss (EUR 785 thousand; previous year: EUR 785 thousand). Based on the current interest rate market, the hypothetical effect on income of negative interest rates on variable-interest cash and cash equivalents in the CTS Group is included for the first time in the reporting year.

If the level of market interest rates had been 100 basis points higher (lower) as at 31 December 2019, net income would have been EUR 5,155 thousand higher (EUR 5,169 thousand lower). The effect on net income in 2019 concerns to floating interest rates in cash and cash equivalents, other financial assets and financial debt at banks as well as fixed interest bearing financial assets at fair value through profit and loss.

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

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.

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 as vehicles for speculation.

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

In order to disclose financial risk exposure, the CTS Group produces sensitivity analyses in accordance with IFRS 7, showing the effects that hypothetical appreciation and devaluation of the euro in relation to other currencies will have on net income after tax and on 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 net income and equity:

		31.12.2019		31.12.2018	
		Net income	Shareholders' Equity	Net income	Shareholders' Equity
		[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
CHF	+10%	-126	48	11	480
	-10%	126	-48	-11	-480
USD	+10%	-591	0	-1,001	0
	-10%	591	0	1,001	0
SEK	+10%	-308	0	-257	0
	-10%	308	0	257	0
Other currencies	+10%	-1,628	0	-118	0
	-10%	1,750	0	118	0
Total effects (all currencies)	**+10%**	**-2,653**	**48**	**-1,365**	**480**
	-10%	**2,775**	**-48**	**1,365**	**-480**

In the reporting period, cash flows denominated in foreign currencies were mainly hedged on a short-term basis. As at 31 December 2019, the CTS Group recognised the following forward exchange contract in a cash flow hedge:

	31.12.2019				During the reporting period 2019		
	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 hedging reserve to profit or loss	Line item effected in profit or loss due to the reclassification
		Asset	Liability				
	[EUR'000]	[EUR'000]	[EUR'000]		[EUR'000]	[EUR'000]	
Foreign exchange contracts to hedge license fees in CHF	462	0	17	Other financial liabilities	-51	-53	Revenue
Foreign exchange contracts to hedge artist fees in USD	0	0	0	-	3	3	Cost of sales
Total	**462**	**0**	**17**		**-48**	**-50**	

The nominal amount of the underlying transaction corresponds to the nominal amount of the hedging instrument. The cash flow will affect net income in 2020.

As at 31 December 2019, currency options with a nominal amount of EUR 2,833 thousand exist to hedge loans in Pounds Sterling, which do not meet the criteria for hedge accounting. The market value of EUR 10 thousand was recognised in other financial assets.

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 hedging reserve to profit or loss	Line item effected in profit or loss due to the reclassification
		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**	

5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

REVENUE (1)

In the reporting period, the Group generated revenue of EUR 1,443,125 thousand (previous year: EUR 1,241,689 thousand).

	2019	2018
	[EUR'000]	[EUR'000]
Ticketing		
Ticket fees	410,357	381,542
Commissions	16,972	14,072
Other service charges	10,501	10,830
Licence fees	7,613	6,974
Other	36,153	33,666
	481,595	**447,083**
Live Entertainment		
Entertainment services	895,207	741,371
Catering and merchandising	33,855	27,900
Sponsoring	18,689	13,320
Other	38,020	29,867
	985,771	**812,458**
Intersegment consolidation	-24,241	-17,852
CTS Group	**1,443,125**	**1,241,689**

Of the external revenue generated by the CTS Group, an amount of EUR 1,001,853 thousand (previous year: EUR 835,732 thousand) was recognised over time pursuant to IFRS 15. A total of EUR 93,355 thousand (previous year: EUR 82,203 thousand) of this amount was attributable to the Ticketing segment and EUR 908,498 thousand (previous year: EUR 753,528 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. Within the Ticketing segment, revenue of EUR 9.547 thousand from services in connection with the 'car toll' project have been classified in other revenue.

Revenue recognised in the reporting period that was included in the balance of current advance payments received at the beginning of the period amounted to EUR 389,901 thousand and was attributable to the Live Entertainment segment. The current advance payments received of EUR 333,340 thousand as at 31 December 2019 are likely to result in revenue over the subsequent 12 months.

COST OF SALES (2)

The cost of sales rendered to generate revenue (EUR 1,041,369 thousand, previous year: EUR 901,121 thousand) comprise all material expenses (EUR 921,511 thousand, previous year: EUR 798,421 thousand) as well as pro rata personnel expenses (EUR 76,604 thousand, previous year: EUR 69,073 thousand), amortisation (EUR 23,211 thousand, previous year: EUR 10,648 thousand) and other operating expenses (EUR 20,044 thousand, previous year: EUR 22,979 thousand).

OTHER OPERATING INCOME (3)

	2019	2018
	[EUR'000]	[EUR'000]
Income from written-off liabilities / receivables	5,707	4,699
Income from advertising and marketing	5,015	3,953
Income from currency translation	2,475	2,425
Income from passed on expenses	1,400	2,134
Income from insurance compensation	1,607	5,261
Income relating to other periods	1,152	1,836
Income from the reversal of allowances for doubtful accounts	390	1,481
Other operating income	13,715	3,218
	31,460	**25,007**

Other operating income includes income of EUR 6,795 thousand that could not be recognised as revenue in connection with the 'car toll' project due to the termination of contracts and thus the termination of revenue recognition according to the percentage of completion.

OTHER OPERATING EXPENSES (4)

	2019	2018
	[EUR'000]	[EUR'000]
Expenses for third-party services	3,490	3,081
Expenses passed on from third parties	2,008	2,838
Non-recurring items	2,211	2,896
Currency translation expenses	1,649	1,850
Expenses relating to other periods / non-operating costs	569	1,385
Donations	520	585
Cost for the supply of goods sold	148	126
Loss from disposal of fixed assets	292	83
Other operating expenses	12,574	808
	23,461	**13,651**

Non-recurring items concern the Ticketing segment amounting to EUR 1,098 thousand (previous year: EUR 1,770 thousand) and the Live Entertainment segment amounting to EUR 1,113 thousand (previous year: EUR 1,125 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 of EUR 1,713 thousand (previous year: EUR 1,600 thousand). Furthermore, legal costs in the CTS Group in connection with the terminated contracts for the collection of the German infrastructure charge (EUR 498 thousand) were normalised. In the business year 2018, 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, were also normalised (EUR 1,297 thousand).

Other operating expenses include expenses incurred in the 'car toll'-project amounting to EUR 9,505 thousand.

FINANCIAL INCOME (5)

Financial income includes interest income of EUR 860 thousand (previous year: EUR 851 thousand) and other financial income of EUR 6,115 thousand (previous year: EUR 7,768 thousand). Other financial income includes income from the deconsolidation effect due to the sale of CTS Eventim France (EUR 6,076 thousand). In the previous year, there was other financial income from the updated measurement of liabilities from put options in the amount of EUR 4,607 thousand, which were granted to minority shareholders. Due to the change in presentation of income from the sale of associated companies (see chapter 1.2), other financial income increased by EUR 3,074 thousand in the previous year.

FINANCIAL EXPENSES (6)

Financial expenses comprise interest expenses of EUR 4,590 thousand (previous year: TEUR 3,156 thousand) and other financial expenses of EUR 9,294 thousand (previous year: EUR 2,966 thoussand). Interest expenses primarily relate to the application of IFRS 16 (EUR 1,454 thousand). Other financial expenses primarily relate to updated measurements of existing contractual agreements (put options, earn-out agreements) due to improved business developments/forecasts (EUR 6,438 thousand; previous year: EUR 2,306 thousand) and effects from the revaluation of investments (EUR 2,239 thousand).

TAXES (7)

	2019	2018
	[EUR'000]	[EUR'000]
Actual Income taxes	78,328	62,260
Deferred taxes	-396	362
	77,933	**62,623**

Actual income taxes include actual tax expenses related to other periods of EUR 2,695 thousand which predominantly result from tax expenses for previous years. In the previous year, tax income for previous periods was recorded mainly due to tax refunds (EUR 3,657 thousand).

The deferred taxes included in the statement of comprehensive income amount to EUR 629 thousand (previous year: EUR -299 thousand) for the remeasurement of the net defined benefit obligation for pension plans and amounts to EUR -1 thousand (previous year: EUR -8 thousand) for derivatives in cash flow hedges.

Deferred tax income / expenses developed as follows:

	2019 [EUR'000]	2018 [EUR'000]
Deferred taxes	-396	362
thereof:		
from temporary differences	-3,440	-3,706
from tax loss carryforwards	3,045	4,069

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 results 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 2019, an average tax rate of 32.3% (previous year: 32.3%) was multiplied by the pre-tax profit. The average tax rate is the tax rate for CTS KGaA, which is composed of German corporate tax at a rate of 15.0% (previous year: 15.0%) plus 5.5% solidarity surcharge and local municipal trade tax at around 16.4% (previous year: around 16.4%).

	2019 [EUR'000]	2018 [EUR'000]
Earnings before tax (EBT)	224,018	192,904
Reconciliation to effective tax expenses		
Expected income taxes	**72,274**	**62,236**
Deviations from average tax rate	-5,057	-4,151
Changes in value adjustment of deferred tax assets	3,002	5,064
Usage of not capitalised tax loss carryforward	-304	0
Losses without the formation of deferred tax assets	4,559	3,056
Effects due to municipal trade tax additions and reductions	698	791
Actual taxes referring to previous years	2,697	-3,657
Non-deductable expenses / Non-taxable income	293	-800
Other	-230	84
Effective income taxes	**77,933**	**62,623**

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 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:

	31.12.2019 [EUR'000]	31.12.2018 [EUR'000]
Debt [1]	573,867	436,478
Cash and cash equivalents	-790,511	-873,206
Net debt	**-216,644**	**-436,728**
Shareholders' equity	549,992	471,289
Net debt to shareholders' equity	-39.4%	-92.7%

[1] Debt is defined here as non-current and current financial liabilities (EUR 100,116 thousand; previous year: EUR 105,298 thousand) and other non-current and current financial liabilities and non-current and current lease liabilites (EUR 587,945 thousand; previous year: EUR 443,528 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 114,194 thousand; previous year: EUR 112,347 thousand).

Net debt indicates the amount of debt a company has after all financial liabilities have been redeemed with cash and cash equivalents. The increase in net debt is mainly due to the increase in current and non-current lease liabilities (first-time application of IFRS 16). The negative net debt/equity ratio means that the Group is de facto free of debt.

The financial liabilities recognised on the balance sheet date of EUR 100,116 thousand (previous year: EUR 105,298 thousand) include loans of EUR 69,296 thousand (previous year: EUR 83,340 thousand) as well as EUR 30,820 thousand in purchase price obligations and put options of non-controlling interests (previous year: EUR 21,958 thousand).

Of the liabilities, EUR 9,089 thousand (previous year: EUR 34,403 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 around three years until October 2022. As at the balance sheet date 31 December 2019, there was no utilisation.

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:

		2019	2018
Net income attributable to shareholders	[EUR]	132,900,033	118,503,599
Quantity of issued shares	[Qty.]	96,000,000	96,000,000
Quantity of treasury shares	[Qty.]	-8,700	-8,700
Quantity of outstanding shares	[Qty.]	95,991,300	95,991,300
Earnings per share	[EUR]	**1.38**	**1.23**

In fiscal year 2019, CTS KGaA generated EUR 132,345 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 66,234 thousand (EUR 0.69 per eligible share) and to carry forward the remaining amount of EUR 66,111 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.web), 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 segment 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.

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. Depending on their business content, individual transactions are allocated to their proper segment, in deviation from their allocation according to corporate structure.

Reconciliation of the operating profit (EBIT) of the segments with net income:

	Ticketing		Live Entertainment		Intersegment consolidation		Group	
	2019	2018	2019	2018	2019	2018	2019 [1]	2018
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
Revenue	481,595	447,083	985,771	812,458	-24,241	-17,852	1,443,125	1,241,689
EBITDA	219,304	194,033	64,974	31,133 [2]	0	0	284,278	225,166 [2]
Depreciation and amortisation	-34,317	-29,547	-19,766	-7,927	0	0	-54,083	-37,474
EBIT	184,987	164,486	45,208	23,205 [2]	0	0	230,194	187,691 [2]
Financial result							-6,177	5,212 [2]
Earnings before tax (EBT)							224,018	192,904
Taxes							-77,933	-62,623
Net income before non-controlling interests							146,085	130,281
Thereof attributable to non-controlling interests							-13,185	-11,777
Thereof attributable to shareholders of CTS KGaA							132,900	118,504
Average number of employees	1,691	1,640	1,323	1,204			3,014	2,844
Normalised EBITDA	220,403	195,803	66,087	32,258 [2]	0	0	286,489	228,061 [2]
Normalised EBIT before amortisation from purchase price allocation	192,936	174,711	49,992	27,842 [2]	0	0	242,928	202,552 [2]

[1] *The Group applied IFRS 16 as of 1 January 2019 for the first time using the modified retrospecitve method. When applying this method, the comparative information for fiscal year 2018 will not be adjusted. Effect of IFRS 16: EBITDA TEUR +18.635; EBIT TEUR +870*

[2] *With regard to the change in the disclosure of results from the sale of shares in subsidiaries, joint ventures and associated companies, see chapter 1.2 in the notes*

	Ticketing		Live Entertainment		Intersegment consolidation		Group	
	2019 [EUR'000]	2018 [EUR'000]	2019 [EUR'000]	2018 [EUR'000]	2019 [EUR'000]	2018 [EUR'000]	2019 [1] [EUR'000]	2018 [EUR'000]
EBITDA	**219,304**	**194,033**	**64,974**	**31,133** [2]			**284,278**	**225,166** [2]
Non-recurring items	1,099	1,770	1,113	1,125			2,211	2,896
Normalised EBITDA	**220,403**	**195,803**	**66,087**	**32,258** [2]	**0**	**0**	**286,489**	**228,061** [2]
Amortisation	-34,317	-29,547	-19,766	-7,927			-54,083	-37,474
Amortisation resulting from purchase price allocation	6,850	8,455	3,672	3,511			10,522	11,965
Normalised EBIT before amortisation from purchase price allocation	**192,936**	**174,711**	**49,992**	**27,842** [2]	**0**	**0**	**242,928**	**202,552** [2]

[1] The Group applied IFRS 16 as of 1 January 2019 for the first time using the modified retrospecitve method. When applying this method, the comparative information for fiscal year 2018 will not be adjusted. Effect of IFRS 16: EBITDA TEUR +18.635; EBIT TEUR +870

[2] With regard to the change in the disclosure of results from the sale of shares in subsidiaries, joint ventures and associated companies, see chapter 1.2 in the notes

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 depreciation and 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. Furthermore, legal consulting fees in connection with the terminated contracts for the collection of the German infrastructure charge were normalised. In addition, significant legal and consulting fees relating to participation in the approximately one-year tender process of the Federal Ministry of Transport and Digital Infrastructure (Bundesministerium für Verkehr und digitale Infrastruktur) for the collection of the infrastructure charge were normalised in the previous year.

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

	Ticketing		Live Entertainment		Total for segment	
	2019 [EUR'000]	2018 [EUR'000]	2019 [EUR'000]	2018 [EUR'000]	2019 [EUR'000]	2018 [EUR'000]
External revenue	464,757	433,131	978,368	808,558	1,443,125	1,241,689
Internal revenue	16,838	13,952	7,403	3,900	24,241	17,852
Revenue after consolidation within the segment	**481,595**	**447,083**	**985,771**	**812,458**	**1,467,366**	**1,259,541**

Geographical disclosures

The following table shows the **external revenue** for the 2019 financial year, broken down by geographical distribution:

	2019	2018
	[EUR'000]	[EUR'000]
Germany	878,043	808,840
Italy	270,890	151,488
Switzerland	97,491	87,851
Austria	59,565	66,245
Finland	41,669	34,041
Netherlands	20,552	21,376
Spain	22,129	18,710
Other countries	52,786	53,139
	1,443,125	**1,241,689**

The carrying values of **non-current non-financial assets** (without deferred taxes) for the 2019 financial year are shown in the following table according to geographical distribution:

	2019	2018
	[EUR'000]	[EUR'000]
Germany	550,926	359,937
Switzerland	73,485	67,217
Italy	63,485	60,596
Denmark	16,177	7,339
Austria	4,343	1,996
United Kingdom	1,464	342
Other countries	10,380	8,342
	720,261	**505,769**

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	2019	2018
	[EUR'000]	[EUR'000]
Wages and salaries	145,859	131,534
Social insurance contributions and expenses for pension and employee benefits	24,839	22,753
	170,698	**154,286**

Personnel expenses were considered with EUR 76,604 thousand (previous year: EUR 69,073 thousand) in cost of sales, with EUR 46,551 thousand (previous year: EUR 43,405 thousand) in selling expenses and with EUR 47,463 thousand (previous year: EUR 41,808 thousand) in general administrative expenses.

The employer's contribution to the statutory pension insurance classified as a contribution-based pension scheme amounted to EUR 9,800 thousand (previous year: EUR 8,703 thousand). It is included in social contributions and expenses for pensions and employee benefits.

On average over the year, 3,014 salaried staff (previous year: 2,844) were employed by the Group. Of that total, 1,833 (previous year: 1,732) were employed in Germany, and 1,181 (previous year: 1,112) 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 exclusive existing agreements and also restricted the scope and duration of future exclusive agreements. The appeal filed by CTS KGaA against the decision was rejected by the higher regional court (Oberlandesgericht) in Düsseldorf in April 2019 and the appeal was not allowed. The company has since filed an appeal of non-admission at the German Federal Court of Justice (Bundesgerichtshof) and a decision is expected to be made in 2020. 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; 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 386 thousand were formed for litigation costs at the balance sheet date.

CTS KGaA holds 50% of the shares in autoTicket GmbH, Berlin (operating company for the collection of the German infrastructure charge 'car toll'), which is accounted for at equity. 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 minimum duration of 12 years, by the Federal Motor Transport Office. At the end of June 2019, the agreement between the Federal Motor Transport Office and the operating company was terminated by the Federal Ministry of Transport and Digital Infrastructure (Bundesministerium für Verkehr und digitale Infrastruktur), effective as at 30 September 2019. Following the termination of the operating agreement, the shareholders made a resolution in December 2019 to assert the contractually agreed financial claims of EUR 560,000 thousand against the federal government in several stages. In the present case of the termination of the agreement by the federal government, the contracting parties have agreed on the loss of profit over the term of the agreement (i.e. the gross company value less expenses saved due to termination). Furthermore, the operating agreement provides for the compensation of termination costs, including claims for damages by subcontractors. The operating agreement provides for an efficient dispute resolution procedure. An independent auditor will review the determination of the gross company value. Then, an arbitration panel will decide on the legality of all claims.

The financial claims of the operating company against the federal government, which are to be clarified in arbitration proceedings, and the resulting claims of the CTS Group from the contractual services with the operating company and from its position as shareholder of the operating company are not capitalised as at the balance sheet date and represent a contingent asset according to IAS 37, with the exception of the outstanding receivables from the contractual services in the amount of EUR 3,484 thousand, the loans granted to the operating company in the amount of EUR 14,500 thousand and the investment in the operating company accounted for using the equity method.

6.6 CONTINGENT LIABILITIES

On 13 August 2018, CTS KGaA and Kapsch TrafficCom AG,Vienna, acquired a shell company as future operating company. CTS KGaA holds 50% of the shares in the operating company for the collection of the German infrastructure charge 'car toll', which is accounted for at equity. 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 minimum duration of 12 years, by the Federal Motor Transport Office. At the end of June 2019, the agreement between the Federal Motor Transport Office and the operating company was terminated by the Federal Ministry of Transport and Digital Infrastructure (Bundesministerium für Verkehr und digitale Infrastruktur), effective as at 30 September 2019. The operating company then terminated the syndicated loan agreement of EUR 175,000 thousand. In the course of the settlement of the syndicated loan agreement, a non-acceptance fee was agreed between the parties and paid in December 2019. The operating company's temporary joint and several liability in connection with the syndicated loan agreement, in respect of amounts owed to the financing banks from or in connection with the syndicated loan agreement in the amount of EUR 175,000 thousand, no longer existed as at the balance sheet date 31 December 2019.

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 Federal Motor Transport Office, in the amount of EUR 300,000 thousand. Due to the current state of proceedings (arbitration proceedings) and the legal assessment, a claim is not expected.

The shareholders each submitted capital commitments of EUR 42,500 thousand to finance the operating company. In the 2019 financial year, the shareholders paid EUR 24,500 thousand (EUR 10,000 thousand each in capital reserves and EUR 14,500 thousand each in shareholder loans) to the operating company.

6.7 EVENTS AFTER THE BALANCE SHEET DATE

Following antitrust clearance in December 2019, the CTS Group has acquired 71% of the shares in the Austrian concert promoter Barracuda Music Holding GmbH, Vienna, in January 2020 for a purchase price of EUR 12.1 million plus a variable purchase price component of up to EUR 7.3 million. With this transaction, CTS Group is expanding its European-wide event portfolio to include some of the most popular concerts and festivals in Austria. Barracuda Music will become part of the promoter network EVENTIM LIVE.

At the end of January 2020, the CTS Group has acquired 60% of the shares in the Swiss Gadget Entertainment AG, Zurich, and in this context will also acquire 60% of wepromote Entertainment Group Switzerland AG, St. Gallen, for a total purchase price of CHF 5.7 million. With the acquisition of the concert and festival organiser, CTS Group intensifies its involvement in the Swiss live entertainment sector and significantly expands its business activities there. At the same time, CTS Group is reorganising its operational business in Switzerland. Following the transaction, Gadget Entertainment AG and wepromote Entertainment Group Switzerland AG will merge their businesses with ABC Production AG, Opfikon, which already belongs to the CTS Group, in order to jointly exploit synergy effects in the future. The new company operates under the name 'Gadget abc Entertainment Group AG' with headquarters in Zurich.

In February 2020, the CTS Group acquired 50% of the shares in the newly founded company, based in New York City, USA, of US promoter Michael Cohl for a purchase price of USD 20 million. This partnership, which has been agreed for a period of five years, provides a comprehensive global platform for live entertainment, from concept development to the production and promotion of world-class content. While Michael Cohl will contribute his concert business and extensive network, the CTS Group will provide full access to the EVENTIM LIVE network, its ticketing platform and full portfolio of products and services related to live events. The company is fully consolidated in the CTS Group.

At the present time, no further details on the fair values of assets and liabilities as well as goodwill are available for these share acquisitions.

The effects of the spread of the COVID 19 'Coronavirus' on the development of ticket volume and on the implementation of events can currently not be assessed.

6.8 DECLARATION OF COMPLIANCE

On 7 November 2019, 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 on 21 November 2019 (https://corporate.eventim.de/en/investor-relations/corporate-governance/).

6.9 EXEMPTION OF SUBSIDIARIES FROM PREPARATION, AUDIT AND DISCLOSURE

Some consolidated corporate companies and business partnerships of CTS KGaA qualify for § 264 (3) HGB and § 264b HGB with regard to the preparation, audit 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
- eventimpresents GmbH & Co. KG, Frankfurt/Main
  (formerly: Marek Lieberberg Konzertagentur GmbH & Co. KG)
- Peter Rieger Konzertagentur GmbH & Co. KG, Cologne
- JUG Jet Air GmbH & Co. KG, Bremen
- getgo consulting GmbH, Hamburg
- Arena Event GmbH, Cologne
- Arena Management GmbH, Cologne
- Arena Holding GmbH, Cologne
- CTS Eventim Nederland B.V., Amsterdam

CTS Eventim Nederland B.V., Amsterdam, makes use of the exemption option provided for in Article 2:403 of the second book of the Dutch Civil Code.

6.10 NOTIFIABLE SECURITIES TRANSACTIONS PURSUANT TO § 19 MAR (MARKET ABUSE REGULATION)

The following 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 2019.

Name	Position	Transaction	Date	Number of shares
Prof. Jobst W. Plog	Member of Supervisory Board	Sale	22.08.2019	2,200
Klaus-Peter Schulenberg / KPS Stiftung[1]	Member of corporate management	Sale	14.11.2019	4,200,000

[1] Klaus-Peter Schulenberg holds shares in CTS KGaA through the KPS Stiftung.

6.11 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 related parties in the 2019 reporting period:

	2019	2018
	[EUR'000]	[EUR'000]
Goods and services supplied by the Group		
Project services	16,427	0
Services related to events	1,982	1,802
Passing on of operating costs	4,080	787
Supply of ticketing software	122	742
Other	1,060	371
	23,672	**3,702**

EUR 530 thousand (previous year: EUR 659 thousand) in goods and services were supplied by the Group to subsidiaries not included in consolidation due to insignificance, EUR 2,424 thousand (previous year: EUR 1,863 thousand) to associates accounted for at equity, EUR 1,345 thousand (previous year: EUR 1,181 thousand) to other related parties (KPS Group) and EUR 19,373 thousand (previous year: EUR 0) to Joint Ventures (autoTicket).

The contractual relationships with related companies and persons resulted in the following goods and services being received from related parties in the 2019 reporting period:

	2019	2018
	[EUR'000]	[EUR'000]
Goods and services received by the Group		
Fulfillment and customer services, transfer of postage	20,700	22,292
Production costs for events	1,487	3,427
Call center operations	2,040	2,474
Tenancy agreements	1,440	1,432
Agency agreements	243	273
Payment services	1,752	1,121
Other	528	259
	28,191	**31,279**

EUR 38 thousand (previous year: EUR 2,353 thousand) in goods and services were received by the Group from subsidiaries not included in consolidation due to insignificance, while EUR 225 thousand (previous year: EUR 317 thousand) in goods and services were supplied by associates accounted for at equity and EUR 27,928 thousand (previous year: EUR 28,610 thousand) were supplied by other related parties (KPS Group).

Receivables from related companies and persons are structured as follows as at 31 December 2019:

	31.12.2019 [EUR'000]	31.12.2018 [EUR'000]
Receivables from		
Subsidiaries not included in consolidation due to insignificance	1,031	490
Associates accounted for at equity	2,150	142
Joint Venture (autoTicket)	18,063	0
Other related parties	1,578	58
	22,822	**689**

Liabilities to related companies and persons are structured as follows as at 31 December 2019:

	31.12.2019 [EUR'000]	31.12.2018 [EUR'000]
Liabilities to		
Subsidiaries not included in consolidation due to insignificance	24	287
Associates accounted for at equity	1,016	456
Other related parties	4,170	5,993
	5,210	**6,736**

Liabilities to related parties are unsecured.

Compensation paid to managers in key positions are disclosed under item 6.13 in the notes to the consolidated financial statements.

6.12 AUDITOR EXPENSES

At the Annual Shareholders' Meeting of CTS KGaA in May 2019, KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg (hereinafter: KPMG), was elected as the auditor for the 2019 financial year.

In the 2019 financial year, auditing expenses of EUR 433 thousand (previous year: EUR 513 thousand) and fees were charged of EUR 20 thousand (previous year: EUR 253 thousand) for other services as well as EUR 27 thousand for attestation services (previous year: EUR 34 thousand).

Other services in the previous year primarily relate to services for the EU General Data Protection Regulation (EU-GDPR) project amounting to EUR 252 thousand. The European General Data Protection Regulation is aimed at ensuring a standard level of data protection and is mandatory for all EU member states from 25 May 2018.

6.13 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 6,331 thousand (previous year: EUR 5,904 thousand). This includes performance-related components in the amount of EUR 1,975 thousand (previous year: EUR 1,700 thousand), of which EUR 1,575 thousand (previous year: EUR 1,400 thousand) have not yet been paid 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 225 thousand as well as reimbursement expenses of EUR 5 thousand for the 2019 financial year (previous year: EUR 4 thousand). As a regular member of the Supervisory Board of CTS KGaA, Dr. Thümmel waived 50% of her Supervisory Board remuneration for 2017 and all subsequent years. Following Dr. Thümmel's waiver, the remuneration for fiscal year 2018 amounts to EUR 225 thousand. This remuneration relates exclusively to short-term benefits within the meaning of IAS 19. Of this amount, EUR 184 thousand (previous year: EUR 218 thousand) had not yet been paid at the reporting 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)
- RTL Group, Luxembourg, Luxembourg
- NZZ AG, Zurich, Switzerland
- Comecave GmbH, Dortmund, Germany
- gut.org non-profit limited company, Berlin, Germany (honorary chairman)
- Gilde Buy Out Partners AG, Zurich, Switzerland
- Caseking GmbH, Berlin, Germany

Justinus J.B.M. Spee, Businessman, Badhoevedorp/Netherlands – deputy chairman –
Other supervisory board positions and comparable regulatory bodies:

- EVENTIM Management AG, Hamburg, Germany (deputy chairman)
- Brunel N.V., Amsterdam, Netherlands
- Asito Diensten Groep S.E., Almelo, Netherlands
- Duinrell B.V., Wassenaar, Netherlands
- Panther Media Group, Dubai, United Arab Emirates
- Stichting OLVG, Amsterdam, Netherlands

Prof. Jobst W. Plog, Lawyer, Hamburg/Germany
other supervisory board positions:

- EVENTIM Management AG, Hamburg, Germany

Dr. Juliane Thümmel, Government Director at the Permanent Representation of the Federal Republic of Germany to the European Union, Brussels-St. Gilles/Belgium
Other supervisory board positions:

- EVENTIM Management AG, Hamburg, Germany

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.

6.14 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.

Massachusetts Financial Services Company, Boston, Massachusetts, USA, has notified us pursuant to § 33 WpHG that its percentage of voting rights in CTS KGaA exceeded the threshold of 3% on 15 April 2019 and amounted to 3.04% (2,920,817 voting rights) at that date and that 3.04% (2,920,817 voting rights) thereof are attributed to it pursuant to §§ 33 and 34 WpHG.

On 28 December 2015, the shares held by Mr. Klaus-Peter Schulenberg in CTS KGaA and EVENTIM Management AG were transferred to KPS Stiftung, Hamburg. Mr. Klaus-Peter Schulenberg's shareholding in CTS KGaA and EVENTIM Management AG has merely changed from a direct to an indirect shareholding and amounts to 38.8% of the voting rights in the company as at 31 December 2019.

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, 5 March 2020

CTS Eventim AG & Co. KGaA

represented by:

EVENTIM Management AG, general partner

Klaus-Peter Schulenberg | Volker Bischoff | Alexander Ruoff

7. INDEPENDENT AUDITOR'S REPORT

To CTS Eventim AG & Co. KGaA, Munich

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

OPINION

We have audited the consolidated financial statements of CTS Eventim AG & Co. KGaA, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019, 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 2019, 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 2019. In accordance with German legal requirements, we have not audited the content of those components of the group management report specified in the "Other Information" section of our auditor's report.

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 2019, and of its financial performance for the financial year from 1 January to 31 December 2019, 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. Our opinion on the group management report does not cover the content of those components of the group management report specified in the "Other Information" section of the auditor's report.

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 2019.

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 3.8 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 3.8 to the consolidated financial statements.

The financial statement risk

Goodwill amounted to EUR 327 million as at 31 December 2019 and thus represents 64% of consolidated equity, meaning that it has considerable significance for the financial position. Of the goodwill of EUR 327 million, EUR 246 million is attributable to the Ticketing operating segment and EUR 81 million to the Live Entertainment operating segment.

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 cash generating units which includes the carrying amount of the goodwill allocated to the segments 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 2019.

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 45% in the Ticketing operating segment and 6% in the Live Entertainment business segment. In addition to this, the assumed long-term growth rates of 1% and the applied discount rate of 7.4% for the Ticketing operating segment and 7.5% 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 approved by the Management 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 related disclosures in the notes are appropriate.

OTHER INFORMATION

Management and the supervisory board are responsible for the other information. The other information comprises:

- the separate non-financial report which is referred to in the combined management report and
- the corporate governance statement which is referred to in the combined management report.

The other information also includes the remaining parts of the annual report.

The other information does not include the consolidated financial statements, the group management report information audited for content and our auditor’s report thereon.

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 information audited for content 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 2019. We were engaged by the supervisory board on 26 November 2019. 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, 5 March 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

Schmidt Wirtschaftsprüfer (German Public Auditor)	Müllensiefen Wirtschaftsprüfer (German Public Auditor)

8. FINANCIAL STATEMENTS OF CTS KGaA 2019

BALANCE SHEET OF CTS KGaA AS AT 31 DECEMBER 2019 (HGB)

ASSETS	31.12.2019	31.12.2018
	[EUR]	[EUR]
A. FIXED ASSETS		
I. Intangible assets		
1. Internally generated industrial property rights and similar rights and assets	337,426	550,380
2. Aquired concessions, industrial property rights and similar rights and assets, and licences in such right and assets	50,579,654	52,850,026
3. Goodwill	19,123,286	26,772,600
4. Payments on account	7,615,480	3,436,101
	77,655,846	**83,609,107**
II. Property, plant and equipment		
1. Other real estate, land rights and buildings, including buildings on third-party properties	1,715,736	2,049,418
2. Technical equipment and machinery	1	1
3. Other facilities, operating and office equipment	4,088,498	3,165,593
	5,804,235	**5,215,012**
III. Investments		
1. Shares in affiliated companies	226,152,069	214,491,171
2. Participations	70,622,164	20,290
3. Loans due to participations	12,500,000	0
	309,274,233	**214,511,461**
B. CURRENT ASSETS		
I. Inventories		
Finished products and goods	155,248	205,168
II. Receivables and other assets		
1. Trade receivables	8,309,037	6,476,355
2. Receivables from affiliated companies	106,050,516	85,047,011
3. Receivables from participations	5,563,358	26,140
4. Other assets	57,005,038	58,639,218
	176,927,949	**150,188,723**
III. Cheques, cash in hand and bank balances	**311,131,805**	**355,701,896**
C. PREPAID EXPENSES	**2,628,633**	**2,893,808**
D. DEFERRED TAX ASSETS	**294,184**	**94,881**
Total assets	**883,872,134**	**812,420,055**

SHAREHOLDERS' EQUITY AND LIABILITIES	31.12.2019	31.12.2018
	[EUR]	[EUR]
A. SHAREHOLDERS' EQUITY		
I. Share capital	96.000.000	96.000.000
./. less par value of treasury stock	-8.700	-8.700
II. Capital reserve	2.400.000	2.400.000
III. Statutory reserve	7.200.000	7.200.000
IV. Balance sheet profit	302.020.761	229.190.312
	407.612.061	**334.781.612**
B. PROVISIONS		
1. Tax provisions	51.453.463	51.081.946
2. Other provisions	23.036.102	21.599.623
	74.489.564	**72.681.569**
C. LIABILITIES		
1. Liabilities to banks	60.268.902	64.072.443
2. Trade payables	6.231.624	10.717.000
3. Liabilities to affiliated companies	28.258.275	7.299.662
4. Other liabilities	305.731.209	321.596.309
	400.490.011	**403.685.415**
D. DEFERRED INCOME	**624.929**	**373.869**
E. DEFERRED TAX LIABILITIES	**655.569**	**897.589**
Total shareholders' equity and liabilities	**883.872.134**	**812.420.055**

INCOME STATEMENT OF CTS KGaA FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019 (HGB)

	01.01.2019 - 31.12.2019 [EUR]	01.01.2018 - 31.12.2018 [EUR]
1. Revenue	258,053,220	243,746,370
2. Cost of sales	-100,884,838	-97,794,368
3. Gross profit	**157,168,382**	**145,952,002**
4. Selling expenses	-40,630,733	-41,292,320
5. General administrative expenses	-22,980,243	-21,321,676
6. Other operating income thereof from currency translation EUR 478,965 (2018: EUR 324,371)	15,509,500	12,336,748
7. Other operating expenses thereof from currency translation EUR 292,440 (2018: EUR 632,993)	-7,890,829	-7,225,127
8. Income from participations	43,416,027	23,639,976
9. Income from loans held as financial assets	79,346	0
10. Income from profit transfer agreements	33,637,888	33,782,177
11. Other interest and similar income	720,468	718,659
12. Depreciation on financial assets	-1,132,938	0
13. Interest and similar expenses	-1,260,177	-1,628,251
14. Income taxes thereof from deferred taxes EUR 441,448 (2018: EUR 214,348)	-44,286,655	-41,089,644
15. Profit after taxes	**132,350,034**	**103,872,544**
16. Other taxes	-4,979	-2,596
17. Net income for the year	**132,345,054**	**103,869,948**

NOTES TO THE FINANCIAL STATEMENTS FOR THE 2019 FINANCIAL YEAR

1. PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the financial year 2019 of the CTS KGaA, Munich (registered under HRB 212700 in the commercial register of the local court Munich) 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. In the case of disclosure options, the information was provided in the notes to the financial statements to ensure clarity. The financial statements are prepared in euros. All amounts in the balance sheet and the profit and loss account are rounded off to the nearest euro. In the notes to the financial statements, all amounts are rounded to the nearest thousand euro. Due to rounding, it is possible that individual figures may lead to minor deviations on addition.

2. ACCOUNTING POLICIES
2.1 GENERAL DISCLOSURES

The layout of the balance sheet complies with that specified in § 266 HGB in combination with § 152 AktG; the income statement conforms to the German form of income statement showing ‘cost of sales’, pursuant to § 275 (3) HGB. The supplementary disclosures pursuant to § 158 AktG are provided in the notes.

The expenses are presented in the income statement according to functions. The income statement is set up according to the total cost method and via a conversion key method the cost elements to be assigned have been reclassified to the functional costs of the cost of sales method. The assignment of the cost types is either done on a 100% basis or allocated due to the number of employees and the personnel costs. Based on this the conversion key the cost of materials, personnel expenses, depreciation and other operating expenses according to the total cost method are allocated to on cost of sales, selling expenses, general administrative expenses and other operating expenses.

For 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, no internal development costs have been capitalised (previous year: 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 licences, are amortised over a useful life of two to ten years. Trademarks are amortised over five to ten years.

The goodwill capitalised in connection with the chain merger of Ticket Online Software and See Tickets Germany 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, where relevant, 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 from an external service provider that arise in connection with payment methods used 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.

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. Deferred tax assets and liabilities 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.

Where derivative financial instruments are formed as valuation units 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 ‘freezing method’, in which the compensating changes in value from the hedged risk are not accounting for, as well as the ‘book-through method’, according to which the offsetting changes in value from the hedged risk of both the hedged item and the hedging instrument is accounted for, can be applied, the freezing method is applied.

3. NOTES AND COMMENTS ON SPECIFIC ITEMS OF THE ANNUAL FINANCIAL STATEMENTS

3.1 BALANCE SHEET

ASSETS

Statement of changes in assets for the period from 1 January to 31 December 2019

	Historical cost				
	Status 01.01.2019	**Addition**	**Disposal**	**Reclassification**	**Status 31.12.2019**
	[EUR'000]	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**
I. Intangible assets					
1. Internally generated industrial property rights and similar rights and assets	1,062	0	0	0	1,062
2. Acquired concessions, industrial property rights and similar rights and assets, and licences in such rights and assets	124,883	4,638	394	1,990	131,117
3. Goodwill	77,575	0	0	0	77,575
4. Payments on account	3,436	6,170	0	-1,990	7,615
	206,956	**10,808**	**394**	**0**	**217,370**
II. Property, plant and equipment					
1. Other real estate, land rights and buildings, including buildings on third-party properties	2,591	17	0	0	2,608
2. Technical equipment and machinery	572	0	0	0	572
3. Other property, plant and office equipment	16,026	2,605	78	0	18,554
	19,190	**2,622**	**78**	**0**	**21,734**
III. Investments					
1. Shares in affiliated companies	214,491	14,372	1,579	0	227,285
2. Participations	590	70,602	0	0	71,192
3. Loans due to participations	0	12,500	0	0	12,500
	215,081	**97,474**	**1,579**	**0**	**310,977**
Total	**441,227**	**110,905**	**2,051**	**0**	**550,081**

Accumulative depreciation and amortisation				Carrying value	
Status 01.01.2019	Addition	Disposal	Status 31.12.2019	Status 31.12.2019	Status 31.12.2018
[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
512	213	0	725	337	550
72,033	8,805	301	80,538	50,580	52,850
50,802	7,649	0	58,451	19,123	26,773
0	0	0	0	7,615	3,436
123,347	**16,668**	**301**	**139,714**	**77,656**	**83,609**
542	350	0	892	1,716	2,049
572	0	0	572	0	0
12,861	1,675	71	14,465	4,089	3,166
13,975	**2,026**	**71**	**15,930**	**5,804**	**5,215**
0	1,133	0	1,133	226,152	214,491
569	0	0	569	70,622	20
0	0	0	0	12,500	0
569	**1,133**	**0**	**1,702**	**309,274**	**214,511**
137,891	**19,826**	**371**	**157,346**	**392,734**	**303,336**

The additions to **fixed assets** amounting to EUR 110,905 thousand (previous year: EUR 18,692 thousand) relate to additions to intangible assets (EUR 10,808 thousand; previous year: EUR 10,498 thousand), to property, plant and equipment (EUR 2,622 thousand; previous year: EUR 3,064 thousand) and to financial assets (EUR 97,474 thousand; previous year: EUR 5,130 thousand). The additions to intangible assets including payments on account, primarily comprise the continued development of the Global Ticketing System (EUR 10,123 thousand; previous year: EUR 9,938 thousand). The additions to property, plant and equipment relate primarily to a LED fascia board acquired in the reporting year and four flying LED walls (EUR 1,245 thousand), for use in the Live Entertainment segment for operation in event locations, IT hardware for operating the Global Ticketing System (EUR 561 thousand; previous year: EUR 913 thousand) and for connecting box offices to the Global Ticketing System (EUR 134 thousand; previous year: EUR 177 thousand). The additions to financial assets mainly relate to a capital contribution to JUG KG (EUR 13,347 thousand) in shares in affiliated companies, the acquisition of the participation in France Billet (EUR 60,602 thousand) and the increase in the capital reserve of autoTicket (EUR 10,000 thousand) in the participations as well as the long-term loan to autoTicket (EUR 12,500 thousand) in the loans to participations.

The disposals of fixed assets of EUR 2,051 thousand (previous year: EUR 6,667 thousand) mainly relate to the sale of shares in the affiliated company CTS Eventim France. In the previous year the disposals 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.

All **trade receivables** are payable within one year.

Receivables from affiliated companies include trade receivables amounting to EUR 10,891 thousand (previous year: EUR 12,137 thousand) and loan receivables of EUR 76,013 thousand (previous year: EUR 65,005 thousand). With an amount of EUR 56,159 thousand (previous year: EUR 1,897 thousand) receivables have a remaining term of more than one year.

Receivables from participations include loan receivables amounting to EUR 2,000 thousand (previous year: EUR 26 thousand). All receivables are due within one year.

Other assets include EUR 1,203 thousand in receivables with a remaining term of between one and five years (previous year: EUR 2,338 thousand).

Prepaid expenses mainly comprise EUR 1,401 thousand prepaid maintenance expenses (previous year: EUR 614) and EUR 136 thousand in prepaid financing expenses (previous year: EUR 221 thousand).

Deferred tax assets result from different balance sheet valuations in the commercial and tax balances for provisions (EUR 294 thousand, previous year: EUR 95 thousand).

SHAREHOLDERS' EQUITY AND LIABILITIES

As at closing date, the company had issued 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.

The company's **contingent capital** as at 31 December 2019 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. As part of the current application of the recognition and measurement regulations, the calculated nominal value of the treasury shares was deducted from the 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 2019 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 2019.

Based on its option right for measuring internally generated intangible assets in accordance with §248 (2) HGB, an amount of EUR 228 thousand (previous year: EUR 373 thousand) is derived which is bared from distribution. Internally generated intangible assets amounting to EUR 337 thousand (previous year: EUR 550 thousand) are capitalised and respective deferred tax liabilities of EUR 109 thousand (previous year: EUR 178 thousand) recorded. As there are sufficient available profit carried forwared compared to the amount bared from distribution, the **payout restriction** according to § 268 (8) HGB does not come into effect.

The reconciliation from net income for the year to retained earnings in accordance with § 158 AktG is as follows:

	2019	**2018**
	[EUR'000]	**[EUR'000]**
Balance sheet profit as at 1 January	229,190	181,955
Net income for the year	132,345	103,870
	361,535	**285,825**
Dividends	-59,515	-56,635
Balance sheet profit as at 31 December	**302,021**	**229,190**

EUR 59,515 thousand was distributed from retained earnings of the previous year of EUR 229,190 thousand and EUR 169,676 thousand was carried forward to the new account.

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 2019, 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 2019, the general partner was authorised to increase the share capital in full or partial amounts, on one or more occasions, by up to EUR 19,200,000 until 7 May 2024, contingent on Supervisory Board approval, by issuing up to 19,200,000 new bearer shares against cash contributions or contributions in kind (approved capital 2019).

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 2019 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.

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 5,749 thousand (previous year: EUR 5,495 thousand) in provisions for personnel expenses, EUR 11,222 thousand for outstanding supplier invoices (previous year: EUR 10,032 thousand), EUR 4,062 thousand for outstanding commission (previous year: EUR 4,083 thousand), EUR 184 thousand for accounting and auditing expenses (previous year: EUR 201 thousand), EUR 184 thousand for Supervisory Board emoluments (previous year: EUR 218 thousand).

Of the **liabilities to affiliated companies**, EUR 4,317 thousand (previous year: EUR 2,899 thousand) relate to trade payables. In addition, liabilities to affiliated companies also include liabilities from the cash pooling introduced with selected subsidiaries of CTS Group in the reporting year (EUR 15,514 thousand).

The residual terms of the liabilities as at 31 December 2019 are shown in the following statement of liabilities:

2019	Carrying amount	Remaining term	
	31.12.2019	≤ 1 year	> 1 year
	[EUR'000]	[EUR'000]	[EUR'000]
Liabilities to banks	60,269	60,269	0
Trade payables	6,232	6,232	0
Payables to affiliated companies	28,258	28,258	0
Other liabilities	305,731	305,731	0
Liabilities, total	**400,490**	**400,490**	**0**

The residual terms of the liabilities as at 31 December 2018 are shown in the following statement of liabilities:

2018	Carrying amount	Remaining term	
	31.12.2018	≤ 1 year	> 1 year
	[EUR'000]	[EUR'000]	[EUR'000]
Liabilities to banks	64,072	15,072	49,000
Trade payables	10,717	10,717	0
Payables to affiliated companies	7,300	7,300	0
Other liabilities	321,596	321,596	0
Liabilities, total	**403,685**	**354,685**	**49,000**

As in the previous year there are no liabilities with a maturity of more than five years.

Other liabilities mainly include liabilities from ticket monies that have not yet been invoiced EUR 274,277 thousand (previous year: EUR 293,998 thousand). These liabilities result primarily from presales for future events and tours. The liabilities from ticket monies that have not yet been invoiced are offset by corresponding bank balances and receivables for outstanding ticket money reported under other assets in the amount of EUR 22,681 thousand (previous year: EUR 28,591 thousand) and factoring receivables of EUR 30,203 thousand (previous year: EUR 26,263 thousand). Other liabilities include EUR 22,650 thousand in liabilities to affiliated companies from ticket monies that have not yet been invoiced (previous year: EUR 44,4555 thousand). Other liabilities include liabilities from taxes in the amount of EUR 6,781 thousand (previous year: EUR 6,809 thousand). As at the balance sheet date no liabilities for social security were recorded, same as last year.

Deferred tax liabilities relate primarily to different accounting policies governing the recognition of intangible assets in the commercial balance sheet and fiscal balance sheet in connection with the chain merger of See Tickets Germany GmbH, Hamburg, and Ticket Online Software GmbH, Hamburg in 2013 (EUR 466 thousand; previous year: EUR 652 thousand) and the recognition of internally generated intangible assets in the reporting year of EUR 109 thousand (previous year: EUR 178 thousand). Furthermore, deferred tax liabilities were recognised for different accounting policies relating to participations in affiliated companies (EUR 78 thousand; previous year: EUR 68 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 surcharge of 5.5% on corporate tax, and a municipal trade tax rate of 16.5%.

3.2 INCOME STATEMENT

Revenue is broken down as follows:

	2019	2018	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Ticket fees	206,895	199,833	7,062
Licence fees	13,862	13,507	356
Other revenues			
Other service charges	12,665	10,047	2,618
Commissions	8,377	6,559	1,818
Recharged services	4,163	3,025	3,642
Others	12,092	10,775	-1,188
	258,053	**243,746**	**14,307**

EUR 22,660 thousand of total revenue was generated in foreign countries (previous year: EUR 21,274 thousand).

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

Material expenses (according to total cost method)	2019	2018	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Cost of purchased merchandise	1,173	1,243	-70
Cost of purchased services	86,145	84,304	1,842
	87,318	**85,547**	**1,771**

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

Personnel expenses (according to total cost method)	2019	2018	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Wages and salaries	29,945	27,410	2,535
Social security contributions and expenses for pension and employee support thereof expenses for pension EUR 0 (2018: EUR 0)	3,447	3,048	399
	33,392	**30,458**	**2,935**

Other operating income included income attributable to other periods, particularly from the reversal of impairments on receivables of EUR 373 thousand (previous year: EUR 722 thousand), the reversal of provisions of EUR 1,159 thousand (previous year: EUR 1,130 thousand), subsequent reimbursements of EUR 12 thousand (previous year: EUR 80 thousand) and the disposal of fixed assets of EUR 5,622 thousand (previous year: EUR 9 thousand).

The income from the disposal of fixed assets mainly results from the sale of shares in affiliated company CTS Eventim France to the associated company France Billet (EUR 5,604 thousand). In the previous year other operating income included a positive effect from the collection of loan receivable of EUR 4,720 thousand relating to the acquisition of shares in a subsidiary.

Other operating expenses include expenses attributable to other periods resulting from follow-up invoices and granted credit notes in the amount of EUR 45 thousand (previous year: EUR 183 thousand) as well as losses from the disposal of fixed assets of EUR 94 thousand (previous year: EUR 2 thousand).

The EUR 43,416 thousand in **income from participations** was entirely generated by affiliated companies (previous year: EUR 23,640 thousand).

The income from loans held as financial assets of EUR 79 thousand (previous year: EUR 0 thousand) arose entirely from loans to participations.

Other interest and similar income includes EUR 624 thousand in income from affiliated companies (previous year: EUR 607 thousand).

The depreciation of financial assets (EUR 1,133 thousand) result from the remeasurement of investments in affiliated companies (previous year: EUR 0 thousand).

Interest and similar expenses include expenses of affiliated companies amounting to EUR 99 thousand (previous year: EUR 13 thousand).

Taxes on income include EUR 22,232 thousand in municipal trade tax (previous year: EUR 21,007 thousand), EUR 20,935 thousand in corporate tax (previous year: EUR 18,937 thousand) and EUR 1,151 thousand (previous year: EUR 1,042 thousand) in solidarity surcharge to corporate tax for financial year 2019. Taxes on income also include foreign withholding tax expense of EUR 136 thousand (previous year: EUR 100 thousand), expenses attributable to other periods for retrospective tax refunds relating to previous years at EUR 53 thousand (previous year: EUR 381 thousand), income for retrospective tax payments for previous years of EUR 780 thousand (previous year: EUR 163 thousand).

In addition, taxes on income also include deferred tax income in the amount of EUR 441 thousand (previous year: EUR 214 thousand).

Other taxes amounting to EUR 5 thousand (previous year: EUR 3 thousand) and relate to vehicle tax expenses as in the previous year.

4. OTHER DISCLOSURES
4.1 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

The company bears liability for bank credit and guarantee facilities granted to subsidiaries, which amount to EUR 8,652 thousand (previous year: EUR 8,550 thousand). As at the closing date, there was a claim for guarantee facilities amounting to EUR 6,277 thousand (previous year: EUR 5,750 thousand). Due to the future positive financial and earnings situation of the subsidiaries it is not expected that any claims will be asserted against CTS KGaA on account of this assumption of liability.

The CTS KGaA 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 13,000 thousand owed to banks by Ticketcorner Holding AG, Rümlang, Switzerland (hereinafter: Ticketcorner Holding AG). The debts owed to banks by Ticketcorner Holding AG amount to CHF 9,866 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.

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 submission of the local commercial annual accounts for the financial year 2019 in the amount of EUR 1,503 thousand. A claim will not be expected due to the capital measures implemented and the positive business plan of Eventim Scandinavia A/S, Copenhagen, Denmark.

CTS KGaA holds 50% of the shares in the operating company for the collection of the German infrastructure charge ‘car toll’, which is accounted for as a paticipation. 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 minimum duration of 12 years, by the Federal Motor Transport Office. At the end of June 2019, the agreement between the Federal Motor Transport Office and the operating company was terminated by the Federal Ministry of Transport and Digital Infrastructure (Bundesministerium für Verkehr und digitale Infrastruktur), effective as at 30 September 2019. The operating company then terminated the syndicated loan agreement for EUR 175,000 thousand. In the course of the settlement of the syndicated loan agreement, a non-acceptance fee was agreed between the parties and paid in December 2019. The operating company’s temporary joint and several liability in connection with the syndicated loan agreement, in respect of amounts owed to the financing banks from or in connection with the syndicated loan agreement in the amount of EUR 175,000 thousand, no longer existed as at the balance sheet date 31 December 2019.

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 Federal Motor Transport Office, in the amount of EUR 300,000 thousand. Due to the current state of proceedings (arbitration proceedings) and the legal assessment, a claim is not expected.

The shareholders each submitted capital commitments of EUR 42,500 thousand to finance the operating company. In the 2019 financial year, the shareholders paid EUR 24,500 thousand (EUR 10,000 thousand each in capital reserves and EUR 14,500 thousand each in shareholder loans) to the operating company.

As at the closing date, other financial obligations relating to short- and medium-term rental, leasing and other contractual agreements amounted to EUR 14,952 thousand (previous year: EUR 6,718 thousand). Of this amount, EUR 3,825 thousand (previous year: EUR 3,345 thousand) is due within one year. Future rental obligations account for EUR 14,263 thousand (previous year: EUR 5,516 thousand), leasing obligations for EUR 396 thousand (previous year: EUR 404 thousand) and other obligations for EUR 292 thousand (previous year: EUR 798 thousand). The other financial obligations amount to EUR 0 thousand and are attributable to affiliated companies (previous year: EUR 5 thousand).

4.2 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised at market value for each single instrument. When the requirements for forming valuation units are met the hedging and underlying transactions are combined in a single valuation unit. The basis for the formed valuation units are micro-hedge-relationship where the risk from the underlying transaction is hedged by each hedging instrument.

In the reporting year, CTS KGaA concluded forward foreign exchange transactions to hedge against budgeted royalties denominated in Swiss francs (CHF). A single valuation unit was formed, in the sense of § 254 HGB, for the share in expected future royalty income. At the balance sheet date, a forward exchange transaction with a fair value of EUR -17 thousand exists from a scheduled valuation unit (previous year: EUR -20 thousand).

The effectiveness of the hedging instruments is assessed prospectively and retrospectively on the basis of the dollar offset method, in which the absolute changes in the value of the hedged item and the hypothetical derivative are compared.

The freezing method is used to account for the valuation units for currency risks. Effective results from the hedging transactions are therefore not recorded until the underlying transaction occurs. Possible negative valuation peaks (ineffectiveness) are valued in accordance with the imparity principle and recognised as provisions for anticipated losses. As of the balance sheet date, no provisions for impending losses had to be recognized.

4.3 TRANSFER OF FINANCIAL ASSETS

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

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 2019, the carrying amount and the fair value of the transferred receivables to the factoring company amounts up to EUR 30,203 thousand (previous year: EUR 25,263 thousand).

4.4 APPROPRIATION OF EARNINGS

In the 2018 financial year, CTS KGaA generated net income for the year (according to HGB) of EUR 103,870 thousand. The Annual Shareholders' Meeting on 8 May 2019 adopted a resolution to distribute EUR 59,515 thousand (EUR 0.62 per eligible share) of the balance sheet profit of EUR 229,190 thousand as at 31 December 2018 to shareholders. The remaining balance sheet profit of EUR 169,676 was carried forward to the new account.

In the 2019 financial year, CTS KGaA generated EUR 132,345 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 66,234 thousand (EUR 0.69 per eligible share) out of the balance sheet profit of EUR 302,021 thousand as at 31 December 2019 and to carry forward the remaining amount to the balance sheet profit.

4.5 LIST OF PARTICIPATIONS

A list of shareholdings is published on the company's website. These disclosures are published on the CTS KGaA website under https://corporate.eventim.de/investor-relations/corporate-governance/.

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 6,331 thousand (previous year: EUR 5,904 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)
- RTL Group, Luxembourg, Luxembourg
- NZZ AG, Zurich, Switzerland
- Comecave GmbH, Dortmund, Germany
- gut.org non-profit limited company, Berlin, Germany (honorary chairman)
- Gilde Buy Out Partners AG, Zurich, Switzerland
- Caseking GmbH, Berlin, Germany

Justinus J.B.M. Spee, Businessman, Badhoevedorp/Netherlands – deputy chairman –
Other supervisory board positions and comparable regulatory bodies:

- EVENTIM Management AG, Hamburg, Germany (deputy chairman)
- Brunel N.V., Amsterdam, Netherlands
- Asito Diensten Groep S.E., Almelo, Netherlands
- Duinrell B.V., Wassenaar, Netherlands
- Panther Media Group, Dubai, United Arab Emirates
- Stichting OLVG, Amsterdam, Netherlands

Prof. Jobst W. Plog, Lawyer, Hamburg/Germany
other supervisory board positions:

- EVENTIM Management AG, Hamburg, Germany

Dr. Juliane Thümmel, Government Director at the Permanent Representation of the Federal Republic of Germany to the European Union, Brussels-St. Gilles/Belgium
Other supervisory board positions:

- EVENTIM Management AG, Hamburg, Germany

The members of the Supervisory Board of CTS KGaA received for the 2019 financial year emoluments totaling EUR 225 thousand as well as reimbursement expenses of EUR 5 thousand (previous year: EUR 4 thousand). As a regular member of the Supervisory Board of CTS KGaA, Dr. Thümmel waived 50% of her Supervisory Board remuneration for 2017 and all subsequent years. Following Dr. Thümmel's declaration of waiver, the remuneration for fiscal year 2018 amounts to EUR 225 thousand. 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, 373 persons were employed by the company during the year (previous year: 345). These were all salaried employees.

4.8 DECLARATION CONCERNING THE CORPORATE GOVERNANCE CODE

On 7 November 2019, 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 on 21 November 2019 said declaration permanently available to shareholders on the CTS KGaA website (https://corporate.eventim.de/en/investor-relations/corporate-governance/).

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.

Massachusetts Financial Services Company, Boston, Massachusetts, USA, has notified us pursuant to § 33 WpHG that its percentage of voting rights in CTS KGaA exceeded the threshold of 3% on 15 April 2019 and amounted to 3.04% (2,920,817 voting rights) at that date and that 3.04% (2,920,817 voting rights) thereof are attributed to it pursuant to §§ 33 and 34 WpHG.

On 28 December 2015, the shares held by Mr. Klaus-Peter Schulenberg in CTS KGaA and EVENTIM Management AG were transferred to KPS Stiftung, Hamburg. Mr. Klaus-Peter Schulenberg’s shareholding in CTS KGaA and EVENTIM Management AG has merely changed from a direct to an indirect shareholding and amounts to 38.8% of the voting rights in the company as at 31 December 2019.

4.10 AUDITOR EXPENSES

Disclosure of the fees paid to the company’s auditor is waived because these details are provided in item 6.12 of the notes to the consolidated financial statements. In the 2019 financial year, fees were paid for the audit and other services.

4.11 EVENTS AFTER THE BALANCE SHEET DATE

The effects of the spread of the COVID 19 ‘Coronavirus’ on the development of ticket volume and on the implementation of events can currently not be assessed.

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, 5 March 2020

CTS Eventim AG & Co. KGaA

represented by:

EVENTIM Management AG, general partner

Klaus-Peter Schulenberg   Volker Bischoff   Alexander Ruoff

9. INDEPENDENT AUDITOR'S REPORT

To CTS Eventim AG & Co. KGaA, Munich

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

OPINIONS

We have audited the annual financial statements of CTS Eventim AG & Co. KGaA, Munich, which comprise the balance sheet as at 31 December 2019, and the income statement for the financial year from 1 January to 31 December 2019, 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 2019. In accordance with German legal requirements, we have not audited the content of those components of the management report specified in the "Other Information" section of our auditor's report.

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 2019, and of its financial performance for the financial year from 1 January to 31 December 2019, 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. Our opinion on the management report does not cover the content of those components of the management report specified in the "Other Information" section of the auditor's report. 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 2019. 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 2019, shares in affiliated companies of TEUR 226,152 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 recognises impairment losses on shares in affiliated companies of TEUR 1,133 in financial year 2019.

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.

OTHER INFORMATION

Management and the supervisory board are responsible for the other information. The other information comprises:

- the separate non-financial report which is referred to in the combined management report and
- the corporate governance statement which is referred to in the combined management report.

The other information also includes the remaining parts of the annual report.

The other information does not include the consolidated financial statements, the management report information audited for content and our auditor's report thereon.

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 audited for content 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 2019. We were engaged by the supervisory board on 26 November 2019. 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, 5 March 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

Schmidt Wirtschaftsprüfer (German Public Auditor)	Müllensiefen Wirtschaftsprüfer (German Public Auditor)

FORWARD-LOOKING STATEMENTS

This Annual Report contains forecasts based on assumptions and estimates by the management of CTS KGaA. These statements based on assumptions and estimates are in the form of forward-looking statements using terms such as believe, assume, expect etc. Even though management believes that these assumptions and estimates are correct, it is possible that actual results in the future may deviate materially from such assumptions and estimates due to a variety of factors. The latter may include changes in the macroeconomic environment, in the statutory and regulatory framework in Germany and the EU, and changes within the industry. CTS KGaA does not provide any guarantee or accept any liability or responsibility for any divergence between future developments and actual results, on the one hand, and the assumptions and estimates expressed in this Annual Report. CTS KGaA has no intention and undertakes no obligation to update forward-looking statements in order to adjust them to actual events or developments occurring after the date of this report.

The German version of the Annual Report takes priority over the English translation in the event of any discrepancies. Both language versions can be downloaded at www.eventim.de.

CONTACT

CTS Eventim AG & Co. KGaA
Contrescarpe 75 A
28195 Bremen
Tel.: +49 (0) 421 / 36 66 - 0
Fax: +49 (0) 421 / 36 66 - 2 90

www.eventim.de
investor@eventim.de

PUBLISHERS' NOTES
PUBLISHED BY:

CTS Eventim AG & Co. KGaA
Contrescarpe 75 A
28195 Bremen
Tel.: +49 (0) 421 / 36 66 - 0
Fax: +49 (0) 421 / 36 66 - 2 90

EDITORIAL OFFICE:

CTS Eventim AG & Co. KGaA

ARTWORK:

deltadesign amsterdam
www.deltadesign-amsterdam.com

CTS EVENTIM AG & CO. KGaA

Annual Report **2019**