ANNUAL REPORT 2016

eventim

KEY GROUP FIGURES

	2016	2015	2014	2013
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
Revenue	829,906	834,227	690,300	628,349
EBITDA	193,589	180,502	155,135	133,876
EBITDA margin	23.3%	21.6%	22.5%	21.3%
EBIT	161,974	150,204	126,909	110,924
EBIT margin	19.5%	18.0%	18.4%	17.7%
Normalised EBITDA	194,451	180,996	156,390	136,262
Normalised EBIT before amortisation from purchase price allocation	174,060	161,741	139,104	123,693
Normalised EBITDA margin	*23.4%*	*21.7%*	*22.7%*	*21.7%*
Normalised EBIT margin before amortisation from purchase price allocation	*21.0%*	*19.4%*	*20.2%*	*19.7%*
Non-recurring items [1]	861	494	1,255	2,387
Amortisation resulting from purchase price allocation	11,225	11,043	10,940	10,383
Earnings before tax (EBT)	155,477	145,357	122,118	104,506
Net income after non-controlling interest	94,561	89,029	77,171	61,142
Cash flow	137,454	127,595	114,937	90,630
	[EUR]	[EUR]	[EUR]	[EUR]
Earnings per share [2], undiluted (= diluted)	0.99	0.93	0.80	0.64
	[Qty.]	[Qty.]	[Qty.]	[Qty.]
Number of employees [3]	2,384	2,215	2,117	1,774
Of which temporary	(427)	(426)	(373)	(269)

[1] Cf. page 32 for non-recurring items for the years 2016 and 2015

[2] Number of shares: 96 million (pro forma on the basis of 96 million shares for the year 2013 after share capital increase using own funds in 2014)

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

CONTENT

1. LETTER TO THE SHAREHOLDERS

Klaus-Peter Schulenberg
Chief Executive Officer

Ladies and Gentlemen,

During the 2016 financial year, the CTS Group continued to successfully push ahead with its international growth strategy. The very successful end-of-year business in the Ticketing segment almost completely compensated for the decline in revenue projected in the Live Entertainment segment after the record year 2015. In Brazil, we have positioned ourselves with the smooth ticketing process for the Olympic Summer Games in the South American future market. In Europe, the CTS Group further expanded its market leadership in 2016 with organic growth and new strategic partnerships. The strong growth trend in ticketing is unbroken

CTS GROUP CONTINUES TO EXPAND

If you take a look at some of the highlights from the past financial year, you will see that our company is in an excellent position and on the right track.

In Switzerland, a new ticketing group with a wide reach is in development as the result of a partnership between the CTS Group company Ticketcorner AG, Rümlang, and Tamedia AG, Zurich, (with its subsidiary Starticket AG, Zollikon). Within the scope of this partnership, Ticketcorner Holding AG, Rümlang, and Tamedia AG, Zurich, will have shareholdings of 75% and 25% respectively in Ticketcorner AG, Rümlang. Ticketcorner AG, Rümlang, and Starticket AG, Zollikon, will appear together on the market and offer their services jointly. The business combination is still subject to approval by the Swiss Federal Competition Commission.

The CTS Group is entering into a cooperation with Denmark's largest media company, Egmont, through which we aim to achieve a leading position in the Scandinavian ticketing market. For this purpose, the Egmont subsidiary Nordisk Film A/S, Copenhagen, merged its ticketing companies with the Swedish activities of the CTS Group. These already well established companies will provide great growth potential in Denmark, Norway and Sweden.

Our company stays on growth course outside of Europe too. We have launched a cooperation with South America's leading music label, Sony Music Entertainment, which means that we now have an optimal platform in South America for harnessing the enormous potential of this market.

The CTS Group continued to expand its extensive network of investments and subsidiaries in the Live Entertainment segment during the reporting period, once again strengthening its European market position. For example, the CTS Group founded ALDA Germany GmbH, Hamburg, together with ALDA Events B.V., Amsterdam – a globally active producer of some of the most popular electronic dance music events. This company, based in Hamburg, will continue to develop the growing genre of Electronic Dance Music (EDM) in Germany.

In the 2016 financial year, the CTS Group also secured a majority stake in FKP SCORPIO Konzertproduktionen GmbH, Hamburg, by increasing its shareholding to 50.2%. This gives us direct access to an outstanding growth platform for established festivals and renowned artists in Europe. This transaction was completed after approval was received from the relevant competition authorities at the beginning of January 2017.

ONLINE SALES CONTINUE UPWARD SUCCESS COURSE

The trend toward E-Commerce in the Ticketing segment remains unchanged. The amount of tickets sold online rose by 23.1% to 43.7 million during the 2016 financial year. Our new subsidiaries contributed to this growth with around 2.8 million tickets. At the same time, revenue in the Ticketing segment increased by 14.1% to EUR 395.1 million during the reporting period. EBITDA grew by 16.9% to EUR 166.4 million.

Our customers appreciate the continuously improving possibilities to buy tickets quickly, securely and conveniently over the internet. Sales via our ticket apps for smartphones and tablets are playing an increasingly important role in this development. We will continue to consistently harness this potential in the future and to improve our systems and services with new innovations. In addition to E-Commerce, more than 20,000 stationary points of sale across Europe also remain a solid pillar in our distribution network.

LIVE ENTERTAINMENT DEVELOPMENT AS EXPECTED

As predicted, business performance in 2016 in the Live Entertainment segment was unable to build upon the record year of 2015 with its extraordinarily high number of major tours. As expected, due to a lower number of major events, revenue fell by 11.3% to EUR 439.2 million and EBITDA dropped by 28.7% to EUR 27.2 million.

The demand for live events remains high. This was proven not least by Waldbühne Berlin's successful season with 330,000 visitors and ten sold-out events with top acts such as Paul McCartney, Sting, Neil Young, Iron Maiden, Black Sabbath, Rammstein and many more. Waldbühne Berlin, Europe's most beautiful open-air stage, is part of our portfolio of unique venues.

We will now expand this portfolio once more with our takeover of the legendary K.B. Hallen in Copenhagen. The CTS Group will operate this multi-purpose arena, which was destroyed by a major fire in 2011, as part of our existing collaboration with the Danish Nordisk Film A/S, Copenhagen, after its planned reopening in 2018. In future, concerts, trade fairs, sports tournaments, conferences and many other events will be held where such artists and personalities as the Beatles, the Rolling Stones and Winston Churchill once took the stage.

The CTS Group has developed impressively since the IPO in 2000. Live music and other live entertainment are gaining importance for us all. The signs of further development are thus extremely positive. As a result of this positive development, a continuous dividend payment has been established since 2006. Therefore, 50% of the consolidated net income was distributed as a dividend to CTS EVENTIM shareholders. This dividend policy, with a distribution rate of 50% of consolidated net income, shall remain in the future. In addition corporate management and the Supervisory Board of CTS EVENTIM AG & Co. KGaA decided to propose a special dividend of EUR 0.48 to the Annual Shareholders' Meeting in May 2017 for the past financial year 2016 in addition to the basic dividend of EUR 0.50. This special dividend not only reflects the very successful financial year 2016, but also the sustainable positive development of CTS EVENTIM AG & Co. KGaA over several years.

The CTS Group will continue to focus on growth in the current financial year. The continuous further development of our own platform over with as versatile content as possible and maximum reach remain the focus of our business activities. The goal of providing the best possible performance portfolio to its customers at any time is unconditionally pursued by the CTS Group through the development of innovative products and services as well as extensive data analyses.

On the road to further growth, I would like to thank our employees, who form the foundation of our long-term success. With their creative ideas and their unique commitment, I am sure that we will be able to continue the success story of the CTS Group in the future.

Yours sincerely,

Klaus-Peter Schulenberg
Chief Executive Officer

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

Dr. Bernd Kundrun
Chairman

2. REPORT BY THE SUPERVISORY BOARD

REPORT BY THE SUPERVISORY BOARD OF CTS EVENTIM AG & CO. KGaA (HEREINAFTER: CTS KGaA) ON THE ANNUAL FINANCIAL STATEMENTS, THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT FOR THE COMPANY AND THE GROUP AS A WHOLE FOR THE FINANCIAL YEAR FROM 1 JANUARY 2016 TO 31 DECEMBER 2016.

I. Prof. Jobst W. Plog (Hamburg) and Dr. Bernd Kundrun (Hamburg) were continuously members of the Supervisory Board of the company during the reporting period. Mr. Edmund Hug (Oberstenfeld) was a member of the Supervisory Board from 1 January to 9 May 2016, and Dr. Juliane Thümmel (St. Gilles) from 9 May 2016. Mr. Hug acted as Chairman until 9 May 2016, followed by Dr. Kundrun. Prof. Plog was elected as Deputy Chairman. No committees were formed.

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

The Supervisory Board was kept informed by corporate management not only at Supervisory Board meetings, but also outside of such meetings, such as in the case of transactions of special importance or urgency. In the reporting year, the Supervisory Board met on 17 March 2016 ('financial statements meeting'), on 8 May 2016, on 9 May 2016 (constitutive meeting after new election), on 29 August 2016 and on 15 November 2016. Corporate management also took part in these meetings and had an opportunity to comment on transactions of importance for the company. At the meeting on 9 May 2016, Dr. Kundrun was elected as Chairman of the Supervisory Board, and Prof. Plog became his deputy.

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

III. At the company's Annual Shareholders' Meeting held in Bremen, Germany, on 9 May 2016, Pricewaterhouse-Coopers AG Wirtschaftsprüfungsgesellschaft, Osnabrück, Germany, was chosen to audit the annual financial statements as at 31 December 2016 and the consolidated financial statements as at 31 December 2016. The audit mandate was duly granted by the Chairman of the Supervisory Board Chairman on behalf of all Supervisory Board members.

The 2016 annual financial statements, the 2016 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 17 March 2017, corporate management and the Supervisory board discussed in detail the annual financial statements and the consolidated financial statements for 2016 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 2016 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 2016 in accordance with § 312 German Stock Corporation Act (AktG). The report states that, judging from the circumstances known at the time legal transactions requiring disclosure were conducted, the company received adequate consideration in each case and that measures requiring disclosure were neither effected nor waived at the behest or in the interest of affiliated companies within the meaning of § 312 AktG in the 2016 financial year.

The auditing firm provided the following unqualified audit opinion regarding the findings obtained during its audit of the report on dependencies:

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

(1) the disclosures of fact made in the report are true and correct,
(2) the performance rendered by the company in connection with the legal transactions detailed in the report was not unreasonably high.'

The Supervisory Board has likewise examined the dependency report and concurs with the audit findings. According to the conclusive findings of the Supervisory Board's examinations, no objections are raised against the final declaration by the general partner contained in said report.

V. 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 15 November 2016, the Supervisory Board and the general partner issued their most recently updated joint declaration of compliance with the German Corporate Governance Code, in accordance with § 161 AktG. This declaration was published on the company website at www.eventim.de.

The Supervisory Board would like to thank the corporate management and all of the company's employees for their work in the 2016 financial year.

17 March 2017

Dr. Bernd Kundrun
Chairman

Prof. Jobst W. Plog
Vice-Chairman

Dr. Juliane Thümmel

3. CTS EVENTIM SHARES

Despite positive macroeconomic factors, solid overall economic growth, an improved labour market situation in Europe and the ongoing expansionary policy of the European Central Bank (hereinafter: ECB) and the Federal Reserve Bank (hereinafter: FED), stock markets were characterised by political developments in 2016. As a result of ongoing political challenges related to the influx of refugees from the Middle East and North Africa, the 'Brexit vote' in the UK and the outcome of the presidential elections in the US, European stock markets remained extremely volatile throughout the year. The ongoing debate regarding the relevance of various financial institutions to the banking system and the related sustainability of their equity base also kept stock markets in suspense.

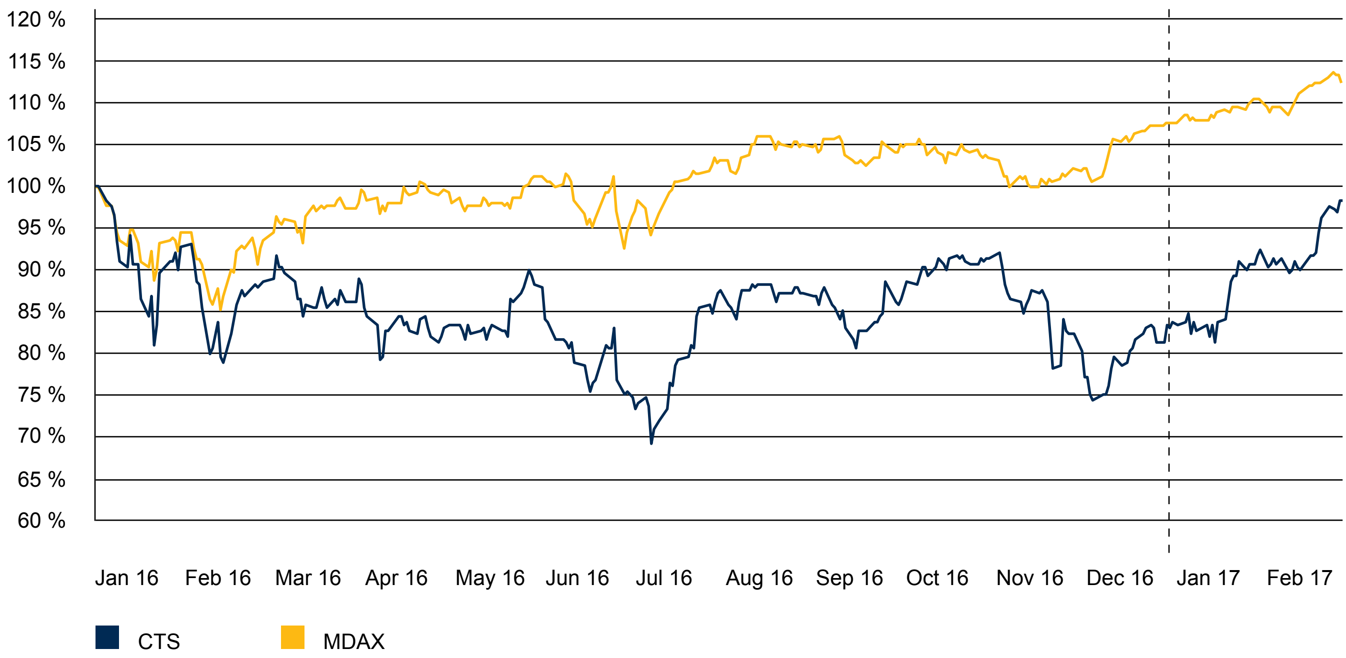
As a growth value, the CTS EVENTIM AG & Co. KGaA (hereinafter: CTS KGaA) share was not able to evade the volatility on the market. The general correction in growth companies also hit the shares of CTS EVENTIM in 2016. As a result, the shares underperformed the MDAX. While the MDAX gained almost 7% in 2016, CTS EVENTIM shares were trading 17% below the levels seen at the beginning of the year as of the reporting date. However, this short-term view does not affect the value of the stock as a medium to long-term investment with a performance that clearly exceeds the MDAX.

Although the performance of CTS EVENTIM shares were marked by 'political stock markets' in 2016, the share's medium- to long-term performance nonetheless reflects the constant growth of CTS KGaA. CTS KGaA's sustainable development is also evident in the company's dividend policy, with this year's dividend representing the twelfth dividend payment in a row.

The CTS EVENTIM share continues to attract the attention of various analysts who cover the stock on an ongoing basis. During the course of 2016, the analysts of Baader Bank, Equinet and Kepler Cheuvreux initiated coverage of the CTS EVENTIM stock and have all rated it a Buy. Berenberg Bank, Commerzbank, DZ Bank and Oddo Seydler also continue to rate the CTS EVENTIM stock a Buy. Bankhaus Lampe, Deutsche Bank, M.M. Warburg and Nord LB recommend holding CTS EVENTIM shares.

In financial year 2016, CTS KGaA was represented at a number of different national and international investor conferences, road shows and one-on-ones. Its excellent relations with various capital market players and transparent capital market communications form an integral part of CTS EVENTIM's corporate philosophy. The objective of CTS EVENTIM's communications strategy remains focused on enhancing the level of awareness of CTS EVENTIM shares on German and international capital markets.

THE CTS SHARE PRICE (1 JANUARY 2016 TO 24 FEBRUARY 2016 – INDEXED)



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

	2016 EUR	2015 EUR
Earnings per share	0.99	0.93
Cash flow	137,454,310	127,595,187
High (Xetra)	36.03	37.32
Low (Xetra)	26.25	22.93
Year-end-price (Xetra)	29.95	36.74
Market capitalisation (based on year-end-price)	2,875,200,000	3,527,040,000
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 has always complied with nationally and internationally accepted standards of good and responsible enterprise management. For us, Corporate Governance is a fundamental standard applying to all areas of the company. External directorships held by corporate management and Supervisory Board members are shown under section 7.13 and 7.14 in the notes to the consolidated financial statements. Related party disclosures are made under section 7.11 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 have on 15. November 2016 made the following declaration of compliance:

'Since submitting the last declaration of compliance, CTS Eventim AG & Co. KGaA has complied, and complies currently and going forward, with the recommendations of the Government Commission on the German Corporate Governance Code (GCGC) in the version published on 12. June 2015 in the electronic Bundesanzeiger with the exception of the following recommendations:

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

No Supervisory Board committees are formed because the Board consists of only three 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 concrete objectives regarding its composition (GCGC 5.4.1). A regular limit of the length of membership for the members of the Supervisory Board (GCGC 5.4.1) has not been specified, since the company believes personnel continuity has proved its worth and regular replacement would negatively impact efficiency.

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

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

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

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

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

As at the closing date for the annual financial statements, 31 December 2016, members of the corporate management and Supervisory Board of CTS KGaA held the following quantities of no-par value bearer shares in the company (ISIN DE0005470306):

	Number of shares [Qty.]	Share [in %]
Members of the corporate management:		
Klaus-Peter Schulenberg (Chief Executive Officer) / KPS Stiftung*	48,194,000	50.202
Volker Bischoff	0	0.000
Alexander Ruoff	8,000	0.008
Members of the Supervisory Board:		
Edmund Hug (Chairman; until 9 May 2016)	21,300	0.022
Dr. Bernd Kundrun (Chairman; since 9 May 2016)	14,600	0.015
Prof. Jobst W. Plog	3,900	0.004
Dr. Juliane Thümmel (since 9 May 2016)	4,004	0.004

* Mr. Klaus-Peter Schulenberg has an indirect holding in CTS KGaA via KPS Stiftung. 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. According to the current administrative practice of the German Federal Financial Supervisory Authority (hereinafter: BaFin), there is no reporting obligation pursuant to §15a of the German Securities Trading Act (WpHG) (Directors' Dealings), as the given transfer involves an endowment, or a transfer of shares without any consideration. BaFin has also provided KPS Stiftung with an exemption according to §37 of the German Securities Acquisition and Takeover Act (WpÜG) from submitting a mandatory takeover offer according to §35 WpÜG, as Klaus-Peter Schulenberg's holdings in CTS KGaA and EVENTIM Management AG are only being converted from a direct into an indirect holding.

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

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

Name	Position	Transaction	Date	Number of shares
Edmund Hug	Member of Supervisory Board; until 9 May 2016	Purchase	22.01.2016	2,000

4.4 NOTES TO THE COMPENSATION SYSTEM OF THE CORPORATE MANGEMENT AND THE SUPERVISORY BOARD (PART OF COMBINED MANAGEMENT REPORT)

The total amount of compensation paid to members of the corporate management is disclosed annually in the notes to the annual financial statements of the company, and amounted in the 2016 business year to EUR 5.101 million (previous year: EUR 5.056 million). Compensation consists of fixed annual emoluments and a variable, performance-based payment. The agreed criteria for granting the variable component, and for the amount paid, are among others revenue and earnings key figures, which are provided with multi-year bonus and malus incentives. Clearly defined, auditable and relevant success criteria are applicable that are continuously monitored by the Supervisory Board. The members of the corporate management also receive payments in kind, specifically in the form of an appropriate company car.

Stock options or similar components of compensation have not been contractually agreed and are not granted to the corporate management, so no disclosures in this regard need be made. There are no contractual commitments regarding payments when Board membership ends. The amounts of compensation paid to the individual members of the corporate management and which must be disclosed by law are shown in the following table.

Compensation (in EUR) paid to corporate management:

	Klaus-Peter Schulenberg | CEO			
Granted Benefits / Allocations*	**2015**	**2016**	**2016 (Min)**	**2016 (Max)**
Fixed salary	2,500,000	2,500,000		
Ancillary benefits	12,323	12,632		
Total	**2,512,323**	**2,512,632**		
One-year variable cash remuneration	600,000	600,000	0	600,000
Multi-year variable cash remuneration	150,000	150,000	0	150,000
Total	**750,000**	**750,000**	**0**	**750,000**
Service costs	0	0	0	0
Total remuneration	**3,262,323**	**3,262,632**	**0**	**750,000**

	Alexander Ruoff | COO			
Granted Benefits / Allocations*	**2015**	**2016**	**2016 (Min)**	**2016 (Max)**
Fixed salary	600,000	600,000		
Ancillary benefits	18,231	18,426		
Total	**618,231**	**618,426**		
One-year variable cash remuneration	240,000	240,000	0	240,000
Multi-year variable cash remuneration	60,000	60,000	0	60,000
Total	**300,000**	**300,000**	**0**	**300,000**
Service costs	0	0	0	0
Total remuneration	**918,231**	**918,426**	**0**	**300,000**

Granted Benefits / Allocations*	Volker Bischoff | CFO 2015	2016	2016 (Min)	2016 (Max)
Fixed salary	600,000	600,000		
Ancillary benefits	19,999	20,195		
Total	**619,999**	**620,195**		
One-year variable cash remuneration	204,000	240,000	0	240,000
Multi-year variable cash remuneration	51,000	60,000	0	60,000
Total	**255,000**	**300,000**	**0**	**300,000**
Service costs	0	0	0	0
Total remuneration	**874,999**	**920,195**	**0**	**300,000**

* The final variable remunerations which are to be paid out are fixed at the time of the preparation of the compensation report.

The compensation paid to members of the corporate management include EUR 1.350 million (previous year: EUR 1.305 million) in variable components and EUR 3.751 million (previous year: EUR 3.751 million) in fixed components. Ancillary benefits include, inter alia, company cars.

The members of the Supervisory Board of CTS KGaA received emoluments totalling EUR 100 thousand (previous year: EUR 100 thousand) as well as reimbursed expenses of EUR 6 thousand (previous year: EUR 3 thousand) for the 2016 financial year. The remuneration is fixed and splits up as follows: Mr. Hug EUR 17 thousand (previous year: EUR 50 thousand), Dr. Kundrun EUR 42 thousand (previous year: EUR 25 thousand), Mr. Plog EUR 25 thousand (previous year: EUR 25 thousand) and Dr. Thümmel EUR 17 thousand. The compensation for expenses is as follows: Mr. Hug EUR 1 thousand (previous year: EUR 0 thousand), Dr. Kundrun EUR 1 thousand (previous year: EUR 0 thousand), Mr. Plog EUR 2 thousand (previous year: EUR 3 thousand) and Dr. Thümmel TEUR 1.

4.5 WORKING METHODS OF THE CORPORATE MANAGEMENT AND SUPERVISORY BOARD

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

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

5. COMBINED MANAGEMENT REPORT

1. PRELIMINARY STATEMENTS

In addition to the annual financial statements for CTS EVENTIM AG & Co. KGaA, Munich (hereinafter: CTS KGaA) in accordance with the accounting legislation in the German Commercial Code (Handelsgesetzbuch – HGB), the corporate management has also prepared consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), complying thereby with all IFRSs and with interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as applicable in the European Union (EU) on the balance sheet date. The annual financial statements of CTS KGaA for the 2016 financial year were drawn up in accordance with the accounting regulations of the German Commercial Code (Handelsgesetzbuch) for large corporations, as amended by the Accounting Directive Implementation Act ('BilRUG') and the supplementary provisions of the German Stock Corporation Act (Aktiengesetz). The first-time application of BilRUG resulted in changes in the income statement in fiscal year 2016 in connection with the redefinition of revenue (§277 para. 1 HGB nF). These relate in particular to revenue and other operating income as well as the corresponding expenses. In this respect, the corresponding previous year figures are not comparable. If the prior-year figures are not comparable, they are explained in the notes. Except of the amendments to the BilRUG, the accounting and valuation methods are unchanged compared to the previous year.

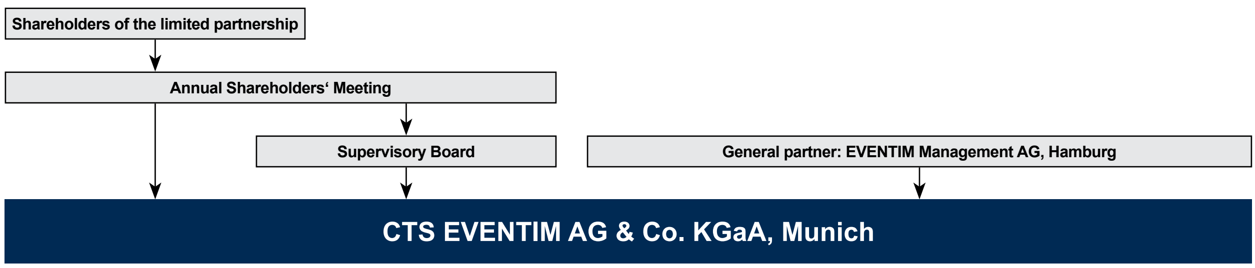
The management report of CTS KGaA and the Group management report have been combined. Unless stated otherwise, the information contained in this combined management report relates to the financial situation and business development of the Group and CTS KGaA. In addition, information on the financial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

The accounting policies and consolidation methods are the same as those applied in the consolidated financial statements as at 31 December 2015. The comparative figures in the income statement and the balance sheet relate to the consolidated financial statements as at 31 December 2015.

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

2. EXPLANATION OF CORPORATE AND ORGANISATIONAL STRUCTURE OF CTS KGaA

The organisational structure of CTS KGaA is as follows:



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

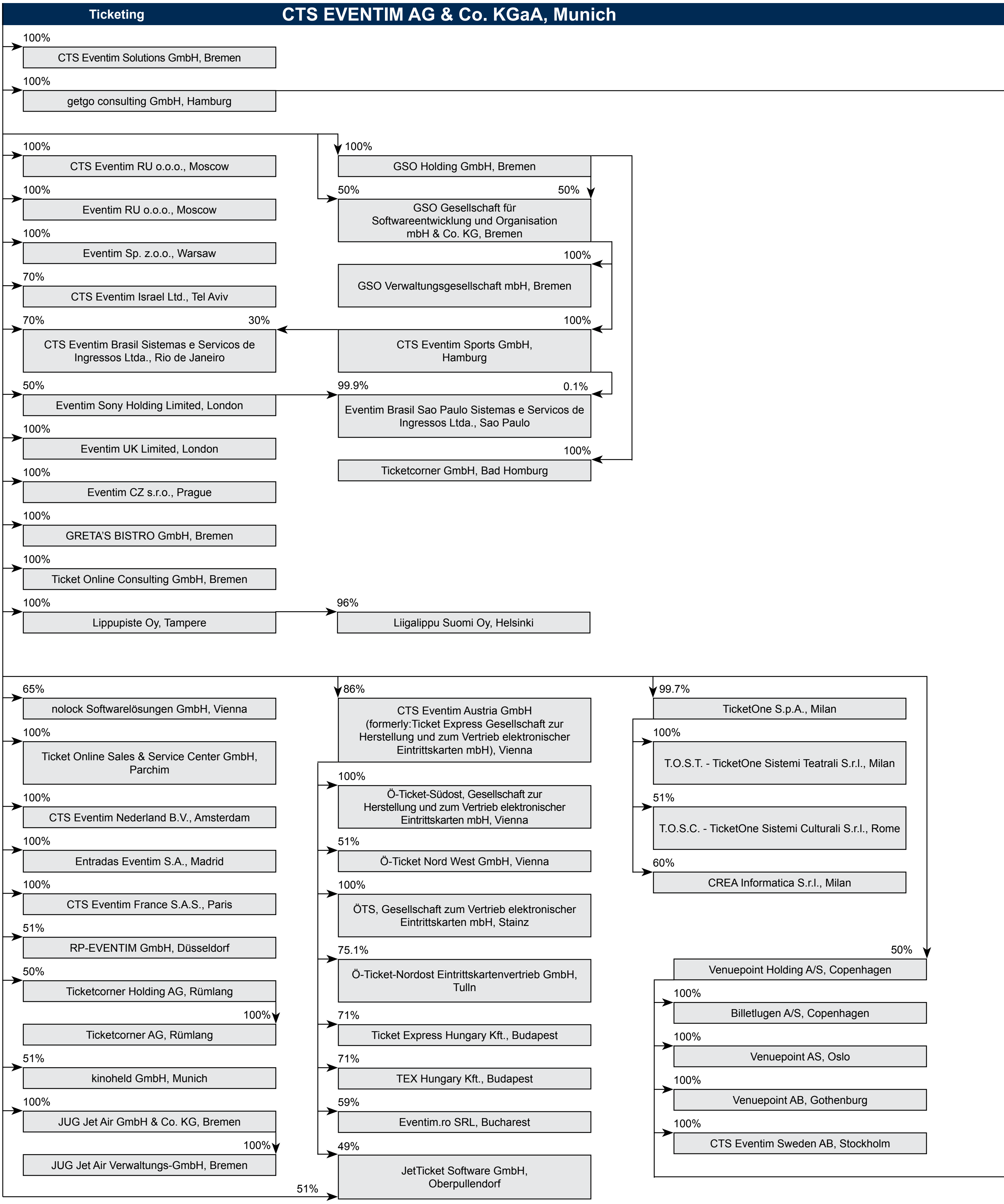
In addition to managing its own operating business, the most important tasks of CTS KGaA as the parent company include corporate strategy, risk management and in some respects the financial management of the CTS Group.

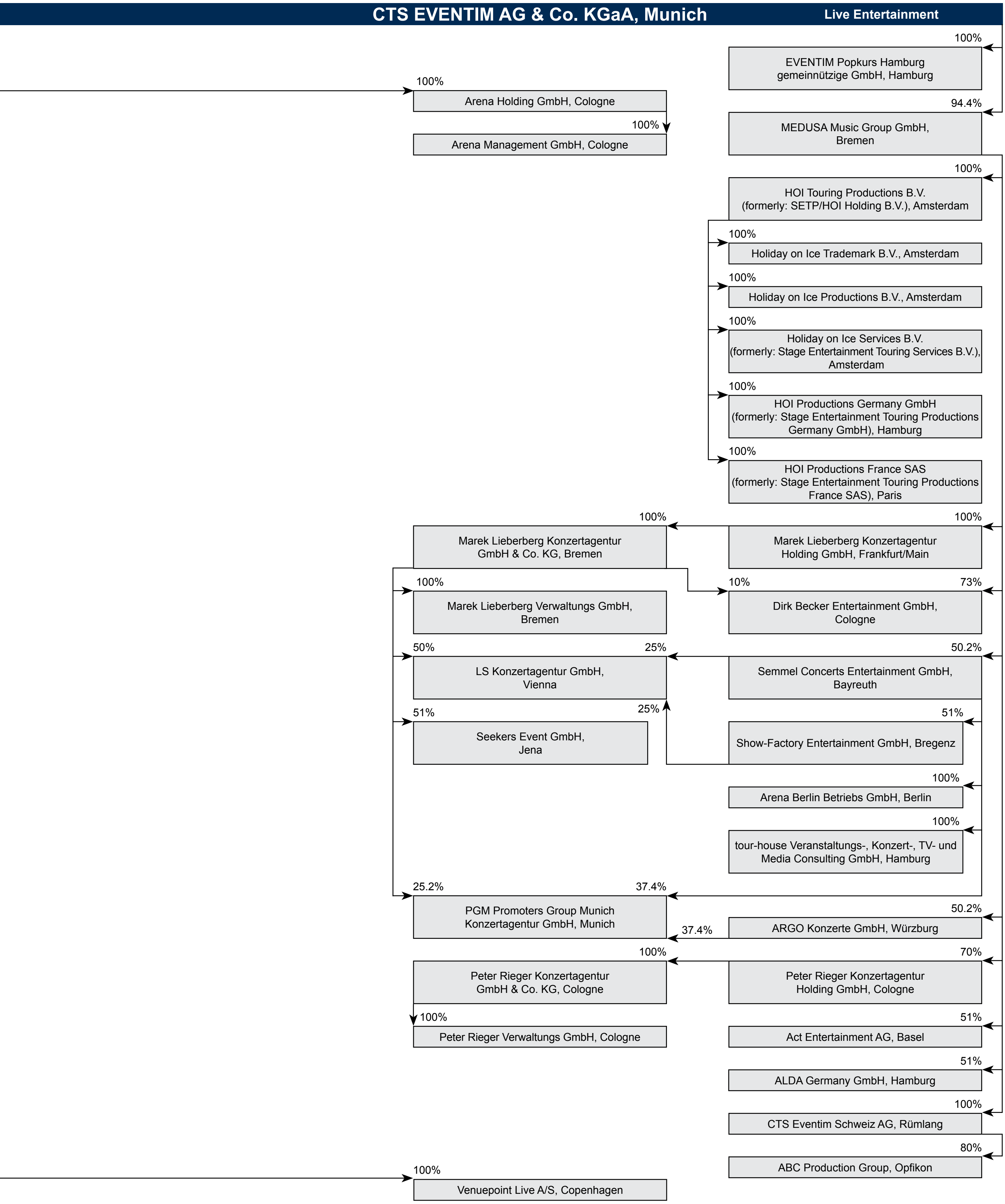
According to the articles of association, CTS KGaA as the parent company has its registered office in Munich; the administrative head office is located in Bremen.

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

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

The following overview includes all companies included in the consolidated financial statements by means of full consolidation as at 31 December 2016:




CTS EVENTIM AG & Co. KGaA, Munich
Live Entertainment
100%
EVENTIM Popkurs Hamburg gemeinnützige GmbH, Hamburg
100%
Arena Holding GmbH, Cologne
94.4%
100%
Arena Management GmbH, Cologne
MEDUSA Music Group GmbH, Bremen
100%
HOI Touring Productions B.V. (formerly: SETP/HOI Holding B.V.), Amsterdam
100%
Holiday on Ice Trademark B.V., Amsterdam
100%
Holiday on Ice Productions B.V., Amsterdam
100%
Holiday on Ice Services B.V. (formerly: Stage Entertainment Touring Services B.V.), Amsterdam
100%
HOI Productions Germany GmbH (formerly: Stage Entertainment Touring Productions Germany GmbH), Hamburg
100%
HOI Productions France SAS (formerly: Stage Entertainment Touring Productions France SAS), Paris
100%
100%
Marek Lieberberg Konzertagentur GmbH & Co. KG, Bremen
Marek Lieberberg Konzertagentur Holding GmbH, Frankfurt/Main
100%
10%
73%
Marek Lieberberg Verwaltungs GmbH, Bremen
Dirk Becker Entertainment GmbH, Cologne
50%
25%
50.2%
LS Konzertagentur GmbH, Vienna
Semmel Concerts Entertainment GmbH, Bayreuth
51%
25%
51%
Seekers Event GmbH, Jena
Show-Factory Entertainment GmbH, Bregenz
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
50.2%
37.4%
ARGO Konzerte GmbH, Würzburg
100%
70%
Peter Rieger Konzertagentur GmbH & Co. KG, Cologne
Peter Rieger Konzertagentur Holding GmbH, Cologne
100%
51%
Peter Rieger Verwaltungs GmbH, Cologne
Act Entertainment AG, Basel
51%
ALDA Germany GmbH, Hamburg
100%
CTS Eventim Schweiz AG, Rümlang
80%
100%
ABC Production Group, Opfikon
Venuepoint Live A/S, Copenhagen

CHANGES TO THE GROUP STRUCTURE

In the 2016 reporting period, the following changes in the structure of the Group occurred:

TICKETING

At the beginning of March 2016, the CTS KGaA acquired 100% of the shares in the shelf company Eventim Sony Holding Ltd., London, at its nominal value. In April 2016 CTS KGaA and Sony Music Entertainment Inc., Delaware, USA, have entered into a cooperation to provide ticketing services. As part of the cooperation Sony Music Entertainment Inc., Delaware, USA, and CTS KGaA each hold 50% of the shares in Eventim Sony Holding Ltd., London. CTS KGaA secured over substantive rights the controlling interest in this cooperation. Via the Eventim Sony Holding Ltd., London, and its operating subsidiary Eventim Brasil Sao Paulo Sistemas e Servicos de Ingressos Ltda., Sao Paulo, (hereinafter: Eventim Brasil Sao Paulo) the business operations started in April. Eventim Sony Holding Ltd., London, holds 99.9% of shares in the newly founded Eventim Brasil Sao Paulo. The remaining 0.1% stake in Eventim Brasil Sao Paulo is held by CTS Eventim Sports GmbH, Hamburg. The Eventim Brasil Sao Paulo provides ticketing services in the brasilian market.

The transaction agreement with Nordisk Film A/S, Copenhagen, Denmark, which belongs to the Danish Egmont Group, was executed on 5 April 2016. The agreement concerns the formation of a holding company in Denmark (hereinafter: Venuepoint Holding), which is used in the future to provide via its subsidiaries jointly ticketing services in Scandinavia and take a leading market position in Denmark, Sweden and Norway. CTS KGaA acquired with a 50% share of voting rights the controlling influence through substantive rights in Venuepoint Holding. As part of the transaction, CTS KGaA paid EUR 4.255 million as purchase price and also transferred 100% of shares in CTS Eventim Sweden AB, Stockholm, (hereinafter: Eventim Sweden) to Venuepoint Holding at a fair value of EUR 1.800 million. In return, Nordisk Film A/S, Copenhagen, transferred 100% of the shares in its subsidiaries to Venuepoint Holding. The entire consideration transferred of CTS KGaA for the acquisition of control over the group of companies amounts to EUR 9.794 million.

On 1 July 2016, Lippupiste Oy, Helsinki (hereinafter: Lippupiste), acquired further 52% of the shares in Liigalippu Suomi Oy, Helsinki (hereinafter: Liigalippu), hitherto accounted for at equity, for a purchase price of EUR 575 thousand. Liigalippu is therefore fully consolidated. Lippupiste thus holds 96% of the shares.

With the entry in the commercial register on 2 September 2016, Ticket Express Gesellschaft zur Herstellung und zum Vertrieb elektronischer Eintrittskarten mbH, Vienna, was renamed in CTS Eventim Austria GmbH (hereinafter: Eventim Austria), Vienna.

On 24 October 2016, CTS KGaA holds 51% of the shares and Eventim Austria holds indirectly 42.14% of the shares at JetTicket Software GmbH, Oberpollendorf, Austria (hereinafter: JetTicket) at a total purchase price of EUR 3.438 million. JetTicket sells ticketing solutions for the areas of culture and sport, in the countries Austria, Switzerland and Germany.

On 22 December 2016, Eventim Austria acquired the remaining shares of 22.5% in ÖTS, Gesellschaft zum Vertrieb elektronischer Eintrittskarten mbH, Stainz, Austria, at a purchase price of EUR 752 thousand.

LIVE ENTERTAINMENT

With entry in the commercial register on 24 March 2016, Production Service Switzerland AG, Zofingen, Switzerland, was founded. Act Entertainment AG, Basel, Switzerland, holds 40% of the shares in the company accounted for at equity. The company provides services for all kinds of events, in particular planning, organisation and implementation tasks, project management as well as consulting activities.

CTS Eventim Schweiz AG, Rümlang, incorporated on 12 April 2016 ALL IN ONE Communication AG, Opfikon, Switzerland and owns 80% of shares in the company. The incorporation became effective with the entry in the commercial register on 11 May 2016. Purpose of the company is to consult and render services relating to advertising, communications and media work, particularly in connection with the marketing of shows, events and similar occasions as advertising and public relations.

In June 2016 Venuepoint Holding acquired 100% of the shares in Venuepoint Live A/S, Copenhagen, at a purchase price of EUR 56 thousand. The company will be the operating company for the venue K.B. Hallen in Copenhagen.

In June 2016, Semmel Concerts Entertainment GmbH, Bayreuth, purchased 33.3% of the shares in PAN Veranstaltungslogistik und Kulturgastronomie GmbH, Dresden, accounted for at equity, for a purchase price of EUR 500 thousand. The object of the company is to design, implement, consult and lease hardware and technology for events as well as the catering and the organization of cultural events.

MEDUSA Music Group GmbH, Bremen, (hereinafter: MEDUSA) was granted approval by the Federal Cartel Office (Bundeskartellamt) on 8 July 2016 for its acquisition of the residual 50% stake in HOI Touring Productions B.V. (formerly: SETP/HOI Holding B.V.), Amsterdam and its subsidiaries (hereinafter: HOI). The purchase price amounts up to EUR 1.00 and MEDUSA now holds 100% of the shares in the company that was accounted for at equity, hitherto. Now the CTS Group holds indirectly 94.4% of the shares. Prior to the acquisition, loan receivables from the former shareholders to HOI were transferred to MEDUSA in the amount of EUR 2.500 million. Since 1943, Holiday on Ice is one of the world's most established show and entertainment companies and has made a name for itself all over the world with its spectacular ice shows.

With the entry in the commercial register on 28 July 2016 Stage Entertainment Touring Services B.V., Amsterdam, was renamed in Holiday on Ice Services B.V., Amsterdam.

With the entry in the commercial register on 24 August 2016 Stage Entertainment Touring Productions France SAS, Paris, was renamed in HOI Productions France SAS, Paris.

With the entry in the commercial register on 9 September 2016, Stage Entertainment Touring Productions Germany GmbH, Hamburg, was renamed in HOI Productions Germany GmbH, Hamburg.

MEDUSA and ALDA Events B.V., Amsterdam (hereinafter: ALDA Events Amsterdam), a globally active producer of electronic dance music events (EDM), entered into a cooperation on 24 October 2016. ALDA Events Amsterdam is a global producer, concept developer and promoter of EDM and DJ concepts. ALDA Events Amsterdam was founded in 2007 by David Lewis and Allan Hardenberg. The ALDA portfolio includes world tours of top international DJs such as Hardwell and Armin van Buuren. ALDA Events Amsterdam also organises popular events such as 'A Day at the Park', 'Electronic Family', 'A State of Trance', 'The Flying Dutch' and AMF, the biggest festival of the Amsterdam Dance Event. The focus of the cooperation is to promote EDM events and DJs on the German market, where ALDA Events Amsterdam has not yet been operating. MEDUSA (51%) and ALDA Events Amsterdam (49%) are the shareholders in the new company formed, i.e. ALDA Germany GmbH, which is seated in Hamburg (hereinafter: ALDA) and will operate under the ALDA brand.

With effect from 1 October 2016, tour-house Veranstaltungs-, Konzert-, TV- and Media-Consulting GmbH, Hamburg, was included in the group of consolidated companies for the first time as the scope of business operations increased during the reporting period. Semmel Concerts Entertainment GmbH, Bayreuth, holds 100% of the shares in the company.

With the entry in the commercial register on 12 December 2016, SETP/HOI Holding B.V., Amsterdam, was renamed in HOI Touring Productions B.V., Amsterdam.

3.1.2 BUSINESS AREAS

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

The CTS Group is the European market leader in ticketing and as a promoter of live music events the market leader for live entertainment in Continental Europe. Worldwide, the Group ranks second in ticketing and third in live entertainment. With one of the most sophisticated ticketing platforms in existence and a complex, extensive distribution network, the Group enables music promoters to sell tickets through a high-performance system. On the basis of these CTS EVENTIM systems, ticket buyers are provided with permanently accessible internet portals where tickets for different events can be purchased online.

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

The objects of the Ticketing segment are to produce, sell, broker, distribute and market tickets for concert, theatre, art, sports and other events in Germany and abroad, using state-of-the-art data processing and data transmission technologies. The events (tickets) are professionally marketed through its leading network platform (eventim.net), its inhouse ticketing product (eventim.inhouse) and the sports ticketing product (eventim.tixx). 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.

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 and Twitter

The events for which tickets are sold using proprietary CTS EVENTIM ticket-software range from concerts of classical music, through rock and pop, plays, festivals, fairs and exhibitions to sports events, especially football. As the leading ticket supplier, the CTS Group is superbly positioned in the market. That position in the ticketing market has been further reinforced and extended by a broad distribution system featuring a full-coverage network of box offices, sales via call centres and Internet ticket shops. In addition to ongoing ticket sales, the CTS Group is also the ticketing partner for national and international major sports events.

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

3.1.3 KEY REGIONS

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

In the Live Entertainment segment, the Group operates in German-speaking countries (Germany, Austria and Switzerland) and in Great Britain through the joint venture Hammersmith Apollo Ltd. (hereinafter: HAL Apollo joint venture), as well as in the Netherlands through Holiday on Ice Group. FKP SCORPIO Konzertproduktionen GmbH, Hamburg, which is recognised at equity, is also represented in Sweden, Denmark and Finland through its subsidiaries (hereinafter: FKP SCORPIO subgroup).

3.1.4 SUSTAINABILITY INFORMATION

Sustainability is becoming an integral component of management models. Within the context of the gradual implementation of future sustainability standards, the Management resolved at the end of 2015 to introduce an energy management system according to DIN IS050001 in compliance with EU standards. In this context, an energy policy aimed at developing and implementing measures in the area of energy efficiency was established. In the course of a managed process, innovative solutions are to be developed and implemented that comply with the relevant and applicable principles of energy management systems and take into account the principle of efficiency. The management system was implemented in the fourth quarter of 2016 and successfully certified.

By implementing an energy management system, a solid foundation has been laid for the reasonable management and reporting of non-financial aspects also aimed at generating additional value-adding opportunities.

The management aspects derived and developed herefrom will be integrated systematically into the CSR reporting process starting in the 2017 financial year.

3.1.5 BASIC FEATURES OF THE COMPENSATION SYSTEM

Compensation and benefits for members of the corporate management comprise various components, specifically the performance-based fixed salary and ancillary benefits in the form of payments in kind and a performance-based bonus with a long-term component. The fixed salary and ancillary benefits are paid monthly. Ancillary benefits must be taxed as income by the individual member of the corporate management.

The bonuses paid to each individual member are decided upon by the Supervisory Board on the basis of performance criteria. There are no contractual commitments regarding payments when Board membership ends.

No loans are granted to corporate management members or their relatives. Reference is made to item 7.13 in the notes to the consolidated financial statements and to section 4.4 in the Corporate Governance report regarding details of individual compensation packages.

For the 2016 financial year, the members of the Supervisory Board of CTS KGaA received emoluments totalling EUR 100 thousand, as well as reimbursed expenses of EUR 6 thousand. With regard to the details of remuneration in individualised form, please refer to section 4.4 in the Corporate Governance Report.

3.1.6 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, in doing so, puts market partners at a disadvantage, as well as the content of specific regional cooperation agreements. All requests for information issued by the Cartel Office in this regard were answered in a complete and timely manner by the company. In Germany a request for information is currently in ongoing process. The company is currently responding to a request for information in Germany. In addition, consumer protection proceedings in Germany and an administrative proceeding in Italy and Switzerland are pending. It cannot be ruled out that the Cartel Office, consumer protection organisations and authorities will disagree with individual practices or agreements during the ongoing proceedings and issue an order for modification. No negative effects are presently expected for the business development going forward. Further details are provided in the risk and opportunities report shown in section 7.2.6.

3.2 CORPORATE MANAGEMENT

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

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

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

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

From the 2010 financial year onwards, a new key figure called ‘normalised EBIT before amortisation from purchase price allocation’ was defined due to the acquisitions made and the overall effects resulting from remeasurement of intangible assets acquired (trademark, customer base and software). When purchase price allocation is conducted in accordance with IFRS, the intangible assets of the target companies must be remeasured with their fair values as at the date of first inclusion in consolidation within the Group. These remeasured intangible assets are amortised on the basis of redefined useful lives in the Group. In the 2016 financial year, the depreciation from purchase price allocation within the Group totalled EUR 11.225 million (previous year: EUR 11.043 million). These were eliminated in the key figure ‘normalised EBIT before amortisation from purchase price allocation’ in order to provide a fair view of earnings power.

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

3.3 RESEARCH AND DEVELOPMENT

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

However, further advancements are constantly being made in the software engineering field. In order to broaden the range of ticketing-related services, to tap into additional sales channels and to continue meeting the requirements of event promoters, box offices and internet customers, the ticket distribution system is being constantly improved and expanded. In the year under review, investments were made in the further development of the Ticket distribution systems of EUR 14.926 million and were capitalized. In the reporting year, depreciation on development costs of EUR 7.082 million was made. The number of employees in the field of software development and operation is about 300.

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

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

Software development costs are recognised as Group assets if they meet the criteria specified in IAS 38 and HGB.

No expense needs to be stated under research and development.

3.4 OVERVIEW OF THE COURSE OF BUSINESS

3.4.1 MACROECONOMIC CONDITIONS

The industrialised countries continued to experience slight economic recovery in 2016. Despite a temporary rise in volatility on the financial markets brought on by the 'Brexit vote' in the United Kingdom, real economic effects have been limited to date. The stabilisation of commodity prices, particularly in the second half of 2016, also prevented greater slowdowns in growth on emerging markets.

Economic growth in the industrialised countries in 2016 was driven primarily by monetary policy. While the US Federal Reserve Bank continued to delay the tightening of monetary policy in 2016, the Bank of Japan as well as the European Central Bank decided to pursue a negative rate policy and expand their buy-back bond programmes. Although the expansive policy of the central banks can support short-term growth, the challenge remains in returning to a more restrictive position in due time without endangering long-term growth potential.

The German Council of Economic Advisors anticipates continued moderate growth for the global economy. Global Gross Domestic Product (GDP) growth of 2.5% and 2.8% is expected in 2016 and 2017, respectively. This growth is driven primarily by the emerging markets, where the situation has stabilised following turbulence at the start of 2016. China remains the global driver with GDP growth of 7.5%. Positive effects were also observed, however, in Russia and Latin America, indicating an end to the recession. This development also benefited from the increase in commodity prices in 2016. Despite these developments, the German Council of Economic Advisors does not anticipate a return to the high growth rates of the past in Russia and Latin America based on the existing structural problems and decreasing capital inflows.

Economic recovery continued in the Eurozone in 2016. Taking into account the differences in growth rates between individual member states, economic performance in the Eurozone increase by 1.6% in 2016. This development has been supported primarily by countries whose economic performance in 2016 exceeded pre-crisis levels. This was possible due to the comparatively high capacity utilisation and a stable labour market with low unemployment. Germany is one of the countries experiencing this trend. The economic growth in the Eurozone also benefited from the development of member states whose production capacities were in fact far from being fully utilised, but have been showing a positive trend recently, such as Spain and the Netherlands. Countries such as Greece and Portugal, however, have experienced only very weak development since the crisis in 2008 and once again slowed down macroeconomic growth in the Eurozone in 2016.

The economic recovery in Germany, which began in 2013, continued in 2016 with economic growth of 1.9%. This positive development was driven by significantly higher consumption in the private and public sectors as well as residential construction investments. The continued improvement in consumer sentiment in 2016 was also a reflection of the positive labour market situation and a historically low unemployment rate of 4.3% in 2016. The slightly reduced forecast for 2017 of only 1.3% GDP growth is based primarily on the reduced number of working days compared to the previous year. The German Council of Economic Advisors generally concluded that continued high production potential exists, which is limited in terms of growth potential only by the restrained development of important trade partners.

3.4.2 INDUSTRY CONDITIONS

The widespread availability of access to the internet, stationary or mobile, as well as the high degree of penetration of internet-capable hardware, such as laptops, tablets and smartphones, make it possible for consumers to 'always be on(line)' which has an impact on the general consumer behaviour. The consequences of this development are forcing companies to tailor their value chains to changed consumer behaviour. This development impacts not only the end purchase of products or services, but also the process of consumer decision-making based on obtaining information from the internet. This development offers interesting prospects to providers, which like the CTS KGaA focus early on online offers and on stable online customer relationships.

Consumers are able to make purchases via mobile infrastructure independent of time and place, without having to make a time-consuming visit to a traditional shop. Value drivers have recognised the advantages of this development and make use of the constant availability of potential consumers. According to the 'German Entertainment and Media Outlook 2016-2020' study conducted by PricewaterhouseCoopers, the online advertising segment is expected to experience growth in the mid- to high mid-single-digit percentage range.

As the main source of earnings for artists today is generated from tours and no longer by selling their recordings, the growth trend in Live Entertainment continues. Visiting a music concert remains a highly individual experience; nothing is comparable. On this basis, it can be assumed that the market for music events will continue to be one of the largest segments in the entire entertainment industry, which was already identified in studies published by industry associations like 'Bundesverband der Veranstaltungswirtschaft e.V.' and 'Musikmarkt' trade magazine.

The significant growth of new technologies in E-Commerce and mobile commerce represents great potential for the Live Entertainment segment. Modern technologies offer the opportunity to continuously interact with concert visitors, starting with the support for selecting a specific live event to ticket sales, services before, during and after the event. Providing up-to-date information about the best way to get to concerts based on current traffic, cashless payment methods at the event location as well as social media based communication of concert-goers amongst one another during the event are just a few examples of the potential that modern technologies holds for the Live Entertainment segment.

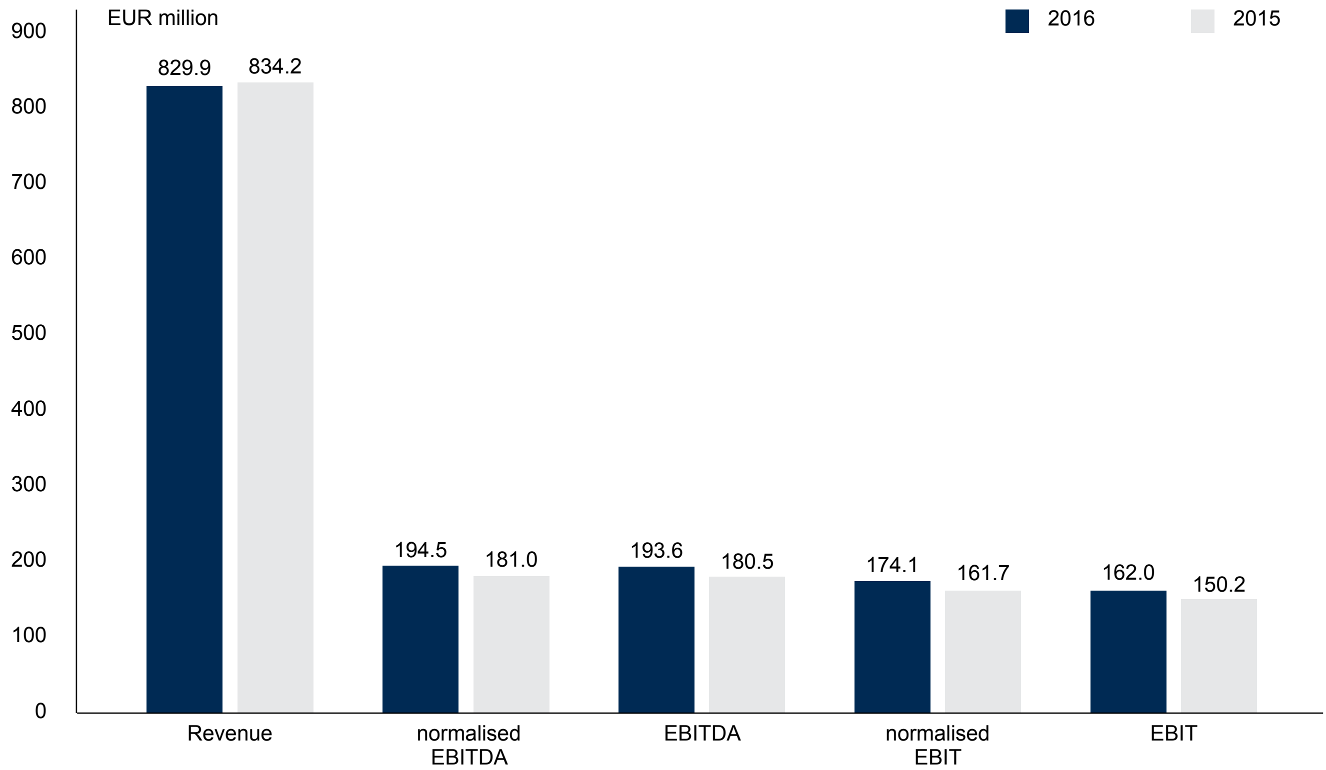
3.4.3 BUSINESS PERFORMANCE OF THE CTS GROUP

In the **CTS Group** revenue declined by 0.5% while EBITDA increased by 7.3%.

The sustained growth trend in the Ticketing segment continued with an internet ticket volume in the lower double-digit percentage range and respective revenue while the Live Entertainment segment posted an expected decrease in revenue and EBITDA following the record year in 2015.

KEY GROUP FIGURES

Key financial figures are shown in the table below:



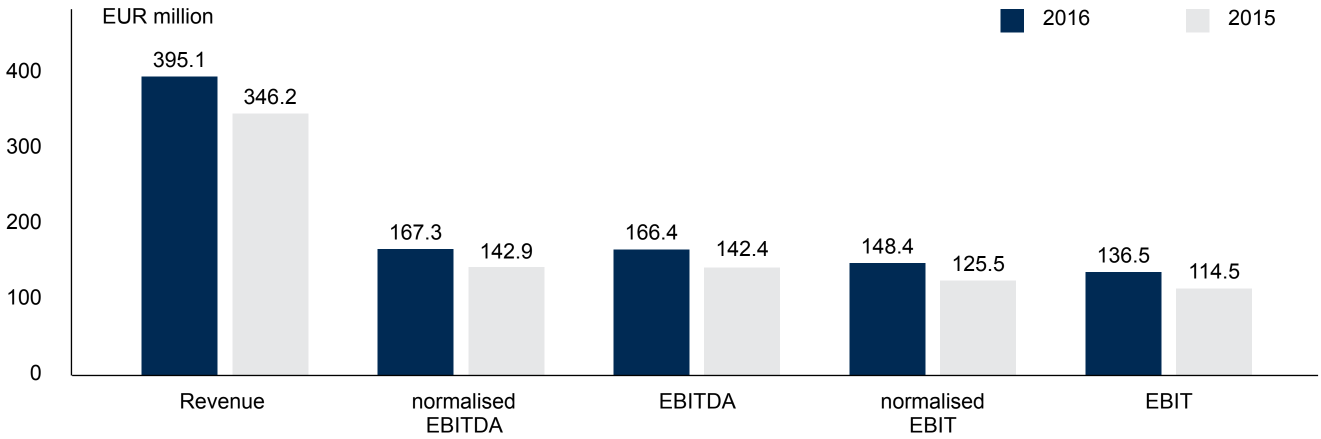
Group-EPS increased from EUR 0.93 to EUR 0.99 in the reporting period.

SEGMENT KEY FIGURES

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

The dynamic growth in the **Ticketing segment** continued in the fourth quarter, which is a traditionally strong business period. A disproportionate operational contribution to earnings based on continuously increasing internet ticket volume was offset by a temporary impact on earnings related to expanding the group of consolidated entities as well as the business in South America.

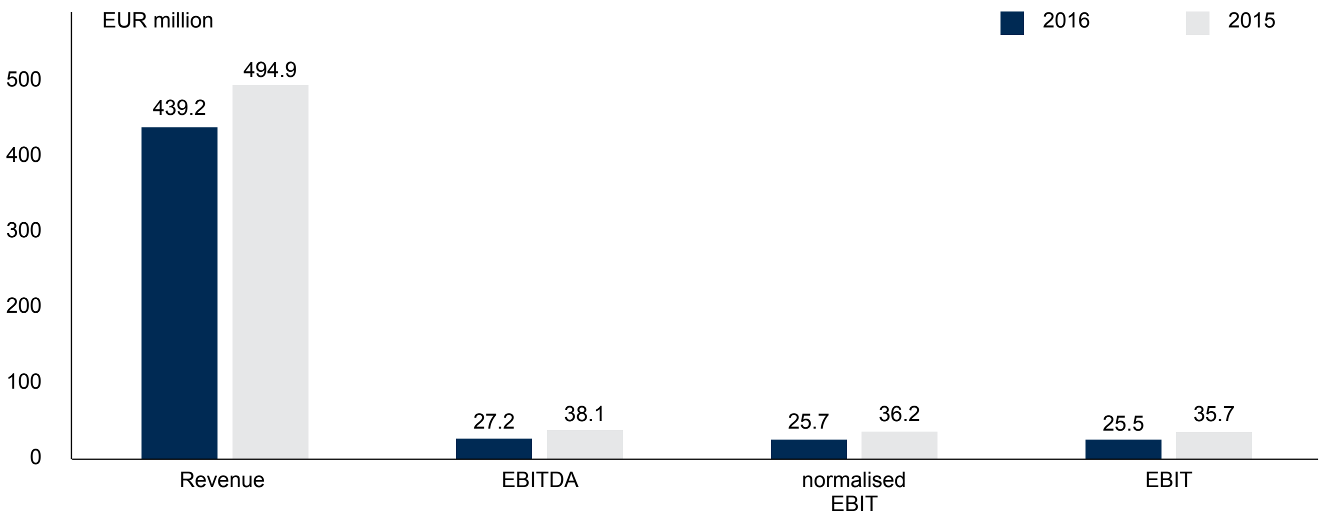
Key financial figures in the Ticketing segment are shown in the table below:



The internet ticket volume (non-financial key figure) achieved with 43.7 million tickets an increase of 23.1% compared to previous year (35.5 million tickets).

In comparison to the record level achieved in 2015, the **Live Entertainment segment** recorded moderate business development in 2016 as expected. The decline in revenue and earnings is mainly due to a lower number of major tours compared to the previous year.

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



3.4.4 CTS EVENTIM SHARE PERFORMANCE

In the volatile capital market environment in 2016 due to latent uncertainty caused by, among other things, the 'Brexit-Votum' in the United Kingdom and the outcome of the US presidential elections the performance of CTS EVENTIM share, as well as other growth companies, was marked by a valuation correction. With the result, that the price of the CTS EVENTIM share as of the valuation date was 17% below the level of the beginning of the year. However, this does not alter the value of the CTS EVENTIM share as a medium and long term investment with a development that significantly exceeds the MDAX benchmark.

A detailed report on the performance of CTS shares and general information on the work of Investor Relations can be found in chapter 3 of the Annual Report 2016.

4. EARNINGS PERFORMANCE, FINANCIAL POSITION AND CASH FLOW
4.1 EARNINGS PERFORMANCE
4.1.1 GROUP EARNINGS PERFORMANCE

	2016	2015	Change	
	[EUR'000]	[EUR'000]	[EUR'000]	[in %]
Revenue	**829,906**	**834,227**	**-4,321**	**-0.5**
Gross profit	**283,956**	**262,434**	**21,522**	**8.2**
EBITDA	**193,589**	**180,502**	**13,087**	**7.3**
EBIT	**161,974**	**150,204**	**11,770**	**7.8**
Non-recurring items:				
Acquisition costs	861	494	367	74.3
Normalised EBITDA	**194,451**	**180,996**	**13,455**	**7.4**
Amortisation from purchase price allocation	**11,225**	**11,043**	**182**	**1.6**
Normalised EBIT before amortisation from purchase price allocation	**174,060**	**161,741**	**12,319**	**7.6**
Financial result	-6,497	-4,847	-1,650	-34.0
Earnings before tax (EBT)	**155,477**	**145,357**	**10,120**	**7.0**
Taxes	-49,996	-44,819	-5,177	-11.6
Non-controlling interest	-10,920	-11,509	589	5.1
Net income after non-controlling interest	**94,561**	**89,029**	**5,532**	**6.2**

4.1.1.1 REVENUE PERFORMANCE

Group revenue growth is shown in the following table:

2006 [EUR'000]	342,927
2007 [EUR'000]	384,375
2008 [EUR'000]	404,348
2009 [EUR'000]	466,698
2010 [EUR'000]	519,577
2011 [EUR'000]	502,814
2012 [EUR'000]	520,334
2013 [EUR'000]	628,349
2014 [EUR'000]	690,300
2015 [EUR'000]	834,227
2016 [EUR'000]	829,906

The CTS Group achieved an excellent growth in revenue in the last ten years with an average growth rate (CAGR) of around 9.2%.

The **CTS Group's** business development in the 2016 financial year involved a slight decline in revenue but above forecast. The CTS Group's business model proved to be highly robust despite the lack of major events in the Live Entertainment segment.

In the reporting period EUR 829.906 million in revenue was generated (previous year: EUR 834.227 million; -0.5%). Revenue (before consolidation between segments) breaks down into EUR 395.132 million in the Ticketing segment (previous year: EUR 346.192 million; +14.1%) and EUR 439.231 million in the Live Entertainment segment (previous year: EUR 494.911 million; -11.3%).

Group revenue amounted in the reporting year to EUR 829.906 million (previous year: EUR 834.227 million) and breaks down as follows: Germany EUR 531.070 million (previous year: EUR 569.880 million), Austria EUR 53.906 million (previous year: EUR 59.134 million), Switzerland EUR 121.058 million (previous year: EUR 104.345 million), Italy EUR 55.440 million (previous year: EUR 48.531 million), Great Britain EUR 10.899 million (previous year: EUR 9.146 million), Finland EUR 10.212 million (previous year: EUR 9.959 million), Spain EUR 8.485 million (previous year: EUR 8.353 million), Netherlands EUR 9.365 million (previous year: EUR 8.149 million) and other countries EUR 29.471 million (previous year: EUR 16.730 million). The decline in revenue in Germany and Austria is mainly related to the Live Entertainment segment; an increase in revenue in the Ticketing segment had a countervailing effect. The increase in revenue in Switzerland is mainly the result of the Live Entertainment segment. In Italy, considerable revenue growth rates were achieved in the Ticketing segment. The increase in revenue in other countries was primarily based on the expansion of the scope of consolidated entities in Brazil, Denmark, Norway and Sweden.

The **Ticketing segment** shows unchanged growth dynamics. In 2016 the organic growth of the internet ticket volume was 15.0% to around 40.8 million tickets. As a result of the expansion in South America and Scandinavia the total volume of online tickets rose by 23.1% to around 43.7 million tickets. With a double-digit growth rate of 14.1% to EUR 395.132 million (previous year: EUR 346.192 million) the Ticketing segment exceeded expectations. Both, in Germany and abroad revenue growth was achieved; the revenue share of foreign companies rose to around 46.9% (previous year: 45.9%). The advancing international expansion led to revenue of EUR 7.798 million.

Compared to the record year 2015, the **Live Entertainment segment** developed as expected with a moderate business development. The decline in revenue by EUR 55.680 million (-11.3%) to EUR 439.231 million (previous year: EUR 494.911 million) results mainly from a reduced number of major tours compared to the previous year. This was offset by a revenue growth achieved on the basis of the expansion of the scope of consolidated companies.

4.1.1.2 EARNINGS PERFORMANCE

GROSS PROFIT

The gross profit of the **CTS Group** for the 2016 reporting period is EUR 283.956 million, compared to the previous year figure of EUR 262.434 million (+8.2%). The Group's gross margin was positively influenced by the rise in the proportion of the Group's profit attributable to the high-margin Ticketing segment and increased from 31.5% to 34.2%.

In the **Ticketing segment**, the gross margin increased in the 2016 reporting period from 58.3% to 59.6%. The gross margin increased due to a disproportional operating profit contribution as a result of a continuously increased number of internet ticket volume but is currently being reduced by newly consolidated subsidiaries with lower earnings contributions and higher personnel expenses related to ongoing internationalisation and technological development.

In the **Live Entertainment segment**, the gross margin was slightly below previous year's level with 11.0% (previous year: 12.2%).

The gross margin achieved in the Group as a whole and in the segments developed as follows:

	2016 [in %]	2015 [in %]
Group	34.2	31.5
Ticketing	59.6	58.3
Live Entertainment	11.0	12.2

NON-RECURRING ITEMS

Non-recurring items in the Ticketing segment caused a temporary EUR 861 thousand drop (previous year: EUR 494 thousand) in **CTS Group** earnings in the period under review, due to implemented and planned acquisitions.

NORMALISED EBITDA / EBITDA

The normalised **CTS Group** EBITDA figure increased by EUR 13.455 million (+7.4%) from EUR 180.996 million to EUR 194.451 million. This growth in normalised EBITDA breaks down into EUR 24.401 million in the Ticketing segment and EUR -10.946 million in the Live Entertainment segment. The expected decline in normalised EBITDA in the segment Live Entertainment was overcompensated by the excellent business development in the Ticketing segment. The normalised EBITDA margin increased to 23.4%, compared to 21.7% the year before. Foreign subsidiaries accounted for 30.5% of normalised Group EBITDA (previous year: 26.6%).

CTS Group EBITDA improved by EUR 13.087 million or 7.3% to EUR 193.589 million (previous year: EUR 180.502 million). This growth in EBITDA of EUR 13.087 million breaks down into EUR 24.033 million in the Ticketing segment and EUR -10.946 million in the Live Entertainment segment. The Group EBITDA margin amounts up to 23.3% (previous year: 21.6%).

In the **Ticketing segment**, the normalised EBITDA figure rose by EUR 24.401 million (+17.1%) from EUR 142.852 million to EUR 167.253 million. Despite a disproportionately high earnings contribution due to a continually increasing internet ticket volume the result development is burdened by temporary effects from the expansion of the scope in consolidation and the business development in South America. In addition, there was a lack of positive results from currency conversions. The normalised EBITDA margin was 42.3% to (previous year: 41.3%). The share of normalised EBITDA generated by foreign subsidiaries increased to 31.1% (previous year: 29.9%).

In the Ticketing segment, the EBITDA figure rose by EUR 24.033 million (+16.9%) to EUR 166.391 million (previous year: EUR 142.358 million). The EBITDA margin was 42.1% (previous year: 41.1%).

In the **Live Entertainment segment**, EBITDA decreased to EUR 27.198 million (previous year: EUR 38.144 million; -28.7%), mainly from a reduced number of major tours compared to the previous year and temporary lower earnings contributions as a result of the expansion of the scope of consolidation. The EBITDA margin was 6.2%, after 7.7% the year before.

NORMALISED EBIT BEFORE AMORTISATION FROM PURCHASE PRICE ALLOCATION / EBIT

Normalised **CTS Group** EBIT before amortisation from purchase price allocation increased by EUR 12.319 million from EUR 161.741 million to EUR 174.060 million. The normalised EBIT margin was 21.0%, compared to 19.4% the year before.

The CTS Group EBIT figure, at EUR 161.974 million, is higher at 7.8% year-on-year (EUR 150.204 million). The EBIT margin increased to 19.5% (previous year: 18.0%).

Total depreciation and amortisation within the **CTS Group**, at EUR 31.616 million, is slightly higher than the previous year (EUR 30.298 million) and include EUR 11.225 million (previous year: EUR 11.043 million) in amortisation from purchase price allocations for companies acquired from 2010 onwards. The increase in depreciation is mainly attributable to depreciation on capitalised development costs (Global Ticketing System); the ticket distribution systems are constantly improved to develop new sales channels and future revenue potential.

In the **Ticketing segment**, the normalised EBIT before amortisation from purchase price allocation rose from EUR 125.542 million by EUR 22.830 million to EUR 148.372 million (+18.2%). The normalised EBIT margin was 37.6%, compared to 36.3% the year before.

The EBIT rose from EUR 114.507 million to EUR 136.521 million (+19.2%). The EBIT margin was 34.6% (previous year: 33.1%).

The **Live Entertainment segment** achieved a normalised EBIT before amortisation from purchase price allocation of EUR 25.688 million, compared to EUR 36.199 million the year before. The normalised EBIT margin decreased to 5.9% (previous year: 7.3%). EBIT decreased from EUR 35.697 million the year before to EUR 25.453 million (-28.7%). The EBIT margin was 5.8% (previous year: 7.2%).

FINANCIAL RESULT

The financial result, at EUR -6.497 million (previous year: EUR -4.847 million) mainly includes EUR 3.882 million in financial income (previous year: EUR 1.254 million), EUR -10.346 million in financial expenses (previous year: EUR -5.944 million) and EUR -155 thousand result from investments in associates accounted for at equity (previous year: EUR -174 thousand). The results of Investments in associates accounted for at equity relate primarily to the Live Entertainment segment.

The increased financial income mainly included the revaluation of older shares following a successive acquisition of equity interests aimed at full consolidation (EUR 208 thousand) and income from the fair value measurement of a put option granted to non-controling shareholders' (EUR 2.402 million).

The increase in financial expenses primarily relates to expenses from the fair value measurement of put options and a variable purchase price liability in connection with acquisitions and increases in shareholdings (EUR 3.760 million). Financial expenses also include expenses related to the revaluation of older shares following the successive purchase of shares aimed at full consolidation (EUR 875 thousand).

TAXES

Tax expenses increased in fiscal 2016 by EUR 5.177 million to EUR 49.996 million. Tax expenses include deferred tax income (EUR 1.972 million; previous year: EUR 4.809 million) that is offset against the actual tax expenses of the consolidated standalone companies (EUR 51.968 million; previous year: EUR 49.629 million). The decrease in deferred tax income is based on the utilisation of provisions that were formed in the previous year and taxation rate reductions abroad, which resulted in a minor release of deferred tax liabilities.

Deferred tax income and expenses were formed on the basis of existing and useable tax loss carryforwards and recognised for temporary differences between IFRS carrying amounts and tax carrying amounts and are set-off within tax expenses. Tax loss carryforwards, for which deferred tax assets were formed in the past, are used through positive net results of standalone companies and lead to deferred tax expenses.

NON-CONTROLLING INTEREST

Non-controlling interest comprises the share in current profits allocated to other shareholders and have decreased from EUR 11.509 million by EUR 589 thousand to EUR 10.920 million. The decline in non-controlling interest is primarily the result from temporary lower earnings contributions as part of acquisitions in the scope of consolidation and the development of business activities in South America.

NET INCOME AFTER NON-CONTROLLING INTEREST

The consolidated net income after non-controlling interest amounts to EUR 94.561 million (previous year: EUR 89.029 million). Earnings per share (EPS) for the 2016 financial year improved significantly to EUR 0.99, compared to EUR 0.93 the year before.

4.1.1.3 ADDITIONAL NOTES TO SINGLE ITEMS IN THE CONSOLIDATED INCOME STATEMENT

	2016	2015	Change	
	[EUR'000]	[EUR'000]	[EUR'000]	[in %]
Selling expenses	-79,027	-74,067	-4,960	6.7
General administrative expenses	-50,982	-48,891	-2,091	4.3
Other operating income	19,888	20,652	-764	-3.7
Other operating expenses	-11,861	-9,923	-1,938	19.5
thereof non-recurring items	*861*	*494*	*367*	*74.3*

SELLING EXPENSES

Selling expenses rose by EUR 4.960 million to EUR 79.027 million. The increase in selling expenses is mainly due to higher personnel expenses (EUR +2.814 million), depreciation (EUR +1.326 million) and other operating expenses (EUR +819 thousand). The personnel expenses and other operating expenses mainly increased due to the expansion of the scope of consolidation. As a percentage of revenue, selling expenses increased from 8.9% to 9.5%.

GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses rose by EUR 2.091 million to EUR 50.982 million. The increase in general administrative expenses is principally due to higher personnel expenses (EUR +466 thousand), depreciation (EUR +522 thousand) and other operating expenses (EUR +1.102 million). The personnel expenses and other operating expenses mainly increased due to the expansion of the scope of consolidation. As a percentage of revenue, general administrative expenses increased from 5.9% to 6.1%.

OTHER OPERATING INCOME

Other operating income decreased by EUR 764 thousand to EUR 19.888 million. In the year under review among other things, the lack of income from currency translation led to a decrease in other operating income. On the other hand, there were mainly higher income from insurance compensation.

OTHER OPERATING EXPENSES

Other operating expenses increased by EUR 1.938 million year-on-year to EUR 11.861 million. The increase resulted amongst other things to higher expenses for third-party services and donations, as well as normalisation effects. As a percentage of revenue, other operating expenses increased from 1.2% to 1.4%.

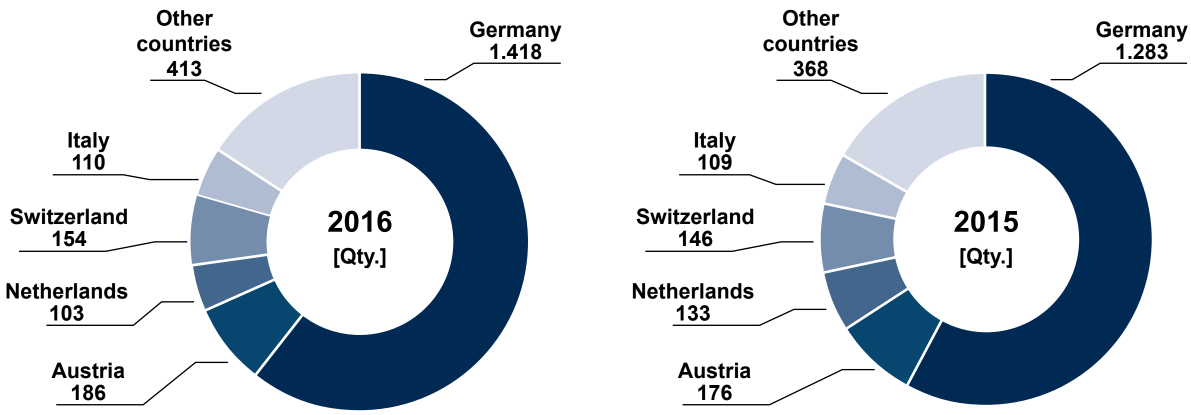
4.1.1.4 PERSONNEL

Personnel expenses increased by EUR 7.310 million (+6.9%) to EUR 113.518 million (previous year: EUR 106.208 million). The increase in personnel expenses in the Ticketing segment (EUR +9.247 million) is offset by an decline in the Live Entertainment segment (EUR -1.937 million). The increase in personnel expenses in the Ticketing segment is due to the expansion of the number of companies included in consolidation, the expanding internationalisation and further technological development. The decline in personnel expenses in the Live Entertainment segment results primarily from restructuring measures. The increase of the workforce includes the expansion of the number of companies included in consolidation and the expansion of temporary staff for the operation of the Lanxess Arena and the Arena Berlin.

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

	2016	2015	Change	
	[Qty.]	[Qty.]	[Qty.]	[in %]
Ticketing	1,699	1,621	78	4.8
Live Entertainment	685	594	91	15.3
Total	**2,384**	**2,215**	**169**	**7.6**

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



On average during 2016, the Group had 156 more employees than in the 2015 financial year.

4.1.1.5 DEVELOPMENT OF THE TICKETING AND LIVE ENTERTAINMENT SEGMENTS

TICKETING

	2013	2014	2015	2016
	[EUR million]	[EUR million]	[EUR million]	[EUR million]
Revenue	269.7	319.2	346.2	395.1
Gross profit	156.6	184.6	201.9	235.4
Gross margin	58.1%	57.8%	58.3%	59.6%
EBITDA	101.9	128.9	142.4	166.4
Normalised EBITDA	104.3	130.2	142.9	167.3
EBIT	81.6	103.3	114.5	136.5
Normalised EBIT before amortisation from purchase price allocation	93.9	115.0	125.5	148.4

In the years 2013 – 2016 annual revenue growth in the Ticketing segment averaged 13.6%. Of the total revenue in this segment in the 2016 reporting year, EUR 279.820 million (previous year: EUR 236.207 million) was generated via the internet, equivalent to internet revenue growth of around 18.5%. Revenue generated via the internet increased year-on-year at 70.8% (previous year: 68.2%) of total Ticketing segment revenue in the 2016 financial year.

In the year 2013 - 2016, EBITDA improved annually by an average of 17.8% and normalised EBITDA improved annually by 17.1%.

LIVE ENTERTAINMENT

	2013	2014	2015	2016
	[EUR million]	[EUR million]	[EUR million]	[EUR million]
Revenue	365.8	379.2	494.9	439.2
Gross profit	50.4	45.2	60.5	48.3
Gross margin	13.8%	11.9%	12.2%	11.0%
EBITDA	32.0	26.2	38.1	27.2
EBIT	29.3	23.6	35.7	25.5
Normalised EBIT before amortisation from purchase price allocation	29.8	24.1	36.2	25.7

In the years 2013 – 2016 annual revenue growth in the Live Entertainment segment averaged 6.3%. The decline in revenue in the 2016 reporting period primarily resulted from a lack of major tours compared to the record year in 2015.

4.1.2 EARNINGS PERFORMANCE OF CTS KGaA (HGB)

	2016	2015	Change	
	[EUR'000]	[EUR'000]	[EUR'000]	[in %]
Revenue	**207,135**	**177,830**	**29,305**	**16.5**
Gross profit	**124,178**	**102,639**	**21,539**	**21.0**
EBITDA	**91,356**	**75,424**	**15,932**	**21.1**
EBIT	**74,208**	**58,849**	**15,359**	**26.1**
Non-recurring items:				
Acquisition costs	861	494	367	74.3
Normalised EBITDA	**92,218**	**75,918**	**16,300**	**21.5**
Normalised EBIT before amortisation from purchase price allocation	**75,069**	**59,343**	**15,726**	**26.5**
Financial result	37,854	38,752	-898	-2.3
Earnings before tax (EBT)	**112,061**	**97,601**	**14,460**	**14.8**
Taxes	-30,526	-25,560	-4,966	19.4
Net income for the year	**81,535**	**72,041**	**9,494**	**13.2**

4.1.2.1 REVENUE PERFORMANCE

In the 2016 financial year, CTS KGaA revenue increased by EUR 29.305 million from EUR 177.830 million to EUR 207.135 million; this equates to a 16.5% growth in revenue. The main factor accounting for this improvement in revenue was the further growth in the number of tickets sold via the internet by 2.7 million (+18.1%) from 15.0 million up to 17.7 million tickets. Furthermore, royalties from the provision of ticketing software to subsidiaries and revenue in connection with the operation of the Waldbühne Berlin increased once again. Moreover, the first-time application of the BilRUG also resulted in an increase in revenue by EUR 2.064 million resulting in the reclassification of revenue that were allocated to other operating income in the previous year.

4.1.2.2 EARNINGS PERFORMANCE

GROSS PROFIT

Gross profit increased by EUR 21.539 million year-on-year due to the high-maring internet business. The gross margin increased to 60.0% (previous year: 57.7%).

NON-RECURRING ITEMS

CTS KGaA earnings in the reporting year were reduced by non-recurring items consisting of EUR 861 thousand (previous year: EUR 494 thousand) for planned and implemented acquisitions.

NORMALISED EBITDA / EBITDA

A very successful business performance in 2016 due to a further increase in the volume of tickets sold online were the main factors accounting for the strong growth in normalised EBITDA. Normalised EBITDA increased to EUR 92.218 million (previous year: EUR 75.918 million). The normalised EBITDA margin could be improved by the operative disproportionate earnings contribution due to a continuously increased internet ticket volume, but is burdened by higher personnel costs in connection with the further internationalisation and technological development. The normalised EBITDA margin increased to 44.5% (previous year: 42.7%). The EBITDA improved to EUR 91.356 million (previous year: EUR 75.424 million). The EBITDA margin increased to 44.1% (previous year: 42.4%).

NORMALISED EBIT BEFORE AMORTISATION FROM PURCHASE PRICE ALLOCATION / EBIT

Normalised EBIT increased by EUR 15.726 million to EUR 75.069 million. The normalised EBIT margin was 36.2% (previous year: 33.4%). The EBIT figure for the reporting year increased to EUR 74.208 million (previous year: EUR 58.849 million), and the EBIT margin rose to 35.8% (previous year: 33.1%).

FINANCIAL RESULT

The financial result decreased by EUR 898 thousand, from EUR 38.752 million the previous year to EUR 37.854 million.

The financial result includes mainly income in the form of dividends and transferred profits from participations EUR 40.091 million (previous year: EUR 41.616 million), EUR 625 thousand in interest income (previous year: EUR 928 thousand), EUR 1.536 million in interest expenses (previous year: EUR 2.803 million) and other financial expenses amounting to EUR 1.446 million (previous year: EUR 1.039 million).

The decrease in income in the form of profit transfer agreements and income in the form of dividends from participations accounts for EUR -2.140 million for profit transfer agreements from participations. This is offset by an increase in income in the form of dividends from participations (EUR 615 thousand).

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

TAXES

Tax expenses increased by EUR 4.966 million from EUR 25.560 million to EUR 30.526 million. These tax expenses include EUR 30.676 million in taxes on income (previous year: EUR 25.558 million) and EUR 150 thousand in income from other taxes (previous year: EUR 2 thousand). The taxation rate (taxes on income / earnings before tax) increased to 27.4% (previous year: 26.2%)

NET INCOME FOR THE YEAR

The net income for the year of CTS KGaA, according to HGB, increased by EUR 9.494 million from EUR 72.041 million to EUR 81.535 million. The distributable earnings per share amounted to EUR 0.85 (previous year: EUR 0.75).

4.1.2.3 ADDITIONAL NOTES TO SINGLE ITEMS IN THE INCOME STATEMENT

	2016	2015	Change	
	[EUR'000]	[EUR'000]	[EUR'000]	[in %]
Selling expenses	29,865	28,704	1,161	4.0
General administrative expenses	18,427	17,912	515	2.9
Other operating income	5,716	7,864	-2,148	-27.3
Other operating expenses	7,395	5,039	2,356	46.7
thereof non-recurring items	*861*	*494*	*367*	*74.3*

SELLING EXPENSES

The increase in selling expenses by EUR 1.161 million to EUR 29.865 million results among other things from higher personnel expenses (EUR +632 thousand) and higher depreciation (EUR +460 thousand).

GENERAL ADMINISTRATIVE EXPENSES

The EUR 515 thousand increase in general administrative expenses in the reporting year, to EUR 18.427 million, is mainly the result of higher personnel expenses (EUR +556 thousand). This was offset by lower costs for legal and consulting fees.

OTHER OPERATING INCOME

Other operating income decreased by EUR 2.148 million to EUR 5.716 million. The decline mainly results from the initial application of BilRUG, which resulted in a reclassification of recharged services (EUR 2.064 million) to revenue.

OTHER OPERATING EXPENSES

Other operating expenses increased by EUR 2.356 million to EUR 7.395 million. The increase resulted mainly from higher expenses for services (EUR +404 thousand), for recharged services (EUR +351 thousand), for normalised legal and advisory costs (EUR +367 thousand), for donations (EUR +212 thousand) and for other operating expenses (EUR +603 thousand).

PERSONNEL

Personnel expenses increased year-on-year by EUR 1.460 million from EUR 22.429 million to EUR 23.888 million. This is primarily due to the further organisational structure of the headcount base in line with business development.

At the end of the 2016 financial year, CTS KGaA had 313 employees on its payroll (previous year: 297 employees). The average number of employees over the year increased from 283 the previous year to 306 in the reporting period.

4.2 FINANCIAL POSITION
4.2.1 GROUP FINANCIAL POSITION

	31.12.2016		31.12.2015		Change
	[EUR'000]	[in %]	[EUR'000]	[in %]	[EUR'000]
Current assets					
Cash and cash equivalents	553,640	46.2	500,816	45.6	52,824
Marketable securities and other investments	1,817	0.2	5,878	0.6	-4,061
Trade receivables	41,660	3.5	34,001	3.1	7,659
Receivables from affiliated and associated companies accounted for at equtiy	3,118	0.3	4,746	0.4	-1,628
Inventories	4,875	0.4	2,074	0.2	2,801
Payments on account	33,705	2.8	27,843	2.5	5,862
Other financial assets	81,430	6.8	59,152	5.4	22,278
Other non-financial assets	20,914	1.7	16,797	1.5	4,117
Total current assets	**741,159**	**61.9**	**651,307**	**59.3**	**89,852**
Non-current assets					
Fixed assets	149,422	12.5	150,730	13.7	-1,308
Goodwill	288,426	24.1	278,222	25.3	10,204
Trade receivables	18	0.0	22	0.0	-4
Receivables from affiliated and associated companies accounted for at equity	0	0.0	1,534	0.1	-1,534
Marketable securities and other investments	0	0.0	1,000	0.1	-1,000
Other financial assets	3,970	0.3	3,429	0.3	541
Other non-financial assets	1,033	0.1	26	0.0	1,007
Deferred tax assets	13,093	1.1	12,209	1.2	884
Total non-current assets	**455,962**	**38.1**	**447,172**	**40.7**	**8,790**
Total assets	**1,197,121**	**100.0**	**1,098,479**	**100.0**	**98,642**

	31.12.2016		31.12.2015		Change
	[EUR'000]	[in %]	[EUR'000]	[in %]	[EUR'000]
Current liabilities					
Short-term financial liabilities	28,988	2.4	16,622	1.5	12,366
Trade payables	80,839	6.8	79,942	7.3	897
Payables to affiliated and associated companies accounted for at equity	1,314	0.1	598	0.1	716
Advance payments received	157,363	13.1	153,824	14.0	3,539
Provisions	34,316	2.9	38,205	3.5	-3,889
Other financial liabilities	296,065	24.7	245,657	22.3	50,408
Other non-financial liabilities	53,686	4.5	52,776	4.8	910
Total current liabilities	**652,571**	**54.5**	**587,624**	**53.5**	**64,947**
Non-current liabilities					
Long-term financial liabilities	128,333	10.7	132,563	12.1	-4,230
Other financial liabilities	976	0.1	767	0.1	209
Pension provisions	12,245	1.0	9,915	0.9	2,330
Deferred tax liabilities	13,138	1.1	13,438	1.2	-300
Provisions	4,821	0.4	0	0.0	4,821
Total non-current liabilities	**159,513**	**13.3**	**156,683**	**14.3**	**2,830**
Shareholders' equity					
Share capital	96,000	8.0	96,000	8.7	0
Capital reserve	1,890	0.2	1,890	0.2	0
Statutory reserve	7,200	0.6	7,200	0.7	0
Retained earnings	250,729	20.9	225,962	20.6	24,767
Treasury stock	-52	0.0	-52	0.0	0
Non-controlling interest	29,451	2.5	20,881	1.9	8,570
Other comprehensive income	-3,041	-0.3	-1,906	-0.2	-1,135
Currency differences	2,860	0.2	4,197	0.3	-1,337
Total shareholders' equity	**385,037**	**32.2**	**354,172**	**32.2**	**30,865**
Total shareholders' equity and liabilities	**1,197,121**	**100.0**	**1,098,479**	**100.0**	**98,642**

CURRENT ASSETS increased by EUR 89.852 million to EUR 741.159 million due to an increase in cash and cash equivalents (EUR +52.824 million), trade receivables (EUR +7.659 million), payments on account (EUR +5.862 million) and other financial assets (EUR +22.278 million). These increases were offset by an decrease in marketable securities and other investments of EUR 4.061 million.

The EUR 52.824 million increase in **cash and cash equivalents** mainly results from higher ticket monies which are counterbalanced by liabilities in the same amount at the reporting date, higher advance payments received, the sale of marketable securities and the consolidated net income of the year. This is offset by increased cash outflows related to dividend payments, repayments of financial loans, investments particularly for IT infrastructure and the development of ticketing distribution systems as well as the expansion of the scope of consolidation.

Cash and cash equivalents, at EUR 553.640 million (previous year: EUR 500.816 million) include ticket monies from not yet invoiced presales for events (ticket monies not yet invoiced in the Ticketing segment), which are reported in other financial liabilities (EUR 277.047 million; previous year: EUR 237.498 million). Other financial assets also include receivables relating to ticket monies from presales in the Ticketing segment (EUR 48.661 million; previous year: EUR 40.963 million) and factoring receivables (EUR 18.929 million; previous year: EUR 9.464 million).

Marketable securities and other investments decreased particularly due to the sale of discount certificates (EUR -4.061 million).

Other financial assets increased by EUR 22.278 million, mainly because of higher receivables relating to ticket monies from presales and factoring receivables in the Ticketing segment. In addition claims related to insurance refunds for the weather-related cancellation of events were recognised in the Live Entertainment segment.

NON-CURRENT ASSETS increased by EUR 8.790 million to EUR 455.962 million due to an increase in goodwill (EUR +10.204 million). On the other hand, fixed assets (EUR -1.308 million) and non-current marketable securities and other investments (EUR -1.000 million) declined.

The EUR 1.308 million decline in **fixed assets** mainly relates to a lower level of intangible assets in the Ticketing segment due to scheduled depreciation and amortisation and lower financial assets of companies due to a change from using the equity method to full consolidation of subsidiaries (due to increases in shareholdings). On the other hand, property, plant and equipment increased.

Non-current **marketable securities and other investments** (EUR -1.000 million) were allocated according to maturity to current assets.

The EUR 10.204 million increase in **goodwill** was mainly the result of an expansion in the scope of consolidation mainly through acqusitions in Scandinavia and Austria as well as currency translation effects in Swiss Francs as at the closing date of 31 December 2016.

Assets tied up for the long term account for 38.1% of the balance sheet total (previous year: 40.7%); assets tied up for the long term are predominately financed by shareholders' equity.

CURRENT LIABILITITES increased by EUR 64.947 million to EUR 652.571 million. This rise is mainly attributable to short-term financial liabilities (EUR +12.366 million), to advance payments received (EUR +3.539 million) and to other financial liabilities (EUR +50.408 million).

Short-term financial liabilities mainly increased due to purchase price obligations from put options granted to non-controlling shareholders (EUR +12.366 million).

The EUR 3.539 million increase in **advance payments received** is mainly attributable to the Live Entertainment segment. The increase is due to the fact that in the fourth quarter 2016 more ticket monies were received from presales for events held in 2017.

The EUR 50.408 million change in **other financial liabilities** is predominantly due to higher liabilities in the Ticketing segment in respect of ticket monies that have not yet been invoiced and liabilities for third party concerts in the Live Entertainment segment. Compared to the previous year, there were more events that had not yet been invoiced, as at 31 December 2016, so that the liabilities for ticket monies not yet invoiced increased accordingly.

NON-CURRENT LIABILITIES increased by EUR 2.830 million, mainly due to higher pension provision (EUR + 2.330 million) and provisions (EUR +4.821 million). On the other hand, long-term financial liabilities (EUR -4.230 million) declined.

Long-term financial liabilities decreased by EUR 4.230 million due to the timely reclassification of long-term bank loans in current financial liabilities. This is offset by an increase in purchase price obligations and put option liabilities of existing non-controlling shareholders and acquisitions (EUR +14.991 million).

Pension provisions increased by EUR 2.330 million primarily due to the actuarial assumptions of lower interest rates and currency effects.

Provisions increased by EUR 4.821 million particularly due to obligations to third parties for maintenance and modernisation of a venue.

SHAREHOLDERS' EQUITY increased by EUR 30.865 million to EUR 385.037 million. Positive Group net income of EUR 94.561 million is offset by dividend payments for the fiscal year 2015 of EUR 44.156 million. In addion, the recognition of put option liabilities led to a decrease in retained earnings.

The equity ratio (shareholders' equity divided by the balance sheet total) was on previous year's level at 32.2%. The return on equity (consolidated net income divided by shareholders' equity) is 24.6%, compared to 25.1% in the prior year.

4.2.2 FINANCIAL MANAGEMENT

The aim of financial management is to ensure solvency and to maintain financial balance within the Group. Cash reserves, in the form of overdraft facilities and cash, as well as a syndicated credit line (revolving credit facility) are held.

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

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 return on capital employed ('ROCE') was further improved from 46.0% in the prior year to 52.5% in the 2016 financial year.

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

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

	31.12.2016	31.12.2015
	[EUR'000]	[EUR'000]
Debt [1]	386,771	345,181
Cash and cash equivalents	-553,640	-500,816
Net debt	**-166,869**	**-155,635**
Shareholders' equity	385,037	354,172
Net debt to shareholders' equity	-43.3%	-43.9%

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

Net debt indicates the amount of debts a company has after all financial liabilities have been redeemed with cash and cash equivalents. The CTS Group has more cash and cash equivalents than debt at the end of 2016. The negative net debt/equity ratio means that the Group is de facto free of debt. The leverage of loan capital is expected to have positive effects on the return on equity.

The financial liabilities recognised on the balance sheet date amounting to EUR 157.321 million (previous year: EUR 149.184 million) include loans of EUR 127.204 million (previous year: EUR 146.514 million) as well as EUR 30.117 million (previous year: EUR 2.670 million) in purchase price obligations and put options liabilities of non-controlling shareholders. Of the external loans, EUR 78.534 million (previous year: EUR 97.848 million) are tied up at the balance sheet date to comply with standard financial covenants for companies with good creditworthiness ratings. Other than fulfillment of these 'financial covenants', there are no specific restrictions that might adversely affect the availability of funds. The CTS Group assumes that the 'financial covenants' will be honored in the years ahead.

In the reporting period, a credit line of EUR 10 million exists. The credit line serves as the operating line and the term is unlimited.

In October 2015, CTS KGaA agreed on a syndicated credit facility (revolving credit facility) of EUR 200 million with a maturity of 5 to a maximum of 7 years (2 years maturity option). In October 2016, CTS KGaA withdrew the first maturity option so that the term of the syndicated credit line would be extended by one year until 30 October 2021. In the reporting period, the syndicated credit line was temporarily used; at the balance sheet date as at 31 December 2016 no recourse was revealed.

To hedge currency risks forward foreign exchange transactions derivatives have been used in 2016. To hedge future royalties in Swiss Francs forward foreign exchange transactions were concluded.

4.2.3 FINANCIAL POSITION OF CTS KGaA (HGB)

	31.12.2016		31.12.2015		Change
	[EUR'000]	[in %]	[EUR'000]	[in %]	[EUR'000]
Current assets					
Cash and cash equivalents	209,841	35.2	174,629	31.7	35,212
Marketable securities	0	0.0	5,000	0.9	-5,000
Trade receivables	7,207	1.2	7,648	1.4	-441
Receivables from affiliated companies and participations	20,411	3.4	21,040	3.8	-629
Inventories	745	0.1	351	0.1	394
Other assets and prepaid expenses	38,599	6.5	23,915	4.3	14,684
Total current assets	**276,803**	**46.4**	**232,583**	**42.3**	**44,220**
Non-current assets					
Fixed assets	268,823	45.1	257,250	46.8	11,573
Goodwill	42,071	7.1	49,721	9.0	-7,650
Receivables from affiliated companies and participations	5,521	0.9	6,327	1.2	-806
Other assets and prepaid expenses	2,820	0.5	4,261	0.8	-1,441
Deferred tax assets	14	0.0	0	0.0	14
Total non-current assets	**319,249**	**53.6**	**317,559**	**57.7**	**1,690**
Total assets	**596,052**	**100.0**	**550,142**	**100.0**	**45,910**

	31.12.2016		31.12.2015		Change
	[EUR'000]	[in %]	[EUR'000]	[in %]	[EUR'000]
Current liabilities					
Short-term financial liabilities	14,351	2.4	14,341	2.6	10
Trade payables	6,742	1.1	10,605	1.9	-3,863
Payables to affiliated companies and participations	4,445	0.7	2,046	0.4	2,399
Provisions	30,291	5.1	25,914	4.7	4,377
Other liabilities and deferred income	171,419	28.8	151,385	27.5	20,034
Total current liabilities	**227,248**	**38.1**	**204,291**	**37.1**	**22,957**
Non-current liabilities					
Long-term financial liabilities	81,286	13.6	95,571	17.4	-14,285
Deferred tax liabilities	1,292	0.2	1,433	0.3	-141
Total non-current liabilities	**82,578**	**13.9**	**97,004**	**17.7**	**-14,426**
Shareholders' equity					
Share capital	96,000	16.1	96,000	17.5	0
less par value of treasury stock	-9	0.0	-9	0.0	0
Capital reserve	2,400	0.4	2,400	0.4	0
Statutory reserve	7,200	1.2	7,200	1.3	0
Balance sheet profit	180,635	30.3	143,256	26.0	37,379
Total shareholders' equity	**286,226**	**48.0**	**248,847**	**45.2**	**37,379**
Total shareholders' equity and liabilities	**596,052**	**100.0**	**550,142**	**100.0**	**45,910**

The balance sheet total of CTS KGaA increased year-on-year by EUR 45.910 million (+8.4%) to EUR 596.052 million.

CURRENT ASSETS increased by EUR 44.220 million to EUR 276.803 million (+19.0%). The changes mainly derive from an increase in cash and cash equivalents (EUR +35.212 million) and other assets and prepaid expenses (EUR +14.684 million). On the other hand marketable securities declined by EUR 5.000 million.

Cash and cash equivalents increased by EUR 35.212 million. This increase is attributable to the higher net income in the reporting year, cash inflows from ticket monies and the sale of marketable securities. In contrast, cash outflows for higher disbursement of dividends and purchase price payments for acquisitions were recorded.

Cash and cash equivalents, at EUR 209.841 million (previous year: EUR 174.629 million) include ticket monies from not yet invoiced presales for events (ticket monies not yet invoiced), which are reported in other liabilities (EUR 151.102 million; previous year: EUR 134.169 million). Other assets also include receivables relating to ticket monies from presales (EUR 14.707 million; previous year: EUR 11.702 million) and factoring receivables from ticket monies (EUR 18.929 million, previous year: EUR 9.464 million).

Marketable securities decreased due to the sale of discount certificates (EUR -5.000 million).

Short-term **receivables from other assets and prepaid expenses** increased by EUR 14.684 million mainly because of receivables relating to ticket monies from presales and factoring receivables from ticket monies.

NON-CURRENT ASSETS increased by EUR 1.690 million to EUR 319.249 million. A major portion of that increase relates to an increase in fixed assets (EUR +11.573 million). This was offset by a decline in goodwill (EUR -7.650 million) and other assets and prepaid expenses (EUR -1.441 million).

Additions to **fixed assets**, at EUR 11.573 million mainly relate to intangible assets for further development of the Global Ticketing System (EUR 10.083 million), ticketing distribution rights (EUR 394 thousand) and IT hardware for operating the data center and for connecting box offices to the Global Ticketing System (EUR 882 thousand). These are offset by systematic depreciation (EUR 9.500 million). The additions in financial assets relate primarily to the acquisitions of shareholdings in JetTicket (EUR 1.753 million), in Venuepoint Holding (EUR 5.906 million) and a capital increase in Eventim Sony Holding Ltd., London (EUR 1.567 million) and in JUG Jet Air GmbH & Co. KG, Bremen (EUR 2.942 million).

The EUR 7.650 million decrease in **goodwill** derives mainly from the scheduled amortisation of goodwill according to HGB.

Other assets and prepaid expenses decreased by EUR 1.441 million substantially due to reduced claims against promoters from prefinancing within the ongoing business activity.

CURRENT LIABILITIES increased by EUR 22.957 million to EUR 227.248 million, mainly by the increase in provisions (EUR +4.377 million) and other liabilities and deferred income (EUR +20.034 million). This was offset by a decline in trade payables (EUR -3.863 million).

The EUR 4.349 million increase in **provisions** mainly derives from other provisions. The increase in other provisions mainly results from higher provisions for outstanding invoices (EUR +3.305 million) and outstanding commissions (EUR +983 thousand).

The EUR 20.034 million change in **other liabilities and deferred income** is mainly caused by higher liabilities in respect of ticket monies that have not yet been invoiced (EUR +16.933 million). As at 31 December 2016, the amount of liabilities for ticket monies not yet invoiced was higher compared to previous year. In addition, there was an increase of EUR 2.291 million in liabilities for gift vouchers sold but not yet redeemed.

The decrease in **trade payables** (EUR -3.863 million) is the result of the ongoing business activity.

NON-CURRENT LIABILITIES decreased by EUR 14.426 million to EUR 82.578 million, due to the timely reclassification of long-term financial liabilities to short-term financial liabilities.

SHARHOLDERS' EQUITY rose by EUR 37.379 million to EUR 286.226 million. The positive net income for the reporting year, at EUR 81.535 million, is offset by the EUR 44.156 million dividend payment for the 2015 financial year that was adopted at the Annual Shareholders' Meeting in May 2016.

The equity ratio (shareholders' equity divided by the balance sheet total) increased from 45.2% to 48.0%. The return on equity (net income for the year divided by shareholders' equity) was lower at 28.5% compared to 29.0% in 2015.

4.3 CASH FLOW

4.3.1 CONSOLIDATED CASH FLOW

	2016	2015	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Cash flow from:			
Operating activities	153,872	91,928	61,944
Investing activities	-32,016	-22,347	-9,669
Financing activities	-70,772	-79,981	9,209
Net increase / decrease in cash and cash equivalents	**51,084**	**-10,400**	**61,484**
Net increase / decrease in cash and cash equivalents due to currency translation	1,740	5,373	-3,633
Cash and cash equivalents at beginning of period	500,816	505,843	-5,027
Cash and cash equivalents at end of period	**553,640**	**500,816**	**52,824**

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 2015, cash and cash equivalents increased by EUR 52.824 million from EUR 500.816 million to EUR 553.640 million.

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

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities increased year-on-year by EUR 61.944 million from EUR 91.928 million to EUR 153.872 million. The main reason for this increase in cash flow from operating activities is the change in liabilities (EUR +82.704 million), in consolidated net income after non-controlling interest (EUR +5.532 million) and in marketable securities and other investments (EUR +11.459 million). This was offset by a negative cashflow effect from higher income tax payments (EUR -10.005 million), changes in payments on account (EUR -8.183 million) and a change in provisions (EUR -8.323 million).

The negative cash flow effect from **income tax payments** (EUR -10.005 million) result mainly from increased payments in advance made for the financial year 2016.

The positive cash flow effect from **marketable securities and other investments** (EUR +11.459 million) results from the sale of discount certificates in the reporting period.

The negative cash flow effect of EUR 8.183 million from changes in **payments on account** was mainly the result of an increase in production cost payments for future events to be held after the balance sheet date in the Live Entertainment segment.

The negative cash flow effect of EUR 8.323 million from changes in **provisions** was mainly the result of the usage of provisions in the year under review.

The EUR 82.704 million positive cash flow effect due to the change in **liabilities** mainly results from higher liabilities of ticket monies that have not yet been invoiced in the Ticketing segment (EUR +54.096 million) and higher advance payments received in the Live Entertainment segment (EUR +43.407 million) compared to prior year. On the other hand a reduction in other liabilities resulted in a negative cash flow effect of EUR 4.151 million.

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

CASH FLOW FROM INVESTING ACTIVITIES

The negative cash flow from investing activities rose by EUR 9.669 million from EUR 22.347 million to EUR 32.016 million. Cash outflows for investing activities in property, plant an equipment mainly relate to hardware investments for new IT infrastructure and office equipment. Furthermore, higher payments of the subsidiary JUG Jet Air GmbH & Co. KG, Bremen, were made for replacement investments which comprise both additions and disposals of fixed assets. In addition higher acquisitions in comparision to the prior year period were made.

CASH FLOW FROM FINANCING ACTIVITIES

The negative cash flow from financing activities declined year-on-year by EUR 9.209 million from EUR 79.981 million to EUR 70.772 million. The positive change in cash flow from financing activities is essentially the result of a lower borrowing (EUR -93.934 million) and a lower repayment of financial loans (EUR +103.420 million). Furthermore, higher dividends to shareholders (EUR -5.759 million) led to a negative cash flow effect.

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

4.3.2 CASH FLOW CTS KGaA (HGB)

	2016	2015	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Cash flow from:			
Operating activities	117,013	42,112	74,901
Investing activities	-23,359	-13,664	-9,695
Financing activities	-58,442	-62,682	4,240
Net increase / decrease in cash and cash equivalents	**35,212**	**-34,234**	**69,446**
Cash and cash equivalents at beginning of period	174,629	208,863	-34,234
Cash and cash equivalents at end of period	**209,841**	**174,629**	**35,212**

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 2015, cash and cash equivalents increased by EUR 35.212 million from EUR 174.629 million to EUR 209.841 million.

Cash flow from operating activities increased by EUR 74.901 million to EUR 117.013 million. The year-on-year increase in 2016 mainly results from higher net income for the year (EUR +9.494 million), changes in liabilities (EUR +56.425 million), changes in provisions (EUR +6.552 million) and changes in the sale of marketable securitites (EUR +9.999 million). These were offset by negative cash flow effects due to the change in receivables (EUR -10.958 million).

The positive cash flow effect in respect of **marketable securities** (EUR +9.999 million) result from the sale of discount certificates in the reporting period compared to the previous year where marketable securities were acquired.

The EUR 10.958 million negative cash flow effect in respect of **receivables** mainly relates to changes in receivables related to ticket monies.

The positive cash flow effect in respect of **liabilities** (EUR +56.425 million) is due to changes of liablities in respect of ticket monies (EUR +53.923 million). With the operation of many major tours in the reporting year 2015, the high level of liabilities from ticket monies resulted in cash outflows as at 31 December 2015. This was offset by higher liabilities in respect of ticket monies in particular through the presale of a higher number of events in the fourth quarter 2016.

The positive cash flow effect in respect of the change of **provisions** (EUR +6.552 million) result mainly from higher provisions for outstanding invoices and for credit notes.

Negative **cash flow from investing activities** increased by EUR 9.695 million from EUR 13.664 million to EUR 23.359 million. The increase in cash outflow mainly comprises higher purchase price payments (EUR -11.351 million) related to acquisitions of shares in acquired companies in the reporting period and capital increases at subsidiaries. Investments for shareholdings relate to JetTicket and Venuepoint Holding. This was offset by positive cash flow effects relating to the transfer of the shares in Eventim Sweden at fair value (EUR +1.800 million) to Venuepoint Holding.

Negative **cash flow from financing activities** decreased year-on-year by EUR 4.240 million from EUR 62.682 million to EUR 58.442 million. The positive change in cash flow from financing activities is essentially the result of lower borrowings (EUR -94.000 million) and a higher repayment of financial loans (EUR +104.000 million). Furthermore, higher dividends paid to shareholders (EUR -5.759 million) led to negative cash flow effect.

4.4 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 2016 reporting period. The strong growth trend in the Ticketing segment remains intact. As expected, business development in the Live Entertainment segment was moderate following the record levels achieved in 2015.

CTS Group business development exceeded expectations during the reporting period. Contrary to the forecast of a revenue decline in the mid-single digit range, revenue came in on par with the previous year's level. Due to the excellent business development in the Ticketing segment, expected negative earnings results in the low one-digit percent range were avoided, and in fact an improvement in revenue and earnings figures for the CTS Group was realised in the upper-single digit percentage range. In contrast to the forecast (lower one-digit percentage range), the Group increased EPS by 6.2%.

With new strategic partners in Europe and South America, the CTS Group again considerably strengthened its market position in the 2016 financial year.

In the **Ticketing segment** (and at CTS KGaA), the revenue and earnings forecast in the mid-one digit percentage range was exceeded considerably during the 2016 reporting period. Revenue increased by 14.1%, normalised EBITDA by 17.1%, EBITDA by 16.9%, normalised EBIT by 18.2% and EBIT by 19.2%.

The main driver of growth is the ongoing expansion of internet ticketing in Germany and abroad, as well as the introduction and development of innovative products and services. The increase in earnings developed disproportionately to revenue growth. Organic and acquisition-related revenue growth as well as the improvement realised in the traditionally strong fourth quarter, particularly due to ticket presales for events in 2017, were responsible for the improvements in the forecast figures.

In comparison to the record results generated in 2015, during which a particularly large number of major tours were booked, business in the **Live Entertainment segment** developed more moderately in 2016, which was expected. The forecast of an approximately 10% decline in revenue and a roughly 30% drop in the key financial figures was realised. 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 diverse event offering is the extensive network and long-term contacts of the CTS Group in the entertainment industry.

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

5. APPROPRIATION OF EARNINGS BY CTS KGaA

In the 2015 financial year, CTS KGaA generated net income for the year (according to HGB) of TEUR 72.041 million. The Annual Shareholders' Meeting on 9 May 2016 adopted a resolution to distribute EUR 44.156 million (EUR 0.46 per eligible share) of the balance sheet profit of EUR 143.256 million as at 31 December 2015 to shareholders. Payment of this dividend was effected in May 2016. The remaining balance sheet profit of EUR 99.100 million was carried forward to the new account.

In fiscal year 2016, CTS KGaA generated EUR 81.535 million 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 of EUR 94.071 million (EUR 0.98 per eligible share) out of the balance sheet profit of EUR 180.635 million as at 31 December 2016 and to carry the remaining amount forward to the balance sheet profit. The dividend proposal comprises the basic dividend of EUR 0.50 per share (50% of the consolidated net income) and a special dividend of EUR 0.48 per share. The special dividend reflects the very successful business development and profitability in the year 2016.

6. DEPENDENCY REPORT FOR CTS KGaA

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

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

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

7. RISK AND OPPORTUNITIES REPORT

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

The opportunities and risk management of the CTS Group is based on a comprehensive, multi-stage approach which comprises the segments' operating management, control and management systems (risk management within a more limited sense) and internal audit activities. The risk management system aims to identify, assess, control and document material risks and risks that threaten the continued existence of the company as a going concern and to seize, identify and realise opportunities.

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

7.1 STRUCTURE AND OPERATION OF THE RISK MANAGEMENT SYSTEM

In order to identify, assess, manage and document risks at an early stage, the Group operates a systemic and appropriate risk management system. Operational risk management includes the process of systematic risk analysis of business processes. The risk management system is integrated as a continuous process (control loop) into business processes, 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 segments 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 via the risk reports and monitors the efficiency of the system.

Quarterly reports ensure that the corporate management is promptly informed of potential risks affecting the company's future development. The risks are evaluated according to impact and likelihood and the status of measures is monitored. The period under review comprises the current year 2017.

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

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

The auditor evaluates the efficiency of the system for early detection of risks and reports on his findings to corporate management and the Supervisory Board after completing his audit of the annual financial statements. These findings are then also used to further improve the early detection and management of risks. In principle, the risk identified is minimised by the implemented internal control system, which consists of process-integrated and process-independent measures. If necessary, individual measures are implemented and their effectiveness is monitored.

Risks are transferred to insurers by taking out insurance policies with appropriate amounts of coverage. These policies mainly cover property damage and third-party liability claims. Some specific operational risks are also covered by insurance policies. In addition, corporate management receives extensive advice from both internal and external experts when important decisions are to be taken.

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

The CTS Group divides risks into seven risk categories:

Risk category	Risk area
1. Strategy	Risks which represent a significant threat which arise from strategic decisions: • Risks of future economic development • Sector, market and competition
2. Market	Risks based on changes in the market (prices, competition etc.): • Products, services, innovations
3. Performance	Risks related to services provided and the required resources: • Stability and safety of IT infrastructure • Risks from security threats from the internet • Procurement • Personnel risks
4. Projects	Risks arising from large projects
5. Finance	Financially-based risks: • Liquidity risks • Credit risks • Currency risks • Interest risks • Other price risks • Taxes • Litigation 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

7.2 MAJOR RISK AREAS

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

Risk assessment involves analysing the likelihood of risks materialising, and the maximum theoretical loss that could occur. The maximum theoretical loss multiplied by the likelihood of the risk materialising is the expectation value. Risks are classified as ‘high’ (expectation value of the risk impairs EBIT more than 10%), ‘medium’ (expectation value of the risk impairs EBIT by ≥ 1% and ≤ 10%) and ‘low’ (expectation value of the risk impairs EBIT by less than 1%). The risk classification is based on the highest individual risk per risk area.

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

7.2.1 STRATEGIC RISKS

RISKS RELATING TO FUTURE MACROECONOMIC TRENDS

Although overall economic recovery in the Eurozone continues to be anticipated for 2017, the European Central Bank (ECB) recently reduced their specific growth expectations. The adjustment in foreign demand, which is primarily related to a considerably lower demand for imports in the United Kingdom (UK) as a result of the Brexit vote on European Union (EU) membership, is likely to put a damper on export growth in the Eurozone. However, as the final framework conditions for the UK's exit from the EU will not likely be clarified in the foreseeable future, overall growth expectations for macroeconomic development in the Eurozone as well as in Germany remain unchanged for the time being. The ongoing expansive monetary policy of the ECB as well as only moderate inflation and the positive labour market environment, which is stimulating internal demand, are lending support to growth expectations.

The ECB continued to pursue its expansive monetary policy in 2016. Despite the fact that the ECB announced in December 2016 that it would be reducing the number of government bonds purchased starting in March 2017 and the Federal Reserve System (FED) resolved during its meeting in December 2016 to undertake an initial increase in the prime rate, a general reversal of central banks' interest rate policy is not expected in 2017. Even if inflation rates rise in the Eurozone and the US, measures to contain the money supply are not necessary according to the most recent statements issued by the ECB and the FED. For this reason, a generally expansive money policy by the ECB and the FED can be expected for 2017 in conjunction with historically low interest rates.

In view of the Brexit vote in 2016 and based on the decision of the London High Court (upheld by the Supreme Court at the start of 2017 regarding an Article 50 withdrawal upon approval of parliament), numerous economists assume that the British government will continue to pursue negotiations with the EU in line with a hard Brexit and not embrace a less severe approach. Various bank economists believe that the British government may sacrifice a degree of access to the single market in order to fulfil the demand for restrictions on immigration. It can be assumed, however, that the negotiations in 2017 will progress slowly due to the extensive political agenda of continental Europe in 2017. On this basis, trade relationships between the EU and the UK could remained unchanged for the time being. It cannot be excluded, however, that temporary effects and speculation about the final framework conditions for the time after the execution of the Brexit will result in latent insecurity that could negatively impact the macroeconomic development expectations as well as the exchange rate for the Euro and British pound overall. Based on the result of the US presidential election as well as the political agenda in continental Europe in 2017 (parliamentary elections in the Netherlands, presidential and parliamentary elections in France, Bundestag elections in Germany as well as parliamentary elections in the Czech Republic), it can be assumed that macroeconomic development in the Eurozone as well as in the individual member states in 2017 and 2018 will be highly influenced by political events as well as by ECB policy.

The ECB forecasts real economic growth of 1.6% for 2017 and 1.6% for 2018 in the Eurozone. The labour market situation will improve slightly in this period with unemployment rates of 9.9% in 2017 and 9.6% in 2018. In view of pricing, the ECB expects inflation to continue increasing in the Eurozone during the period under review from 1.2% in 2017 to 1.6% in 2018. The further development of oil prices as well as the development of various exchange rates were used as the basis for the ECB's forecasts in this respect. The various exchange rates, particularly the Euro to British pound and Euro to US dollar, will be heavily influenced by the ongoing Brexit negotiations and the effects of the election of Donald Trump as the 45th President of the United States of America.

The influence of the political environment on projections is also reflected in the most recent adjustment of Organisation for Economic Co-operation and Development (OECD) expectations for economic growth in Germany. Despite a positive underlying trend for macroeconomic development in 2017, the OECD recently reduced their growth projection for Germany from 1.5% to 1.3% based on the uncertain impact of the Brexit vote as well as the results of the US presidential election.

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

The risk is classified as low.

INDUSTRY, MARKET AND COMPETITION

The Group currently commands a leading market position in ticket sales. 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 product and service offering. This includes, for example, an exclusive presale service, online reservation of specific seats via an interactive seating plan, ticket sales by Mobile Shops and the apps for iPhone and Android, cross-selling and upselling, state of the art applications for promotions and VIP package deals, internet-base ticket exchange, high-quality FanTicket, special business offers, print-at-home 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 be able to respond flexibly should the need arise.

Changes in 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 in particular in the area of festivals, renowned venues, extensive contacts with artists and their management, reputation in event management as well as distribution strength and financial strength.

The risk is classified as medium.

7.2.2 MARKET RISKS

PRODUCTS, SERVICES, INNOVATION, BUSINESS AND ENTERPRISE VALUE

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

The Group’s business operations and the enterprise value of its assets in the ticketing segment depend significantly on promoters selling their admission tickets via the CTS sales network and providing a certain proportion of the available tickets. The CTS Group assumes that event promoters will continue to use this service in future, on account of the diversified structure of products and their distribution. This risk is minimised in german speaking countries 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 industry are dependent to a significant degree on promoters continuing to offer artists of national and international renown, thus ensuring high attendance rates at events.

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

Market risks are classified at low risk.

7.2.3 PERFORMANCE RISKS

STABILITY AND RELIABILITY OF THE IT INFRASTRUCTURE BEING USED

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

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

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

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

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

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

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

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

In 2016, the CTS Group invested in the performance, security and stability of the ticketing platform. The previous geo redundancy of all systems in dedicated brand segments was further improved through a relocation to a leading provider of housing services and by realising geo redundancy of data centres with a distance of up to 20 kilometres. Back end capacities and internet connections were significantly expanded.

The risk is reduced to 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 on 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 negative impacts on business operations and on earnings performance, financial position and cash flow.

The platform’s security and stability was further enhanced in 2016. DDoS (Denial of Service) protection was installed by a leading provider that protects the system from DDoS attacks.

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

PROCUREMENT

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

The risk is classified as low.

PERSONNEL RISKS

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

The objects of the business activities in the Live Entertainment segment are to plan, prepare and execute tours and events, especially music events and concerts, and to market music productions. Contacts with artists and their managers, combined with the professional organisation and execution of events are key success factors in this regard. The positive business development in the Live Entertainment segment is based in large measure on the activity 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 reduced to a low risk.

7.2.4 PROJECT-RELATED RISKS

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

The risk is reduced to a low risk.

7.2.5 FINANCIAL RISKS

CASH FLOW RISKS

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

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

Standard credit agreements are in place with various banks. The extension risk is minimised by varying credit terms. In addition to existing financing of acquisitions, a medium- to long-term working capital credit facility is also available as part of general corporate financing. The Group had sufficient cash reserves as at the balance sheet date of 31 December 2016.

As at 31 December 2016, the Group has bank liabilities of EUR 127.204 million (previous year: EUR 146.514 million). Of the external loans, EUR 78.534 million (previous year: EUR 97.848 million) are tied up to comply with standard financial covenants for companies with good creditworthiness ratings. There is no certainty that the covenants will be honoured in the future. However, based on current budget planning, the CTS Group assumes that the covenants will also be honoured in the years ahead.

The risk is classified as low.

CREDIT RISKS

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

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

In the 2016 business year, collaterals amounting to EUR 9.323 million (previous year: EUR 11.289 million) were provided for Group companies, mainly to hedge the risks in ticket presales by various box offices (EUR 9.306 million, previous year: EUR 11.273 million).

The risk is classified as low.

FOREIGN EXCHANGE RISKS

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

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

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

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

If the Euro had appreciated (or depreciated) in value by 10% against all other currencies as at 31 December 2016, the consolidated net income after tax would have been EUR 1.826 million lower (or higher, respectively) (previous year: EUR 1.166 million lower (higher)). The hypothetical effect on net income after tax results mainly from EUR/CHF currency sensitivity (EUR -533 thousand; previous year: EUR -446 thousand for EUR/CHF), from EUR/USD (EUR -65 thousand; previous year: EUR -131 thousand for EUR/USD), from EUR/ILS (EUR -189 thousand; previous year: EUR -173 thousand for EUR/ILS), from EUR/BRL (EUR -737 thousand, previous year: EUR 28 thousand for EUR/BRL) and from EUR/GBP (EUR -183 thousand; previous year: EUR -327 thousand for EUR/GBP).

If the Euro had appreciated (or depreciated) in value by 10% against all other currencies as at 31 December 2016, the shareholders`equity would have been EUR 35 thousand lower (or higher, respectively). The hypothetical effect on the shareholders`equity results mainly from EUR/CHF currency sensitivity of EUR 35 thousand.

The risk is classified as low.

INTEREST RISKS

Fixed-rate loan agreements are mostly in place for long-term loans (with fixed-interest periods of 1, 2 and 4 years). Short-term credit lines are not used continuously throughout the year. An extended and increased syndicated credit line (revolving credit facility) is used for specific projects.

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

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

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

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

Hypothetical changes in market interest rates as at 31 December 2016 would have effects on ongoing interest payments and/or interest income and expenditure in pre-tax profits and on shareholders' equity. The hypothetical effect on consolidated income results from the potential effects of original cash and cash equivalents and financial debts of EUR 455.195 million (previous year: EUR 352.614 million).

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

If the level of market interest rates had been 100 base points higher (lower) as at 31 December 2015, consolidated net income after tax would have been EUR 2.432 million higher (EUR 137 thousand lower). The effect on consolidated net income after tax concerns relate exclusively to floating interest rates in cash and cash equivalents and financial debts at banks.

The risk is classified as low.

OTHER PRICE RISKS

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

The risk is classified as low.

If market prices as at 31 December 2016 had been higher (lower) by one standard deviation from the historical relative changes in value over the financial year, shareholders' equity would have been EUR 2 thousand higher (lower) (previous year: EUR 26 thousand).

TAXES

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

The risk is classified as medium.

LITIGATION AND CLAIMS FOR DAMAGES

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

The risk is classified as low.

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

RISKS RELATING TO REPORTING AND BUDGETING

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

The risk is classified as medium.

CAPITAL MANAGEMENT

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

The risk is classified as low.

7.2.6 SOCIAL / POLITICAL / LEGAL RISKS

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

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

In the context of administrative proceedings, the German Federal Cartel Office (Bundeskartellamt) is investigating the market position and market behaviour of CTS KGaA, particularly whether CTS KGaA exploits its market position in the Ticketing segment to an unreasonable extent and, in doing so, puts market partners at a disadvantage, as well as the content of specific regional cooperation agreements. All requests for information issued by the Cartel Office in this regard were answered in a complete and timely manner by the company. In Germany a request for information is currently in ongoing process. The company is currently responding to a request for information in Germany. In addition, consumer protection proceedings in Germany and an administrative proceeding in Italy and Switzerland are pending. It cannot be ruled out that the Cartel Office, consumer protection organisations and authorities will disagree with indiviual practices or agreements during the ongoing proceedings and issue an order for modification.

The risk is classified as medium.

7.2.7 COMPLIANCE RISKS

Compliance risks can arise if any applicable laws, regulations, industry standards and voluntary commitments are not complied with. Internal guidelines and control mechanisms support to avoid such risks. For specific risk areas (PCI compliance, IT security and data protection) different officers have been appointed. The legal department and internal auditing support through ongoing consultations, the identification and management of compliance risks, particularly within the background of the increasing internationalization of the Group.

The risk is classified as medium.

7.3 OPPORTUNITY MANAGEMENT

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

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

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

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

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

7.3.1 STRATEGIC OPPORTUNITIES

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

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

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

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

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

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

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

7.3.2 PROJECT OPPORTUNITIES

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

7.4 ASSESSMENT OF THE GROUP'S OPPORTUNITIES AND RISK EXPOSURE

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

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

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

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

8. INTERNAL ACCOUNTING CONTROL SYSTEM

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

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

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

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

In the standalone financial statements of the subsidiaries of CTS KGaA, bookkeeping transactions are mainly recorded by the local bookkeeping systems. In order to prepare the consolidated financial statements of the CTS Group, the subsidiaries add to their respective financial statements by submitting further details in standardised reporting packages.

All reporting packages are then imported via an interface into the consolidation system of LucaNet AG to produce the consolidated financial statements. The LucaNetWorld consolidation software deployed by CTS KGaA has been used for many years already to prepare the consolidated financial statements of the CTS Group. All the consolidation steps involved in preparing the consolidated financial statements – such as capital consolidation, consolidation of assets or liabilities, or the elimination of intercompany expenses and profits and losses, including equity measurement – are generated and fully documented in LucaNetWorld.

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

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

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

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

9. REPORT ON EXPECTED FUTURE DEVELOPMENT

9.1 FUTURE MACROECONOMIC ENVIRONMENT

In its forecast, the European Commission expects a continuation of moderate growth in the European Union (EU). The Commission forecasts an increase in gross domestic product of 1.6% in 2017 and 1.8% in 2018. All EU nations stand to gain from the economic momentum, even though the in some cases huge differences between individual member states will continue. Private consumption remains the main growth engine according to the EU Commission, supported by a rising employment rate and a slight increase in income. Low interest rates and rising investments also contributed to the slight upswing. The European Commission identifies political uncertainty such as the UK's decision to leave the EU and weak global trade as threats to the region's growth. The renewed increase in oil prices also marks the loss of an additional growth factor. The European Commission expects inflation in the European Union to rise to 1.8% in 2017 and 1.7% in 2018. Thanks to the low unemployment rate and low interest rates, the Commission forecasts that public debt in the Eurozone will decline from 1.7% of gross domestic product to 1.4% in 2017 and 2018.

The International Monetary Fund (IMF) expects global economic growth to remain subdued at 3.4% in 2017. In its 'World Economic Outlook', the IMF forecasts stronger economic momentum in emerging and developing countries compared to industrialised countries. The IMF predicts growth of 2.3% in the US and 1.6% in the Eurozone in 2017. It expects gross domestic product in Germany to grow by 1.5% in 2017. In its global economic forecast, the Organisation for Economic Co-operation and Development (OECD) views key political decisions as a potential means for overcoming the sluggish global economy. If the new US government implements an effective fiscal package to stimulate domestic investment and consumption, this could increase global economic growth by 0.1 percentage points in 2017 and by 0.3 percentage points in 2018. According to the OECD, continued support for demand through economic impetus in China could also allow the global economy to grow by 0.2 percentage points p.a. on average in the period 2017-2018.

Along with four other German institutions, the German Institute for Economic Research in Berlin (DIW) is of the opinion that the German economy is undergoing a moderate upswing. This is supported by robust consumption and a stable labour market. The research institutions think that industry is making a below-average contribution compared to previous phases of recovery. Investment, which has been weak for some time, and exports should pick up during the course of the year. They think the UK's decision to leave the European Union and scepticism in other countries with regard to international economic cooperation could have a greater influence on political decisions which could ultimately harm the German, European and international economy. They all forecast 1.4% GDP growth for Germany in 2017 and 1.6% in 2018. One of the main reasons for the lower growth rate compared to 2016 is the lower number of working days. Adjusted for calendar effects, the institutions anticipate growth of 1.6% in 2017. They forecast a rise in inflation to 1.4%, which is largely due to oil prices which have ended their downward trend. DIW and its partner institutions forecast a moderate rise in unemployment despite an ongoing increase in the number of newly created jobs due to the prolonged integration of refugees in the labour market.

9.2 EXPECTED EARNINGS PERFORMANCE

The business model of the CTS Group again proved to be extremely robust in 2016. Despite the expected moderate business development in the Live Entertainment segment following a record year in 2015, the CTS Group was able to generate a revenue in line with the previous year's level and an improvement in earnings thanks to the unabated momentum in the Ticketing segment. As a result, the CTS Group developed better than expected for the full year 2016. The CTS Group was able to further strengthen its position on the market in the 2016 financial year through new strategic partnerships in Europe and South America. The CTS Group is well positioned on the market with its service portfolio and financial profile.

The combination of a highly sophisticated ticket network and an attractive range of music, sport, culture and leisure events is the basis for the CTS Group's sustainable success. The Ticketing and Live Entertainment segments which complement each other are at the heart of the business model. The numerous investments and contacts in the events industry established over many years ensure that the CTS Group has a broad portfolio. Each year, more than 150 million tickets for these events are sold with 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 ticketing software as well as the development of innovative services. The emphasis here is on the further expansion of the highly profitable ticketing via E-Commerce. On the other hand, the international ticketing and live entertainment market is constantly monitored for strategic opportunities for collaboration and potential acquisitions. The South American continent remains a focus of international expansion in addition to strengthening the Group's leading position on the European market.

TICKETING

In the Ticketing segment, the forecasts for revenue and earnings were significantly exceeded in 2016. The main growth engine was the constant expansion of online ticketing in Germany and other countries as well as the introduction and development of innovative products and services. The CTS Group will continue to strengthen its position as the world's second-largest ticketing provider in the current financial year. The profitable E-Commerce segment will continue to be systematically developed. The trend towards online shopping continues to offer considerable opportunities for growth. In addition, the development of innovative ticketing services and the constant optimisation of the systems remains a focus of the Group's business activities.

The CTS Group will also strengthen the Ticketing segment through additional strategic acquisitions in Germany and other countries in future. In the 2016 reporting year, the CTS Group also expanded the Ticketing segment through new strategic partnerships in South America, Scandinavia and Switzerland in addition to organic growth.

The constantly optimised, globally leading **ticketing systems** of the CTS Group are responsible for the Ticketing segment's success.

In **online ticketing**, the focus is on the use and improvement of mobile ticketing solutions. The number of customers who buy tickets with mobile devices is rising constantly. Investments in mobile solutions continue in order to fulfil the growing needs of customers in this regard. In general, ticket sales, especially via smartphone, were up considerably. This is primarily due to the systematic conversion rate optimisation of key online sales channels among other factors. The increasing convergence of end devices means that the demands our customers place on the web shop are changing. This demand is best fulfilled through a responsive web design. In view of this, the websites are developed flexibly so that they offer maximum user friendliness regardless of which end device is used. Visitors can access services and offers quickly thanks to optimum presentation, which also makes purchasing on the go much easier.

The EVENTIM apps for smartphones and tablets are already well established on the market. This was particularly due to more customer-centric measures: the expansion of personalisation measures with the EVENTIM.App and connection to the cross-channel campaign management as part of the marketing strategy. Another focus was on the further development of the EVENTIM.App in terms of features and technical aspects in order to be able to incorporate future demands. In addition, the CTS Group also promotes the use of electronic admission control that is a key requirement for using mobile online tickets.

The objective of online sales as a whole is to offer maximum user friendliness to make the process of buying tickets more convenient, faster and more secure. This also includes the ongoing implementation of unique services such as interactive 3D seating plants that enable customers to take a look at the view of stage from their selected seat before purchasing.

Exclusive, specially designed FanTickets are offered for more than 90% of the top sellers in the web shop. The CTS Group is providing its customers an offer unique in its form with the FanTicket; the patented, specially designed tickets – a special souvenir of major live experiences – are presented for most major events, and both promoters and artists welcome the emotional degree of this product. The FanTicket has also become a benchmark. No other provider currently has a similar product.

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

The CTS Group's unique **ticket network** offers numerous channels to meet customers' various purchasing patterns. Anyone who purchases a ticket on an EVENTIM web shop can have it sent to them, use it as a mobile online ticket or print it out at home using the computer. In addition to the growing E-Commerce channel, more than 20,000 points of sale across Europe also remain an important pillar of our unique sales network.

The focus in the Ticketing segment is on developing customised E-Commerce solutions for event promoters. With **EVENTIM.Light**, the CTS Group has launched a product on the market that is tailored specifically to the needs of online-based promoters from fields such as electronic dance music, poetry slam, family entertainment, dinner shows and lectures and readings. The ticketing system is optimised for use with mobile devices and is intuitive. Self-service promoters can create their own ticket shop or enter events with just a few clicks and at no charge. Ticket buyers pay market standard fees when purchasing tickets via EVENTIM.Light.

In the previous year, the CTS Group expanded its offer in the **cinema ticketing** field. Following Italy and Spain, the cinema ticketing field was also expanded in Germany with the strategic investment in kinoheld GmbH, Munich. This investment is part of the strategic ongoing expansion of the CTS range of customers.

CTS EVENTIM also offers highly specialised, leading ticket management applications in **sport** with the EVENTIM.Tixx and EVENTIM.FaRM software solutions. All across Europe, sports clubs use the entire CTS Group's sales strength with these systems. Revenue in merchandising, catering and sponsoring can also be enhanced through cross-selling functions. In future, the focus will be on processing large sporting events in Germany and abroad and to actively participate in promising tenders.

In 2016, the CTS Group invested in the further development and internationalisation of its software solutions in sports. The online ticket shop, which is provided to sports clubs via their website for marketing purposes, was also newly developed to strengthen mobile sales channels in particular; this involved a customer-friendlier design and enhanced user guidance on mobile end devices. In addition, an online merchandising shop was developed and provided to the first customer. More merchandising shops will be provided to additional customers in 2017.

In the reporting year, internationalisation projects in the Netherlands and Italy continued. In the Netherlands, two renowned and top-selling clubs, Ajax Amsterdam and Feyenoord Rotterdam, have already been using the EVENTIM. Tixx software solution.

The CTS Group also intends to expand its existing customer base continuously in the following years and above all to gain new customers from other sports leagues, especially in other European countries.

In the **cultural field**, leading promoters of cultural events in Europe, including La Scala Milan, the Zurich Opera House or the 'Berlinale' International Film Festival, the Finish National Opera in Helsinki or the Berliner Philharmoniker use the specialised EVENTIM.Inhouse ticketing solution.

In financial year 2016, the Group also invested comprehensively in the EVENTIM.Inhouse product in the cultural field. Server components were replaced with modern components in order to improve the system's performance. As a result, the load capacity in presales was increased considerably. The online ticket shop which can be integrated into the website of cultural events was redesigned to meet the changing market requirements. Other improvements were achieved in terms of interface connection.

In the future, the Group plans to continue to significantly expand its customer base in Germany. The number of tickets sold via the CTS ticket network is to be further enhanced through specific marketing measures. As part of the ongoing internationalisation projects, the Group aims to connect customers in Israel, Sweden, Norway and Denmark to EVENTIM.Inhouse in 2017. Employees in foreign markets are currently being trained and supported in system setup.

The ongoing digitalisation of ticketing means that data is becoming increasingly important for creating added value. The CTS Group is responding to the trend generally circumscribed as Big Data with the **Information Science** department. The CTS Group is always able to make its customers tailored offers by analysing user data in Information Science.

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

Through efficient multi-channel dialogue, the use of Customer Relationship Management (CRM) systems enables improved purchase activation and an overall higher degree of loyalty among E-Commerce customers.

Transparency as a basis for ongoing management and optimised performance is ensured in Business Process Monitoring (BPM) by using internationally standardised key performance indicators and systematic reporting of all company processes.

Analytical solutions for B2B partners (B2B Analytical Services) in event and customer insights and advertisement support promotors with the efficient planning of events and attendance. The highly specialised EVENTIM.Analytics reporting applications was designed specifically for this reason. It provides promotors with almost real-time information on ticket sales and the respective customer group. The EVENTIM.Analytics tool allows for substantial efficiency improvements in event marketing. It offers access to anonymous demographic and geographic data of concertgoers and is constantly expanded.

Besides technological innovations, **genres and new types of events** are being further developed. In this context, the CTS Group's marketing experts draw up specific plans to directly support the tours' success.

Organic growth in the Ticketing segment was also complemented with targeted **acquisitions** in the reporting year. In April 2016, the CTS Group signed a transaction agreement with Nordisk Film A/S, Copenhagen, Denmark, which belongs to the Danish Egmont Group. The agreement concerns the establishment of a holding company in Denmark, which the contractual parties will use to jointly provide ticketing services in Scandinavia via its subsidiaries and to secure a leading market position in Denmark, Sweden and Norway.

2017 will be marked by a series of new **innovations**. In the current financial year, the CTS Group plans to further strengthen its market position, particularly in Europe, by developing new innovative ticketing services and constantly improving its applied technology.

The CTS Group will also strengthen this business through technological innovations and strategic acquisitions in Germany and abroad.

LIVE ENTERTAINMENT

Based on the record results achieved in 2015 which saw a particularly high number of large tours, the business development in the Live Entertainment segment was, as expected, more moderate in 2016.

The unique offering of attractive events and exclusive portfolio of prestigious venues are the success factors in the Live Entertainment segment. The extensive network of participations and CTS Group's long-standing contacts in the events industry forms the basis for the broad variety of events on offer.

In financial year 2016, this network was expanded and strengthened through new strategic partnerships in the growing electronic dance music and international festivals genres. The CTS Group has taken over the operation of another legendary venue with K.B. Hallen in Copenhagen. The multi-purpose arena, destroyed by a fire in 2011, will be operated by a cooperation with Danish company Nordisk Film A/S after its scheduled reopening in 2018. The CTS Group operates three of the most successful venues in Europe – the Waldbühne in Berlin, Eventim Apollo in London and the Lanxess Arena in Cologne.

The Group is extremely well positioned in the Live Entertainment segment. The growing national and international diversification of this business will continue in future. The close network established over many years with promoters, artists and their agents is being constantly expanded. The focus is also on creating and further developing new event formats in order to acquire additional market shares. In the Live Entertainment segment, both acquisitions and share purchases of existing associated companies and subsidiaries are planned as part of a strategic and geographic market expansion.

9.3 EXPECTED CASH FLOW

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

9.4 GENERAL ASSESSMENT OF THE GROUP'S PROSPECTIVE DEVELOPMENT

Provided that business expectations and strategic planning are realised, a positive business development can be expected for CTS Group in the 2017 financial year. These expectations are further supported by the constant expansion in online ticketing, ongoing international expansion and the launch of new products and services by the CTS Group.

We forecast growth in the upper-single-digit percentage range in the internet ticket volume and a growth in the mid-single-digit percentage range in both revenue and earnings for the Ticketing segment (and at CTS KGaA) in the 2017 financial year. Due to a growing number of events and large tours, we forecast an improved business development in 2017 with revenue and earnings growth of in the lower-double-digit percentage range in the Live Entertainment segment. Based on segment forecasts, an increase in revenue with a upper-single-digit percentage range and a mid-single-digit percentage range improvement in earnings is expected for the 2017 financial year for the CTS Group. An upper-single-digit percentage range is planned for group EPS in 2017.

Global market uncertainties could have a negative impact on the events and ticketing market and hence on the business development of the CTS Group.

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

10. DISCLOSURES PURSUANT TO §§ 289 (4) AND 315 (4) HGB

Further disclosures refer to CTS KGaA.

COMPOSITION OF SHARE CAPITAL; RESTRICTIONS RELATING TO VOTING RIGHTS OR THE TRANSFER OF SHARES (§ 315 (4) NO. 1 AND 2 HGB)

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

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

DIRECT OR INDIRECT SHAREHOLDINGS (§ 315 (4) NO. 3 HGB)

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

Klaus-Peter Schulenberg has an indirect holding in EVENTIM Management AG and CTS KGaA. On 28 December 2015, Klaus-Peter Schulenberg transferred 48,194,000 shares with voting rights of CTS KGaA (50.2% of share capital) as well as 50,000 shares with voting rights of EVENTIM Management AG (100% of share capital) to KPS Stiftung seated in Hamburg. Klaus-Peter Schulenberg's holdings in CTS KGaA and EVENTIM Management AG are only being converted from a direct into an indirect holding.

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 (§ 315 (4) NO. 4 HGB)

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 (§ 315 (4) NO. 5 HGB)

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 (§ 315 (4) NO. 6 HGB)

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 (§ 315 (4) NO. 7 HGB)

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

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

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

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

MATERIAL AGREEMENTS CONTINGENT ON A CHANGE OF CONTROL FOLLOWING A TAKEOVER BID (§ 315 (4) NO. 8 HGB)

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

COMPENSATION AGREEMENTS (§ 315 (4) NO. 9 HGB)

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

11. 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 § 289a (1) HGB. The current and all previous declarations of compliance are permanently available on the Internet at the website www.eventim.de.

Bremen, 28 February 2017

CTS EVENTIM AG & Co. KGaA,

represented by:

EVENTIM Management AG, general partner

The Management Board

6. CONSOLIDATED FINANCIAL STATEMENTS 2016

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016

ASSETS		31.12.2016	31.12.2015
		[EUR]	[EUR]
Current assets			
Cash and cash equivalents	(1)	553,640,418	500,816,217
Marketable securities and other investments	(2)	1,817,060	5,877,799
Trade receivables	(3)	41,660,089	34,001,185
Receivables from affiliated and associated companies accounted for at equity	(4)	3,117,875	4,746,267
Inventories	(5)	4,875,429	2,074,026
Payments on account	(6)	33,705,446	27,842,808
Receivables from income tax	(7)	6,763,203	4,984,630
Other financial assets	(8)	81,429,794	59,151,666
Other non-financial assets	(9)	14,150,132	11,812,594
Total current assets		**741,159,446**	**651,307,192**
Non-current assets			
Property, plant and equipment	(10)	24,917,737	20,573,962
Intangible assets	(11)	105,753,189	107,513,493
Investments	(12)	2,058,302	2,965,734
Investments in associates accounted for at equity	(13)	16,531,623	19,485,832
Loans	(14)	160,401	190,835
Trade receivables	(15)	18,391	22,264
Receivables from affiliated and associated companies accounted for at equity	(16)	0	1,533,917
Marketable securities and other investments	(17)	0	1,000,000
Other financial assets	(18)	3,970,165	3,429,159
Other non-financial assets	(19)	1,032,803	26,015
Goodwill	(20)	288,426,315	278,222,458
Deferred tax assets	(21)	13,092,716	12,208,485
Total non-current assets		**455,961,642**	**447,172,154**
Total assets		**1,197,121,088**	**1,098,479,346**

SHAREHOLDERS‘ EQUITY AND LIABILITIES		31.12.2016	31.12.2015
		[EUR]	[EUR]
Current liabilities			
Short-term financial liabilities	(22)	28,987,758	16,621,451
Trade payables	(23)	80,839,319	79,942,316
Payables to affiliated and associated companies accounted for at equity	(24)	1,314,058	597,675
Advance payments received	(25)	157,363,362	153,824,211
Other provisions	(26)	5,610,625	10,711,870
Tax provisions	(27)	28,704,772	27,492,725
Other financial liabilities	(28)	296,065,301	245,656,555
Other non-financial liabilities	(29)	53,686,197	52,778,505
Total current liabilities		**652,571,392**	**587,625,308**
Non-current liabilities			
Long-term financial liabilities	(30)	128,333,261	132,562,780
Other financial liabilities	(31)	975,775	766,845
Pension provisions	(32)	12,244,712	9,914,857
Deferred tax liabilities	(33)	13,137,955	13,438,090
Other provisions	(34)	4,820,879	0
Total non-current liabilities		**159,512,582**	**156,682,572**
Shareholders' equity			
Share capital	(35)	96,000,000	96,000,000
Capital reserve		1,890,047	1,890,047
Statutory reserve		7,200,000	7,200,000
Retained earnings		250,729,096	225,961,993
Treasury stock		-52,070	-52,070
Non-controlling interest		29,450,808	20,880,626
Other comprehensive income		-3,040,635	-1,905,806
Currency differences		2,859,868	4,196,676
Total shareholders' equity		**385,037,114**	**354,171,466**
Total shareholders‘ equity and liabilities		**1,197,121,088**	**1,098,479,346**

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2016

		01.01.2016 - 31.12.2016 [EUR]	01.01.2015 - 31.12.2015 [EUR]
Revenue	(1)	829,905,904	834,227,295
Cost of sales	(2)	-545,950,279	-571,793,345
Gross profit		**283,955,625**	**262,433,950**
Selling expenses	(3)	-79,026,619	-74,067,164
General administrative expenses	(4)	-50,982,387	-48,891,489
Other operating income	(5)	19,888,394	20,651,774
Other operating expenses	(6)	-11,861,235	-9,923,018
Operating profit (EBIT)		**161,973,778**	**150,204,053**
Income / expenses from participations	(7)	121,701	16,532
Expenses / income from investments in associates accounted for at equity	(8)	-155,036	-173,701
Financial income	(9)	3,882,454	1,253,980
Financial expenses	(10)	-10,346,353	-5,943,632
Earnings before tax (EBT)		**155,476,544**	**145,357,232**
Taxes	(11)	-49,996,215	-44,819,831
Net income before non-controlling interest		**105,480,329**	**100,537,401**
Thereof attributable to non-controlling interest	(12)	-10,919,600	-11,508,720
Net income after non-controlling interest		**94,560,729**	**89,028,681**
Earnings per share (in EUR); undiluted (= diluted)		0.99	0.93
Average number of shares in circulation; undiluted (= diluted)		96 million	96 million

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2016

	01.01.2016 - 31.12.2016 [EUR]	01.01.2015 - 31.12.2015 [EUR]
Net income before non-controlling interest	105,480,329	100,537,401
Remeasurement of the net defined benefit obligation for pension plans	-1,787,485	-535,543
Items that will not be reclassified to profit or loss	**-1,787,485**	**-535,543**
Exchange differences on translating foreign subsidiaries	1,070,971	1,834,626
Changes from the measurement of available-for-sale financial assets	-38,141	33,862
Cash flow hedges	45,260	-60,598
Share of other comprehensive income (exchange rate differences) of investments accounted for at equity	-2,232,145	990,259
Items that will be reclassified subsequently to profit or loss when specific conditions are met	**-1,154,055**	**2,798,149**
Other results (net)	**-2,941,540**	**2,262,606**
Total comprehensive income	**102,538,789**	**102,800,007**
Total comprehensive income attributable to		
Shareholders of CTS KGaA	92,089,092	91,051,387
Non-controlling interest	10,449,697	11,748,620

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Capital reserve	Statutory reserve	Retained earnings	Treasury stock	Non-controlling interest	Other comprehensive income	Currency differences	Total shareholders' equity
	[EUR]	[EUR]	[EUR]	[EUR]	[EUR]	[EUR]	[EUR]	[EUR]	[EUR]
Status 01.01.2015	**96,000,000**	**1,890,047**	**5,218,393**	**178,109,800**	**-52,070**	**18,854,562**	**-1,920,518**	**2,188,682**	**300,288,896**
Change in the scope of consolidation	0	0	0	-798,361	0	-46,677	0	0	-845,038
Allocation to the statutory reserve	0	0	1,981,607	-1,981,607	0	0	0	0	0
Dividends to non-controlling interest	0	0	0	0	0	-9,675,879	0	0	-9,675,879
Dividends to shareholders of CTS KGaA	0	0	0	-38,396,520	0	0	0	0	-38,396,520
Consolidated net income	0	0	0	89,028,681	0	11,508,720	0	0	100,537,401
Available-for-sale financial assets	0	0	0	0	0	0	33,862	0	33,862
Cash flow hedges	0	0	0	0	0	-2,902	-57,696	0	-60,598
Foreign exchange differences	0	0	0	0	0	816,891	0	1,017,735	1,834,626
Share of other comprehensive income (exchange rate differences) of investments accounted for at equity	0	0	0	0	0	0	0	990,259	990,259
Remeasurement of the net defined benefit obligation for pension plans	0	0	0	0	0	-574,089	38,546	0	-535,543
Status 31.12.2015	**96,000,000**	**1,890,047**	**7,200,000**	**225,961,993**	**-52,070**	**20,880,626**	**-1,905,806**	**4,196,676**	**354,171,466**
Change in the scope of consolidation	0	0	0	-6,106,441	0	7,701,506	0	0	1,595,065
Allocation to capital reserve	0	0	0	-19,531,187	0	0	0	0	-19,531,187
Dividends to non-controlling interest	0	0	0	0	0	-9,581,021	0	0	-9,581,021
Dividends to shareholders of CTS KGaA	0	0	0	-44,155,998	0	0	0	0	-44,155,998
Consolidated net income	0	0	0	94,560,729	0	10,919,600	0	0	105,480,329
Available-for-sale financial assets	0	0	0	0	0	0	-38,141	0	-38,141
Cash flow hedges	0	0	0	0	0	2,902	42,358	0	45,260
Foreign exchange differences	0	0	0	0	0	175,634	0	895,337	1,070,971
Share of other comprehensive income (exchange rate differences) of investments accounted for at equity	0	0	0	0	0	0	0	-2,232,145	-2,232,145
Remeasurement of the net defined benefit obligation for pension plans	0	0	0	0	0	-648,439	-1,139,046	0	-1,787,485
Status 31.12.2016	**96,000,000**	**1,890,047**	**7,200,000**	**250,729,096**	**-52,070**	**29,450,808**	**-3,040,635**	**2,859,868**	**385,037,114**

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2016

	01.01.2016 - 31.12.2016 [EUR]	01.01.2015 - 31.12.2015 [EUR]
A. Cash flow from operating activities		
Net income after non-controlling interest	94,560,729	89,028,681
Non-controlling interest	10,919,600	11,508,720
Depreciation and amortisation on fixed assets	31,615,485	30,297,924
Changes in pension provisions	2,329,856	1,569,275
Deferred tax expenses / income	-1,971,360	-4,809,413
Cash flow	**137,454,310**	**127,595,187**
Other non-cash transactions	2,266,026	-3,741
Book profit / loss from disposal of fixed assets	-811,138	108,670
Interest expenses / Interest income	2,606,604	3,442,201
Income tax expenses	51,967,574	49,629,244
Interest received	736,994	844,518
Interest paid	-3,278,879	-4,771,059
Income tax paid	-51,350,657	-41,345,464
Increase (-) / decrease (+) in inventories	-1,022,588	356,920
Increase (-) / decrease (+) in payments on account	-5,561,996	2,620,804
Increase (-) / decrease (+) in marketable securities and other investments	5,060,739	-6,398,269
Increase (-) / decrease (+) in receivables and other assets	-23,443,309	-5,016,886
Increase (+) / decrease (-) in provisions	-1,605,824	6,716,993
Increase (+) / decrease (-) in liabilities	40,853,749	-41,849,953
Cash flow from operating activities (1)	**153,871,605**	**91,929,165**
B. Cash flow from investing activities		
Payments for investments in intangible assets	-17,438,946	-16,817,740
Payments for investments in property, plant and equipment	-15,499,985	-5,901,801
Payments for investments in non-current financial assets	-1,040,744	-55,972
Proceeds from sales of property, plant and equipment	8,782,015	772,838
Proceeds from sales of non-current financial assets	433,287	66,525
Proceeds / payments for acquisition of consolidated companies	-7,251,622	-411,209
Cash flow from investing activities (2)	**-32,015,995**	**-22,347,359**
C. Cash flow from financing activities		
Proceeds from borrowing financing loans	10,066,261	104,000,000
Payments for redemption of financing loans	-29,599,237	-133,018,867
Proceeds from equity transfers of non-controlling interests (capital increases)	3,250,151	0
Payments for the acquisition of consolidated companies	-751,725	-2,890,062
Dividend payments to non-controlling interest	-9,581,021	-9,675,879
Dividend payments to shareholders of CTS KGaA	-44,155,998	-38,396,520
Cash flow from financing activities (3)	**-70,771,569**	**-79,981,328**
D. Net increase / decrease in cash and cash equivalents	**51,084,041**	**-10,399,522**
Net increase / decrease in cash and cash equivalents due to currency translation	1,740,160	5,373,108
Cash and cash equivalents at beginning of period	500,816,217	505,842,631
E. Cash and cash equivalents at end of period	**553,640,418**	**500,816,217**
F. Composition of cash and cash equivalents		
Cash and cash equivalents	553,640,418	500,816,217
Cash and cash equivalents at end of period	**553,640,418**	**500,816,217**

CONTENT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM 1 JANUARY – 31 DECEMBER 2016

1. PRINCIPLES

1.1 STRUCTURE AND BUSINESS OPERATIONS OF THE GROUP

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

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

The Group is organized in two segments, Ticketing and Live Entertainment and operates in the market for leisure events. The objects of the company in the Ticketing segment are to produce, sell, broker, distribute and market tickets for concerts, theatre, art, sports and other events in Germany and abroad, particularly in Germany and other European countries, in particular by using electronic data processing and modern communication and data transmission technologies. Further objects of the company are to produce, sell, broker, distribute and market merchandising articles and travel, and to engage in direct marketing activities of all kinds. The company competes for the provision of its services not only with regional and supraregional providers of similar services in Germany and other countries, but also with regional enterprises and with direct ticket selling by promoters. The objects of the Live Entertainment segment are to plan, prepare and execute events, in particular music events and concerts, market music productions and to operate venues.

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

These consolidated financial statements and the combined management report were approved by the Management Board of EVENTIM Management AG, Hamburg, on 28 February 2017, for presentation to the Supervisory Board.

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 § 315a (1) of the German Commercial Code (HGB). All IFRSs issued by the International Accounting Standards Board (IASB) and applicable when these consolidated financial statements were prepared have been adopted by the European Commission for use in the EU. The consolidated financial statements were prepared using the historical cost convention, limited by the recognition of financial assets carried at fair value through profit and loss and not through profit and loss.

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

The comparative figures in the income statement and the comparative figures in the balance sheet relate to the consolidated financial statements as at 31 December 2015.

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

1.3 NEW AND AMENDED STANDARDS IN 2016

The following new and amended standards have been applied for the first time on or after 1 January 2016:

- Amendment within the Annual Improvements Process 2012–2014: Improvements to IFRS 5, IFRS 7, IAS 19, IAS 34

- Amendments to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates'– sale or contribution of assets between an investor and its associate or joint venture (applicable on or after 1 January 2016, but temporarily indefinite shift)

- Amendments to IFRS 10 'Consolidated financial statements', IFRS 12 'Disclosure of interest in other entities' and IAS 28 'Investments in associates' – Investment entities: applying the consolidation exeption

- Amendments to IFRS 11 'Joint arrangements' – acquisitions of interests in joint operations

- IFRS 14 'Regulatory deferral accounts'

- Amendments to IAS 1 'Presentation of financial statements'

- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' – clarification of acceptable methods of depreciation and amortisation

- Amendments to IAS 16 'Property, Plant and Equipment', and IAS 41 'Agriculture' – bringing bearer plants into the scope of IAS 16

- Amendments to IAS 27 'Separate financial statements' – Equity method in separate financial statements

As a result of the mandatory application as of 1 January 2016, there have been no material changes to the financial position, cash flow and earnings performance.

1.4 NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

The IASB and the International Financial Reporting Interpretations Committee (IFRIC) have adopted additional standards and interpretations that are not yet mandatory for the 2016 financial year and which have not been applied to the consolidated annual financial statements as at 31 December 2016.

- Amendments to IAS 12 'Income Taxes' – Deferred tax recovery of underlying assets (applicable on or after 1 January 2017)
- Amendments to IAS 7 'Statement of Cash Flows' – Disclosure initiative (applicable on or after 1 January 2017)
- Amendments to IFRS 2 'Share-base payment transactions' (applicable on or after 1 January 2018)
- Amendments to IFRS 4 'Insurance Contracts' (applicable on or after 1 January 2018)
- IFRS 9 'Financial Instruments' (applicable on or after 1 January 2018)
- IFRS 15 'Revenue from contracts with customers' (applicable on or after 1 January 2018)
- IFRS 16 'Leasing' (applicable on or after 1 January 2019)
- Amendment within the Annual Improvements Process 2014–2016: Amendments to IFRS 1, IFRS 12, IAS 28 (applicable on or after 1 January 2018)

Standards that are not applicable until after the balance sheet date have not been prematurely applied. Furthermore the effects of all other standards on the financial position, cash flow and earnings performance of the CTS Group are still being reviewed, although no material effects on the consolidated financial statements are expected in the future due to IAS 12, IAS 7, IFRS 2 and IFRS 4. The details of the effects on IFRS 9, IFRS 15 and IFRS 16 are explained in the next section.

IMPACT OF FUTURE MANDATORY ACCOUNTING STANDARDS

IFRS 9 'Financial Instruments' contains all previously published standards and merges them with the new standards on the recognition of impairments and limited changes for the classification and measurement of financial assets. According to the new 'expected loss model' losses are recognised at an earlier stage. The analyses on the impact of IFRS 9 are not yet complete. It is to assume that it can lead to an earlier loss realisation.

The standard **IFRS 15 'Revenues from Contracts with Customers'** specifies when and over which period of time revenue is to be recognised and at what amount. In future, this amount is to be recognised as revenue that is expected from the transfer of goods and services to customers in exchange for the consideration. The transfer of control of goods or services to the customer is now decisive for determining the date or period for recognising revenue rather than the transfer of risks and opportunities. The impact of IFRS 15 is being examined as part of a project. For this purpose, contract analyses are carried out in the Ticketing and Live Entertainment segments. The analyses are currently not yet completed and it is not possible to give a reliable estimate of the quantitative effects before the project ends. In the Ticketing segment, there could be a shift in the timing of revenue recognition for example with respect of volume-dependent revenue reductions. Due to the variety of different contractual arrangements and business models in the Live

Entertainment segment no further assessment can be made to the present state. Companies can apply the IFRS 15 standard either as full retrospective approach or as modified retrospective approach. Since the detailed analysis of the effects on IFRS 15 has not yet been finished the CTS Group selected to use the modified retrospective approach.

IFRS 16 'Leasing' contains regulations regarding the recognition, measurement and disclosure of leases. In future, all contractual rights and obligations relating to leases are to be recognised in the lessee's balance sheet. The obligation arising from future lease payments are recognised as lease liabilities. The right-of-use of the underlying asset is also recognised, which corresponds to the present value of the future lease payments plus any directly attributable costs. During the term of the lease agreement, the lease liability is measured on a mathematical basis while the right-of-use is amortised. Exemptions apply to the recognition of low-value short-term leases and lease objects. It can be assumed that the application of IFRS 16 will have a material impact on the net assets, financial position and results of operations of the CTS Group. The new standards especially relate to the recognition of various rights-of-use. While payment obligations for operating leases were previously disclosed in the notes, the arising rights and obligations will be reported as rights-of-use and lease liabilities in future. In this context, an increase in total assets due to the rise in lease liabilities and a similar increase in fixed assets as a result of the right-of-use to be recognised can be assumed. In future, amortisation and interest expense will be recognised in the income statement instead of lease expense. This will result in an improvement in EBITDA. The impact of IFRS 16 on the CTS Group is currently still being examined and it is therefore not yet possible to give a reliable estimate of the quantitative effects.

1.5 DISCLOSURES CONCERNING CONSOLIDATION POLICIES

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

Some smaller regional subsidiaries, in both the Ticketing segment and the Live Entertainment segment, have not been included in the consolidated financial statements because of their insignificance for establishing a fair view of the Group's earnings performance, financial position and cash flow. The revenue of capitalised investments not included in the consolidated financial statements due to insignificance is less than 1.5% of Group revenue.

The balance sheet date of the fully consolidated companies is principly identical to that of the CTS KGaA parent company. The financial year of HOI does not correspond to the reporting date of CTS KGaA and HOI prepares interim financial statements as of the balance sheet date, 31 December 2016.

Capital consolidation is effected using the acquisition method by offsetting the carrying amount of the investment against the revalued shareholders' equity of the subsidiary at the time of acquisition. The consideration transferred in a business combination is equal to the fair value of the transferred assets and liabilities assumed at the time of transaction. Assets, debts and contingent liabilities which can be identified in the context of a business combination are recognised at their respective fair values when first included in consolidation. Any amount by which the cost exceeds the Group's share in the fair value of net assets is recognised as goodwill. If the consideration transferred is less than the net assets of the acquired subsidiary measured at fair value, the difference is recognised in the income statement. According to IAS 36, goodwill must be reviewed annually with regard to carrying value and any indications of impairment.

If CTS Group purchases shares from other non-controlling shareholders, these acquisitions are presented as shareholders' equity transactions. This means that the difference between the acquired proportionate equity of other shareholders and the purchase price are offset directly against shareholders' equity.

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% ('at equity companies').

Joint ventures are likewise accounted for by applying the equity method. 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 arrangements 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.

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.

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

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

1.6 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 consolidated financial statements are presented in Euro which is the reporting currency of the CTS KGaA.

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 shareholders' equity.

1.7 MAIN ACCOUNTING PRINCIPLES AND METHODS

ACCOUNTING PRINCIPLES AND METHODS

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

ACCOUNTING ACCORDING TO IAS 32

In accordance with IAS 32, contracts which obligate a company to purchase its own equity instruments are recognised as financial liabilities carried at the present value of the purchase price. This principle 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. In compliance with changes in international accounting practice, 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. After initial recognition, the liabilities are measured in accordance with IAS 39. Subject to the exercise of the put options, the liabilities in accordance with IAS 39.47 are recognised at amortised cost using the effective interest rate method. The current interest rate is calculated on the basis of the original effective interest rate. Changes in expected payments due to changed expectations regarding the exercise price lead to an adjustment to the carrying amount of the liabilities. The new carrying amount is the present value of the adjusted expected cash flows using the original effective interest rate as the discount rate. In accordance with IAS 39.AG8, the changes in the carrying amount thus determined are recognised in the financial result in the income statement.

BUSINESS COMBINATIONS AND NON-CONTROLLING INTERESTS

Business combinations are recognised according to the acquisition method where the purchase price is offset against the revalued net assets of the acquired company on a pro rata basis (capital consolidation). In this context, the values at the time of the acquisition – the point in time when the company assumes control of the acquired company – are used as underlying values. Differences in value are fully capitalised, while recognisable assets, debts and contingent liabilities of the subsidiary are reported in the consolidated balance sheet at fair value irrespective of non-controlling interests. The fair values of individual assets are determined by referring to published stock exchange or market prices at the time of acquisition, for example. If reference to stock exchange or market prices is not possible, the fair values are determined using the most reliable information available based on market prices for comparable assets, according to appropriate valuation methods. In such cases, the CTS Group calculates fair values according to the discounted cash flow method based on expected future cash flows of weighted costs of capital. In principle, for determining the cash flows, a detailed planning year as well as additional four planning years of the mid-term planning are used. Within the planning years growth rates derived from industry and company data are recognised over the useful life of the asset. The discount rate takes into account the specific risks of the acquired activities. Intangible assets are to be recognised separately if they are clearly identifiable or if their recognition is based on a contractual or other right. 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 immediately dissolved in profit or loss. 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 shareholders with no controlling interest are treated as transactions with investors. If a difference arises between the costs for these shares and the carrying amount of the acquired non-controlling 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. If other shareholders are granted put options as part of a business combination, it will be analysed on a case-by-case basis whether the risks and opportunities arising from these shares will already be transferred and if the shares of non-controlling shareholders are to be recognised. When fair value options are agreed, it is assumed that the non-controlling shareholders bear the risks and opportunities. A controlling relationship pursuant to IFRS 10.7 forms the basis of a business combination. The CTS Group gains decision-making powers over subsidiaries through votes and substantial rights (including budget rights, right to appoint/dismiss/remunerate management, determining financing, dividend policy).

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include bank balances and cash in hand, which are due within three months at the latest. Bank balances and cash in hand are measured at their nominal value at the balance sheet date.

MARKETABLE SECURITIES AND OTHER INVESTMENTS

Marketable securities and other investments include investment funds and term deposits with a maturity of more than three months. The investment funds are measured at fair value and the term deposits at amortised cost. In the previous year, marketable securities and other investments of comprised discount certificates measured at fair value.

RECEIVABLES

Receivables and other assets are carried at amortised cost minus adjustments for discernible risks and in some cases at fair value not through profit and loss. The Group is basically exposed to potential default risks in respect of receivables and other assets. Adequate consideration was given to these risks by making appropriate allowances for doubtful accounts.

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. Borrowing costs for inventories are not capitalised, but are recognised as expense in the period in which they are incurred, unless they are qualifying assets within the meaning of IAS 23.

PAYMENTS ON ACCOUNT

Payments on account in the Live Entertainment segment are carried at cost of purchase.

LEASING

Leasing transactions are categorised as finance leases or operating leases. Lease transactions, in which the CTS Group bears all material opportunities and risks and thus acts as the owner (Finance leasing), are stated at the lower fair value or lower net present value of future minimum lease payments over the estimated useful life or shorter lease term. The payment obligation arising from the finance lease is recognised under financial liabilities in the same amount, with lease rates being divided into an interest and a repayment component. The interest component is recognised in the income statement with an impact on profit or loss. Lease transactions where the CTS Group is the lessor are recognised 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, which include cash and cash equivalents, marketable securities and other investments, loans, financial investments, trade receivables and payables, receivables from and payables to affiliated companies and associates included at equity, other financial assets and liabilities, financial liabilities and derivative financial instruments are compliant with the accounting principles in IAS 39.

Financial assets and liabilities are only netted and disclosed as net amount in the balance sheet when there is a legal right to offsetting and there is an intention to settle on a net basis, or to replace the recovery of the asset in the related financial liability.

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

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

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

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

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

Derivative financial instruments must be classified as a basic principle in the 'held for trading' category, in accordance with IAS 39, and carried as financial assets or liabilities according to their positive or negative market value. As at the balance sheet date a forward exchange transaction from a resolved cash flow hedging relationship is classified in the category 'held for trading'. The CTS Group selectively uses derivative financial instruments such as forward exchange contracts to hedge exchange rate risks; foreign exchange risks are generally hedged to the extent in which they influence the cash flow of the Group. The interest rate risks result from the Group's financing activities. The foreign exchange risks result mainly from operating activities.

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

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

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

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

Gains or losses from fair value hedges are immediately recognised within the income statement.

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

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

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

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

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets with a definite useful life and property, plant and equipment are carried at their cost of purchase or cost of sales, minus systematic straight-line depreciation and amortisation. Borrowing costs for intangible assets and for property, plant and equipment are not capitalised, but are recognised as expense in the period in which they are incurred, unless they are borrowing cost for the production of qualifying assets within the meaning of IAS 23.

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

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

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

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

In compliance with IAS 36, the Group routinely assesses the carrying values of all assets for possible impairments. If events or changes in circumstances provide basis for believing that the carrying value of such an asset might no longer reach the applicable amount, the Group makes a comparison between the recoverable amount and the carrying value of the particular asset (impairment test). If the asset is impaired, the Group records an impairment loss so that the asset is written down to the recoverable amount. In no case did the carrying values of reporting entities exceed the respective fair value, so there were no indications of impairments to the stated value of any reporting entity in the 2016 financial year.

The CTS Group is a lessee of rented property, plant and equipment under leasing agreements. In those cases in which the CTS Group substantially assumes the opportunities and risks from using the leased items, these are capitalised accordingly (finance lease agreements). Capitalisation is performed at the lower of the fair value of the leased item and the present value of the minimum lease payments. These assets are systematically depreciated over their useful life or over the term of the leasing agreement, whichever is shorter. The depreciation method applied to similar acquired assets is used. The liabilities resulting from future leasing rates are carried under liabilities at the lower of the fair value of the leased item and the present value of the minimum lease payments. Each leasing instalment is divided into an interest component and a repayment component. The interest component is recognised in the income statement. Liabilities from leasing agreements in which the CTS Group is not the economic owner of the leased asset (operating lease) are recognised as expense.

DEFERRED TAXES

Deferred tax assets and liabilities are recognised in compliance with IAS 12, according to which deferred taxes are reported using the balance sheet liabilities method.

Deferred tax assets and liabilities are recognised for temporary differences between the carrying amounts in the consolidated balance sheet and in the fiscal balance sheet of the standalone companies, as well as for fiscal loss carryforwards. Deferred tax assets are recognised if it is likely that taxable earnings will be available against which the deductible temporary difference or the loss carryforwards can be applied. In particular for tax loss carryforwards an internal planning horizon of 5 years is generally used. 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.

LIABILITIES

Liabilities are recognised at amortised cost of purchase using the effective interest method, where necessary. Their composition and remaining terms are shown in the statement of liabilities.

PROVISIONS

In accordance with IAS 37, other provisions were formed when commitments towards third parties exist that are reasonably likely to require settlement. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the closing date.

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.

Provisions for defined benefit plans are calculated using the projected unit credit method. This latter method takes account not only of the pensions and acquired benefits known on the reporting date, but also any anticipated increases in salaries and pensions. The calculation is based on actuarial expertises, taking biometric factors into account. Actuarial gains and losses resulting from adjustments and amendments of actuarial assumptions in line with experience are recognised in shareholders' equity without affecting net income.

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

NON-CONTROLLING INTEREST

Transactions with non-controlling interest are treated as transactions with equity holders of the Group. Any difference, arising from acquisition of a non-controlling interest, between the consideration paid and the respective share of the carrying amount of the net assets of the subsidiary is recognised in shareholders' equity. Gains and losses ensuing on disposal of non-controlling interest are likewise recognised in shareholders' equity.

RECOGNITION OF REVENUE AND EXPENSES

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

Revenue in the Ticketing segment that relates to the sale of tickets to final customers is realised when the respective CTS ticketing company delivers the tickets to the final customer. 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 and the profits are realised.

Expenses are recognised as such when they are incurred.

Interest income and interest expenses are recognised in the profit and loss statement.

Software development services are recognised as expense if they do not meet the requirements of IAS 38, and are mostly included in cost of sales.

ESTIMATES AND ASSESSMENTS BY MANAGEMENT

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

The Group conducts annual reviews, in conformity with the accounting policies described above, to determine whether there is any impairment of goodwill. The recoverable amount of cash-generating units was measured on the basis of calculated fair value minus costs of sale. These calculations must be derived from assumptions based on management estimates. If trends arise that are beyond the control of management, future carrying values may deviate from the estimated values as originally anticipated. If actual developments diverge from expectations, the assumptions and, if necessary, the carrying values of the goodwill are adjusted accordingly.

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

2. BUSINESS COMBINATIONS AND JOINT VENTURES
2.1 BUSINESS COMBINATIONS IN THE TICKETING SEGMENT
2.1.1 CHANGES IN THE SCOPE OF CONSOLIDATION

The following changes occurred in the scope of consolidation in the reporting period and/or in relation to 31 December 2015 closing date:

FULLY CONSOLIDATED COMPANIES

At the beginning of March 2016, the CTS KGaA acquired 100% of the shares in the shelf company Eventim Sony Holding Ltd., London, at its nominal value. In April 2016 CTS KGaA and Sony Music Entertainment Inc., Delaware, USA, have entered into a cooperation to provide ticketing services. As part of the cooperation Sony Music Entertainment Inc., Delaware, USA, and CTS KGaA each hold 50% of the shares in Eventim Sony Holding Ltd., London. CTS KGaA secured over substantive rights the controlling interest in this cooperation. Via the Eventim Sony Holding Ltd., London, and its operating subsidiary Eventim Brasil Sao Paulo Sistemas e Servicos de Ingressos Ltda., Sao Paulo, (hereinafter: Eventim Brasil Sao Paulo) the business operations started in April. Eventim Sony Holding Ltd., London, holds 99.9% of shares in the newly founded Eventim Brasil Sao Paulo. The remaining 0.1% stake in Eventim Brasil Sao Paulo is held by CTS Eventim Sports GmbH, Hamburg. The Eventim Brasil Sao Paulo provides ticketing services in the brasilian market.

The transaction agreement with Nordisk Film A/S, Copenhagen, Denmark, which belongs to the Danish Egmont Group, was executed on 5 April 2016. The agreement concerns the formation of a holding company in Denmark (hereinafter: Venuepoint Holding), which is used in the future to provide via its subsidiaries (hereinafter: Venuepoint Group) jointly ticketing services in Scandinavia and take a leading market position in Denmark, Sweden and Norway. CTS KGaA acquired with a 50% share of voting rights the controlling influence through substantive rights in Venuepoint Holding. As part of the transaction, CTS KGaA paid EUR 4.255 million as purchase price and also transferred 100% of shares in CTS Eventim Sweden AB, Stockholm, (hereinafter: Eventim Sweden) to Venuepoint Holding at a fair value of EUR 1.800 million. In return, Nordisk Film A/S, Copenhagen, transferred 100% of the shares in its subsidiaries to Venuepoint Holding. The entire consideration transferred of CTS KGaA for the acquisition of control over the group of companies amounts to EUR 9.794 million.

On 1 July 2016, Lippupiste Oy, Helsinki (hereinafter: Lippupiste), acquired further 52% of the shares in Liigalippu Suomi Oy, Helsinki (hereinafter: Liigalippu), hitherto accounted for at equity, for a purchase price of EUR 575 thousand. Liigalippu is therefore fully consolidated. Lippupiste thus holds 96% of the shares.

With the entry in the commercial register on 2 September 2016, Ticket Express Gesellschaft zur Herstellung und zum Vertrieb elektronischer Eintrittskarten mbH, Vienna, was renamed in CTS Eventim Austria GmbH (hereinafter: Eventim Austria), Vienna.

On 24 October 2016, CTS KGaA holds 51% of the shares and through Eventim Austria holds indirectly 42.14% of the shares at JetTicket Software GmbH, Oberpollendorf, Austria (hereinafter: JetTicket) at a total purchase price of EUR 3.438 million. JetTicket sells ticketing solutions for the areas of culture and sport, in the countries Austria, Switzerland and Germany.

On 22 December 2016, Eventim Austria acquired the remaining shares of 22.5% in ÖTS, Gesellschaft zum Vertrieb elektronischer Eintrittskarten mbH, Stainz, Austria, at a purchase price of EUR 752 thousand.

2.1.2 PURCHASE PRICE ALLOCATIONS

PROVISIONAL PURCHASE PRICE ALLOCATION OF VENUEPOINT GROUP

Venuepoint Holding provides ticketing services with its subsidiaries in Denmark, Sweden and Norway.

Since its initial consolidation on 5 April 2016, Venuepoint Group contributed with EUR 6.192 million to revenue and with EUR -328 thousand to earnings. Cash equivalents of EUR 78 thousand were taken over in the course of acquisition of this group.

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

	Fair value at the time of initial consolidation - provisional purchase price allocation -
	[EUR'000]
Cash and cash equivalents	78
Trade receivables	555
Other assets	7,847
Total current assets	**8,480**
Property, plant and equipment	28
Intangible assets	4,633
Deferred tax assets	38
Total non-current assets	**4,699**
Trade payables	-4,543
Other liabilities	-4,339
Total current liabilities	**-8,882**
Deferred tax liabilities	-860
Total non-current liabilities	**-860**
Total net assets	**3,437**

Assets and liabilities were recognised at the fair value in the provisional purchase price allocation. At the time of initial consolidation, intangible assets (customer base and trademark) were recognised at a fair value of EUR 3.908 million. Deferred tax liabilities of EUR 860 thousand were recorded on the temporary difference arising from the remeasurement of the intangible assets.

As at 31 December 2016 the purchase price allocation is still provisional because investigations regarding intangible assets and the assessment of legal aspects are still pending. The fair value of the assets and liabilities will be conclusively determined within the first twelve month of the acquisition.

The present value of trade receivables amounted to EUR 555 thousand and corresponds to the contractually agreed gross inflows; there were no allowances for bad debts.

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

	[EUR'000]
Consideration transferred	**9,794**
Cash and cash equivalents	78
Trade receivables	555
Other assets	7,847
Property, plant and equipment	28
Intangible assets	4,633
Deferred tax assets	38
Trade payables	-4,543
Other liabilities	-4,339
Deferred tax liabilities	-860
Total net assets	**3,437**
Goodwill	**6,357**

The CTS KGaA acquires a voting interest of 50% by substantive rights the controlling interest on the Venuepoint Holding. Within this transaction, the CTS KGaA paid EUR 4.255 million as purchase price and transfers 100% of the shares in Eventim Sweden at fair value (EUR 1.800 million) to Venuepoint Holding. In return, Nordisk Film A/S, Copenhagen, transferred 100% of the shares of its subsidiaries to Venuepoint Holding. The consideration transferred is composed of the purchase price of EUR 4.255 million and the fair value of 50% of the shares of Venuepoint Holding after contributing the operations of CTS KGaA and Nordisk Film A/S, Copenhagen, and amounts up to EUR 9.794 million.

The resulting reduction to 50% shareholding in Eventim Sweden provides an equity transaction, because no loss of control of the company occurred (IFRS 10.23). The fair value of ownership reduction of 50% in Eventim Sweden is EUR 900 thousand.

As part of the transaction, Nordisk Film A/S, Copenhagen, was issued a put option for the sale of its shares in the Venuepoint Holding to the CTS KGaA. The option is exercisable in 2019 et seq.

The non-controlling interests are measured at fair value. The fair value was derived from the agreed purchase price, taking into account a control premium for the acquisition of 50% of Venuepoint Holding. Within the framework of the initial consolidation, shares of non-controlling interests in the amount of EUR 4.639 million were recorded.

Under the terms of the transaction agreement, the two contracting parties undertake to carry out a capital increase at Venuepoint Holding, in which both contracting parties each participate with EUR 750 thousand.

In addition, CTS KGaA has committed itself, within the framework of the transaction, to change a conditional capital contribution (EUR 1.9 million) at Eventim Sweden into an unconditional capital contribution.

The difference of EUR 6.357 million between consideration transferred (EUR 9.794 million) and net assets (EUR 3.437 million) was allocated to goodwill and essentially reflects future synergy and growth potential. Goodwill is not tax deductible.

If Venuepoint Group had already been included in the CTS Group at the beginning of the year, the company would have contributed EUR 7.925 million to revenue and EUR -433 thousand to the result in the Ticketing segment.

PROVISIONAL PURCHASE PRICE ALLOCATION OF JETTICKET

JetTicket sells ticketing solutions in the fields of culture and sport.

Since its initial consolidation at the end of October 2016, JetTicket achieved revenue of EUR 531 thousand and earnings of EUR 63 thousand. Cash equivalents of EUR 312 thousand were taken over in the course of acquisition of this company.

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

	Fair value at the time of initial consolidation - provisional purchase price allocation - [EUR'000]
Cash and cash equivalents	312
Trade receivables	275
Inventories	32
Other assets	46
Total current assets	**665**
Property, plant and equipment	37
Intangible assets	1,675
Deferred tax assets	20
Total non-current assets	**1,732**
Trade payables	-41
Other liabilities	-559
Pension provisions	-140
Other provisions	-37
Total current liabilities	**-777**
Deferred tax liabilities	-416
Total non-current liabilities	**-416**
Total net assets	**1,204**

Assets and liabilities were recognised at the fair value in the provisional purchase price allocation. At the time of initial consolidation, intangible assets (customer base, order book and software) were recognised at a fair value of EUR 1.667 million and pension provision at a fair value of EUR 140 thousand. Deferred tax liabilities of EUR 416 thousand were recorded on the temporary difference arising from the remeasurement of the intangible assets and deferred tax assets of EUR 20 thousand were recorded on temporary differences arising from the remeasurement of pension provisions. Pension provisions were assessed according to IAS 19.

As at 31 December 2016 the purchase price allocation is still provisional because investigations regarding intangible assets and the assessment of legal aspects are still pending. The fair value of the assets and liabilities will be conclusively determined within the first twelve month of the acquisition.

The present value of trade receivables composed of the gross carrying amount of EUR 287 thousand and allowances for bad debts of EUR 12 thousand. The expected inflows are thus EUR 275 thousand.

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

	[EUR'000]
Consideration transferred	**3,438**
Cash and cash equivalents	312
Trade receivables	275
Inventories	32
Other assets	46
Property, plant and equipment	37
Intangible assets	1,675
Deferred tax assets	20
Trade payables	-41
Other liabilities	-559
Pension provisions	-140
Other provisions	-37
Deferred tax liabilities	-416
Total net assets	**1,204**
93,14% of net assets	**1,121**
Goodwill	**2,317**

The difference (EUR 2.317 million) between the consideration transferred (EUR 3.438 million) and total net assets (EUR 1.121 million) was allocated to goodwill and mainly reflects future synergy effects and growth potentials. The goodwill is not tax deductible.

The valuation of non-controlling interests (6.86%) is accounted for using the revaluation method as proportional share of equity of the company (IFRS 3.19). Within the scope of initial consolidation non-controlling interests in the amount of EUR 83 thousand were recorded.

If JetTicket had been acquired at the beginning of the year 2016, the company would have contributed EUR 2.100 million to revenue and EUR 173 thousand to earnings in the Ticketing segment.

PROVISIONAL PURCHASE PRICE ALLOCATION OF LIIGALIPPU

Liigalippu is a subsidiary of the Lippupiste, which is focused on the sports sector and specialises in connecting ticket systems to access control and cash systems at venues.

Since its initial consolidation at the end of July 2016, Liigalippu achieved revenue of EUR 210 thousand and earnings of EUR 32 thousand. Cash equivalents of EUR 128 thousand were taken over in the course of acquisition of this company.

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

	Fair value at the time of initial consolidation - provisional purchase price allocation -
	[EUR'000]
Cash and cash equivalents	128
Trade receivables	24
Receivables from affiliated companies	77
Other assets	2
Total current assets	**231**
Property, plant and equipment	3
Intangible assets	244
Total non-current assets	**247**
Trade payables	-13
Payables to affiliated companies	-8
Other liabilities	-58
Advance payments received	-30
Other provisions	-24
Total current liabilities	**-133**
Deferred tax liabilities	-49
Total non-current liabilities	**-49**
Total net assets	**296**

Assets and liabilities were recognised at the fair value in the provisional purchase price allocation. At the time of initial consolidation, intangible assets (customer base and trademark) were recognised at a fair value of EUR 244 thousand. Deferred tax liabilities of EUR 49 thousand were recorded on the temporary difference arising from the remeasurement of the intangible assets.

As at 31 December 2016 the purchase price allocation is still provisional because investigations regarding intangible assets and the assessment of legal aspects are still pending. The fair value of the assets and liabilities will be conclusively determined within the first twelve month of the acquisition.

The present value of trade receivables composed of the gross carrying amount of EUR 27 thousand and allowances for bad debts of EUR 3 thousand. The expected inflows are thus EUR 24 thousand.

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

	[EUR'000]
Consideration transferred	**1,014**
Cash and cash equivalents	128
Trade receivables	24
Receivables from affiliated companies	77
Other assets	2
Property, plant and equipment	3
Intangible assets	244
Trade payables	-13
Payables to affiliated companies	-8
Other liabilities	-58
Advance payments received	-30
Other provisions	-24
Deferred tax liabilities	-49
Total net assets	**296**
96% of net assets	**284**
Goodwill	**730**

The difference between the consideration transferred (EUR 1.014 million) and total net assets (EUR 284 thousand) was allocated to goodwill (EUR 730 thousand) and mainly reflects future synergy effects and growth potentials. The goodwill is not tax deductible.

The valuation of non-controlling interest (4%) is accounted for using the revaluation method as proportional share of equity of the company (IFRS 3.19). Within the scope of initial consolidation non-controlling interests in the amount of EUR 12 thousand were recorded.

The fair value of the former shares as of the acquisition date amounted to EUR 229 thousand. The revaluation of the former shares resulted in a gain of EUR 208 thousand which was recognised in the income statement in other financial income.

If Liigalippu had been acquired at the beginning of the year 2016, the company would have contributed EUR 441 thousand to revenue and EUR 32 thousand to earnings in the Ticketing segment.

FINAL PURCHASE PRICE ALLOCATION OF KINOHELD

At the end of July 2016, and in accordance with IFRS 3.45, the purchase price allocations relating to the acquisition of kinoheld GmbH, Munich, was finally completed within the stipulated 12-month period. No adjustments needed to be made in respect of the purchase price allocation. An overview of the fair values of the respective balance sheet positions as at initial consolidation is disclosed in the notes section of the Annual Report 2015.

2.2 BUSINESS COMBINATIONS AND JOINT VENTURES IN THE LIVE ENTERTAINMENT SEGMENT

CHANGES IN THE SCOPE OF CONSOLIDATION

The following changes occurred in the scope of consolidation in the reporting period and/or in relation to 31 December 2015 closing date:

FULLY CONSOLIDATED COMPANIES

With entry in the commercial register on 24 March 2016, Production Service Switzerland AG, Zofingen, Switzerland, was founded. Act Entertainment AG, Basel, Switzerland, holds 40% of the shares in the company accounted for at equity. The company provides services for all kinds of events, in particular planning, organisation and implementation tasks, project management as well as consulting activities.

CTS Eventim Schweiz AG, Rümlang, incorporated on 12 April 2016 ALL IN ONE Communication AG, Opfikon, Switzerland and owns 80% of shares in the company. The incorporation became effective with the entry in the commercial register on 11 May 2016. Purpose of the company is to consult and render services relating to advertising, communications and media work, particularly in connection with the marketing of shows, events and similar occasions, as advertising and public relations.

In June 2016 Venuepoint Holding acquired 100% of the shares in Venuepoint Live A/S, Copenhagen, at a purchase price of EUR 56 thousand. The company will be the operating company for the venue K.B. Hallen in Copenhagen.

In June 2016, Semmel Concerts Entertainment GmbH, Bayreuth, purchased 33.3% of the shares in PAN Veranstaltungslogistik und Kulturgastronomie GmbH, Dresden, accounted for at equity, for a purchase price of EUR 500 thousand. The object of the company is to design, implement, consult and lease hardware and technology for events as well as the catering and the organization of cultural events.

MEDUSA Music Group GmbH, Bremen, (hereinafter: MEDUSA) was granted approval by the Federal Cartel Office (Bundeskartellamt) on 8 July 2016 for its acquisition of the residual 50% stake in HOI Touring Productions B.V. (formerly: SETP/HOI Holding B.V.), Amsterdam and its subsidiaries (hereinafter: HOI). The purchase price amounts up to EUR 1,00 and MEDUSA now holds 100% of the shares in the company that was accounted for at the equity, hitherto. Now the CTS Group holds indirectly 94.4% of the shares. Prior to the acquisition, loan receivables from the former shareholders to HOI were transferred to MEDUSA in the amount of EUR 2.500 million. Since 1943, Holiday on Ice is one of the world's most established show and entertainment companies and has made a name for itself all over the world with its spectacular ice shows.

With the entry in the commercial register on 28 July 2016 Stage Entertainment Touring Services B.V., Amsterdam, was renamed in Holiday on Ice Services B.V., Amsterdam.

With the entry in the commercial register on 24 August 2016 Stage Entertainment Touring Productions France SAS, Paris, was renamed in HOI Productions France SAS, Paris.

With the entry in the commercial register on 9 September 2016, Stage Entertainment Touring Productions Germany GmbH, Hamburg, was renamed in HOI Productions Germany GmbH, Hamburg.

MEDUSA and ALDA Events B.V., Amsterdam (hereinafter: ALDA Events Amsterdam), a globally active producer of electronic dance music events (EDM), entered into a cooperation on 24 October 2016. ALDA Events Amsterdam is a global producer, concept developer and promoter of EDM and DJ concepts. ALDA Events Amsterdam was founded in 2007 by David Lewis and Allan Hardenberg. The ALDA portfolio includes world tours of top international DJs such as Hardwell and Armin van Buuren. ALDA Events Amsterdam also organises popular events such as 'A Day at the Park', 'Electronic Family', 'A State of Trance', 'The Flying Dutch' and AMF, the biggest festival of the Amsterdam Dance Event. The focus of the cooperation is to promote EDM events and DJs on the German market, where ALDA Events Amsterdam has not yet been operating. MEDUSA (51%) and ALDA Events Amsterdam (49%) are the shareholders in the new company formed, i.e. ALDA Germany GmbH, which is seated in Hamburg (hereinafter: ALDA), and will be operating under the ALDA brand.

With effect from 1 October 2016, tour-house Veranstaltungs-, Konzert-, TV- and Media-Consulting GmbH, Hamburg, (hereinafter: tour-house) increased its business activities during the year under review and was therefore newly consolidated. Semmel Concerts Entertainment GmbH, Bayreuth, holds 100% of the shares in the company. The difference (EUR 44 thousand) between consideration transferred (EUR 50 thousand) and net assets (EUR 6 thousand) was attributable to goodwill and mainly reflects future synergy and growth potential. Goodwill is not tax deductible. Since the initial consolidation tour-house achieved revenue of EUR 6.476 million and earnings of EUR 403 thousand. Cash equivalents of EUR 78 thousand were taken over. Trade receivables did not exist.

With the entry in the commercial register on 12 December 2016, SETP/HOI Holding B.V., Amsterdam, was renamed in HOI Touring Productions B.V., Amsterdam.

PROVISIONAL PURCHASE PRICE ALLOCATION OF HOI

HOI Touring Productions B.V., Amsterdam, and its subsidiaries operate in Germany and the Netherlands.

Since its initial consolidation at the end of July 2016, HOI achieved revenue of EUR 2.227 million and earnings of EUR -1.149 million. Cash equivalents of EUR 221 thousand were taken over in the course of acquisition of this group.

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

	Fair value at the time of initial consolidation - provisional purchase price allocation - [EUR'000]
Cash and cash equivalents	221
Inventories	1,725
Trade receivables	249
Other assets	1,308
Total current assets	**3,503**
Fixed assets	1,060
Intangible assets	1,480
Deffered tax assets	92
Total non-current assets	**2,632**
Trade payables	-1,351
Payables to affiliated companies	-3,461
Other liabilities	-612
Advance payments received	-472
Total current liabilities	**-5,895**
Deferred tax liabilities	-370
Total non-current liabilities	**-370**
Total net assets	**-130**

Assets and liabilities were recognised at the fair value in the provisional purchase price allocation. At the time of initial consolidation, intangible assets (customer base and trademark) were recognised at a fair value of EUR 1.480 million. Deferred tax liabilities of EUR 370 thousand were recorded on the temporary difference arising from the remeasurement of the intangible assets.

As at 31 December 2016 the purchase price allocation is still provisional because investigations regarding intangible assets and the assessment of legal aspects are still pending. The fair value of the assets and liabilities will be conclusively determined within the first twelve month of the acquisition.

The present value of trade receivables amounted to EUR 249 thousand and corresponds to the expected inflows; allowances for doubtful accounts did not exist.

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

	[EUR'000]
Consideration transferred	**0**
Cash and cash equivalents	221
Inventories	1,725
Trade receivables	249
Other assets	1,308
Fixed assets	1,060
Intangible assets	1,480
Deferred tax assets	92
Trade payables	-1,351
Payables to affiliated companies	-3,461
Other liabilities	-612
Advance payments received	-472
Deferred tax liabilities	-370
Total net assets	**-130**
Goodwill	**130**

The difference (EUR 130 thousand) between the consideration transferred (EUR 1.00) and total net assets was allocated to goodwill and mainly reflects future synergy effects and growth potentials. The goodwill is not tax deductible.

The valuation of non-controlling interests is accounted for using the revaluation method as proportional share of equity of the company (IFRS 3.19).

The fair value of the former shares as of the acquisition date amounted to EUR 875 thousand. The revaluation of the former shares resulted in a loss of EUR 875 thousand which was recognised in the income statement in other financial expenses.

If HOI had been acquired at the beginning of the year 2016, the company would have contributed EUR 20.306 million to revenue and EUR -2.491 million to earnings in the Live Entertainment segment.

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 2016, under the assumption that these companies had already been integrated in the consolidated financial statements at the beginning of the financial year 2016 with their actual acquisition conditions.

	2016
	[EUR'000]
Revenue	
Reported	829,906
Pro-forma	851,517
Net income after non-controlling interest	
Reported	94,561
Pro-forma	93,273

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 2016 when recognising revenue.

2.4 DISCLOSURE OF INTEREST IN OTHER ENTITIES AND JOINT VENTURES

2.4.1 DISCLOSURE ON INTERESTS IN JOINT VENTURES

The CTS Group holds 50% of the shares in the joint venture HAL Apollo, domiciled in Great Britain, and operates the venue Eventim Apollo Theatre in London. The Joint venture is recorded at equity. The average number of employees for joint ventures in the reporting period was 136.

The key figures reflect financial information based on a 100% shareholding and not the CTS Group's proportionate shareholdings in these companies. This financial information also includes the accounting and measurements methods pursuant to IFRS, as well as the effects of the purchase price allocations.

Pursuant to IFRS 12, as at 31 December 2016 the following disclosures represent the significant joint venture HAL Apollo:

	HAL Apollo	
	01.01.2016 - 31.12.2016 [EUR'000]	01.01.2015 - 31.12.2015 [EUR'000]
Current assets	3,931	2,839
Non-current assets	42,064	50,796
Current liabilities	6,862	8,764
Non-current liabilities	7,775	10,504
Revenue	9,008	8,967
EBITDA	4,926	4,959
Depreciation	-2,107	-3,790
Interest expense	-525	-698
Taxes	-461	-74
Net income for the year	1,832	394

The current assets comprise cash and cash equivalents of EUR 2.940 million (previous year: EUR 2.181 million).

The carrying amount of all joint ventures recognised by the CTS Group is shown in the following table:

	2016	2015
	[EUR'000]	[EUR'000]
Net book value at 1 January	19,363	18,638
Profit/loss	-356	-243
Addition	0	2
Disposal	-1,105	0
Other comprehensive income	-2,235	966
Net book value at 31 December	15,667	19,363

The disposals include HOI and Liigalippu as a result of the transition from accounting using the equity method to full consolidation. In July 2016, the remaining 50% shares in **HOI** were acquired and have been fully consolidated since then. In July 2016 the share of 96% in **Liigalippu** (a subsidiary of the Lippupiste) increased and is fully consolidated since then.

2.4.2 RECOGNISED DISCLOSURE ON INTERESTS IN ASSOCIATES

The CTS Group reported carrying amounts for interests in associated companies accounted for at equity of EUR 865 thousand as at 31 December 2016 (previous year: EUR 123 thousand). Income from participations attributable to associated companies amounted to EUR 230 thousand (previous year: EUR 69 thousand).

As at 31 December 2016, the CTS Group identifies material interests in the associated subgroup FKP SCORPIO:

Summarised balance sheet:	Subgroup FKP SCORPIO	
	31.12.2016	31.12.2015
	[EUR'000]	[EUR'000]
Current assets	40,542	39,225
Non-current assets	12,180	10,894
Current liabilities	64,536	64,095
Non-current liabilities	14	61

Summarised income statement:	Subgroup FKP SCORPIO	
	2016	2015
	[EUR'000]	[EUR'000]
Revenue	143,525	119,769
Taxes	-2,260	-940
Net income	1,359	-4,723
Net income attributable to non-controlling interest	204	921
Dividend payments to non-controlling interests	-275	-250

Summarised cash flow statement	Subgroup FKP SCORPIO	
	31.12.2016	31.12.2015
	[EUR'000]	[EUR'000]
Cash flow from operating activities	-7,149	25,324
Cash flow from investing activities	-3,190	-2,276
Cash flow from financing activities	725	-980
Net increase / decrease in cash and cash equivalents	-9,614	22,068
Net increase / decrease in cash and cash equivalents due to currency translation	0	25
Cash and cash equivalents at beginning of period	26,980	4,887
Cash and cash equivalents at end of period	17,366	26,980

The shareholding interest in the subgroup FKP SCORPIO amounts to 45% as of the balance sheet date. The pro rata gain of EUR 703 thousand was not stated when applying the equity method pursuant to IAS 28 since the cumulative share of loss amounts to EUR 846 thousand. Other comprehensive income includes currency translation of EUR 205 thousand.

2.4.3 DISCLOSURE ON INTERESTS IN SUBSIDIARIES WITH NON-CONTROLLING INTEREST

In the following overview, participation rates and non-controlling interests for each subsidiary / subgroup with non-controlling interest, which are significant for the Group in 2016 are presented:

		31.12.2016	31.12.2016	31.12.2016	31.12.2016
			[EUR'000]	[EUR'000]	
Name and location	**Country**	**Proportional share of non-controlling interests [1]**	**Net income attributable to non-controlling interests [2]**	**Net book value of accumulated non-controlling interests [2]**	**Effective ratio of the net book value of accumulated non-controlling interests in total shareholders' equity of the subgroup [2]**
Subgroup Ticketcorner Holding AG, Rümlang	Switzerland	50.0%	3,117	13,512	51.0%
Subgroup CTS Eventim Austria GmbH (formerly: Ticket Express, Gesellschaft zur Herstellung und zum Vertrieb elektronischer Eintrittskarten mbH), Vienna	Austria	14.0%	1,163	2,483	36.0%
Subgroup MEDUSA Music Group GmbH, Bremen	Germany	5.6%	7,531	6,225	64.7%
Subsidiaries with individually significant non-controlling interests				22,220	
Subsidiaries with individually insignificant non-controlling interests				7,231	
Total non-controlling interests				**29,451**	

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

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

In the following overview, participation rates and non-controlling interests for each subsidiary / subgroup with non-controlling interest, which are significant for the Group in 2015 are presented:

		31.12.2015	31.12.2015	31.12.2015	31.12.2015
			[EUR'000]	[EUR'000]	
Name and location	**Country**	**Proportional share of non-controlling interests [1]**	**Net income attributable to non-controlling interests [2]**	**Net book value of accumulated non-controlling interests [2]**	**Effective ratio of the net book value of accumulated non-controlling interests in total shareholders' equity of the subgroup [2]**
Subgroup Ticketcorner Holding AG, Rümlang	Switzerland	50.0%	3,001	10,964	49.5%
Subgroup CTS Eventim Austria GmbH (formerly: Ticket Express, Gesellschaft zur Herstellung und zum Vertrieb elektronischer Eintrittskarten mbH), Vienna	Austria	14.0%	986	2,313	35.0%
Subgroup MEDUSA Music Group GmbH, Bremen	Germany	5.6%	6,440	6,001	17.7%
Subsidiaries with individually significant non-controlling interests				19,278	
Subsidiaries with individually insignificant non-controlling interests				1,603	
Total non-controlling interests				**20,881**	

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

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

Both the subgroup Ticketcorner Holding AG, Rümlang (hereinafter: subgroup TC AG), and the subgroup CTS Eventim Austria GmbH, Vienna (hereinafter: subgroup Austria; formerly: Ticket Express, Gesellschaft zur Herstellung und zum Vertrieb elektronischer Eintrittskarten mbH), are allocated to the Ticketing segment. The subgroup TC AG includes the Ticketcorner Holding AG, Rümlang, and its subsidiary, the Ticketcorner AG, Rümlang. The subgroup Austria includes the CTS Eventim Austria GmbH, Vienna, as the parent company and its subsidiaries.

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

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

Significant non-controlling interests in the Ticketing segment:

Summarised balance sheet:	**Subgroup TC AG**		**Subgroup Austria**	
	31.12.2016 [EUR'000]	**31.12.2015 [EUR'000]**	**31.12.2016 [EUR'000]**	**31.12.2015 [EUR'000]**
Current assets	45,408	42,430	49,392	44,211
Non-current assets	69,244	70,164	4,429	4,322
Current liabilities	51,521	50,135	46,185	40,931
Non-current liabilities	36,645	40,299	744	990

Summarised income statement:	**Subgroup TC AG**		**Subgroup Austria**	
	2016 [EUR'000]	**2015 [EUR'000]**	**2016 [EUR'000]**	**2015 [EUR'000]**
Revenue	38,857	36,846	21,947	20,252
Taxes	-1,712	-1,423	-1,732	-1,459
Net income	6,233	5,970	5,558	4,548
Net income attributable to non-controlling interests	-3,117	-3,001	-1,163	-986
Dividend payments to non-controlling interests	-537	-1,200	-560	-547

Summarised cash flow statement:	**Subgroup TC AG**		**Subgroup Austria**	
	31.12.2016 [EUR'000]	**31.12.2015 [EUR'000]**	**31.12.2016 [EUR'000]**	**31.12.2015 [EUR'000]**
Cash flow from operating activities	11,640	-625	8,999	-536
Cash flow from investing activities	-1,162	-1,041	-1,861	-801
Cash flow from financing activities	-6,360	-6,829	-5,239	-4,490
Net increase / decrease in cash and cash equivalents	4,118	-8,495	1,899	-5,827
Net increase / decrease in cash and cash equivalents due to currency translation	322	4,200	20	18
Cash and cash equivalents at beginning of period	32,442	36,737	33,964	39,773
Cash and cash equivalents at end of period	36,882	32,442	35,883	33,964

Significant non-controlling interests in the Live Entertainment segment:

Summarised balance sheet:	Subgroup MEDUSA	
	31.12.2016 [EUR'000]	31.12.2015 [EUR'000]
Current assets	236,956	227,997
Non-current assets	45,571	43,038
Current liabilities	260,418	234,435
Non-current liabilities	12,487	2,593

Summarised income statement:	Subgroup MEDUSA	
	2016 [EUR'000]	2015 [EUR'000]
Revenue	401,366	455,021
Taxes	-7,294	-11,923
Net income	10,048	20,553
Net income attributable to non-controlling interests	-7,531	-6,440
Dividend payments to non-controlling interests	-424	-509

Summarised cash flow statement:	Subgroup MEDUSA	
	31.12.2016 [EUR'000]	31.12.2015 [EUR'000]
Cash flow from operating activities	15,495	19,245
Cash flow from investing activities	-2,956	-2,204
Cash flow from financing activities	-15,039	-18,064
Net increase / decrease in cash and cash equivalents	-2,500	-1,023
Net increase / decrease in cash and cash equivalents due to currency translation	152	2,616
Cash and cash equivalents at beginning of period	150,490	148,897
Cash and cash equivalents at end of period	148,142	150,490

2.5 LIST OF INVESTMENTS

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

3. NOTES TO THE CONSOLIDATED BALANCE SHEET

CASH AND CASH EQUIVALENTS (1)

Cash and cash equivalents of EUR 553.640 million (previous year: EUR 500.816 million) are predominantly bank balances.

MARKETABLE SECURITIES AND OTHER INVESTMENTS (CURRENT) (2)

The marketable securities and other investments of EUR 1.817 million (previous year: EUR 5.878 million) comprise fund investments and term deposits with a maturity on acquisition date of more than three months.

TRADE RECEIVABLES (CURRENT) (3)

Current trade receivables totalling EUR 41.660 million (previous year: EUR 34.001 million) are payable within one year. Trade receivables increased by EUR 7.659 million in the course of normal business operations.

RECEIVABLES FROM AFFILIATED AND ASSOCIATED COMPANIES ACCOUNTED FOR AT EQUITY (CURRENT) (4)

The EUR 3.118 million in current receivables from affiliated and associated companies accounted for at equity (previous year: EUR 4.746 million) relate principally to receivables from associated companies accounted for at equity (EUR 1.990 million; previous year: EUR 3.678 million) and receivables from subsidiaries in Eastern Europe that are not consolidated due to insignificance (EUR 1.092 million; previous year: EUR 1.041 million).

INVENTORIES (5)

Inventories comprised the following items:

	31.12.2016	31.12.2015	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Raw materials and supplies	586	350	236
Work in progress	2,361	1	2,360
Finished goods and merchandise	1,928	1,723	205
	4,875	**2,074**	**2,801**

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

PAYMENTS ON ACCOUNT (6)

Payments on account, at EUR 33.705 million (previous year: EUR 27.843 million) pertain to prepaid production costs in the Live Entertainment segment (e.g. artists' fees) for events taking place in 2017.

RECEIVABLES FROM INCOME TAX (CURRENT) (7)

Receivables from income tax, at EUR 6.763 million (previous year: EUR 4.985 million), relate in particular to capital gains tax and prepayments.

OTHER FINANCIAL ASSETS (CURRENT) (8)

Other financial assets, at EUR 81.430 million (previous year: EUR 59.152 million) comprise receivables relating to ticket monies from presales in the Ticketing segment at EUR 48.661 million (previous year: EUR 40.963 million), factoring receivables from an external service from ticket monies at EUR 18.929 million (previous year: EUR 9.464 million) and current loans and borrowings, at EUR 4.190 million (previous year: EUR 3.274 million) and relate to receivables from promoters in the course of ordinary business activities.

OTHER NON-FINANCIAL ASSETS (CURRENT) (9)

The other non-financial assets, at EUR 14.150 million (previous year: EUR 11.813 million) relate mainly to items for recognition and accrual of expenses and income according to period, at EUR 9.218 million (previous year: EUR 6.573 million). The latter relates, inter alia, to marketing expenses and production costs in the Live Entertainment segment and in the Ticketing segment to accrued prepayments to promoters for ticket distribution rights and accrued prepayments for IT hardware and software support. Furthermore higher refund claims in respect of sales tax and other taxes, at EUR 2.688 million (previous year: EUR 3.483 million) were recognised.

As at 31 December 2016, there were collaterals amounting to EUR 1.050 million (previous year: EUR 916 thousand), including EUR 946 thousand for rental deposits (previous year: EUR 862 thousand).

PROPERTY, PLANT AND EQUIPMENT (10)

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

	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
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
2015					
Historical cost					
1 January 2015	2,540	1,777	53,314	278	57,909
Addition from change in the scope of consolidation	0	0	4	0	4
Addition	220	347	5,135	201	5,903
Disposal	0	-59	-3,551	0	-3,610
Reclassification	-119	-2	454	-333	0
Currency differences	63	-16	154	0	201
31 December 2015	**2,704**	**2,047**	**55,510**	**146**	**60,407**
Accumulated depreciation and amortisation					
1 January 2015	570	1,015	34,275	0	35,860
Addition from change in the scope of consolidation	0	0	2	0	2
Addition	325	363	6,098	0	6,786
Disposal	0	-59	-2,714	0	-2,773
Reclassification	3	0	-3	0	0
Currency differences	-18	0	-24	0	-42
31 December 2015	**880**	**1,319**	**37,634**	**0**	**39,833**
Carrying value as at 31 December 2015	**1,824**	**728**	**17,876**	**146**	**20,574**
2016					
Historical cost					
1 January 2016	2,704	2,047	55,510	146	60,407
Addition from change in the scope of consolidation	0	0	4,272	0	4,272
Addition	277	80	14,905	238	15,500
Disposal	-145	-53	-14,091	0	-14,289
Merger	0	53	-53	0	0
Reclassification	146	0	0	-146	0
Currency differences	15	11	116	0	142
31 December 2016	**2,997**	**2,138**	**60,659**	**238**	**66,032**
Accumulated depreciation and amortisation					
1 January 2016	880	1,319	37,634	0	39,833
Addition from change in the scope of consolidation	0	0	3,142	0	3,142
Addition	339	295	6,028	0	6,662
Disposal	0	-53	-8,498	0	-8,551
Reclassification	0	51	-51	0	0
Currency differences	4	2	22	0	28
31 December 2016	**1,223**	**1,614**	**38,277**	**0**	**41,114**
Carrying value as at 31 Dezember 2016	**1,774**	**524**	**22,382**	**238**	**24,918**

Additions to other property, plant and office equipment mainly relate to hardware for new IT infrastructure, exhibition inventory for events as well as office equipment. In addition, replacement investments were made by the subsidiary JUG Jet Air GmbH & Co. KG, Bremen, which resulted in additions as well as disposals of fixed assets.

INTANGIBLE ASSETS (11), GOODWILL (20)

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

	Software, licences and similar rights	Capitalised development costs	Goodwill	Customer base	Payments on account / Proprietary software in progress	Total
2015	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**
Historical cost						
1 January 2015	96,950	38,519	275,442	91,290	4,478	506,679
Addition from change in scope of consolidation	140	0	858	0	0	998
Addition	4,756	7,298	0	0	4,763	16,817
Disposal	-524	-154	0	0	0	-678
Reclassification	398	6,087	0	81	-6,566	0
Currency differences	751	280	6,603	1,865	42	9,541
31 December 2015	**102,471**	**52,030**	**282,903**	**93,236**	**2,717**	**533,357**
Accumulated depreciation and amortisation						
1 January 2015	57,000	12,115	4,681	48,762	0	122,558
Addition from change in scope of consolidation	4	0	0	0	0	4
Addition	8,729	5,432	0	9,351	0	23,512
Disposal	-479	-154	0	0	0	-633
Currency differences	468	305	0	1,407	0	2,180
31 December 2015	**65,722**	**17,698**	**4,681**	**59,520**	**0**	**147,621**
Carrying value as at 31 December 2015	**36,749**	**34,332**	**278,222**	**33,716**	**2,717**	**385,736**
2016						
Historical cost						
1 January 2016	102,471	52,030	282,903	93,236	2,717	533,357
Addition from change in scope of consolidation	4,062	0	9,607	4,638	0	18,307
Addition	2,510	9,358	0	2	5,568	17,438
Disposal	-5,783	-809	0	0	-80	-6,672
Reclassification	51	3,297	0	0	-3,348	0
Currency differences	-364	68	597	169	0	470
31 December 2016	**102,947**	**63,944**	**293,107**	**98,045**	**4,857**	**562,900**
Accumulated depreciation and amortisation						
1 January 2016	65,722	17,698	4,681	59,520	0	147,621
Addition from change in scope of consolidation	671	0	0	0	0	671
Addition	8,921	7,082	0	8,950	0	24,953
Disposal	-3,633	-808	0	0	0	-4,441
Currency differences	-309	62	0	163	0	-84
31 December 2016	**71,372**	**24,034**	**4,681**	**68,633**	**0**	**168,720**
Carrying value as at 31 December 2016	**31,575**	**39,910**	**288,426**	**29,412**	**4,857**	**394,180**

Additions to software, licences and similar rights mainly include payments for licences for third-party software connected with the ticket distribution systems, brand and ticket distribution rights (EUR 2.510 million).

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

Additions to goodwill in 2016 relate to business combinations of HOI, Venuepoint Holding, JetTicket and Liigalippu. Notes on the development of goodwill are presented below under 'Goodwill (20)'.

Additions to payments on account/proprietary software in progress (EUR 5.568 million) relate mainly to payments on account of the as yet uncompleted development of the ticket distribution systems.

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

INVESTMENTS (12), INVESTMENTS IN ASSOCIATES ACCOUNTED FOR AT EQUITY (13), LOANS (14)

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

	Shares in affiliated companies [1]	Participations	Investments in associates accounted for at equity	Loans due to affiliated companies [1]	Security investments	Other loans	Total
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
2015							
Historical cost							
1 January 2015	631	2,098	18,752	31	1,050	287	22,849
Addition	106	0	1,252	0	0	10	1,368
Disposal	0	0	-518	0	-14	-25	-557
Currency differences	-3	118	0	0	0	15	130
31 December 2015	**734**	**2,216**	**19,486**	**31**	**1,036**	**287**	**23,790**
Accumulated depreciation and amortisation							
1 January 2015	1	925	0	0	5	100	1,031
Addition	0	90	0	8	0	0	98
Disposal	0	0	0	19	0	0	19
31 December 2015	**1**	**1,015**	**0**	**27**	**5**	**100**	**1,148**
Carrying value as at 31 December 2015	**733**	**1,201**	**19,486**	**4**	**1,031**	**187**	**22,642**
2016							
Historical cost							
1 January 2016	734	2,216	19,486	31	1,036	287	23,790
Addition from change in scope of consolidation	0	0	537	0	0	0	537
Disposal from change in scope of consolidation	-50	0	-1,105	0	0	0	-1,155
Addition	4	0	305	0	0	0	309
Disposal	0	-46	-2,656	-4	-314	-28	-3,048
Currency differences	0	11	-35	0	0	1	-23
31 December 2016	**688**	**2,181**	**16,532**	**27**	**722**	**260**	**20,410**
Accumulated depreciation and amortisation							
1 January 2016	1	1,015	0	27	5	100	1,148
Addition	0	505	0	0	0	0	505
Currency differences	0	7	0	0	0	0	7
31 December 2016	**1**	**1,527**	**0**	**27**	**5**	**100**	**1,660**
Carrying value as at 31 December 2016	**687**	**654**	**16,532**	**0**	**717**	**160**	**18,750**

[1] companies not consolidated because of insignificance

INVESTMENTS (12)

Investments, at EUR 2.058 million (previous year: EUR 2.965 million) relate to shares in affiliated companies, primarily subsidiaries located in eastern Europe that are not consolidated due to insignificance (EUR 687 thousand; previous year: EUR 733 thousand), participations (EUR 654 thousand; previous year: EUR 1.201 million) and held-to-maturity security investments EUR 717 thousand (previous year: EUR 1.031 million).

INVESTMENTS IN ASSOCIATES ACCOUNTED FOR AT EQUITY (13)

Investments in associates accounted for at equity decreased by EUR 2.954 million from EUR 19.486 million to EUR 16.532 million. The negative change in investments in associates accounted for at equity at EUR -2.954 million is particularly attributable the disposal of shares in companies accounted for at equity in the Live Entertainment segment of EUR 1.105 million. In July 2016, additional shares were acquired in HOI and Liigalippu and since then the companies have been fully consolidated. The cumulative loss not to be recognised from the associated subgroup FKP SCORPIO according to IAS 28 amounted to EUR 846 thousand in the 2016 financial year (previous year: EUR 2.175 million), decreased by EUR 1.329 million due to positive results.

LOANS (14)

Loans, at EUR 160 thousand (previous year: EUR 191 thousand), relate entirely to loans to third parties, especially in the Ticketing segment.

TRADE RECEIVABLES (NON-CURRENT) (15)

Trade receivables with a remaining term of between one and five years amount to EUR 18 thousand (previous year: EUR 22 thousand).

RECEIVABLES FROM AFFILIATED AND ASSOCIATED COMPANIES ACCOUNTED FOR AT EQUITY (NON-CURRENT) (16)

Non-current receivables from affiliated and associated companies accounted for at equity were timely reclassified in current receivables. In the previous year receivables of EUR 994 thousand against the joint venture HAL Apollo and receivables of EUR 540 thousand against the subgroup FKP SCORPIO were recorded.

MARKETABLE SECURITIES AND OTHER INVESTMENTS (NON-CURRENT) (17)

The marketable securities and other investments comprised term deposits with a maturity on acquisition date of more than one year in the previous year (EUR 1.000 million) and have been reclassified in short-term marketable securities and other investments.

OTHER FINANCIAL ASSETS (NON-CURRENT) (18)

The non-current other financial assets, at EUR 3.970 million (previous year: EUR 3.429 million) have a maturity between one and five years and relate to receivables from promoters in the course of ordinary business activities.

OTHER NON-FINANCIAL ASSETS (NON-CURRENT) (19)

The long-term other non-financial assets, at EUR 1.033 million (previous year: EUR 26 thousand) have a maturity of between one and five years.

GOODWILL (20)

The disclosed goodwill totalling EUR 288.426 million (previous year: EUR 278.222 million) relates to EUR 247.252 million in the Ticketing segment (previous year: EUR 237.290 million) and EUR 41.175 million in the Live Entertainment segment (previous year: EUR 40.932 million).

In the Ticketing segment, goodwill increased by EUR 9.961 million in the reporting year. The increase was mainly due to currency translation effects resulting from the measurement of goodwill in foreign currencies (EUR/CHF; EUR 557 thousand) and acquisitions in Venuepoint Holding, Liigalippu and JetTicket (EUR 9.404 million). In the Live Entertainment segment, the goodwill increased by EUR 243 thousand mainly due to the acquisitions of HOI (EUR 130 thousand) and foreign currency translation effects (EUR 40 thousand).

Goodwill was allocated to two cash generating units (CGUs) for impairment testing purposes. The CGUs are the same as the Group reporting entities (operating segments), i.e. Ticketing and Live Entertainment. The carrying amount of goodwill allocated to the Ticketing and Live Entertainment segments is significant in relation to the total carrying amount of goodwill.

Impairment tests are performed on goodwill to determine the recoverable amount of a CGU, equal to the fair value minus costs of sale. The fair value is the best possible estimate of the amount for which an independent third party would acquire the cash generating unit on the balance sheet date, minus the costs of sale. The fair value is calculated on the basis of a discounted cash flow (DCF) determined valuation model and can be assigned to level three in the fair value hierarchy according to IFRS 13 (refer to page 162 for further information). This procedure and the basic assumptions apply to all CGUs with goodwill that is subject to impairment tests. The calculations are based on forecast cash flows derived from five-year planning. When determining budget figures, the management took into account current and future likelihoods, business and economic trends, economic development and other circumstances. At the beginning of the detailed planning period, an EBITDA margin of around 42% in the Ticketing segment and around 5.7% in the Live Entertainment segment was used as a basis. In subsequent years, a moderately rising EBITDA margin is assumed, based on an anticipated increase in high-margin ticket sales via the internet. In the Ticketing segment a discount rate of 8.0% and in the Live Entertainment segment a discount rate of 7.7% was applied for this purpose. The discount rates used are interest rates after tax and reflect the specific risks to which the respective CGUs are exposed. The Group applies constant growth rates of 1% (previous year: 1%) to extrapolate cash flows after the detailed planning period. This growth rate is derived from past experience and does not exceed the long-term growth of the respective markets in which the entity operates. The growth rates take external macroeconomic data and trends within the industry into account. No impairment of goodwill, subdivided according to segment, was required in the 2016 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.

DEFERRED TAXES (21)

The **deferred tax assets**, at EUR 13.093 million, pertain to the following:

	31.12.2016	31.12.2015	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Tax loss carryforwards	7,113	6,475	638
Tax credits	0	566	-566
Temporary differences	5,980	5,168	812
	13,093	**12,209**	**884**

It is assumed that there is sufficient likelihood that the deferred tax assets on loss carryforwards of EUR 7.113 million (previous year: EUR 6.475 million) as at 31 December 2016, can be used, as the respective companies will generate tax profits of at least the same amount as in future periods.

The tax credits granted in Brazil in the previous year (EUR 566 thousand) were no longer applied in the year under review due to the end of the Olympic Games in Rio de Janeiro.

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

	31.12.2016		31.12.2015	
	Deferred tax assets [EUR'000]	Deferred tax liabilities [EUR'000]	Deferred tax assets [EUR'000]	Deferred tax liabilities [EUR'000]
Receivables	249	64	331	58
Other assets	291	7	393	30
Current assets	**540**	**71**	**724**	**88**
Property, plant and equipment	178	70	169	62
Intangible assets	2,963	13,669	2,503	15,068
Loans	0	81	0	52
Non-current assets	**3,141**	**13,820**	**2,672**	**15,182**
Other provisions	378	0	1,030	0
Other liabilities	363	268	911	336
Current liabilities	**741**	**268**	**1,941**	**336**
Financial liabilities	139	0	171	0
Pension provisions	2,440	0	1,828	0
Non-current liabilities	**2,579**	**0**	**1,999**	**0**
Tax credits	0	0	566	0
Loss carryforwards	7,113	0	6,475	0
Total	**14,114**	**14,159**	**14,377**	**15,606**
Offset	-1,021	-1,021	-2,168	-2,168
Deferred taxes	**13,093**	**13,138**	**12,209**	**13,438**

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

The rate of deferred domestic taxation was between 29.0% and 33.0%. This rate includes corporation tax at 15%, the solidarity supplement at 5.5% of the corporation tax and municipal trade tax at between 13.2% and 17.2%.

For foreign subsidiaries, the respectively applicable local tax rates were applied.

Deferred tax assets and liabilities are recognised in the amount of EUR 942 thousand (previous year: EUR 2.241 million) for current assets and liabilities realised within 12 months.

As at 31 December 2016, the **fiscal loss carryforwards** were as follows:

	31.12.2016	31.12.2015	Change
	[EUR'000]	[EUR'000]	[EUR'000]
up to 5 years	0	50	-50
up to 10 years	5,554	5,049	505
indefinite	23,276	21,714	1,562
	28,830	**26,813**	**2,017**

It is assumed that there is sufficient likelihood that the EUR 28.830 million (previous year: EUR 26.813 million) in fiscal loss carryforwards as at 31 December 2016 can be used, as the respective companies will generate tax profits of at least the same amount in future periods. The increase of limited and unlimited usable tax loss carryforwards are mainly the result of the expansion of the scope of consolidation with existing loss carryforwards and business development in South America.

Deferred tax assets were formed in respect of income and corporation tax losses amounting to EUR 8.887 million (previous year: EUR 7.789 million), and to EUR 1.680 million (previous year: EUR 768 thousand) in respect of municipal trade tax losses, even though the respective companies suffered a loss in the current or previous financial year and no corresponding deferred tax liabilities do exist. However, positive earnings are planned for these companies after start-up losses.

No deferred tax assets were recognised for losses carryforwards for municipal trade tax purposes of EUR 796 thousand (previous year: EUR 913 thousand) and for corporation tax of EUR 6.175 million (previous year: EUR 5.295 million), as the arising tax benefits are not expected to be realised in the planning period. An expiry of tax loss carryforwards relating to corporation tax of EUR 2.250 million (previous year: EUR 1.830 million) within the next five years and an expiry within the next ten years of EUR 1.905 million (previous year: EUR 3.255) is possible; EUR 2.816 million (previous year: EUR 1.122 million) is indefinitely usable.

In the statement of comprehensive income deferred tax liabilities for the development of remeasurement of the net debt from defined benefit obligations of EUR 576 thousand (previous year: EUR -143 thousand) are included, EUR 18 thousand (previous year: EUR -16 thousand) for the disposal of available-for-sale financial assets and EUR -20 thousand (previous year: EUR 26 thousand) for cash flow hedges.

SHORT-TERM FINANCIAL LIABILITIES (22)

Of the EUR 28.988 million in short-term financial liabilities (previous year: EUR 16.622 million), EUR 16.104 million relate to liabilities to banks (previous year: EUR 16.193 million), and EUR 12.884 million (previous year: EUR 428 thousand) to purchase price obligations for the acquisition of shares in subsidiaries already included in consolidation (purchase price commitments with put options of existing non-controlling interests in accordance with IAS 32).

Liabilities to banks were subject to interest at normal market rates.

TRADE PAYABLES (23)

Trade payables, at EUR 80.839 million (previous year: EUR 79.942 million) are payable within one year.

PAYABLES TO AFFILIATED AND ASSOCIATED COMPANIES ACCOUNTED FOR AT EQUITY (24)

Payables to affiliated and associated companies accounted for at equity, at EUR 1.314 million (previous year: EUR 598 thousand), are primarily for supplies and services; of that total, EUR 1.221 million (previous year: EUR 350 thousand) are liabilities to associates accounted for at equity in the Live Entertainment segment.

ADVANCE PAYMENTS RECEIVED (25)

The advance payments received, at EUR 157.363 million (previous year: EUR 153.824 million), mainly include ticket monies already received for future events in the Live Entertainment segment. The increase is due to the fact that in the fourth quarter of 2016, a higher amount of ticket monies from the presale have been collected. The advance payments are posted to revenue after the respective events have taken place and accounts have been settled.

OTHER PROVISIONS CURRENT (26), NON-CURRENT (34)

Changes in other provisions are shown in the following table:

	Maintenance [EUR'000]	Other [EUR'000]	Total [EUR'000]
1 January 2015	**1,818**	**1,777**	**3,595**
Consumption	-194	-1,128	-1,322
Reversal	-41	-104	-145
Addition	5,027	3,583	8,610
Currency differences	0	-26	-26
31 December 2015	**6,610**	**4,102**	**10,712**
1 January 2016			
Change in the scope of consolidation	0	4	4
Consumption	-806	-1,972	-2,778
Reversal	0	-1,497	-1,497
Addition	2,558	1,412	3,970
Currency differences	0	21	21
31 December 2016	**8,362**	**2,070**	**10,432**

The provisions for maintenance concerns in particular contracted maintenance and modernisation measures for a venue. The addition to the other provisions mainly concern incriminating contracts in the Live Entertainment segment. Furthermore, numerous issues with values of only minor significance, such as for example commissions and litigation risks also have an effect.

It is anticipated that EUR 5.611 million will be utilised in the business year 2017 and EUR 4.821 million will be used in the business year 2018.

TAX PROVISIONS (27)

Changes in tax provisions are shown in the following table:

	2016 [EUR'000]	2015 [EUR'000]
1 January	**27,493**	**25,197**
Change in the scope of consolidation	33	0
Consumption	-20,331	-20,247
Reversal	-284	-767
Addition	21,770	23,293
Currency differences	24	17
31 December	**28,705**	**27,493**

As a result of higher taxable income and higher tax prepayments lower additions to tax provisions were recognised in the 2016 financial year compared to the previous year.

OTHER FINANCIAL LIABILITIES (CURRENT) (28)

The other financial liabilities (EUR 296.065 million; previous year: EUR 245.657 million) include liabilities in respect of ticketing monies that have not yet been invoiced, at EUR 276.828 million (previous year: EUR 237.405 million), liabilities from ticket insurance, at EUR 1.828 million (previous year: EUR 1.619 million), liabilities from third-party concerts in the Live Entertainment segment, at EUR 7.935 million (previous year: EUR 2.041 million), liabilities from finance leases, at EUR 214 thousand (previous year: EUR 121 thousand), and EUR 9.260 million in other financial liabilities (previous year: EUR 4.471 million).

OTHER NON-FINANCIAL LIABILITIES (CURRENT) (29)

The other non-financial liabilities (EUR 53.686 million; previous year: EUR 52.779 million) result from tax liabilities, at EUR 14.423 million (previous year: EUR 14.664 million), credit voucher liabilities, at EUR 17.539 million (previous year: EUR 14.182 million), liabilities to personnel, at EUR 14.296 million (previous year: EUR 11.959 million), income and accrued expenses, at EUR 3.981 million (previous year: EUR 8.409 million), social insurance liabilities, at EUR 1.765 million (previous year: EUR 2.257 million), and other non-financial liabilities, at EUR 1.682 million (previous year: EUR 1.308 million).

LONG-TERM FINANCIAL LIABILITIES (30)

As at the balance sheet date, long-term financial liabilities amounting to EUR 128.333 million were disclosed (previous year: EUR 132.563 million). Of the long-term financial liabilities, EUR 111.100 million relate to bank loans (previous year: EUR 130.321 million) and EUR 15.694 million (previous year: EUR 1.480 million) to purchase price obligations in respect of the put option, which were recorded in accordance with IAS 32 and liabilities from purchase price obligations at EUR 1.539 million (previous year: EUR 762 thousand).

OTHER FINANCIAL LIABILITIES (NON-CURRENT) (31)

Non-current other financial liabilities, at EUR 976 thousand (previous year: EUR 767 thousand) mainly concern liabilities from third party shareholders (EUR 467 thousand; previous year: EUR 365 thousand) and from finance lease (EUR 273 thousand; previous year: EUR 282 thousand). These liabilities are due in one to five years.

STATEMENT OF LIABILITIES

The composition and remaining term of the liabilities as at 31 December 2016 are shown in the following statement of liabilities:

	Net book value 31.12.2016 [EUR'000]	Remaining term: Due within 1 year [EUR'000]	Due between 1 year and 5 years [EUR'000]	1) from taxes 2) for social security [EUR'000]
Financial liabilities	157,321	28,988	128,333	
Advance payments received	157,363	157,363		
Trade payables	80,839	80,839		
Payables to affiliated and associated companies accounted for at equity	1,314	1,314		
Other liabilities	350,727	349,752	976	1) 14,423 2) 1,765
Liabilities, total	**747,564**	**618,255**	**129,309**	

The composition and remaining term of the liabilities as at 31 December 2015 are shown in the following statement of liabilities:

	Net book value 31.12.2015 [EUR'000]	Remaining term: Due within 1 year [EUR'000]	Due between 1 year and 5 years [EUR'000]	Due > 5 years [EUR'000]	1) from taxes 2) for social security [EUR'000]
Financial liabilities	149,185	16,622	132,563		
Advance payments received	153,824	153,824			
Trade payables	79,942	79,942			
Payables to affiliated and associated companies accounted for at equity	598	598			
Other liabilities	299,202	298,435	763	4	1) 14,664 2) 2,257
Liabilities, total	**682,751**	**549,421**	**133,326**	**4**	

DETAILS TO FINANCIAL LIABILITIES

The financial liabilities recognised on the balance sheet date EUR 157.321 million (previous year: EUR 149.185 million) include loans of EUR 127.204 million (previous year: EUR 146.514 million) as well as EUR 30.117 million (previous year: EUR 2.670 million) in purchase price obligations of non-controlling interests.

As at 31 December 2016, the loans include the following main items:

- EUR 49.000 million final-maturity loan against promissory notes, with a remaining term of 4 years
- EUR 28.571 million annuity loan with a remaining term of 2 years
- EUR 31.963 million annuity loan with a remaining term of around 3 years. This loan was taken out in Swiss Francs and is subject to variations in carrying amount due to the translation of foreign currency liabilities as at the closure date.
- EUR 18.000 million annuity loan with a remaining term of slightly more than one year

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

In the reporting period, a credit line of EUR 10 million exist. The credit line serves as the operating line and the term is unlimited.

In October 2015, CTS KGaA agreed on a syndicated credit facility (revolving credit facility) of EUR 200 million with a maturity of 5 to a maximum of 7 years (2 years maturity option). In October 2016, CTS KGaA withdrew the first maturity option so that the term of the syndicated credit line would be extended by one year until 30 October 2021. In the reporting period, the syndicated credit line was temporarily used; at the balance sheet date as at 31 December 2016 no recourse was revealed.

PENSION PROVISIONS (32)

There are pension commitments in the CTS Group that must be classified as defined benefit plans and as defined contribution commitments in accordance with IAS 19. These pension commitments are dependent on the legal, fiscal and economic situation in the respective country in which a company operates, and are generally based on the number of service years and the amount of pay received by employees.

For some German companies in the CTS Group, there are both defined contribution and defined benefit plans. These plans provide retirement pensions, early retirement pensions, pensions due to disability and survivor's pensions. The amount pension benefit is calculated using the total pension entitlements acquired during continuous employment in the company.

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.

The companies in the CTS Group are exposed to various risks in connection with existing pension plans. The CTS Group is exposed to general actuarial risks such as longevity risk and the risk of changing interest rates. There is also exposure to currency risks and to equity market or investment risks.

The pension provisions were measured at the closing date on the basis of actuarial expertises, using the projected unit credit method. This latter method takes account not only of the pensions and acquired benefits known on the reporting date, but also any anticipated increases in salaries and pensions. The calculation is based on actuarial expertises, taking biometric factors into account. Actuarial gains and losses resulting from adjustments and amendments of actuarial assumptions in line with experience are recognised in shareholders' equity, not in profit and loss.

The pension provisions stated in the balance sheet are equal to the present value of the commitment as at the closing date, minus the fair value of the plan assets.

The amount of provisions in the balance sheet is calculated as follows:

	31.12.2016	31.12.2015
	[EUR'000]	[EUR'000]
Fair value of plan assets	-14,330	-12,341
Present value of obligations	26,575	22,256
Pension provisions	**12,245**	**9,915**

If reinsurance policies and cash resources exist for pension commitments and can only be used to cover the benefits due under the pension commitments, and the insurance policy is pledged to the beneficiary employee, these are treated as plan assets and were offset against pension provisions in accordance with IAS 19. Some pension commitments are financed by means of independently managed funds, particularly in Switzerland and Germany. Whereas the fund assets are measured using the market values of the invested funds at the closing date, the pension commitments are measured using actuarial calculations and assumptions.

The present value of commitments developed as follows:

	2016	2015
	[EUR'000]	[EUR'000]
Beginning of the year	22,256	19,168
Current service costs	1,183	1,106
Past service costs	-340	-143
Interest expenses	230	306
Experience adjustments	1,380	80
Actuarial gain/losses from change in biometric assumptions	-915	-205
Actuarial gain/losses from change in financial assumptions	2,341	1,011
Currency differences	254	1,331
Contributions by plan participants	1,806	1,241
Amounts paid	-1,620	-1,639
End of year	**26,575**	**22,256**

The following essential actuarial assumptions were made:

	Discount rate		Expected return on plan assets		Future salary increases		Future pension increases	
	2016	2015	2016	2015	2016	2015	2016	2015
Germany	1.50%	2.42% - 2.50%	2.42%	2.42%	2.50%	2.50%	1.00%	1.00% - 3.00%
Switzerland	0.30%	0.75%	1.25%	1.40%	1.00%	1.00%	0.00%	0.00%
Rest of Europe	1.14% - 1.5%	2.06% - 2.3%	n.a.	n.a.	2.0% - 3.07%	2.74%	0.00%	0.00%

Regional allocation of plan assets and pension provisions:

	Present value of pension obligations		Fair value of plan assets		Pension provision	
	2016 [EUR'000]	2015 [EUR'000]	2016 [EUR'000]	2015 [EUR'000]	2016 [EUR'000]	2015 [EUR'000]
Germany	3,029	2,317	-487	-475	2,542	1,842
Switzerland	21,705	17,972	-13,843	-11,866	7,862	6,106
Austria	622	839	0	0	622	839
Italy	1,219	1,128	0	0	1,219	1,128
Total	**26,575**	**22,256**	**-14,330**	**-12,341**	**12,245**	**9,915**

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

The interest rate used for measurement in accordance with the international accounting standards must be determined according to the maturity of the liability, on the basis 'high quality corporate bonds'. So far the discount interest rate applicable to pension provisions was calculated on the basis of bonds from the Bloomberg indices before. The derivation method for interest rates in the Eurozone was changed. Now the bonds are based on data from Thomson Reuter´s Datastream. This change does not have any significant impact on pension provisions. Given that the interest rate according to IAS 19.78 is only meant to represent the 'time value of money', which by definition cannot include any risks of default, only bonds which have no interest-distorting options were used for calculation purposes. Bonds offering much higher or lower interest rates in comparison with other bonds in their risk class were ignored.

Changes in plan assets are shown in the table below:

	2016 [EUR'000]	2015 [EUR'000]
Fair value of plan assets as at 1 January	12,341	10,822
Expected return on plan assets, excluding interest income	443	362
Interest income	102	138
Actuarial gain/loss from change in biometric assumptions of plan assets	0	-15
Currency differences	105	1,096
Contributions by the employer	665	677
Contributions by plan participants	1,806	1,241
Amounts paid	-1,132	-1,980
Fair value of plan assets as at 31 December	**14,330**	**12,341**

The plan assets consist of insurance policies (reinsurance policies) for EUR 14.316 million (previous year: EUR 12.298 million), and fixed-term deposits of EUR 14 thousand (previous year: EUR 43 thousand). Unlike insurance policies, deposits are assets which have an active market value.

The following amounts were recognised in profit and loss:

	2016	2015
	[EUR'000]	[EUR'000]
Current service costs	1,183	1,106
Past service costs	-340	-143
Net interest expense / income	128	168
Total amount	**971**	**1,131**

The following amounts were recognised in shareholders' equity, not in profit and loss:

	2016	2015
	[EUR'000]	[EUR'000]
Experience adjustments	-1,380	-80
Actuarial gain/losses from changes in biometric assumptions of pension obligations	915	205
Actuarial gain/losses from changes in biometric assumptions of plan assets	0	-15
Actuarial gain/losses from changes in financial assumptions	-2,341	-1,011
Expected return on plan assets, excluding interest income	443	362
Total amount	**-2,363**	**-539**

The actuarial losses in the reporting year were caused primarily by a change in interest rates. The adjustment of the financial assumptions particularly in interest rates from 0.75% to 0.3% in Switzerland and from 2.5% to 1.5% in Germany, Austria and Italy, led in total to actuarial losses.

An increase or decrease in the main actuarial assumptions would have had the following effects on the present value of the pension obligations as at 31 December 2016:

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

An increase or decrease in the main actuarial assumptions would have had the following effects on the present value of the pension commitments as at 31 December 2015:

	Change in assumption	Increase of the assumption	Decrease of the assumption
		[EUR'000]	[EUR'000]
Discount rate	0.50%	-1,943	2,264
Future salary increases	1.00%	459	-467
Future pension increases	1.00%	1,401	0
Life expectancy	1 year	274	-265

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 present value of the pension commitments is distributed as follows among the individual groups of beneficiaries:

- Active employees with pension entitlement: EUR 21.368 million (previous year: EUR 18.847 million)
- Beneficiaries of invalidity pensions (Switzerland): EUR 2.562 million (previous year: EUR 1.845 million)
- Retirees with pension entitlement: EUR 2.644 million (previous year: EUR 1.564 million)

The weighted average term of commitment, as at 31 December 2016, is 16 years (previous year: 16.6 years).

In the 2017 financial year, the Group expects contributions of EUR 856 thousand (previous year: EUR 747 thousand).

DEFERRED TAXES (33)

Deferred tax liabilities, at EUR 13.138 million (previous year: EUR 13.438 million), result from temporary differences between the carrying amounts stated in the consolidated balance sheet and their value for tax purposes.

The increase in deferred tax liabilities mainly resulted from temporary differences arising from the fair value measurement of intangible assets in the context of the purchase price allocation. On the other hand, the decline in deferred tax liabilities from the reversal of temporary differences between IFRS carrying values and fiscal carrying values related to the systematic straight-line amortisation of intangible assets recognised in the past.

SHAREHOLDERS' EQUITY (35)

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.

Shareholders' equity rose by EUR 30.865 million to EUR 385.037 million, mainly as a result of the positive consolidated net income in the reporting period of EUR 94.561 million and increased non-controlling interest of EUR 8.570 million, which is largely attributable to non-controlling interests in the operating result in the Live Entertainment segment. By contrast, distributions to shareholders amounting of EUR 44.156 million (EUR 0.46 per eligible share in profits) reduced shareholders' equity.

As at the closing date, measurement of the derivative financial instruments (foreign currency derivatives) results in a loss on effective hedges, which is recognised in shareholders' equity under accumulated other comprehensive income. EUR -4 thousand (previous year: EUR -65 thousand) in derivative financial instruments is stated under accumulated other comprehensive income. Deferred taxes on derivative financial instruments amount to EUR 1 thousand (previous year: EUR 20 thousand). There are no gains or losses from an ineffective portion of the hedging instruments.

At the Annual Shareholders' Meeting on 8 May 2014, a EUR 48.000 million increase in the share capital from company funds to EUR 96.000 million was resolved. As the capital reserve no longer accounted for 10% of the registered capital after the capital increase, a statutory reserve of 2.75% in accordance with § 150 German Stock Corporation Act (AktG) of net income for the year 2015 of CTS KGaA according to the German Commercial Code (HGB) (EUR 1.982 million) was allocated as of the balance sheet date. As at 31 December 2016, the statutory reserve and the capital reserve together represent 10% of subscribed capital.

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

Share capital of CTS KGaA is EUR 96,000,000 and is divided into 96,000,000 no-par value bearer shares. Each share has a voting right and presents an arithmetic share in the share capital of EUR 1.00. All shares are fully paid. The CTS KGaA holds 8,700 own shares, 95,991,300 shares were in circulation during the entire financial year 2016. 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.

RESOLUTIONS OF THE ANNUAL SHAREHOLDERS' MEETING:

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

The premium (§ 272 (2) No. 1 HGB) for the shares issued on the stock exchange is disclosed under **capital reserve**. As part of the share capital increase using company funds implemented in October 2005, EUR 12,000,000 of the capital reserve was converted to subscribed share capital, and 12,000,000 new no-par value bearer shares were issued. As part of the further share capital increase using company funds implemented in May 2011, a further EUR 24,000,000 of reserve was converted to subscribed share capital, and 24,000,000 new no-par value bearer shares were issued. As at the balance sheet date, 31 December 2016 the capital reserve amounts up to EUR 1.890 million.

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

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

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

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

Furthermore, by resolution of the Annual Shareholders' Meeting on 8 May 2014, the general partner was authorised to increase the share capital in full or partial amounts, on one or more occasions, by up to EUR 48,000,000 by 7 May 2019, contingent on Supervisory Board approval, by issuing up to 48,000,000 new bearer shares against cash contributions or contributions in kind (approved capital 2014). The **approved capital** 2009 was repealed on the date that the approved capital 2014 is entered in the commercial register.

The Annual Shareholders' Meeting on 8 May 2014 resolved to **change the legal form** of CTS AG into a partnership limited by shares (CTS KGaA). This resolution to change the legal form took effect upon entry into the commercial register on 30 June 2014. For every ordinary share held in the company to be transformed, the shareholders of CTS AG received one ordinary CTS KGaA share. The notional amount of the share capital accounted for by each no-par value bearer share remains unchanged.

NON-CONTROLLING INTEREST

Non-controlling interests comprise the shares held by third parties in the Shareholders' equity of the consolidated subsidiaries. In accordance with IAS 1, non-controlling interests are presented separately within shareholders' equity. Non-controlling interests increased by EUR 8.570 million to EUR 29.451 million and mainly results from proportionate shares in the consolidated net income for 2016 (EUR 10.920 million), balanced against distributions to non-controlling interest in the 2016 financial year (EUR -9.581 million).

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

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

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

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

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

	31.12.2016 [EUR'000]	31.12.2015 [EUR'000]
Debt [1]	386,771	345,181
Cash and cash equivalents	-553,640	-500,816
Net debt	**-166,869**	**-155,635**
Shareholders' equity	385,037	354,172
Net debt to shareholders' equity	-43.3%	-43.9%

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

Net debt indicates the amount of debts a company has after all financial liabilities have been redeemed with cash and cash equivalents. The CTS Group has more cash and cash equivalents than debt at the end of 2016. The negative net debt/equity ratio means that the Group is de facto free of debt. The leverage of loan capital is expected to have positive effects on the return on equity.

The financial liabilities recognised on the balance sheet date EUR 157.321 million (previous year: TEUR 149.184 million) include loans of EUR 127.204 million (previous year: EUR 146.514 million) as well as EUR 30.117 million in purchase price obligations (previous year: EUR 2.670 million).

Of the external loans, EUR 78.534 million (previous year: EUR 97.848 million) are tied up at the balance sheet date to comply with standard financial covenants for companies with good creditworthiness ratings. Other than fulfilment of these ‘financial covenants’, there are no specific restrictions that might adversely affect the availability of funds. The CTS Group assumes that the ‘financial covenants’ will be honoured in the years ahead.

During the reporting period, a credit line of EUR 10 million exist. The credit line is used as the operating line and the term is indefinite.

In October 2015, CTS KGaA agreed on a syndicated credit facility (revolving credit facility) of EUR 200 million with a maturity of 5 to a maximum of 7 years (2 years maturity option). In October 2016, CTS KGaA withdrew the first maturity option so that the term of the syndicated credit line would be extended by one year until 30 October 2021. In the reporting period, the syndicated credit line was temporarily used; at the balance sheet date as at 31 December 2016 no recourse was revealed.

4.2 FINANCIAL ASSETS

The following table shows the structure of financial assets according to age as at 31 December 2016:

			Thereof: not impaired but overdue at the balance sheet date			
	Carrying value 31.12.2016	Thereof: neither impaired nor overdue at the balance sheet date	Less than 30 days	Between 30 - 90 days	Between 90 - 180 days	More than 180 days
	[EUR’000]	[EUR’000]	[EUR’000]	[EUR’000]	[EUR’000]	[EUR’000]
Marketable securities and other investments (at fair value not through profit and loss)	539	539	0	0	0	0
Marketable securities and other investments (at amortised cost)	1,278	1,278	0	0	0	0
Trade receivables	41,678	34,806	4,457	1,051	731	563
Receivables from affiliated and associated companies accounted for at equity	3,118	2,253	354	464	8	144
Other financial assets	85,398	82,707	1,234	462	964	42
Held-to-maturity investments	717	717	0	0	0	0
Investments (at amortised cost)	1,341	1,341	0	0	0	0
Loans	160	160	0	0	0	0
	134,229	**123,801**	**6,045**	**1,977**	**1,703**	**749**

The following table shows the structure of financial assets according to age as at 31 December 2015:

	Carrying value 31.12.2015	Thereof: neither impaired nor overdue at the balance sheet date	Thereof: not impaired but overdue at the balance sheet date			
			Less than 30 days	Between 30 - 90 days	Between 90 - 180 days	More than 180 days
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
Marketable securities and other investments (at fair value not through profit and loss)	5,600	5,600	0	0	0	0
Marketable securities and other investments (at amortised cost)	1,278	1,278	0	0	0	0
Trade receivables	34,024	28,495	3,607	582	484	833
Receivables from affiliated and associated companies accounted for at equity	6,280	4,153	190	512	901	121
Other financial assets	62,581	60,343	1,269	383	114	152
Held-to-maturity investments	1,031	1,031	0	0	0	0
Investments (at amortised cost)	1,935	1,935	0	0	0	0
Loans	191	191	0	0	0	0
	112,920	**103,026**	**5,066**	**1,477**	**1,499**	**1,106**

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

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

	2016	2015
	[EUR'000]	[EUR'000]
Allowances for doubtful accounts 1 January	9,808	7,866
Change in the scope of consolidation	15	0
Consumption	-982	-1,373
Reversal	-615	-383
Addition	2,791	3,728
Currency differences	49	-30
Allowances for doubtful accounts as at 31 December	**11,066**	**9,808**

4.3 FINANCIAL LIABILITIES AND FINANCIAL ASSETS

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

	Carrying value 31.12.2016	Redemption < 1 year	Interest < 1 year	Redemption < 2 year	Interest < 2 year	Redemption < 4 year	Interest < 4 year	Redemption > 4 year	Interest > 4 year
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
Financial liabilities	157,321	-31,592	-1,282	-35,451	-1,126	-6,335	-762	-84,043	-746
Trade payables	80,839	-80,839	0	0	0	0	0	0	0
Payables to affiliated and associated companies accounted for at equity	1,314	-1,314	0	0	0	0	0	0	0
Other original financial liabilities	297,037	-295,784	-10	-841	-5	-410	-1	-3	0
Other derivative financial liabilities	4	-4	0	0	0	0	0	0	0
	536,515	**-409,533**	**-1,292**	**-36,292**	**-1,131**	**-6,745**	**-763**	**-84,046**	**-746**

The carrying amount of the financial liabilities as at 31 December 2016 is lower due to amortisation of the transaction costs at a constant effective interest rate.

The following table shows the contractually agreed (undiscounted) interest payments and repayments in respect of the original and derivative financial liabilities derivative financial assets, as at 31 December 2015:

	Carrying value 31.12.2015	Redemption < 1 year	Interest < 1 year	Redemption < 2 year	Interest < 2 year	Redemption < 4 year	Interest < 4 year	Redemption > 4 year	Interest > 4 year
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
Financial liabilities	149,185	-18,508	-1,332	-14,036	-1,840	-38,126	-996	-78,515	-1,531
Trade payables	79,942	-79,942	0	0	0	0	0	0	0
Payables to affiliated and associated companies accounted for at equity	598	-598	0	0	0	0	0	0	0
Other original financial liabilities	246,355	-245,529	-11	-395	-9	-430	-5	0	0
Other derivative financial liabilities	69	-69	0	0	0	0	0	0	0
Derivative financial assets	-106	54	0	63	0	0	0	0	0
	476,043	**-344,592**	**-1,343**	**-14,368**	**-1,849**	**-38,556**	**-1,001**	**-78,515**	**-1,531**

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

4.4 ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

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

		Balance sheet value according to IAS 39				
	Carrying value 31.12.2016	At amortised cost	At fair value through profit and loss	At fair value not through profit and loss	Purchase cost	Fair value
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
ASSETS						
Cash and cash equivalents	553,640	553,640				553,640
Marketable securities and other investments (at fair value not through profit and loss)	539			539		539
Marketable securities and other investments (at amortised cost)	1,278	1,278				1,270
Trade receivables	41,678	41,678				41,396
Receivables from affiliated and associated companies accounted for at equity	3,118	3,118				3,097
Other original financial assets	85,398	85,398				84,986
Investments (held-to-maturity)	717	717				727
Investments (at amortised cost)	1,341				1,341	
Loans	160	160				165
LIABILITIES						
Short-term financial liabilities	28,988	28,988				28,782
Long-term financial liabilities	128,333	128,333				127,903
Trade payables	80,839	80,839				80,398
Payables to affiliated and associated companies accounted for at equity	1,314	1,314				1,307
Other original financial liabilities	297,037	297,037				295,416
Other derivative financial liabilities (at fair value not through profit and loss)	4			4		4
Categories according to IAS 39:						
Loans and receivables	685,272	685,272				684,554
Financial liabilities at amortised cost	536,511	536,511				533,806
Available-for-sale financial assets	1,880			539	1,341	539
Held-to-maturity investments	717	717				727

Carrying values, recognition and fair values for the 2015 financial year are shown in the following table according to recognition categories:

	Carrying value 31.12.2015	Balance sheet value according to IAS 39				Fair value
		At amortised cost	At fair value through profit and loss	At fair value not through profit and loss	Purchase cost	
	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]	[EUR'000]
ASSETS						
Cash and cash equivalents	500,816	500,816				500,816
Marketable securities and other investments (at fair value not through profit and loss)	5,600			5,600		5,600
Marketable securities and other investments (at amortised cost)	1,278	1,278				1,290
Trade receivables	34,024	34,024				34,002
Receivables from affiliated and associated companies accounted for at equity	6,280	6,280				6,277
Other original financial assets	62,474	62,474				62,649
Other derivative financial assets (at fair value through profit and loss)	106		106			106
Investments (held-to-maturity)	1,031	1,031				1,043
Investments (at amortised cost)	1,935				1,935	
Loans	191	191				197
LIABILITIES						
Short-term financial liabilities	16,622	16,622				16,530
Long-term financial liabilities	132,563	132,563				137,557
Trade payables	79,942	79,942				79,894
Payables to affiliated and associated companies accounted for at equity	598	598				597
Other original financial liabilities	246,355	246,355				246,205
Other derivative financial liabilities (at fair value not through profit and loss)	69			69		69
Categories according to IAS 39:						
Loans and receivables	605,063	605,063				605,231
Financial liabilities at amortised cost	476,080	476,080				480,873
Available-for-sale financial assets	7,535			5,600	1,935	5,600
Held-to-maturity investments	1,031	1,031				1,043

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

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

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

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

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

Derivative financial instruments are recognised at their fair value. The carrying amount of currency derivatives is therefore equal to their respective fair value. Since the fair values are determined on the basis of observable market parameters (in particular, exchange rates), they qualify as level-two fair values in the IFRS 13 fair value hierarchy.

Of the total available-for-sale financial assets, EUR 539 thousand (previous year: EUR 5.600 million) in marketable securities and other investments are accounted for at fair value but not through profit and loss, and EUR 1.341 million (previous year: EUR 1.935 million) in investments (at amortised cost) are accounted for at cost. As the fair values for marketable securities and other investments (EUR 539 thousand; previous year: EUR 5.600 million) correspond to observable market prices, they qualify as level-1 fair values in the IFRS 13 fair value hierarchy.

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

	2016 [EUR'000]	2015 [EUR'000]
Available-for-sale financial assets as at 1 January	7,454	2,282
Addition	16	5,177
Disposal	-5,113	-14
Depreciation on financial assets	-505	-98
Currency differences	84	58
Other comprehensive income	-56	49
Available-for-sale financial assets as at 31 December	**1,880**	**7,454**

The disposal of financial instruments classified as "available-for-sale financial assets" mainly results from the sale of discount certificates.

NET PROFIT/LOSS FROM FINANCIAL INSTRUMENTS

	2016	2015
	[EUR'000]	[EUR'000]
Loans and receivables	-3,743	-639
Held-to-maturity investments	0	14
Available-for-sale financial asstes	-439	-32
Financial liabilities	-3,241	-3,310
Derivative financial instruments in hedging relationships	61	2
	-7,362	**-3,965**

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

The net gains/losses in the recognition categories loans and receivables and financial liabilities mainly comprise interest income/expense and impairments of receivables. The total interest expense calculated using the effective interest method is EUR 299 thousand (previous year: EUR 783 thousand).

The gains and losses of available-for-sale financial assets are stated in shareholders' equity under accumulated other comprehensive income, not through profit and loss for other original financial asset and for investments at cost through profit and loss.

Foreign currency derivative contracts were concluded in some cases to hedge against foreign exchange risks. Derivative financial instruments are recognised at their fair value. The carrying amount of the foreign forward exchange transactions is therefore equal to the respective fair value. In the previous year the positive change in value of the foreign currency derivatives as ensuing from effective fair value hedges of EUR 86 thousand was stated in the income statement. The negative change in value of the foreign exchange derivatives, which are classified as cash flow hedges, is recognised under accumulated other comprehensive income in shareholders' equity, not through profit and loss, at EUR -4 thousand (previous year: EUR -65 thousand). The cash flows from the cash flow hedge will affect the period result in the first quarter of 2017.

FINANCIAL RISKS

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

4.5 TRANSFER OF FINANCIAL ASSETS

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

In 2016, an adequate remuneration of EUR 1.119 million (previous year: EUR 462 thousand) is recognised in the cost of sales.

The collection risk associated with the sold receivables was completely transferred to the factor. Hence, all significant risks and rewards of the assigned trade receivables are transferred to the factoring company. As at 31 December 2016, the carrying amount and the fair value of the transferred receivables to the factoring company amount up to EUR 18.929 million (previous year: EUR 9.464 million).

The only relevant risk for risk assessment represents the possibility of a transfer of costs for default by the factoring company to the CTS KGaA. With notification and exceeding so-called ‘peak times’ (transaction per second), the factoring company can bill the resulting default rate of end customers to the CTS KGaA. In the reporting period 2016 due to the lack of unreported and incurred ‘peak times’ no further defaults were charged.

4.6 DERIVATIVE FINANCIAL INSTRUMENTS

FOREIGN CURRENCY DERIVATIVES AND HEDGES

CTS KGaA concluded forward foreign exchange transactions in the reporting year to hedge against budgeted royalties denominated in Swiss Francs (CHF). Cash flow hedges were formed for the share in expected future royalty income. As at the closing date, the underlying transactions of the hedges (expected share in royalties) amounted to EUR 373 thousand (previous year: EUR 3.580 million). The fair value of the derivatives as at the closing date is EUR -4 thousand (previous year: EUR -29 thousand).

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

The hedging instruments for foreign exchange risks are accounted for in accordance with the rules in IAS 39 Hedge Accounting. The risks deriving from foreign exchange rate fluctuations are thus controlled in a deliberate manner and the volatility in earnings is reduced.

The effective portion of a cash flow hedging instrument is recognised in shareholders` equity, not in profit and loss, whereas the ineffective portion is recognised immediately in profit or loss. In the case of fair value hedges, the effective portion of the changes in value is recognised in profit or loss for the hedged item and the hedging instrument.

4.7 DISCLOSURES REGARDING FAIR VALUE

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

Financial instruments are measured on the basis of uniform valuation methods and parameters.

Cash and cash equivalents, marketable securities and other investments (funds and term deposits), trade receivables and other financial assets generally have short remaining terms. The reported carrying amounts as at the balance sheet date are therefore approximations of fair value.

In the case of marketable securities and other investments (non-current long-term deposits), receivables and other financial assets with remaining terms of more than one year, the fair values represent the present value of the future payments associated with the assets, taking current interest parameters into account.

Trade payables and other financial liabilities generally have short remaining terms. The reported carrying amounts as at the balance sheet date are therefore approximations of fair value.

The fair values of long-term financial liabilities are equal to the present values of the future payments associated with the debts, taking current interest parameters into account.

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

Derivative financial instruments are recognised at their fair value. The carrying amount of interest derivatives and forward exchange transactions is therefore equal to the respective fair value.

According to IFRS 13, the fair values of financial assets and liabilities are classified according to the three levels of the fair value hierarchy. Level 1 contains fair values of financial instruments for which a market price can be quoted; securities are an example. In Level 2, fair values are based on market data, such as currency rates or interest curves, using market-based valuation techniques. Examples include derivatives. Fair values in Level 3 are derived using valuation techniques based on unobservable inputs, due to the lack of an active or measurable market; in the reporting period no financial instruments were classified in Level 3.

Reclassifications between the levels within the fair value hierarchy are carried out at the beginning of the respective quarter in which the reason or the change in circumstances occurred that results in the reclassification. In 2016, no reclassifications were carried out.

The following table provides an overview of the financial assets and liabilities measured at fair value, and their allocation to the three levels within the fair value hierarchy according to IFRS 13 as at 31 December 2016:

	31.12.2016		
	Level 1	Level 2	Total
	[EUR'000]	[EUR'000]	[EUR'000]
ASSETS			
Cash and cash equivalents	0	553,640	553,640
Marketable securities and other investments (at fair value not through profit and loss)	539	0	539
Marketable securities and other investments (at amortised cost)	0	1,270	1,270
Trade receivables	0	41,396	41,396
Receivables form affiliated and associated companies accounted for at equity	0	3,097	3,097
Other original financial assets	0	84,986	84,986
Investments (held-to-maturity)	727	0	727
Loans	0	165	165
	1,266	**684,554**	**685,820**
LIABILITIES			
Short-term liabilities	0	28,782	28,782
Long-term financial liabilities	0	127,903	127,903
Trade payables	0	80,398	80,398
Payables to affilitiated and associated companies accounted for at equity	0	1,307	1,307
Other orginal financial liabilities	0	295,416	295,416
Other derivative financial liabilities (at fair value not through profit and loss)	0	4	4
	0	**533,810**	**533,810**

The following table provides an overview of the financial assets and liabilities measured at fair value, and their allocation to the three levels within the fair value hierarchy according to IFRS 13 as at 31 December 2015:

	31.12.2015		
	Level 1	Level 2	Total
	[EUR'000]	[EUR'000]	[EUR'000]
ASSETS			
Cash and cash equivalents	0	500,816	500,816
Marketable securities and other investments (at fair value not through profit and loss)	5,600	0	5,600
Marketable securities and other investments (at amortised cost)	0	1,290	1,290
Trade receivables	0	34,002	34,002
Receivables from affiliated and associated companies accounted for at equity	0	6,277	6,277
Other original financial assets	0	62,649	62,649
Other derivative financial assets (at fair value through profit and loss)	0	106	106
Investments (held-to-maturity)	1,043	0	1,043
Loans	0	197	197
	6,643	**605,337**	**611,980**
LIABILITIES			
Short-term liabilities	0	16,530	16,530
Long-term financial liabilities	0	137,557	137,557
Trade payables	0	79,894	79,894
Payables to affiliated and associated companies accounted for at equity	0	597	597
Other original financial liabilities	0	246,205	246,205
Other derivative financial liabilities (at fair value not through profit and loss)	0	69	69
	0	**480,852**	**480,852**

5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

REVENUE (1)

In the 2016 financial year, the Group generated revenue of EUR 829.906 million (previous year: EUR 834.227 million). Revenue (before consolidation between segments) breaks down into EUR 395.132 million in the Ticketing segment (previous year: EUR 346.192 million) and EUR 439.231 million in the Live Entertainment segment (previous year: EUR 494.911 million).

COST OF SALES (2)

Expenditures are stated in the income statement according to function. The income statements of the subsidiaries are firstly prepared using the total cost method, with costs then being reassigned to the functional expenses of the cost of sales method using conversion codes for the respective cost elements, for integration in the Group financial statements according to IFRS. Cost elements are assigned either to 100% or on the basis of workforce size and personnel expenses. Using this conversion code, material expenses, personnel expenses, depreciation, amortisation and other operating expenses of the individual companies according to the total cost method are assigned to the cost of sales, selling expenses, general administrative expenses and other operating expenses.

The costs of sales rendered to generate revenue (EUR 545.950 million, previous year: EUR 571.793 million) comprise all material expenses (EUR 469.514 million, previous year: EUR 500.489 million) as well as pro rata personnel expenses (EUR 50.252 million, previous year: EUR 46.221 million), amortisation (EUR 8.661 million, previous year: EUR 9.192 million) and other operating expenses (EUR 17.523 million, previous year: EUR 15.892 million).

In the following, material expenses, personnel expenses, depreciation and amortisation and other operating expenses are presented using total cost method.

Material expenses (according to total cost method)	2016	2015	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Cost of materials, supplies and purchased merchandise	9,570	8,671	899
Cost of purchased services	461,285	493,183	-31,898
	470,855	**501,854**	**-30,999**

The change in cost of purchased services results mainly from Live Entertainment segment. Material expenses measured using the total cost method are allocated in full to cost of sales using the cost of sales method.

Personnel expenses (according to total cost method)	2016	2015	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Wages and salaries	97,006	90,740	6,266
Social insurance contributions and expenses for pension and employee support	16,512	15,468	1,044
	113,518	**106,208**	**7,310**

The increase in the Ticketing segment is mainly the result of the expansion of the scope of consolidation, the processing of international projects and expenses in connection with the technological development. The decrease in personnel expenses in the Live Entertainment segment results primarily from the structural development. The increase of the workforce includes the expansion of the number of companies included in consolidation and the expansion of temporary staff for the operation of the Lanxess Arena and the Arena Berlin.

Personnel expenses according to the total cost method are allocated on a percentage basis to cost of sales, selling expenses and general administrative expenses using the cost of sales method. Of total personnel expenses, EUR 50.252 million were recognised as cost of sales (previous year: EUR 46.221 million), EUR 33.127 million as selling expenses (previous year: EUR 30.314 million) and EUR 30.139 million as general administrative expenses (previous year: EUR 29.673 million).

In Germany, the employer's share of pension insurance amounts to 9.35% (previous year: 9.35%). Social security and expenses for pension and employee support include EUR 8.804 million (previous year: EUR 8.075 million) in contributions to statutory pension insurance. Statutory pension insurance is a defined contribution plan.

Depreciation and amortisation (according to total cost method)	2016	2015	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Depreciation and amortisation on property, plant and equipment and intangible assets	31,616	30,298	1,318
	31,616	**30,298**	**1,318**

Depreciation and amortisation include EUR 11.225 million (previous year: EUR 11.043 million) in amortisation from purchase price allocations. Depreciation and amortisation calculated using the total cost method are allocated on a direct and percentage basis to cost of sales, selling expenses and general administrative expenses using the cost of sales method.

Other operating expenses (according to total cost method)	2016	2015	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Other operating expenses	73,172	67,680	5,492
	73,172	**67,680**	**5,492**

The year-on-year change in other operating expenses according to total cost method mainly relates to higher expenses for external services, legal and consulting and rent and office space.

Other operating expenses measured using the total cost method are allocated on a direct or percentage basis to cost of sales, selling expenses, general administrative expenses and other operating expenses using the cost of sales method. Of the other operating expenses, EUR 17.523 million (previous year: EUR 15.891 million) were recognised as cost of sales, EUR 27.857 million (previous year: EUR 27.038 million) as selling expenses and EUR 15.930 million (previous year: EUR 14.828 million) as general administrative expenses. The remaining EUR 11.862 million (previous year: EUR 9.923 million) was allocated to other operating expenses.

SELLING EXPENSES (3)

The EUR 4.960 million increase in selling expenses to EUR 79.027 million is mainly due to higher personnel expenses (EUR +2.814 million), depreciation (EUR +1.326 million) and other operating expenses (EUR +819 thousand). Personnel expenses and other operating expenses increased due to the expansion in the scope of consolidation.

GENERAL ADMINISTRATIVE EXPENSES (4)

The EUR 2.092 million increase in general administrative expenses to EUR 50.982 million is principally due to higher personnel expenses (EUR +466 thousand), depreciation (EUR +522 thousand) and other operating expenses (EUR +1.102 million). Personnel expenses and other operating expenses increased due to the expansion in the scope of consolidation.

OTHER OPERATING INCOME (5)

Other operating income comprises the following items:

	2016	2015	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Income from advertising and marketing	3,899	4,388	-489
Income from currency translation	1,899	4,378	-2,479
Income from written-off liabilities / written-off receivables	2,617	2,724	-107
Income from passed on expenses	2,214	2,025	189
Income relating to other periods	1,477	1,962	-485
Income from insurance compensation	3,922	1,638	2,284
Income from payments of damages	36	393	-357
Income from the reversal of allowances for doubtful accounts	615	383	232
Other operating income	3,209	2,761	448
	19,888	**20,652**	**-764**

Other operating income includes income from commission and grants, collection fees and refunds.

OTHER OPERATING EXPENSES (6)

Other operating expenses comprise the following items:

	2016	2015	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Currency translation expenses	2,090	1,786	304
Expenses for third-party services	2,132	1,611	521
Expenses passed on from third parties	1,922	1,567	355
Non-recurring items	861	494	367
Expenses relating to other periods / non-operating costs	598	1,089	-491
Loss from disposal of fixed assets	141	184	-43
Cost for the supply of goods sold	220	174	46
Donations	627	151	476
Other operating expenses	3,270	2,867	403
	11,861	**9,923**	**1,938**

Other operating expenses include uncancellable tickets, expenses in respect of litigation risks, and emoluments for the Supervisory Board.

The non-recurring items relate to expenses for executed and planned acquisitions of EUR 861 thousand (previous year: EUR 494 thousand) in the Ticketing segment.

INCOME / EXPENSES FROM PARTICIPATIONS (7)

Income from participations, at EUR 122 thousand (previous year: EUR 17 thousand) result from distributions from companies in which participations are held.

EXPENSES / INCOME FROM INVESTMENTS IN ASSOCIATES ACCOUNTED FOR AT EQUITY (8)

Expenses for investments in associates accounted for at equity relate to the Live Entertainment segment (EUR -155 thousand; previous year: EUR -174 thousand) and include EUR -408 thousand (previous year: EUR -258 thousand) in respect of joint ventures and in interest in associates of EUR 253 thousand (previous year: EUR 69 thousand).

FINANCIAL INCOME (9)

Financial income includes EUR 1.272 million in interest income (previous year: EUR 1.240 million) and EUR 2.611 million (previous year: EUR 14 thousand) in other financial income. Other financial income primarily includes income from the valuation of old shares in Liigalippu (EUR 208 thousand) as part of the successive acquisition of shares and income from the fair value measurement of a put option of a non-controlling shareholder (EUR 2.402 million).

FINANCIAL EXPENSES (10)

Financial expenses comprise interest expense, at EUR 3.878 million (previous year: EUR 4.682 million) and EUR 5.464 million in other financial expenses (previous year: EUR 1.164 million). The higher other financial expenses primarily relate to expenses from the fair value measurement of put options of non-controlling shareholders and variable purchase price liabilities (EUR 3.760 million). In addition, expenses of EUR 875 thousand arising from the valuation of old shares were recognised in connection with the successive acquisitions of shares.

TAXES (11)

The total disclosed tax expenses are comprised as follows:

	2016	2015	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Actual Income taxes	51,968	49,628	2,340
Deferred taxes	-1,972	-4,809	2,837
	49,996	**44,819**	**5,177**

Actual income taxes comprise current tax income of prior periods of EUR 366 thousand (previous year: EUR 214 thousand) due to completed tax audits.

Deferred tax expenses are measured by applying the taxation rules applicable on the closure date in the respective countries, in which the subsidiaries operate and generate taxable income.

Deferred tax income (net) results from the creation and/or reversal of temporary differences between IFRS carrying values and fiscal carrying values, and from the formation and consumption of deferred taxes for fiscal losses carryforwards and tax credits.

Deferred taxes amounting to EUR 1.527 million (previous year: EUR 953 thousand) were recognised in shareholders‘ equity, not through profit and loss, under total comprehensive income.

Deferred tax income / expenses developed as follows:

	2016	2015	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Deferred taxes	-1,972	-4,809	2,837
thereof:			
from temporary differences	-1,739	-4,750	3,011
from tax loss carryforwards	-233	-59	-174

Deferred taxes from temporary differences mainly result from the purchase price allocations in respect of the acquisitions made from 2010 onwards.

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 2016, an average tax rate of 31.6% (previous year: 31.6%) was multiplied by the pre-tax profit. The average tax rate is the tax rate for CTS KGaA, which is composed of German corporation tax at a rate of 15.0% (previous year: 15.0%) plus 5.5% solidarity supplement and local municipal trade tax at around 15.8% (previous year: around 15.8%).

	2016	2015
	[EUR'000]	[EUR'000]
Earnings before tax (EBT)	155,477	145,357
Reconciliation to effective tax expenses		
Expected income taxes	**49,131**	**45,933**
Deviations from expected tax rate	-2,941	-2,374
Changes in value adjustment of deferred tax assets and tax credits	141	-210
Usage of not capitalised tax loss carryforwards	-107	-267
Changes of deferred taxes due to changes in tax rates	4	9
Losses without the formation of deferred tax assets	422	102
Effects due to municipal trade tax additions and reductions	575	464
Actual taxes referring to previous years	-366	-214
Non-deductible expenses / Non-taxable income	2,142	1,750
Other	995	-374
Effective income taxes	**49,996**	**44,819**

NON-CONTROLLING INTEREST (12)

The non-controlling interest in consolidated net income for 2016 decreased by EUR 589 thousand from EUR 11.509 million to EUR 10.920 million. Non-controlling interest in the Ticketing segment amounts to EUR 3.434 million (previous year: EUR 4.145 million) and in the Live Entertainment segment to EUR 7.483 million (previous year: EUR 7.364 million).

6. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

CASH FLOW FROM OPERATING ACTIVITIES (1)

Cash flow from operating activities increased year-on-year by EUR 61.944 million from EUR 91.928 million to EUR 153.872 million. The main reason for this increase in cash flow from operating activities is the change in liabilities (EUR +82.704 million), in consolidated net income after non-controlling interest (EUR +5.532 million) and in marketable securities and other investments (EUR +11.459 million). This was offset by a negative cash flow effect from higher income tax payments (EUR -10.005 million), changes in payments on account (EUR -8.183 million) and a change in provisions (EUR -8.323 million).

The negative cash flow effect from **income tax payments** (EUR -10.005 million) result mainly from increased payments in advance made for the financial year 2016.

The positive cash flow effect from **marketable securities and other investments** (EUR +11.459 million) results from the sale of discount certificates in the reporting period.

The negative cash flow effect of EUR 8.183 million from changes in **payments on account** was mainly the result of an increase in production cost payments for future events to be held after the balance sheet date in the Live Entertainment segment.

The negative cash flow effect of EUR 8.323 million from changes in **provisions** was mainly the result of the usage of provisions in the year under review.

The EUR 82.704 million positive cash flow effect due to the change in **liabilities** mainly results from higher liabilities of ticket monies that have not yet been invoiced in the Ticketing segment (EUR +54.096 million) and higher advance payments received in the Live Entertainment segment (EUR +43.407 million) compared to prior year. On the other hand a reduction in other liabilities resulted in a negative cash flow effect of EUR 4.151 million.

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 (2)

The negative cash flow from investing activities rose by EUR 9.669 million from EUR 22.347 million to EUR 32.016 million. Cash outflows for investing activities in property, plant and equipment mainly relate to hardware investments for new IT infrastructure and office equipment. Furthermore, higher payments of the subsidiary JUG Jet Air GmbH & Co. KG, Bremen, were made for replacement investments which comprise both additions and disposals of fixed assets. In addition, higher acquisitions in comparison to the prior year period were made.

CASH FLOW FROM FINANCING ACTIVITIES (3)

The negative cash flow from financing activities declined year-on-year by EUR 9.209 million from EUR 79.981 million to EUR 70.772 million. The positive change in cash flow from financing activities is essentially the result of a lower borrowing (EUR -93.934 million) and a lower repayment of financial loans (EUR +103.420 million). Furthermore, higher dividends to shareholders (EUR -5.759 million) led to a negative cash flow effect.

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

7. OTHER NOTES

7.1 EARNINGS PER SHARE

Earnings per share were calculated according to IAS 33 by dividing the consolidated net income for the year, after deduction of non-controlling interest, by the number of shares outstanding (basic earnings per share). As at the balance sheet date, there is no dilution as a result of convertible bonds, stock options or similar instruments (potential common stock).

The earnings per share are determined as follows:

	2016	2015
	[EUR]	[EUR]
Net income after non-controlling interest	94,520,729	89,028,681
Number of shares	96,000,000	96,000,000
Earnings per share	**0.99**	**0.93**

In fiscal year 2016, CTS KGaA generated EUR 81.535 million 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 of EUR 94.071 million (EUR 0.98 per eligible share) out of the balance sheet profit of EUR 180.635 million as at 31 December 2016 and to carry the remaining amount forward to the balance sheet profit. The dividend proposal comprises the basic dividend of EUR 0.50 per share (50% of the consolidated net income) and a special dividend of EUR 0.48 per share. The special dividend reflects the very successful business development and profitability in the year 2016.

7.2 SEGMENT REPORTING

The Group operates in the leisure events market with its Ticketing and Live Entertainment divisions. CTS KGaA, the parent company of the Group, operates in the field of ticketing and is the one company that sets the pace in this particular segment. Statements made in respect of the Ticketing segment apply also and especially to CTS KGaA. Selling tickets for leisure events is the basic object of the Ticketing segment, which markets events (tickets) using the internet (eventim.de) and using its market-leading network platform (eventim.net), the inhouse ticketing product (eventim.inhouse), the sport ticketing product (eventim.tixx) and a solution for ticket sales and admission control (eventim.access). The basic object of the Live Entertainment division is to organise and execute events as well as the operation of venues.

The Group is segmented on the basis of the internal reports to the chief operating decision maker (corporate management) and includes the components required by IFRS 8. The chief operating decision maker is responsible for decisions on the allocation of resources to the operating segments and for assessing their performance.

Transfer prices for intercompany services are determined in accordance with normal market conditions.

The segment revenue is shown after consolidation within the segments but before consolidation between the segments.

NOTES TO THE SEGMENTS

As at the end of 2016, the companies operating in the segments were as follows:

TICKETING

• CTS EVENTIM KG & Co. KGaA • CTS Eventim Austria GmbH • ÖTS, Gesellschaft zum Vertrieb elektronischer Eintrittskarten mbH • Ö-Ticket Nord West GmbH • Ö-Ticket-Südost, Gesellschaft zur Herstellung und zum Vertrieb elektronischer Eintrittskarten mbH • Ö-Ticket-Nordost Eintrittskartenvertrieb GmbH • Ticket Express Hungary Kft. • GSO Gesellschaft für Softwareentwicklung und Organisation mbH & Co. KG • CTS Eventim Solutions GmbH • CTS Eventim Sports GmbH • CTS Eventim Nederland B.V. • CTS Eventim RU o.o.o. • TicketOne S.p.A. • T.O.S.T.- TicketOne Sistemi Teatrali S.r.l. • T.O.S.C. – TicketOne Sistemi Culturali S.r.l • CTS Eventim Sweden AB • Lippupiste Oy • Liigalippu Oy• Eventim UK Limited • Eventim CZ s.r.o. • Eventim Sp. z.o.o • Eventim.ro SRL • Ticketcorner AG • Ticketcorner GmbH • Ticket Online Sales & Service Center GmbH • CTS Eventim Israel Ltd. • getgo consulting GmbH • nolock Softwarelösungen GmbH • Ticket Online Consulting GmbH • CREA Informatica S.r.l. • Entradas Eventim S.A. • CTS Eventim France S.A.S. • CTS Eventim Brasil Sistemas e Servicos de Ingressos Ltda. • Eventim Brasil Sao Paulo Sistemas e Servicos de Ingressos Ltda. • JUG Jet Air GmbH & Co. KG • kinoheld GmbH • Billetlugen A/S • Venuepoint AS • Venuepoint AB • JetTicket Software GmbH

LIVE ENTERTAINMENT

• Marek Lieberberg Konzertagentur GmbH & Co. KG • Peter Rieger Konzertagentur GmbH & Co. KG • Semmel Concerts Entertainment GmbH • ARGO Konzerte GmbH • Dirk Becker Entertainment GmbH • LS Konzertagentur GmbH • PGM Promoters Group Munich Konzertagentur GmbH • Show-Factory Entertainment GmbH • Act Entertainment AG • Seekers Event GmbH • Arena Management GmbH • ABC Production Group • Arena Berlin Betriebs GmbH • ALDA Germany GmbH • HOI Group • Venuepoint Live A/S • tour-house GmbH

The segment-related data were determined in the following way:

Internal revenues between the Group companies in a given segment have already been consolidated at segment level. The assets were allocated to the segments in the course of consolidation. Revenue between the segments is eliminated in the consolidation column. Services were invoiced at the normal market prices charged to third parties. Depending on their business content, individual transactions are allocated to their proper segment, in deviation from their allocation according to corporate structure.

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

	Ticketing		Live Entertainment		Total segments	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	[EUR'000]	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**	**[EUR'000]**
External revenue	391,479	342,087	438,427	492,140	829,906	834,227
Internal revenue	59,251	52,988	56,771	90,787	116,022	143,775
Total revenue	**450,730**	**395,075**	**495,198**	**582,927**	**945,928**	**978,002**
Consolidation within the segment	-55,598	-48,883	-55,967	-88,016	-111,565	-136,899
Revenue after consolidation within the segment	**395,132**	**346,192**	**439,231**	**494,911**	**834,363**	**841,103**

Reconciliation of the operating profit (EBIT) of the segments with Group earnings:

	Ticketing		Live Entertainment		Intersegment consolidation		Group	
	2016 [EUR'000]	2015 [EUR'000]	2016 [EUR'000]	2015 [EUR'000]	2016 [EUR'000]	2015 [EUR'000]	2016 [EUR'000]	2015 [EUR'000]
Revenue	395,132	346,192	439,231	494,911	-4,457	-6,876	829,906	834,227
EBITDA	166,391	142,358	27,198	38,144	0	0	193,589	180,502
EBIT	136,521	114,507	25,453	35,697	0	0	161,974	150,204
Depreciation and amortisation	-29,871	-27,850	-1,745	-2,448	0	0	-31,616	-30,298
Financial result							-6,497	-4,847
Earnings before tax (EBT)							155,477	145,357
Taxes							-49,996	-44,819
Net income before non-controlling interest							105,481	100,538
Non-controlling interest							-10,920	-11,509
Net income after non-controlling interest							94,561	89,029
Average number of employees	1,670	1,566	658	605			2,328	2,171
Normalised EBITDA [1]	167,253	142,852	27,198	38,144	0	0	194,451	180,996
Normalised EBIT before amortisation from purchase price allocation [1]	148,372	125,542	25,688	36,199	0	0	174,060	161,741

[1] Temporary non-recurring items are adjusted by normalisation.

GEOGRAPHICAL DISCLOSURES

The following table shows the **external revenue** for the 2016 financial year, broken down by geographical distribution:

	2016	2015
	[EUR'000]	[EUR'000]
Germany	531,071	569,880
Austria	53,906	59,134
Switzerland	121,058	104,345
Italy	55,440	48,531
Great Britain	10,899	9,146
Finland	10,212	9,959
Spain	8,485	8,353
Netherlands	9,365	8,149
Other countries	29,470	16,730
	829,906	**834,227**

The decline in revenue in Germany and Austria is mainly the result from the Live Entertainment segment; an increase in revenue in the Ticketing segment had a countervailing effect. The increase in revenue in Switzerland is mainly due to the Live Entertainment segment. In Italy the Ticketing segment generated significant revenue growth rates. The increase in revenue in the other countries mainly results from the expansion of the scope in consolidation in Brazil, Denmark, Norway and Sweden.

The carrying values of **non-current non-financial assets** for the 2016 financial year are shown in the following table according to geographical distribution:

	2016	2015
	[EUR'000]	[EUR'000]
Germany	326,459	322,006
Austria	1,665	1,728
Switzerland	72,556	73,594
Italy	19,973	21,362
Great Britain	797	1,487
Denmark	6,360	0
Other countries	7,660	5,645
	435,470	**425,822**

The long-term non-financial assets include goodwill, property, plant and equipment, intangible assets, investments in associates accounted for at equity and other long-term non-financial assets.

7.3 EMPLOYEES

On average over the year, 2,328 salaried staff (previous year: 2,171) were employed by the Group. Of that total, 1,362 (previous year: 1,262) were employed in Germany, and 966 (previous year: 909) in foreign countries.

7.4 CONTINGENT LIABILITIES

The Group is involved in pending proceedings and litigations which arise in the normal course of business, with no material impact on the financial position, cash flow and earnings performance of the Group.

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, in doing so, puts market partners at a disadvantage, as well as the content of specific regional cooperation agreements. All requests for information issued by the Cartel Office in this regard were answered in a complete and timely manner by the company. The company is currently responding to a request for information in Germany. In addition, consumer protection proceedings in Germany and an administrative proceeding in Italy and Switzerland are pending. It cannot be ruled out that the Cartel Office, consumer protection organisations and authorities will disagree with individual practices or agreements during the ongoing proceedings and issue an order for modification. No negative effects are presently expected for the business development going forward. Contingent liabilities can currently not be derived.

CTS KGaA has issued a letter of comfort expiring on 31 March 2019 to FKP SCORPIO to secure payment obligations of EUR 2.500 million. Due to the positive budget of FKP SCORPIO a claim is not expected.

7.5 LEASING

FINANCE LEASE AS LESSEE

Other short-term financial liabilities include liabilities from finance leases, at EUR 214 thousand (previous year: EUR 121 thousand), and the long-term financial liabilities include liabilities from finance leases with a remaining term of up to four years, at EUR 273 thousand (previous year: EUR 282 thousand). The main leases relate to motor vehicles. Leasing agreements for motor vehicles generally do not include renewal or purchase options and have a fixed term after which the vehicle is returned. The leasing rate is based on brand, model and equipment. The interest rates on which the leasing agreements are based vary between 1.8% and 2.8%, depending on the market rates and the date of conclusion. The present value of future minimum lease payments amount to EUR 269 thousand (previous year: EUR 121 thousand) with a remaining term of up to one year and EUR 242 thousand (previous year: EUR 282 thousand) between one and five years.

OPERATING LEASE AS LESSEE

The rental and leasing agreements must be allocated to the 'operating lease' category in accordance with IAS 17. The rental obligations relate to rental payments for office premises, the Lanxess Arena in Cologne and 'Waldbühne' in Berlin. The leasing obligations pertain primarily to maintenance agreements for software and telecommunication and vehicles. Other obligations relate to agency agreements and agreements for service contracts.

The rental, leasing and other obligations are shown in the following table:

	2016			2015		
	< 1 year [EUR'000]	1 - 5 years [EUR'000]	> 5 years [EUR'000]	< 1 year [EUR'000]	1 - 5 years [EUR'000]	> 5 years [EUR'000]
Rental obligations	14,389	51,110	1,496	13,499	46,991	6,928
Leasing obligations	744	538	0	734	717	0
Other obligations	1,421	181	14	909	94	0
	16,554	**51,829**	**1,510**	**15,142**	**47,802**	**6,928**

Payments made in operating leases which are recorded in the reporting period as expenses amount to EUR 17.363 million (previous year: EUR 16.228 million).

OPERATING LEASE AS LESSOR

The CTS Group leases IT hardware to box offices as the lessor. Of the minimum lease payments from non-cancellable operating leases of EUR 1.919 million, EUR 1.522 million are due within one year and EUR 397 thousand between one and five years. In the reporting year, income from lease payments of EUR 1.576 million (previous year: EUR 1.573 million) was collected.

The carrying amount of the leased items developed as follows:

	[EUR'000]
Historical cost	
1 January 2016	5,476
Addition	425
Disposal	-79
31 December 2016	**5,822**
Accumulated depreciation	
1 January 2016	4,363
Addition	456
Disposal	-14
31 December 2016	**4,805**
Carrying value as at 31 December 2015	**1,113**
Carrying value as at 31 December 2016	**1,017**

7.6 BUSINESS TRANSACTIONS SUBJECT TO APPROVAL

With a contract dated 31 October 2016, the companies CTS KGaA, Ringier AG, Zurich, and Tamedia AG, Zurich (with its subsidiary Starticket AG, Zollikon) entered into a partnership. Within the framework of this partnership, Ticketcorner Holding AG, Rümlang, in which CTS KGaA and Ringier AG, Zurich, each hold 50%, will own 75% and Tamedia AG, Zurich, with 25% of Ticketcorner AG, Rümlang. Ticketcorner AG, Rümlang, and Starticket AG, Zollikon, will join the market and offer their services together. The business combination is still subject to approval by the Swiss Competition Commission and is expected to be carried out in the first half-year of 2017. This business combination creates a Swiss-wide ticketing group with innovative services, high-performance platforms, mobile apps as well as scanning solutions for event customers. With this step, the two partners are responding to the increasingly intense competition in Ticketing by international suppliers, the rapid technological development and the growing importance of direct sales.

7.7 EVENTS AFTER THE BALANCE SHEET DATE

The German Federal Cartel Office (Bundeskartellamt) approved the acquisition of 5.2% of the shares in FKP SCORPIO Konzertproduktionen GmbH, Hamburg, (hereinafter: FKP SCORPIO) by MEDUSA Music Group GmbH, Bremen, on 3 January 2017. With the acquisition of 5.2% of the shares of FKP SCORPIO, the CTS Group holds a total of 50.2% of FKP SCORPIO, thereby securing control of the company. FKP SCORPIO is one of the largest festival and concert promoter in Germany and Europe with headquarters in Hamburg as well as branches in Stockholm, Amsterdam and Vienna. The festivals organised by the FKP SCORPIO include established festivals in Germany, such as Hurricane, Southside, Highfield, Chiemsee Summer, M'era Luna, Deichbrand as well as Provinssi in Finland, Bravalla in Sweden, Northside in Denmark, Greenfield in Switzerland, Nuke in Austria and the Best Kept Secret in the Netherlands. The acquisition of shares in FKP SCORPIO is not only a consequent expansion of the Live Entertainment portfolio, but also offers the CTS Group a valuable platform to strengthen the connection with its end customers that extend beyond ticketing. Direct access to FKP SCORPIO will support the development and introduction of innovative products and services in all the business fields of the CTS Group in the future and therefore substantially contribute to the CTS Group's international strategy of expansion. The consideration includes a fixed purchase price in the amount of EUR 200 thousand and a contingent variable purchase price component as a function of certain future profitability ratios. As the valuation of consideration and the identification and valuation of the acquired assets and debts (in particular the customer base and brand) have not yet been finalised, the disclosures required under IFRS 3 cannot be provided yet.

Marek Lieberberg Konzertagentur GmbH & Co. KG, Bremen, acquired 100% of the shares in MOKO Concerts GmbH, Freiburg im Breisgau, Germany, on 2 January 2017 at a purchase price of EUR 900 thousand. The purpose of the company is to organise and conduct concerts, circus events and similar shows as well as catering. The company changed its name to Vaddi Concerts GmbH, Freiburg im Breisgau, which became effective by entry in the commercial register on 27 January 2017.

7.8 DECLARATION OF COMPLIANCE

On 15 November 2016, the Management Board of the general partner and the Supervisory Board of CTS KGaA released a further declaration of compliance with the recommendations of the ‘Government Commission on the German Corporate Governance Code’ pursuant to § 161 AktG, and made the declaration permanently available to shareholders on the CTS KGaA website (http://www.eventim.de/tickets.html?affiliate=GMD&fun=tdoc&doc=eventim/default/info/en/investor/investorCorporateGovernance).

7.9 APPLICATION OF § 264 (3) HGB AND § 264B HGB

Some consolidated corporate companies and business partnerships of CTS KGaA qualify for § 264 (3) HGB and § 264b HGB with regard to the reporting 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
- GSO Gesellschaft für Softwareentwicklung und Organisation mbH & Co. KG, Bremen
- Ticket Online Sales & Service Center GmbH, Parchim
- Marek Lieberberg Konzertagentur GmbH & Co. KG, Bremen
- Peter Rieger Konzertagentur GmbH & Co. KG, Cologne
- GRETA'S BISTRO GmbH, Bremen
- Arena Holding GmbH, Cologne
- JUG Jet Air GmbH & Co. KG, Bremen
- JUG Jet Air Verwaltungs-GmbH, Bremen

7.10 NOTIFIABLE SECURITIES TRANSACTIONS PURSUANT TO § 15A SECURITIES TRADING ACT (WPHG)

During the reporting period 2016, the following transactions were carried out by members of the the corporate management and Supervisory Board of the CTS KGaA with no-par value bearer shares of the company (ISIN DE0005470306).

Name	Position	Transaction	Date	Number of shares
Edmund Hug	Member of Supervisory Board; until 9 May 2016	Purchase	22.01.2016	2,000

7.11 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, Klaus-Peter Schulenberg transferred his shares of CTS KGaA as well as his shares of EVENTIM Management AG to KPS Stiftung seated in Hamburg. Klaus-Peter Schulenberg's holdings in CTS KGaA and EVENTIM Management AG are only being converted from a direct into an indirect holding. He is also the controlling shareholder of other companies associated with the KPS Group.

The contractual relationships with related companies and persons resulted in the following goods and services being sold to and bought from related parties in the 2016 reporting period:

	2016	**2015**
	[EUR'000]	**[EUR'000]**
Goods and services supplied by the Group		
Services related to events	6,832	5,436
Passing on of operating costs	1,150	1,025
Supply of ticketing software	339	284
Other	584	600
	8,905	**7,345**

EUR 755 thousand in goods and services were supplied by the Group to subsidiaries not included in consolidation due to insignificance (previous year: EUR 608 thousand), EUR 5.099 million to associates accounted for at equity (previous year: EUR 2.633 million) and EUR 3.052 million to other related parties (KPS Group) (previous year: EUR 4.104 million).

Goods and services received by the Group	2016 [EUR'000]	2015 [EUR'000]
Fulfillment and customer services, transfer of postage	17,009	17,998
Production costs for events	3,483	2,699
Call center operations	1,879	2,241
Tenancy agreements	1,317	1,262
Agency agreements	954	1,007
Payment services	1,133	1,059
Other	357	143
	26,132	**26,409**

EUR 444 thousand in goods and services were received by the Group from subsidiaries not included in consolidation due to insignificance (previous year: EUR 390 thousand), while EUR 1.909 million in goods and services were supplied by associates accounted for at equity (previous year: EUR 1.669 million) and EUR 23.778 million were supplied by other related parties (KPS Group) (previous year: EUR 24.350 million).

Receivables from	2016 [EUR'000]	2015 [EUR'000]
Subsidiaries not included in consolidation due to insignificance	1,092	1,041
Associates accounted for at equity	1,399	3,526
Joint Venture	591	1,711
Other related parties	136	258
	3,218	**6,536**

Liabilities to	2016 [EUR'000]	2015 [EUR'000]
Subsidiaries not included in consolidation due to insignificance	6	177
Associates accounted for at equity	1,230	350
Other related parties	2,987	5,634
	4,223	**6,161**

Liabilities to related parties are unsecured.

Compensation paid to managers in key positions are disclosed under item 7.13 in the notes to the consolidated financial statements. Remuneration paid to members of the Supervisory Board is disclosed under item 7.14 in the notes to the consolidated financial statements.

7.12 AUDITOR EXPENSES

In the 2016 financial year, auditing expenses of EUR 447 thousand (previous year: EUR 423 thousand), fees amounting to EUR 635 thousand for other services (previous year: EUR 139 thousand) and other assurance services EUR 7 thousand were charged.

7.13 MANDATES AND EMOLUMENTS OF THE CORPORATE MANAGEMENT

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 amounts of compensation (in EUR) paid to individual members of the corporate management (within the meaning of § 315a (1) HGB, in combination with § 314 (1) No. 6 HGB) were as follows:

	Klaus-Peter Schulenberg | CEO			
Granted Benefits / Allocations*	**2015**	**2016**	**2016 (Min)**	**2016 (Max)**
Fixed salary	2,500,000	2,500,000		
Ancillary benefits	12,323	12,632		
Total	**2,512,323**	**2,512,632**		
One-year variable cash remuneration	600,000	600,000	0	600,000
Multi-year variable cash remuneration	150,000	150,000	0	150,000
Total	**750,000**	**750,000**	**0**	**750,000**
Service costs	0	0	0	0
Total remuneration	**3,262,323**	**3,262,632**	**0**	**750,000**

	Alexander Ruoff | COO			
Granted Benefits / Allocations*	**2015**	**2016**	**2016 (Min)**	**2016 (Max)**
Fixed salary	600,000	600,000		
Ancillary benefits	18,231	18,426		
Total	**618,231**	**618,426**		
One-year variable cash remuneration	240,000	240,000	0	240,000
Multi-year variable cash remuneration	60,000	60,000	0	60,000
Total	**300,000**	**300,000**	**0**	**300,000**
Service costs	0	0	0	0
Total remuneration	**918,231**	**918,426**	**0**	**300,000**

Granted Benefits / Allocations*	Volker Bischoff | CFO 2015	2016	2016 (Min)	2016 (Max)
Fixed salary	600,000	600,000		
Ancillary benefits	19,999	20,195		
Total	**619,999**	**620,195**		
One-year variable cash remuneration	204,000	240,000	0	240,000
Multi-year variable cash remuneration	51,000	60,000	0	60,000
Total	**255,000**	**300,000**	**0**	**300,000**
Service costs	0	0	0	0
Total remuneration	**874,999**	**920,195**	**0**	**300,000**

* The final variable remunerations which are to be paid out are fixed at the time of the preparation of the compensation report

The emoluments paid to members of the Management Board include EUR 1.350 million (previous year: EUR 1.305 million) in performance-based components and EUR 3.751 million (previous year: EUR 3.751 million) in fixed components. All amounts of compensation paid to individual members of the corporate management were short-term employee benefits, as in the previous year, within the meaning of IAS 24.17 (a).

7.14 MANDATES AND EMOLUMENTS OF THE SUPERVISORY BOARD

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

Edmund Hug, Businessman, Oberstenfeld/Germany – Chairman – (until 9 May 2016)

Dr. Bernd Kundrun, Businessman, Hamburg/Germany – Chairman – (since 9 May 2016)
Other supervisory board memberships:

- gut.org gemeinnützige Aktiengesellschaft, Berlin

Prof. Jobst W. Plog, Lawyer, Hamburg/Germany – Vice-Chairman –
Other supervisory board memberships:

- Vattenfall GmbH, Berlin
- Verlagsgesellschaft Madsack GmbH & Co. KG, Hanover (Vice-Chairman)

Dr. Juliane Thümmel, Senior government official, St. Gilles, Brussels/Belgium (since 9 May 2016)

The members of the Supervisory Board of CTS KGaA received emoluments totalling EUR 100 thousand (previous year: EUR 100 thousand) as well as reimbursed expenses of EUR 6 thousand (previous year: EUR 3 thousand) for the 2016 financial year. These amounts are all short-term benefits within the meaning of IAS 24.17 (a). With regard to the details of remuneration in individualised form, please refer to section 4.4 in the Corporate Governance Report.

7.15 PARTICIPATING PERSONS

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

Ameriprise Financial Inc., Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA fell below the 3% threshold on 23 January 2017 and amounted on the latter date to 2.99% (2,874,071 votes) and that these voting rights of 2.99% (2,874,071 votes) are allocated in their entirety to Ameriprise under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FIL Investment Management Limited, Boston, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 16 December 2016 and amounted on the latter date to 3.05% (2,924,676 votes) and that these voting rights of 3.05% (2,924,676 votes) are allocated in their entirety to FIL Investment Management under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FMR LLC, Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 14 December 2016 and amounted on the latter date to 3.62% (3,476,617 votes) and that these voting rights of 3.62% (3,476,617 votes) are allocated in their entirety to FMR LLC under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FMR LLC, Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 21 October 2016 and amounted on the latter date to 3.49% (3,351,718 votes) and that these voting rights of 3.49% (3,351,718 votes) are allocated in their entirety to FMR LLC under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

Ameriprise Financial Inc., Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 12 July 2016 and amounted on the latter date to 3.01% (2,887,408 votes) and that these voting rights of 3.01% (2,887,408 votes) are allocated in their entirety to Ameriprise under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

Ameriprise Financial Inc., Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA fell below the 3% threshold on 28 June 2016 and amounted on the latter date to 2.99% (2,867,867 votes) and that these voting rights of 2.99% (2,867,867 votes) are allocated in their entirety to Ameriprise under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FMR LLC, Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 16 June 2016 and amounted on the latter date to 3.49% (3,347,110 votes) and that these voting rights of 3.49% (3,347,110 votes) are allocated in their entirety to FMR LLC under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

Ameriprise Financial Inc., Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 23 March 2016 and amounted on the latter date to 3.01% (2,887,458 votes) and that these voting rights of 3.01% (2,887,458 votes) are allocated in their entirety to Ameriprise under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

On 28 December 2015, Klaus-Peter Schulenberg transferred his shares of CTS KGaA as well as his shares of EVENTIM Management AG to KPS Stiftung seated in Hamburg. Klaus-Peter Schulenberg's holdings in CTS KGaA and EVENTIM Management AG are only being converted from a direct into an indirect holding and amount up to 50.2% of the voting rights in the company as at 31 December 2016.

The Management Board of EVENTIM Management AG released the consolidated financial statements to the Supervisory Board on 28 February 2017.

8. ASSURANCE BY LEGAL REPRESENTATIVES

To the best of our knowledge, the consolidated financial statements give a true and fair view of the Group's earnings performance, financial position and cash flow, in accordance with the applicable reporting principles, and that the combined management report presents the course of business, including the Group's profits and situation, in a way that accurately reflects actual circumstances and truthfully describes the main opportunities and risks associated with the Group's expected development.

Bremen, 28 February 2017

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

Klaus-Peter Schulenberg | Volker Bischoff | Alexander Ruoff

7. AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the CTS EVENTIM AG & Co. KGaA, Munich, comprising the balance sheet, the income statement, the statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the CTS EVENTIM AG & Co. KGaA, Munich, for the business year from 1 January to 31 December 2016. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ('Handelsgesetzbuch': German Commercial Code) is the responsibility of the Management Board of the general partner. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion based on the knowledge we gained during our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the Group's earnings performance, financial position and cash flow in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and complies with the legal requirements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Osnabrück, 28 February 2017

PricewaterhouseCoopers

Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Georg Stegemann (German Public Auditor)	Dr. Achim Lienau (German Public Auditor)

8. FINANCIAL STATEMENTS OF CTS KGaA 2016

BALANCE SHEET OF CTS KGaA AS AT 31 DECEMBER 2016 (HGB)

ASSETS	31.12.2016 [EUR]	31.12.2015 [EUR]
A. FIXED ASSETS		
I. Intangible assets		
1. Internally generated industrial property rights and similar rights and assets	597,065	412,434
2. Acquired concessions, industrial property rights and similar rights and assets, and licences in such right and assets	47,991,548	48,356,097
3. Goodwill	42,071,226	49,720,538
4. Payments on account	3,904,440	2,352,849
	94,564,279	**100,841,918**
II. Property, plant and equipment		
1. Other real estate, land rights and buildings, including buildings on third-party properties	107,333	42,044
2. Technical equipment and machinery	1	1
3. Other facilities, operating and office equipment	3,660,709	3,961,591
4. Payments on account	169,174	0
	3,937,217	**4,003,636**
III. Investments		
1. Shares in affiliated companies	212,386,328	202,118,406
2. Participations	6,540	6,540
	212,392,868	**202,124,946**
B. CURRENT ASSETS		
I. Inventories		
1. Finished products and goods	744,460	346,556
2. Payments on account	0	4,128
	744,460	**350,684**
II. Receivables and other assets		
1. Trade receivables	7,207,038	7,648,390
2. Receivables from affiliated companies	24,259,910	24,592,660
3. Receivables from participations	1,671,741	2,773,296
4. Other assets	39,192,836	25,265,260
	72,331,525	**60,279,606**
III. Securities		
Other securities	0	4,999,648
IV. Cheques, cash in hand and bank balances	**209,840,746**	**174,628,537**
C. PREPAID EXPENSES	**2,226,585**	**2,913,101**
D. DEFERRED TAX ASSETS	**13,878**	**0**
Total assets	**596,051,558**	**550,142,076**

SHAREHOLDERS‘ EQUITY AND LIABILITIES	31.12.2016	31.12.2015
	[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	180,635,028	143,255,674
	286,226,328	**248,846,974**
B. PROVISIONS		
1. Tax provisions	15,949,141	15,920,917
2. Other provisions	14,341,750	9,992,781
	30,290,891	**25,913,698**
C. LIABILITIES		
1. Liabilities to banks	95,636,890	109,912,815
2. Trade payables	6,742,196	10,604,833
3. Liabilities to affiliated companies	4,445,070	2,045,972
4. Other liabilities	171,317,637	151,276,467
	278,141,793	**273,840,087**
D. DEFERRED INCOME	**100,102**	**108,308**
E. DEFERRED TAX LIABILITIES	**1,292,444**	**1,433,009**
Total shareholders' equity and liabilities	**596,051,558**	**550,142,076**

INCOME STATEMENT OF CTS KGaA FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2016 (HGB)

	01.01.2016 - 31.12.2016 [EUR]	01.01.2015 - 31.12.2015 [EUR]
1. Revenue	207,135,034	177,830,182
2. Cost of sales	-82,956,635	-75,190,778
3. Gross profit	**124,178,399**	**102,639,404**
4. Selling expenses	-29,865,005	-28,703,701
5. General administrative expenses	-18,427,295	-17,911,992
6. Other operating income thereof from currency translation EUR 455,429 (2015: EUR 522,347)	5,716,494	7,864,344
7. Other operating expenses thereof from currency translation EUR 332,192 (2015: EUR 105,424)	-7,395,040	-5,039,290
8. Income from participations	23,430,014	22,815,574
9. Income from loans held as financial assets	127,968	49,879
10. Expense from participations	-7,179	0
11. Income from profit transfer agreements	16,660,623	18,800,739
12. Other interest and similar income	624,917	928,444
13. Interest and similar expenses	-2,982,598	-3,842,394
14. Income taxes thereof from deferred taxes EUR 154,443 (2015: EUR 67,538)	-30,676,421	-25,558,319
15. Earnings after tax	**81,384,877**	**72,042,688**
16. Other taxes	150,474	-1,711
17. Net income for the year	**81,535,351**	**72,040,977**

NOTES TO THE FINANCIAL STATEMENTS FOR THE 2016 FINANCIAL YEAR

1. PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the 2016 financial year of the CTS KGaA (registered in the commercial register at Munich local court under no. HRB 212700) were prepared in accordance with the German Commercial Code (Handelsgesetzbuch – HGB) for large companies in the version of the Accounting Directive Implementation Act (hereinafter: 'BilRUG'), and the supplementary regulations of the Stock Corporation Act (Aktiengesetz). The financial year is the calendar year. Optional disclosures are made in the notes in order to maintain clarity and transparency. All amounts are rounded to the nearest Euro.

2. ACCOUNTING POLICIES
2.1 GENERAL DISCLOSURES

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

When the requirements for forming valuation units are met, the hedging and underlying transactions are combined in a single valuation unit, pursuant to § 254 HGB.

As a result of the first-time application of the regulations of the Accounting Directive Implementation Act (BilRUG), which took effect as of 23 July 2015, the previous form of presentation and the previously applied reporting methods have now changed. Specifically, the items 'extraordinary income' and 'extraordinary expenses', as well as the interim results 'ordinary business activities' and 'extraordinary result', have been abolished as classifications of the income statement as a result of BilRUG. Another change in the structure of the income statement is the addition of an interim result 'profit after income taxes' between the item 'income taxes' and the item 'other taxes'. A corresponding adjustment to the outline of the income statement pursuant to Art. 75 (2) EGHGB was made in this regard.

In addition, the first-time application of the BilRUG in fiscal year 2016 results in changes to the disclosure in connection with the redefinition of revenue. These relate in particular to revenue and other operating income as well as the corresponding expense items. In this respect, the corresponding previous year figures are not comparable. If the prior-year figures are not comparable, they are explained in the notes. Explanations are provided in the notes where the figures cannot be compared with the previous year. Beyond the changes of BilRUG, the accounting policies and valuation methods remained unchanged compared to the previous year.

For greater clarity and simplicity of presentation, the remarks to be made in accordance with statutory requirements in respect of items in the balance sheet and the income statement, and which may be made in the balance sheet or in the income statement, respectively, are mostly presented in the notes.

2.2 RECOGNITION AND MEASUREMENT

Intangible assets acquired for consideration are recognised at cost. Internally generated intangible assets are recognised at cost according to the reporting option under § 248 (2) HGB. In the reporting year, internal development costs accounted for the total of recognised costs of EUR 294 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 as at 1 January 2013 is subject to systematic straight-line amortisation over a useful life of 9.5 years. The useful life of the goodwill capitalised in connection with the chain merger is defined on the basis of an important distribution agreement concluded at the time of acquisition of See Tickets Germany / Ticket Online Group.

Property, plant and equipment are measured at cost, minus systematic depreciation if depreciable. Systematic depreciation is performed on a straight-line basis, based on the normal useful life. Depreciation is carried out on a pro rata temporis basis. Systematic depreciation of other property, plant and office equipment is mainly based on a useful life between 3 and 13 years. Extraordinary depreciation to lower fair values is performed where relevant.

Investments are recognised at cost, with extraordinary depreciation to the lower fair value, where relevant, for any permanent or temporary reduction in value that is expected.

Inventories are measured at cost, taking ancillary expenses into account, or at the lower market prices. The principles of loss-free measurement have been respected.

Receivables and other assets are measured at their nominal value minus adjustments for all discernible risks. Impairments are made to account for any discernible risk exposure in respect of insolvencies or creditworthiness. Overall impairments amounting to 1% of the net amount of receivables are made. Other assets include factoring receivables against an external service provider that arose in connection with the introduction of new types of payment to secure customer receivables from ticket sales. With regard to the sale of receivables (real factoring), all significant opportunities and risks are transferred without giving rise to a sustained engagement. The corresponding receivables are therefore fully booked out.

Cash in hand and bank balances are carried at their nominal value on the balance sheet date.

Prepaid expenses include payments made before the closing date that represent expenses for a specific period after the closing date.

Deferred tax assets are recognised to account for differences in the accounting policies governing in the HGB balance sheet and the fiscal balance sheet, in accordance with § 274 (1) sentence 1 HGB. A tax rate of 31.6% is applied when calculating deferred taxes.

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 tax liabilities are recognised to account for differences in the accounting policies governing the commercial balance sheet and the fiscal balance sheet, in accordance with § 274 (1) sentence 1 HGB. A tax rate of 31.6% is applied when calculating deferred taxes.

2.3 CURRENCY TRANSLATION

Foreign currency receivables, other assets, cash and cash equivalents and foreign currency liabilities are measured using the spot exchange rate as at the balance sheet date.

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 2016 (HGB)

	Historical cost				
	01.01.2016	**Addition**	**Disposal**	**Reclas-sification**	**31.12.2016**
	[EUR]	**[EUR]**	**[EUR]**	**[EUR]**	**[EUR]**
I. Intangible assets					
1. Internally generated industrial property rights and similar rights and assets	455,096	293,434	0	0	748,530
2. Aquired concessions, industrial property rights and similar rights and assets, and licences in such rights and assets	102,634,657	7,063,314	3,653,201	2,176,839	108,221,609
3. Goodwill	77,574,530	0	0	0	77,574,530
4. Payments on account	2,352,849	3,808,501	80,071	-2,176,839	3,904,440
	183,017,132	**11,165,249**	**3,733,272**	**0**	**190,449,109**
II. Property, plant and equipment					
1. Other real estate, land rights and buildings, including buildings on third-party properties	333,498	82,863	0	0	416,361
2. Technical equipment and machinery	572,445	0	0	0	572,445
3. Other property, plant and office equipment	16,809,371	1,687,039	5,230,935	0	13,265,475
4. Payments on account	0	169,175	0	0	169,175
	17,715,314	**1,939,077**	**5,230,935**	**0**	**14,423,456**
III. Investments					
1. Shares in affiliated companies	202,118,406	12,168,027	1,892,926	0	212,393,507
2. Participations	576,034	0	0	0	576,034
	202,694,440	**12,168,027**	**1,892,926**	**0**	**212,969,541**
Total	**403,426,886**	**25,272,353**	**10,857,133**	**0**	**417,842,106**

Accumulative depreciation and amortisation					Carrying value	
01.01.2016	Addition	thereof historical costs of the current year	Disposal	31.12.2016	31.12.2016	31.12.2015
[EUR]	[EUR]	[EUR]	[EUR]	[EUR]	[EUR]	[EUR]
42,662	108,803	40,330	0	151,465	597,065	412,434
54,278,560	7,455,135	555,422	1,503,634	60,230,061	47,991,548	48,356,097
27,853,992	7,649,312	0	0	35,503,304	42,071,226	49,720,538
0	0	0	0	0	3,904,440	2,352,849
82,175,214	**15,213,250**	**595,752**	**1,503,634**	**95,884,830**	**94,564,279**	**100,841,918**
291,454	17,574	7,044	0	309,028	107,333	42,044
572,444	0	0	0	572,444	1	1
12,847,780	1,918,057	239,468	5,161,070	9,604,767	3,660,709	3,961,591
0	0	0	0	0	169,174	0
13,711,678	**1,935,631**	**246,512**	**5,161,070**	**10,486,239**	**3,937,217**	**4,003,636**
0	7,179	0	0	7,179	212,386,328	202,118,406
569,494	0	0	0	569,494	6,540	6,540
569,494	**7,179**	**0**	**0**	**576,673**	**212,392,868**	**202,124,946**
96,456,386	**17,156,060**	**842,264**	**6,664,704**	**106,947,742**	**310,894,364**	**306,970,500**

The EUR 25.272 million in additions to **fixed assets** (previous year: EUR 13.745 million) relate to additions to intangible assets (EUR 11.165 million; previous year: EUR 11.574 million), to property, plant and equipment (EUR 1.939 million; previous year: EUR 1.354 million) and to financial assets (EUR 12.168 million; previous year: EUR 817 thousand). The additions to intangible assets result primarily from the development of the Global Ticketing System (EUR 10.083 million; previous year: EUR 7.285 million), Information Science (EUR 574 thousand; previous year: EUR 1.023 million) and ticketing distribution rights (EUR 394 thousand; previous year: EUR 2.743 million). The additions to property, plant and equipment relate primarily to IT hardware for operating the Global Ticketing System (EUR 882 thousand; previous year: EUR 662 thousand) and for connecting box offices to the Global Ticketing System (EUR 407 thousand; previous year: EUR 391 thousand). The additions to financial assets in the reporting year relate primarily to the acquisition of shares in JetTicket Software GmbH, Oberpullendorf, Austria (EUR 1.753 million), in Venuepoint Holding A/S, Copenhagen, Denmark (EUR 5.906 million) as well as a capital increase in Eventim Sony Holding Ltd., London (EUR 1.567 million) and in JUG Jet Air GmbH & Co. KG, Bremen (EUR 2.942 million).

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

Receivables from affiliated companies include trade receivables amounting to EUR 10.068 million (previous year: EUR 6.978 million) and loan receivables of EUR 6.210 million (previous year: EUR 9.580 million). With an amount of EUR 5.520 million (previous year: EUR 6.326 million) receivables from affiliated companies have a remaining term of more than one year.

Receivables from participations include loan receivables amounting to EUR 1.586 million (previous year: EUR 2.703 million). All receivables are due within one year. In the previous year, trade receivables of EUR 70 thousand were disclosed and receivables of EUR 540 thousand had a remaining term of one to five years.

Other assets include EUR 1.950 million in receivables with a remaining term of between one and five years (previous year: EUR 2.885 million).

Prepaid expenses mainly comprise EUR 836 thousand in prepaid financing expenses (previous year: EUR 1.236 million), EUR 1.061 million in maintenance expenses (previous year: EUR 1.225 million).

SHAREHOLDERS' EQUITY AND LIABILITIES

As at the closing date, the company had issued 96,000,000 no-par value bearer shares. Each share represents an arithmetic share in the **share capital** of EUR 1.00.

The **contingent capital** totals EUR 44,000,000 at 31 December 2016.

Treasury stock of EUR 8.700 resulting from initial shares of 2,175 shares that were purchased on 31 July 2007 at a price of EUR 28.99 per share due to a shareholder resolution according to § 71 (1) No. 8 AktG. As a result of the share capital increase the number of treasury stock currently amounts to 8,700 shares at an appropriate purchase price of EUR 7.25. They represent 0.009% or EUR 8.700 of the registered share capital. In the context of application of the recognition and measurement rules according to the BilMoG (Bilanzrechtsmodernisierungsgesetz), the arithmetic par value of treasury stock had to be clearly distinguished 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 12,000,000 of the capital reserve was converted to subscribed share capital, and 12,000,000 new no-par value bearer shares were issued. As part of the further share capital increase using company funds implemented in May 2011, a further EUR 24,000,000 of reserve was converted to subscribed share capital, and 24,000,000 new no-par value bearer shares were issued.

According to § 150 AktG, corporations must form a **statutory reserve** if the capital reserve does not constitute 10% of the registered capital. Annual allocations to the statutory reserve amount to 5% of net income for the year until 10% of subscribed share capital is covered by the capital reserve and statutory reserve. In the financial year 2015, the legal reserve was increased by EUR 1,981,607 for the last time so that the statutory reserve and the capital reserve since then totalled 10% of the share capital.

Based on its option right for measuring internally generated assets in accordance with § 248 (2) HGB, an amount of EUR 408 thousand is derived which is barred from distribution. Internally generated intangible assets of EUR 597 thousand were recorded and based on these deferred tax liabilities of EUR 189 thousand were recognised. As there are sufficient available reserves compared to the amount bared from distribution, the **payout restriction** according to § 268 (8) HGB does not come into effect.

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

	2016	**2015**
	[EUR'000]	**[EUR'000]**
Balance sheet profit as at 1 January	143,256	111,593
Net income for the year	81,535	72,041
Allocation to statutory reserve according to § 150 AktG	0	-1,982
	224,791	**181,652**
Dividends	-44,156	-38,397
Balance sheet profit as at 31 December	**180,635**	**143,256**

RESOLUTIONS OF THE SHAREHOLDERS' MEETING

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

The 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.

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

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

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

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

Furthermore, by resolution of the Annual Shareholders' Meeting on 8 May 2014, the general partner was authorised to increase the share capital in full or partial amounts, on one or more occasions, by up to EUR 48,000,000 by 7 May 2019, contingent on Supervisory Board approval, by issuing up to 48,000,000 new bearer shares against cash contributions or contributions in kind (approved capital 2014). The **approved capital** 2009 was repealed on the date that the approved capital 2014 is entered in the commercial register.

The Annual Shareholders' Meeting on 8 May 2014 resolved to **change the legal form** of CTS AG into a partnership limited by shares (CTS KGaA). This resolution to change the legal form took effect upon entry into the commercial register on 30 June 2014. For every ordinary share held in the company to be transformed, the shareholders of CTS AG received one ordinary CTS KGaA share. The notional amount of the share capital accounted for by each no-par value bearer share remains unchanged.

Other provisions include EUR 3.669 million in provisions for personnel expenses (previous year: EUR 3.212 million), EUR 6.733 million for outstanding supplier invoices (previous year: EUR 3.428 million), EUR 221 thousand for outstanding credit notes (previous year: EUR 426 thousand), EUR 2.460 million for outstanding commission (previous year: EUR 1.476 million), EUR 552 thousand for accounting and auditing expenses (previous year: EUR 533 thousand), EUR 58 thousand for Supervisory Board emoluments (previous year: EUR 92 thousand).

Of the **liabilities to affiliated companies**, EUR 2.752 million (previous year: EUR 522 thousand) relate to trade payables and EUR 1.418 million (previous year: EUR 1.427 million) to loan liabilities.

The residual terms of the liabilities as at 31 December 2016 are shown in the following statement of liabilities:

	Carrying value	Remaining term	
	31.12.2016	≤1 year	>1 year
	[EUR]	**[EUR]**	**[EUR]**
Liabilities to banks	95,636,890	14,351,186	81,285,704
Trade payables	6,742,196	6,742,196	
Payables to affiliated companies	4,445,070	4,445,070	
Other liabilities	171,317,637	171,317,637	
Liabilities, total	**278,141,793**	**196,856,089**	**81,285,704**

The residual terms of the liabilities as at 31 December 2015 are shown in the following statement of liabilities:

	Carrying value	Remaining term	
	31.12.2016	≤1 year	>1 year
	[EUR]	**[EUR]**	**[EUR]**
Liabilities to banks	109,912,815	14,341,395	95,571,420
Trade payables	10,604,833	10,604,833	
Payables to affiliated companies	2,045,972	2,045,972	
Other liabilities	151,276,467	151,276,467	
Liabilities, total	**273,840,087**	**178,268,667**	**95,571,420**

There are no liabilities with a maturity of more than five years.

Other liabilities, at EUR 171.318 million, mainly include EUR 151.102 million in liabilities in respect of ticket monies that have not yet been invoiced (previous year: EUR 134.169 million). These liabilities result primarily from presales for future events and tours. The liabilities in respect of ticket monies that have not yet been invoiced are offset by bank balances and by receivables in respect of outstanding ticket revenue and factoring receivables, as stated under other assets. Other liabilities include EUR 8.707 million in liabilities to affiliated companies in respect of ticket monies that have not yet been invoiced (previous year: EUR 10.597 million).

Taxes account for EUR 4.962 million (previous year: EUR 4.719 million) of the other liabilities. In the previous year liabilities for social security of EUR 4 thousand were recorded.

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 1.027 million; previous year: EUR 1.226 million) and the recognition of internally generated intangible assets in the reporting year of EUR 189 thousand (previous year: EUR 130 thousand). Furthermore, deferred tax liabilities were recognised for different accounting policies relating to participations in affiliated companies (EUR 77 thousand; previous year: EUR 77 thousand).

Measurement of deferred taxes are based on an effective taxation rate of 31.6%, obtained from a corporate tax rate of 15.0% plus a solidarity supplement of 5.5% on corporation tax, and a municipal trade tax rate of 15.8%.

3.2 INCOME STATEMENT

Revenue is broken down as follows:

	2016	2015	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Ticket revenue	169,699	145,183	24,516
Licence fees	14,146	12,594	1,552
Other revenue			
Data line charges	3,649	3,802	-153
System rental / maintenance / installation	5,856	6,096*	-240
Commission income	4,034	3,084	950
Sales of merchandise	483	337	146
Package travel	225	446	-221
Recharged Service fees	2,064	0	2,064
Other	6,979	6,288*	691
	207,135	**177,830**	**29,305**

* changed allocation of fees

EUR 19.617 million of total revenue was generated in foreign countries (previous year: EUR 16.767 million).

As a result of the first-time application of BilRUG in the 2016 financial year, revenue pursuant to section 277 (1) HGB is no longer comparable with those of the previous year. In accordance with BilRUG, income from services reported under revenue amounted to EUR 2.064 million in the reporting year; the comparable figure in the previous year was EUR 2.025 million which was recognised in other operating income. Had BilRUG been applied pro forma in the previous year, revenue would have amounted to EUR 179.855 million.

Material expenses comprised the following items pursuant to § 275 (2) 5 HGB:

Material expenses (according to total cost method)	2016	2015	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Cost of purchased merchandise	1,114	901	213
Cost of purchased services	72,358	65,289	7,069
	73,472	**66,190**	**7,282**

In the previous year, other operating expenses include EUR 130 thousand, which are recorded in material expenses in 2016 according to the BilRUG regulation to revenue. Accordingly, the material expenses in the current financial year are only to a limited extent comparable with the previous year.

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

Personnel expenses (according to total cost method)	2016	2015	Change
	[EUR'000]	[EUR'000]	[EUR'000]
Wages and salaries	21,401	20,183	1,218
Social security contributions and expenses for pension and employee support	2,487	2,245	242
	23,888	**22,428**	**1,460**

The **selling expenses** for the 2016 financial year (according to the 'cost of sales' method) include EUR 7.649 million in amortisation of goodwill (previous year: EUR 7.649 million) and on intangible assets and property, plant and equipment of EUR 2.253 million (previous year: EUR 3.053 million).

Other operating income includes EUR 706 thousand in non-periodic income from the reversal of provisions (previous year: EUR 748 thousand), EUR 874 thousand in income from derecognised liabilities (previous year: EUR 1.270 million), EUR 70 thousand for subsequent reimbursements (previous year: EUR 20 thousand), EUR 225 thousand in income from the reversal of allowances for doubtful accounts (previous year: EUR 102 thousand) and EUR 41 thousand income from disposal of fixed assets (previous year: EUR 44 thousand).

In application of section 277 (1) HGB, as amended by the BilRUG, other operating income is to a limited extent comparable with the previous year. If BilRUG have been applied last year other operating income in the amount of EUR 5.839 million would have arisen for the previous year.

Other operating expenses include EUR 539 thousand (previous year: EUR 188 thousand) in non-periodic expenses from follow-up invoices and granted credit notes and losses from disposal of fixed assets, at EUR 174 thousand (previous year: EUR 40 thousand).

The EUR 23.430 million in **income from participations** was entirely generated by affiliated companies (previous year: EUR 22.816 million).

Other interest and similar income includes EUR 374 thousand in income from affiliated companies (previous year: EUR 622 thousand).

Interest and similar expenses include expenses of affiliated companies amounting to EUR 27 thousand (previous year: EUR 36 thousand).

Income Taxes include EUR 15.344 million in municipal trade tax (previous year: EUR 12.949 million), EUR 14.640 million in corporation tax (previous year: EUR 12.395 million) and EUR 805 thousand (previous year: EUR 682 thousand) in solidarity supplement to corporation tax for the 2016 financial year. Taxes on income also include foreign withholding tax expense, at EUR 88 thousand (previous year: EUR 89 thousand), non-periodic expenses for retrospective tax refunds for previous years, at EUR 179 thousand (previous year: EUR 10 thousand), non-periodic income for retrospective tax payments for previous years, at EUR 227 thousand (previous year: EUR 499 thousand).

In addition, taxes on income and income include income from the formation of deferred tax assets amounting to EUR 14 thousand (previous year: expenses of EUR 1 thousand) and income from the release of deferred tax liabilities in the amount of EUR 140 thousand (previous year: EUR 68 thousand).

Income taxes relate exclusively to profit from ordinary business activities.

Other taxes amounting to EUR -150 thousand (previous year: EUR 2 thousand) relate to income for VAT tax at EUR 154 thousand (previous year: EUR 2 thousand) and vehicle tax expenses at EUR 4 thousand (previous year: EUR 4 thousand).

In accordance with § 158 AktG, reconciliation of the net income for the year to the balance sheet profit is as follows:

	2016	2015
	[EUR'000]	[EUR'000]
Net income for the year	81,535	72,041
Profit carried forward	99,100	73,197
Allocation to statutory reserve according to § 150 AktG	0	-1,982
Balance sheet profit as at 31 December	**180,635**	**143,256**

Of the balance sheet profit for the previous year, at EUR 143.256 million, EUR 44.156 million were distributed to shareholders and EUR 99.100 million were carried forward to the new account.

4. OTHER DISCLOSURES
4.1 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

The company bears liability for debts owed to banks by CTS Eventim Solutions GmbH, Bremen. As at the closing date, CTS Eventim Solutions GmbH, Bremen, has no liabilities to banks. CTS KGaA also bears liability for bank credit and guarantee facilities granted to subsidiaries, which amount to EUR 8.502 million (previous year: EUR 5.752 million). As at the closing date, there was a claim for guarantee facilities amounting to EUR 3.652 million (previous year: EUR 2.750 million). It is not expected that any claims will be asserted against CTS KGaA on account of this assumption of liability, given the positive future earnings position and financial situation of the subsidiaries.

The company is also liable for liabilities from outstanding fees of two foreign subsidiaries with regard to payment service providers from the settlement of retail payments of two foreign subsidiaries. A claim is not to be expected because the payment service provider withheld the fees continuously from the payments processed.

Following the acquisition of the Ticketcorner Group in 2010, the company also bears liability for up to a maximum of CHF 26.000 million owed to banks by Ticketcorner Holding AG, Rümlang (hereinafter: Ticketcorner Holding AG). The debts owed to banks by Ticketcorner Holding AG amount to CHF 34.325 million as at the closing date. Due to the positive earnings performance expected of the Ticketcorner Group, it is assumed that Ticketcorner Holding AG as holding company will be able to honour its obligations. No demands on CTS KGaA due to the assumption of liability are therefore expected. As further collateral for these liabilities, the company has pledged its shares, which amount to 50% of the share capital of Tickercorner Holding AG, to the bank. For the aforementioned reasons, it is not expected that any claims will be made against the pledge.

CTS KGaA has issued a letter of comfort limited until 31 March 2019 to FKP SCORPIO Konzertproduktionen GmbH, Hamburg, to secure payment obligations of EUR 2.500 million. Due to the positive budget of FKP SCORPIO Konzertproduktionen GmbH, Hamburg, a claim is not expected.

As at the closing date, other financial obligations relating to short- and medium-term rental, leasing and other contractual agreements amount to EUR 9.826 million (previous year: EUR 7.802 million). Of that total, EUR 3.356 million (previous year: EUR 2.980 million) are due within one year. Future rental obligations account for EUR 9.012 million (previous year: EUR 6.879 million), leasing obligations for EUR 348 thousand (previous year: EUR 352 thousand) and other obligations for EUR 466 thousand (previous year: EUR 571 thousand). The other financial commitments are EUR 33 thousand to affiliated companies (previous year: EUR 40 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 period, 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. As at 31 December 2016, there were no underlying transactions that were included in valuation units. As a result, there were no longer any derivates in valuation units. The fair value of a terminated single valuation unit amounted to EUR -4 thousand as at the balance sheet date (previous year: EUR 20 thousand). By comparison, the fair value of the derivatives in the valuation units amounted to EUR -29 thousand in the previous year.

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

The valuation unit for foreign exchange risks was recognised by using the net hedge presentation method. Effective results from hedging instruments are not recorded until the underlying business transaction takes place. Negative impacts (ineffectiveness) were valued using the imparity principle and recorded as provision for pending losses. Provisions for pending losses did not exist as of the balance sheet date.

4.2.1 TRANSFER OF FINANCIAL ASSETS

In 2015, CTS KGaA has concluded an agreement with a factoring company on the sale of trade receivables from private customers to improve liquidity management. The agreement has a term of one year and can be terminated with a period of three months. Under the agreement, outstanding trade receivables are only sold for the payment method 'purchase on account' and 'purchase on instalments' as well as trade receivables connected with the web shops of the company. The factoring company performs the credit management including credit checks, default payment and collection proceedings of receivables on account for CTS KGaA. For the provided service function in 2016, an adequate remuneration of EUR 1.119 million (previous year: EUR 462 thousand) is recognised in the cost of sales.

The collection risk associated with the sold receivables was completely transferred to the factor. Hence, all significant risks and rewards of the assigned trade receivables are transferred to the factoring company. As at 31 December 2016, the carrying amount and the fair value of the transferred receivables to the factoring company amounts up to EUR 18.929 million (previous year: EUR 9.464 million).

4.3 APPROPRIATION OF EARNINGS

In fiscal year 2016, CTS KGaA generated EUR 81.535 million 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 of EUR 94.071 million (EUR 0.98 per eligible share) out of the balance sheet profit of EUR 180.635 million as at 31 December 2016 and to carry the remaining amount forward to the balance sheet profit. The dividend proposal comprises the basic dividend of EUR 0.50 per share (50% of the consolidated net income) and a special dividend of EUR 0.48 per share. The special dividend reflects the very successful business development and profitability in the year 2016.

4.4 LIST OF PARTICIPATIONS

A list of shareholdings is published on the company's website. These disclosures are published on the CTS KGaA website under http://www.eventim.de/tickets.html?affiliate=TUG&fun=tdoc&doc=eventim/default/info/en/investor/investor-Structure.

4.5 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 (in EUR) paid to individual members of the corporate management of the general partner were as follows:

	Klaus-Peter Schulenberg | CEO			
Granted Benefits / Allocations*	**2015**	**2016**	**2016 (Min)**	**2016 (Max)**
Fixed salary	2,500,000	2,500,000		
Ancillary benefits	12,323	12,632		
Total	**2,512,323**	**2,512,632**		
One-year variable cash remuneration	600,000	600,000	0	600,000
Multi-year variable cash remuneration	150,000	150,000	0	150,000
Total	**750,000**	**750,000**	**0**	**750,000**
Service costs	0	0	0	0
Total remuneration	**3,262,323**	**3,262,632**	**0**	**750,000**

Granted Benefits / Allocations*	Alexander Ruoff | COO 2015	2016	2016 (Min)	2016 (Max)
Fixed salary	600,000	600,000		
Ancillary benefits	18,231	18,426		
Total	**618,231**	**618,426**		
One-year variable cash remuneration	240,000	240,000	0	240,000
Multi-year variable cash remuneration	60,000	60,000	0	60,000
Total	**300,000**	**300,000**	**0**	**300,000**
Service costs	0	0	0	0
Total remuneration	**918,231**	**918,426**	**0**	**300,000**

Granted Benefits / Allocations*	Volker Bischoff | CFO 2015	2016	2016 (Min)	2016 (Max)
Fixed salary	600,000	600,000		
Ancillary benefits	19,999	20,195		
Total	**619,999**	**620,195**		
One-year variable cash remuneration	204,000	240,000	0	240,000
Multi-year variable cash remuneration	51,000	60,000	0	60,000
Total	**255,000**	**300,000**	**0**	**300,000**
Service costs	0	0	0	0
Total remuneration	**874,999**	**920,195**	**0**	**300,000**

* The final variable remunerations which are to be paid out are fixed at the time of the preparation of the compensation report.

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

Edmund Hug, Businessman, Oberstenfeld/Germany – Chairman – (until 9 May 2016)

Dr. Bernd Kundrun, Businessman, Hamburg/Germany – Chairman – (since 9 May 2016)
Other supervisory board memberships:

- gut.org gemeinnützige Aktiengesellschaft, Berlin

Prof. Jobst W. Plog, Lawyer, Hamburg/Germany – Vice-Chairman –
Other supervisory board memberships:

- Vattenfall GmbH, Berlin
- Verlagsgesellschaft Madsack GmbH & Co. KG, Hanover (Vice-Chairman)

Dr. Juliane Thümmel, Senior government official, St. Gilles, Brussels/Belgium (since 9 May 2016)

The members of the Supervisory Board of CTS KGaA received emoluments totalling EUR 100 thousand (previous year: EUR 100 thousand) as well as reimbursed expenses of EUR 6 thousand (previous year: EUR 3 thousand) for the 2016 financial year.

4.6 EMPLOYEES

On average, 306 persons were employed by the company during the year (previous year: 283). These were all salaried employees.

4.7 DECLARATION CONCERNING THE CORPORATE GOVERNANCE CODE

On 15 November 2016, the Management Board of the general partner and the Supervisory Board of CTS KGaA released a further declaration of compliance with the recommendations of the 'Government Commission on the German Corporate Governance Code' pursuant to § 161 AktG, and made said declaration permanently available to shareholders on the CTS KGaA website (http://www.eventim.de/tickets.html?affiliate=GMD&fun=tdoc&doc=eventim/default/info/en/investor/investorCorporateGovernance).

4.8 PARTICIPATING PERSONS

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

Ameriprise Financial Inc., Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA fell below the 3% threshold on 23 January 2017 and amounted on the latter date to 2.99% (2,874,071 votes) and that these voting rights of 2.99% (2,874,071 votes) are allocated in their entirety to Ameriprise under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FIL Investment Management Limited, Boston, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 16 December 2016 and amounted on the latter date to 3.05% (2,924,676 votes) and that these voting rights of 3.05% (2,924,676 votes) are allocated in their entirety to FIL Investment Management under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FMR LLC, Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 14 December 2016 and amounted on the latter date to 3.62% (3,476,617 votes) and that these voting rights of 3.62% (3,476,617 votes) are allocated in their entirety to FMR LLC under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FMR LLC, Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 21 October 2016 and amounted on the latter date to 3.49% (3,351,718 votes) and that these voting rights of 3.49% (3,351,718 votes) are allocated in their entirety to FMR LLC under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

Ameriprise Financial Inc., Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 12 July 2016 and amounted on the latter date to 3.01% (2,887,408 votes) and that these voting rights of 3.01% (2,887,408 votes) are allocated in their entirety to Ameriprise under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

Ameriprise Financial Inc., Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA fell below the 3% threshold on 28 June 2016 and amounted on the latter date to 2.99% (2,867,867 votes) and that these voting rights of 2.99% (2,867,867 votes) are allocated in their entirety to Ameriprise under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

FMR LLC, Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 16 June 2016 and amounted on the latter date to 3.49% (3,347,110 votes) and that these voting rights of 3.49% (3,347,110 votes) are allocated in their entirety to FMR LLC under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

Ameriprise Financial Inc., Wilmington, Delaware, USA, notified in accordance with § 21 (1) WpHG that its share of voting rights in CTS KGaA exceeded the 3% threshold on 23 March 2016 and amounted on the latter date to 3.01% (2,887,458 votes) and that these voting rights of 3.01% (2,887,458 votes) are allocated in their entirety to Ameriprise under § 22 (1) sentence 1 no. 6 WpHG in combination with § 22 (1) sentences 2 WpHG.

On 28 December 2015, Klaus-Peter Schulenberg transferred his shares of CTS KGaA as well as his shares of EVENTIM Management AG to KPS Stiftung seated in Hamburg. Klaus-Peter Schulenberg's holdings in CTS KGaA and EVENTIM Management AG are only being converted from a direct into an indirect holding and amount up to 50.2% of the voting rights in the company as at 31 December 2016.

4.9 AUDITOR EXPENSES

Disclosure of the fees paid to the company's auditor is waived because these details are provided in item 7.12 of the notes to the consolidated financial statements.

4.10 EVENTS AFTER THE BALANCE SHEET DATE

With a contract dated 31 October 2016, the companies CTS KGaA, Ringier AG, Zurich, and Tamedia AG, Zurich (with its subsidiary Starticket AG, Zollikon) enter into a partnership. Within the framework of this partnership, Ticketcorner Holding AG, Rümlang, in which CTS KGaA and Ringier AG, Zurich, each hold 50%, will own 75% and Tamedia AG, Zurich, with 25% of Ticketcorner AG, Rümlang. Ticketcorner AG, Rümlang, and Starticket AG, Zollikon, will join the market and offer their services together. The business combination is still subject to approval by the Swiss Competition Commission and is expected to be carried out in the first half-year of 2017. This business combination creates a Swiss-wide ticketing group with innovative services, high-performance platforms, mobile apps as well as scanning solutions for event customers. With this step, the two partners are responding to the increasingly intense competition in Ticketing by international suppliers, the rapid technological development and the growing importance of direct sales.

4.11 ASSURANCE BY LEGAL REPRESENTATIVES

To the best of our knowledge, the annual financial statements give a true and fair view of the company's earnings performance, financial position and cash flow, in accordance with the applicable reporting principles, and that the combined management report presents the course of business, including the company's profits and situation, in a way that accurately reflects actual circumstances and truthfully describes the main opportunities and risks associated with the company's expected development.

Bremen, 28 February 2017

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

Klaus-Peter Schulenberg	Volker Bischoff	Alexander Ruoff

9. AUDITOR'S REPORT

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and the management report, which is combined with the group management report of CTS EVENTIM AG & Co. KGaA, Munich, for the business year from 1 January to 31 December 2016. The maintenance of the books and records and the preparation of the annual financial statements and the combined management report in accordance with German commercial law are the responsibility of the Management Board of the general partner. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the combined management report based on our audit.

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

Our audit has not led to any reservations.

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

Osnabrück, 28 February 2017

PricewaterhouseCoopers

Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Georg Stegemann
German Public Auditor

Dr. Achim Lienau
German Public Auditor

FORWARD-LOOKING STATEMENTS

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

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

CONTACT

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

www.eventim.de
investor@eventim.de

PUBLISHERS' NOTES
PUBLISHED BY:

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

EDITORIAL OFFICE:

Engel & Zimmermann
CTS EVENTIM AG & Co. KGaA

ARTWORK:

SECHSBAELLE, Bremen
www.sechsbaelle.de

COVER PICTURE:

Andrew Bayda – stock.adobe.com

CTS EVENTIM AG & CO. KGaA ANNUAL REPORT 2016