

Hertha BSC GmbH & Co. Kommanditgesellschaft auf Aktien (KGaA), Berlin

CONSOLIDATED BALANCE SHEET as at 31 December 2022

ASSETS				Prior year	LIABILITIES				Prior year
	€	€	€	in thousand €		€	€	in thousand €	
<b>A. Fixed assets</b>					<b>A. Equity</b>				
I. Intangible assets					I. Share capital	7,365,338.00		7,365	
1. Concessions purchased, industrial property rights and similar rights and assets and licences to such rights and assets	802,430.60			807	II. Capital reserve	369,757,514.56		369,758	
2. Player registrations	52,751,165.75			69,419	III. Consolidated loss carryforward	-347,587,526.46		-267,830	
3. Payments made on account	<u>0.00</u>			90	IV. Consolidated net loss/net loss for the year	-44,644,025.26		-79,758	
		53,553,596.35		(70,316)	V. Net loss not covered by equity	<u>15,108,699.16</u>		0	
II. Property, plant and equipment							0.00	(29,535)	
1. Buildings on third-party land	4,329,155.90			4,612	<b>B. Provisions</b>				
2. Operating and office equipment	1,551,794.36			1,593	Other provisions		10,802,737.21	(9,397)	
3. Payments made on account and assets under construction	<u>58,112.13</u>			2	<b>C. Liabilities</b>				
		5,939,062.39		(6,207)	1. Bonds	40,000,000.00		40,000	
III. Financial assets					2. Liabilities to banks	29,556,282.18		1	
Cooperative shares	<u>1,354.00</u>			1	3. Trade payables	6,758,112.04		17,958	
			59,494,012.74	(76,524)	4. Liabilities for player transfers	4,154,028.23		8,084	
<b>B. Current assets</b>					5. Other liabilities	<u>10,354,213.27</u>		14,753	
I. Inventories							90,822,635.72	(80,796)	
Goods		1,705,509.99		2,328	<b>D. Deferred income</b>		10,979,557.22	5,862	
II. Receivables and other assets									
1. Trade receivables	3,710,621.91			3,030					
2. Receivables from player transfers	15,992,439.39			18,755					
3. Receivables from companies in which investments are held	2,381,767.76			2,459					
4. Other assets	<u>1,275,004.27</u>			1,542					
		23,359,833.33		(25,786)					
III. Cash on hand, bank balances and checks		<u>1,305,976.36</u>		10,767					
			26,371,319.68	(38,881)					
<b>C. Prepaid expenses</b>			11,630,898.57	10,185					
<b>D. Net loss not covered by equity</b>									
			15,108,699.16	0					
			<u>112,604,930.15</u>	<u>125,590</u>			<u>112,604,930.15</u>	<u>125,590</u>	

Hertha BSC GmbH & Co. Kommanditgesellschaft auf Aktien (KGaA), Berlin

**CONSOLIDATED INCOME STATEMENT**

for the period from 1 July 2022 to 31 December 2022 [German Commercial Code (HGB)]

	€	€	1/7 - 31/12/2021 in thousand €
1. Revenue		62,352,623.42	83,199
2. Other operating income		<u>4,164,249.23</u>	<u>7,975</u>
		66,516,872.65	91,174
3. Cost of materials			
Cost of merchandise purchased		-2,325,747.87	-1,398
4. Personnel expenses			
a) Wages and salaries	-48,400,585.05		-45,129
b) Social security contributions and expenses for pensions and other benefits	<u>-2,886,743.54</u>		-1,225
		-51,287,328.59	(-46,354)
5. Depreciation and amortisation of intangible assets and property, plant and equipment		-16,312,867.98	-16,940
6. Other operating expenses		<u>-39,542,217.72</u>	<u>-53,050</u>
		-42,951,289.51	-26,568
7. Other interest and similar income		570,106.07	416
- thereof from affiliated companies: € 61,699.32 (prior year: € 53 thousand)			
8. Interest and similar expenses		-2,250,051.20	-2,037
9. <u>Earnings after taxes</u>		-44,631,234.64	-28,189
10. Other taxes		<u>-12,790.62</u>	<u>-12</u>
11. <u>Consolidated net loss</u>		<u>-44,644,025.26</u>	<u>-28,201</u>

**Hertha BSC GmbH & Co. Kommanditgesellschaft  
auf Aktien (KGaA)  
Hanns-Braun-Strasse, Friesenhaus II, 14053 Berlin  
District Court of Berlin-Charlottenburg, HRB 84666**

**Notes to the Consolidated Financial Statements for the Period  
from 1 July 2022 to 31 December 2022**

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Appendix to the Notes to the Consolidated Financial Statements:

Fixed asset schedule as at 31 December 2022 (consolidated fixed asset schedule)

## I. General information on the consolidated interim financial statements and the reporting date for the consolidated financial statements

The consolidated interim financial statements as at 31 December 2022 were prepared in accordance with the rules and regulations of the Third Book of the German Commercial Code [*Handelsgesetzbuch* (HGB)] for large corporations in association with the Fifth Section of the First Book of the Stock Corporation Act [*Aktiengesetz* (AktG)].

The prior year figures are indicated for the purpose of comparison.

For the purpose of clarity, the explanatory notes concerning the balance sheet and the income statement items, as well as the explanations that may be presented in either the balance sheet, the income statement or the notes, have all been presented in the notes to the annual financial statements.

In accordance with Section 265 (5) HGB, classification items specific to the Company (player registrations as intangible fixed assets, receivables from transfers and liabilities for transfers or trade receivables and trade payables) have been disclosed on the balance sheet and in the fixed asset schedule.

The income statement was prepared using the total cost method in accordance with Section 275 (2) HGB.

## II. Information on the group of entities consolidated

### Disclosures on the names and legal seats of companies included in the consolidation

<u>Name, legal seat</u>	<u>Shareholding in %</u>
Hertha BSC GmbH & Co. Kommanditgesellschaft auf Aktien (KGaA), Berlin	(parent company)
Hertha BSC Rechte GmbH & Co. KG, Berlin	100
Hertha BSC Lizenz GmbH, Berlin *)	100
Hertha BSC Transfer GmbH & Co. KG, Berlin *)	100
Hertha BSC Infrastruktur GmbH, Berlin	100
SWC GmbH (formerly: Hertha BSC Medien GmbH, Berlin*)	100
Hertha BSC Stadion GmbH, Berlin	100

\*) The company has a reporting date that differs from the reporting date for the consolidated interim financial statements and has been consolidated in the consolidated interim financial statements on the basis of the separate interim financial statements prepared.

### **III. Disclosure of the consolidation methods applied**

#### **1. Capital consolidation**

The book value method (Section 301 (1) No. 1 HGB) was applied for consolidating capital (full consolidation). The shareholdings of the parent company were offset against the pro rata equity of the subsidiaries (pursuant to Section 301 (2) sentence 1 HGB) on the basis of the book values as at 30 June 2010, the point in time the subsidiaries were initially consolidated (if acquired at a later point in time, then the point in time of the respective inclusion in the consolidated interim financial statements).

#### **2. Debt consolidation**

Debts were consolidated in accordance with Section 303 (1) HGB by eliminating intercompany receivables with the respective intercompany liabilities of the entities included in the consolidated interim financial statements. No offset differences resulted.

#### **3. Revenue and expense consolidation**

Revenue and expenses were consolidated by applying Section 305 (1) HGB by offsetting intercompany revenue and intercompany operating income shown in other operating income of the entities consolidated with the expenses allocated to them. This same procedure was also applied to other interest and similar income, which were offset against the respective expenses.

The transfers of profit or loss based on the terms of the existing profit transfer agreements as well as the portion of the profit generated by Group partnerships were eliminated.

#### **4. Foreign currency translation**

The separate annual financial statements of the subsidiaries consolidated were prepared in euros. No translation differences resulted thereby.

### **IV. Accounting and valuation principles**

The consolidated interim financial statements as at 31 December 2022 were prepared under the assumption of the Group continuing as a going concern.

The significant accounting policies and measurement methods applied in the financial year are presented in the following:

Intangible assets purchased are capitalised at their acquisition costs less scheduled amortisation. They are amortised over their expected useful lives by applying the straight-line amortisation method. Player registrations are amortised over each player's contractual term.

Tangible assets are measured at acquisition or production costs – to the extent they are subject to wear and tear – by using the straight-line depreciation method based on the expected useful lives of the assets.

If long-term, formally non-interest-bearing terms of payment are agreed for additions to fixed assets, the initial measurement of the assets and the corresponding liabilities shall take place using the net present value of the agreed payments. The net present value is determined taking the average financing rate into consideration. In subsequent periods, the discount on liabilities is unwound using the effective interest method.

Depreciation of additions to tangible assets is generally performed pro rata temporis.

Impairment losses are recognised if the impairment is expected to be permanent.

Financial assets are recognised at the lower of acquisition cost or fair value.

Inventories are recognised at the lower of acquisition cost or market value. All identified risks in inventory assets resulting from slow moving items, impaired usability or obsolescence or for other reasons are considered by making appropriate write-downs.

Receivables and other assets are recognised at their nominal values. Specific risks identified are subject to impairment. General credit and interest risks are considered by setting up a bad debt allowance for receivables not individually impaired.

Cash and cash equivalents are stated at nominal value.

Prepaid expenses and deferred income are set up for accruing payment transactions or for allocating expenses/income to the respective reporting period.

Provisions are recognised at the settlement amounts required by using prudent judgement in order to recognise all identified risks and contingent liabilities.

Liabilities are recognised at their settlement amounts.

Foreign currencies are translated throughout the year at their average exchange rates. Current receivables and liabilities are valued at the spot exchange rate prevailing at the balance sheet date.

## **V. Notes on individual items in the consolidated interim financial statements from 1 July 2022 to 31 December 2022**

### **Balance sheet**

Explanatory notes in the following are only given for significant items.

## 1. Fixed assets

The development of fixed assets is presented in the appended consolidated fixed asset schedule; see Appendix to the notes to the consolidated financial statements.

## 2. Receivables and other assets

Receivables and other assets contain receivables from transfers in the amount of € 3,239 thousand (prior year: € 2,500 thousand) with a residual term of over one year.

## 3. Cash and cash equivalents at banks

€ 78 thousand of the cash and cash equivalents at banks totalling € 1,306 thousand are not readily available (use earmarked for rental security deposits).

## 4. Prepaid expenses

Prepaid expenses are shown in the following:

	<i><u>in thousand euros</u></i>
- Prepaid player agent contracts	5,328
- Prepaid player salaries	3,715
- Prepaid interest	587
- Prepaid insurance premiums	785
- Prepaid invoices for the use of the stadium	109
- Other	1,107
Total	<u><u>11,631</u></u>

## 5. Equity

By resolution of the general meeting of 8 November 2019, Hertha BSC KGaA's share capital was increased from 4,160,000 no-par value shares to 5,189,621 no-par value shares, which are registered shares. In this context, € 1,029,621.00 were added to share capital and € 97,972,398.23 were allocated to the capital reserve.

On 1 July 2020, an investment agreement was concluded with an existing limited shareholder which stipulates a liquidity-related equity contribution totalling € 150,000 thousand. Accordingly, share capital is to be increased by € 2,603,821.00, from € 5,189,621.00 to € 7,793,442.00, by issuing 2,603,821 shares overall.

On the basis of the investment agreement concluded, the general meeting on 17 December 2020 resolved to increase the share capital of Hertha BSC KGaA by 873,947 no-par value shares to a total of 6,063,568 no-par value shares, which are registered shares (Capital Increase I). The approved capital increase was entered in the commercial register on 12 January 2021. The share premium paid in connection with the capital increase totalling € 49,646,886.33 was transferred to the capital reserve.

Furthermore, on the basis of the same investment agreement together with a change agreement dated 3 November 2020, an additional capital increase (Capital Increase II) in the amount of € 100,000 thousand was agreed. As of 30 June 2021, an amount totalling € 98,270,126.00 was transferred to the capital reserve in this regard. After all payments had been made, a resolution of the Supervisory Board on 24 August 2021 confirmed an increase in share capital from € 6,063,568.00 by € 1,301,770.00 to € 7,365,338.00 through the issue of a total of 1,301,770 no-par value shares, which are registered shares. The share premium totalling € 428,104.00, which was paid in full, was transferred to the capital reserve.

The general partner, Hertha BSC Verwaltung GmbH, Berlin, did not benefit from the assets and earnings of the Group.

	€
Share capital	7,365,338.00
Capital reserve	369,757,514.56
Consolidated loss carryforward	-347,587,526.46
Consolidated net loss	-44,644,025.26
Equity	<u><u>-15,108,699.16</u></u>

## 6. Provisions

Provisions were set up for the following items:

	<i><u>in thousand euros</u></i>
Outstanding bills	6,152
Outstanding salaries/severance payments	2,028
From anticipated losses	401
VBG	336
Miscellaneous	1,886
Total	<u><u>10,803</u></u>



## 7. Liabilities

Liabilities are listed according to creditors and due dates (residual terms) in the following schedule of liabilities; prior year figures are presented in parentheses.

	Residual terms			
	Total	up to 1 year	1 to 5 years	more than 5 years
	<u>in thousand euros</u>	<u>in thousand euros</u>	<u>in thousand euros</u>	<u>in thousand euros</u>
Bonds	40,000 (40,000)	40,000 (0)	0 (40,000)	0 (0)
Liabilities to banks	29,556 (1)	29,556 (1)	0 (0)	0 (0)
Trade payables	6,758 (17,958)	6,018 (15,919)	740 (2,039)	0 (0)
Liabilities for player transfers	4,154 (8,084)	2,602 (8,084)	1,552 (0)	0 (0)
Other liabilities	10,354 (14,753)	10,354 (14,753)	0 (0)	0 (0)
Total	<u>90,822</u> <u>(80,796)</u>	<u>88,530</u> <u>(38,757)</u>	<u>2,292</u> <u>(42,039)</u>	<u>0</u> <u>(0)</u>

The information on bonds relates to the issue value of € 40,000 thousand.

Other liabilities comprise, inter alia, tax liabilities of € 5,274 thousand (prior year: € 8,777 thousand) and liabilities from personnel expenses of € 3,501 thousand (prior year: € 4,665 thousand).

Liabilities to banks are secured by assignments of claims from the central marketing of media rights as well as deficiency guarantees through deposit insurance.

## 8. Deferred income

This item essentially includes advance payments made by Nike European Operations Netherlands B.V. on the extension of the equipment agreement, payments emanating from the signing fee of our marketing partner, Sportfive Germany GmbH, in conjunction with modifying and extending the joint cooperation agreement, season and day tickets sold and advance payments for advertising agreements and player loans.

## 9. Other financial obligations

The breakdown of other financial obligations for rental contracts and leases is as follows:

<u>Description</u>	<u>Due &lt;1 year</u> <u>in thousand</u> <u>euros</u>	<u>Due 1-5 years</u> <u>in thousand</u> <u>euros</u>	<u>Due &gt;5 years</u> <u>in thousand</u> <u>euros</u>	<u>Total</u> <u>in thousand</u> <u>euros</u>
Rental contracts (estimated)	8,270	12,754	0	21,024
Leasing agreements	254	0	0	254
	<u>8,524</u>	<u>12,754</u>	<u>0</u>	<u>21,278</u>

The terms and conditions of some of the existing contracts include variable payments so that the figures for the rental contracts are based on estimated amounts for the 2022/2023 financial year.

## Income statement

The income statement was prepared using the total cost method.

### 1. Sales revenue

	<u>1/7 - 31/12/2022</u>		<u>1/7 - 31/12/2021</u>	
	<u>in thousand euros</u>	<u>%</u>	<u>in thousand euros</u>	<u>%</u>
Game revenue/ticketing	7,294	11.7	2,244	2.7
Television subsidies	22,037	35.3	25,893	31.1
Advertising	11,491	18.4	12,196	14.7
Trade	4,015	6.4	2,438	2.9
Transfer revenue	15,789	25.3	40,135	48.2
Miscellaneous	1,727	2.8	293	0.4
Total	<u>62,353</u>	<u>100</u>	<u>83,199</u>	<u>100</u>

### 2. Other operating income

Other operating income amounting to € 4,164 thousand (prior year: € 7,975 thousand) mainly consists of income relating to other periods from the derecognition of liabilities within the framework of an arbitration agreement.

### 3. Depreciation and amortisation

Depreciation and amortisation are shown in the consolidated fixed asset schedule in Appendix 1.3.1. In the financial year, impairment losses of € 697 thousand (prior year: € 0.00) were recognised for player assets that are expected to be permanently impaired.

#### 4. Other operating expenses

	<u>1/7 - 31/12/2022</u>		<u>1/7 - 31/12/2021</u>	
	<u>in thousand euros</u>	<u>%</u>	<u>in thousand euros</u>	<u>%</u>
Game operating expenses	13,206	33.4	11,534	21.7
TV/advertising	3,662	9.3	3,628	6.8
Transfers	16,878	42.7	33,045	62.3
Trade	636	1.6	560	1.1
Administration	4,315	10.9	3,533	6.7
Amateur and youth football	845	2.1	750	1.4
Total	<u>39,542</u>	<u>100</u>	<u>53,050</u>	<u>100</u>

#### 5. Interest and similar expenses

This item includes expenses of € 180 thousand (prior year: € 580 thousand) from unwinding the discount on long-term, formally non-interest-bearing liabilities.

### **VI. Other disclosures**

#### 1. Executive bodies

In the reporting period, the following persons were members of the Supervisory Board of Hertha BSC GmbH & Co. KGaA:

- Dr Karl Kauermann, Chairman of the Management Board of K.M.T. Invest AG, Berlin (Chairman of the Supervisory Board)
- Dr Christian Göke, fully authorised representative of Vesica Holding GmbH & Co. KG, Berlin (until 30/09/2022)
- Ms Vera Gäde-Butzlaff, Supervisory Board member (various), Berlin
- Dr Holger Hatje, entrepreneur, Berlin
- Mr Klaus Siegers, Chairman of the Board of Weberbank AG, Berlin
- Mr Stefan Kindler, Chief Risk Officer of Tennor Holding B.V., also an in-house lawyer of Tennor International Services B.V. (Berlin), Rahden Sielhorst
- Mr Tarek Malak, Portfolio Manager of Tennor International Services B.V. (Berlin), Berlin
- Prof. Thomas Werlen, lawyer, Cham (Switzerland)
- Dr Georg Jakob Kofler, entrepreneur, Berlin

None of the Supervisory Board members received any remuneration for their services in the reporting year.

Hertha BSC GmbH & Co. KGaA is managed by the general partner, Hertha BSC Verwaltung GmbH, Berlin (share capital: € 25,000.00).

The managing directors of Hertha BSC Verwaltung GmbH during the reporting period were:

- Mr Ingo Schiller, Berlin (until 31 August 2022)
- Mr Fredi Bobic, Berlin (until 28 January 2023)
- Mr Thomas E. Herrich

No managing director remuneration disclosures were made in accordance with Section 286 (4) HGB.

## 2. Employees (headcount)

The breakdown of the number of employees (without the managing directors) was as follows:

	<u>1/7 - 31/12/2022</u>	<u>1/7 - 31/12/2021</u>
Licensed football players	32	30
Functional team of the licensed football players	35	25
Administrative staff	155	119
Temporary employees	46	38
Amateur Department and Primary Youth Team	85	82
Temporary trainees	12	14
Trainees	1	1
Total	<u>366</u>	<u>309</u>

In addition, a substantial number of short-term staff (security force and cashiers) is employed.

## 3. Auditor fees

Included in other operating expenses are the following fees for the services of the auditor, Mazars GmbH & Co. KG:

	<u><i>in thousand euros</i></u>
Financial statement audit	68
Other attestation services	0
Tax advisory services	45
Other services	<u>0</u>
Total	<u>113</u>

#### 4. Exemption provisions pursuant to Section 264 (3) HGB and section 264b HGB

As a result of their inclusion in the consolidated financial statements, the exemption provisions pursuant to Section 264 (3) HGB and Section 264b HGB are applied to the following companies with regard to their annual financial statements and, if applicable, their management report:

- Hertha BSC Rechte GmbH & Co. KG, Berlin
- Hertha BSC Transfer GmbH & Co. KG, Berlin
- Hertha BSC Infrastruktur GmbH, Berlin
- Hertha BSC Stadion GmbH, Berlin

#### 5. Subsequent events

In the transfer period II in January 2023, the parent company Hertha BSC GmbH & Co. KGaA used a total of € 450 thousand for the new hire of licenced players.

Berlin, 27 February 2023

Hertha BSC GmbH & Co.  
Kommanditgesellschaft auf Aktien (KGaA)  
represented by the general partner  
Hertha BSC Verwaltung GmbH

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Thomas E. Herrich  
- Managing Director -

Hertha BSC GmbH & Co. Kommanditgesellschaft auf Aktien (KGaA), Berlin

Fixed Asset Schedule as at 31 December 2022  
(Consolidated Fixed Asset Schedule)

	Aquisition and production costs					Accumulated depreciation and amortisation				Carrying amounts	
	1/7/2022	Additions	Reclassifications	Disposals	31/12/2022	1/7/2022	Additions	Disposals	31/12/2022	31/12/2022	30/6/2022
	€	€	€	€	€	€	€	€	€	€	€
I. Intangible assets											
1. Concessions purchased, industrial property rights and similar rights and assets and licences to such rights and assets	2,820,161.22	36,940.00	149,901.13	0.00	3,007,002.35	2,012,857.75	191,714.00	0.00	2,204,571.75	802,430.60	807,303.47
2. Player registrations	153,380,396.08	6,181,318.00	0.00	-27,637,946.99	131,923,767.09	83,961,637.28	15,596,500.98	-20,385,536.92	79,172,601.34	52,751,165.75	69,418,758.80
3. Payments made on account	89,642.30	60,258.83	-149,901.13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	89,642.30
	<u>156,290,199.60</u>	<u>6,278,516.83</u>	<u>0.00</u>	<u>-27,637,946.99</u>	<u>134,930,769.44</u>	<u>85,974,495.03</u>	<u>15,788,214.98</u>	<u>-20,385,536.92</u>	<u>81,377,173.09</u>	<u>53,553,596.35</u>	<u>70,315,704.57</u>
II. Property, plant and equipment											
1. Buildings on third-party land	8,577,314.84	0.00	2,380.00	0.00	8,579,694.84	3,965,588.94	284,950.00	0.00	4,250,538.94	4,329,155.90	4,611,725.90
2. Operating and office equipment	4,121,993.95	214,481.53	-16,112.13	-1,912.00	4,318,451.35	2,528,864.99	239,703.00	-1,911.00	2,766,656.99	1,551,794.36	1,593,128.96
3. Payments made on account and assets under construction	2,380.00	42,000.00	13,732.13	0.00	58,112.13	0.00	0.00	0.00	0.00	58,112.13	2,380.00
	<u>12,701,688.79</u>	<u>256,481.53</u>	<u>0.00</u>	<u>-1,912.00</u>	<u>12,956,258.32</u>	<u>6,494,453.93</u>	<u>524,653.00</u>	<u>-1,911.00</u>	<u>7,017,195.93</u>	<u>5,939,062.39</u>	<u>6,207,234.86</u>
III. Financial assets											
Cooperative shares	1,354.00	0.00	0.00	0.00	1,354.00	0.00	0.00	0.00	0.00	1,354.00	1,354.00
	<u>168,993,242.39</u>	<u>6,534,998.36</u>	<u>0.00</u>	<u>-27,639,858.99</u>	<u>147,888,381.76</u>	<u>92,468,948.96</u>	<u>16,312,867.98</u>	<u>-20,387,447.92</u>	<u>88,394,369.02</u>	<u>59,494,012.74</u>	<u>76,524,293.43</u>

**Hertha BSC GmbH & Co. Kommanditgesellschaft auf Aktien (KGaA), Berlin**

**Consolidated Statement of Cash Flows in Accordance with German Accounting Standard 21 (DRS 21)  
for the Period from 1 July 2022 to 31 December 2022**

	<u>1/7 - 31/12/2022</u>	<u>1/7 - 31/12/2021</u>
	in thousand €	in thousand €
Consolidated net loss for the period	-44,644	-28,201
+ Depreciation and amortisation of intangible assets and property, plant and equipment	16,313	16,940
-/+ Decrease/increase in provisions not attributable to investing activities	1,406	-440
-/+ Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	-1,414	-6,465
-/+ Decrease/increase in trade payables and other liabilities not attributable to investing or financing activities	-8,027	-2,456
- Proceeds from the outflows of player registrations and fixed assets	-8,237	-14,444
+/- Interest expenses/income	1,680	1,463
+/- Income taxes refunded/paid	0	499
<b>= Cash flows from operating activities</b>	<b>-42,923</b>	<b>-33,104</b>
+ Proceeds from player transfers	18,428	13,283
- Outflows for player transfers	-12,745	-31,114
- Outflows for investments in intangible assets	-97	0
- Outflows for investments in property, plant and equipment	-257	-553
+ Interest income	394	416
<b>= Cash flows from investing activities</b>	<b>5,723</b>	<b>-17,968</b>
+ Inflows from equity contributions from shareholders of the parent company	0	65,000
+ Inflows from granting loans and borrowings	29,556	0
- Outflows for the repayment of bonds and financial loans	0	0
- Interest paid	-1,816	-1,879
<b>= Cash flows from financing activities</b>	<b>27,740</b>	<b>63,121</b>
<b>+ Change in cash and cash equivalents</b>	<b>-9,460</b>	<b>12,049</b>
+ Cash and cash equivalents at the beginning of the period	10,766	24,296
<b>= Cash and cash equivalents at the end of the period</b>	<b>1,306</b>	<b>36,345</b>

As in the prior year, € 78,000 of the bank balances are available on a restricted basis.

**Hertha BSC GmbH & Co. Kommanditgesellschaft auf Aktien (KGaA)**  
**Consolidated Statement of Changes in Equity**

	Subscribed capital	Capital reserves	Contributions made in order to carry out the approved capital increase	Accumulated loss for the Group	Profit participation capital	Equity	Non-controlling interests	Group equity
	in thousand €	in thousand €	in thousand €	in thousand €	in thousand €	in thousand €	in thousand €	in thousand €
<b>30.06.2020</b>	<b>5,190</b>	<b>221,412</b>	<b>0</b>	<b>-189,878</b>	<b>0</b>	<b>36,724</b>	<b>0</b>	<b>36,724</b>
Contributions made in order to carry out the approved capital increase	0	0	50,521	0	0	50,521	0	50,521
Consolidated profit or loss	0	0	0	-34,395	0	-34,395	0	-34,395
<b>31.12.2020</b>	<b>5,190</b>	<b>221,412</b>	<b>50,521</b>	<b>-224,273</b>	<b>0</b>	<b>52,850</b>	<b>0</b>	<b>52,850</b>
Contributions made in order to carry out the approved capital increase	0	0	-50,521	0	0	-50,521	0	-50,521
Increase in capital shares	874	147,917	0	0	0	148,791	0	148,791
Consolidated profit or loss	0	0	0	-43,557	0	-43,557	0	-43,557
<b>30.06.2021</b>	<b>6,064</b>	<b>369,329</b>	<b>0</b>	<b>-267,830</b>	<b>0</b>	<b>107,563</b>	<b>0</b>	<b>107,563</b>
Increase in capital shares	1,301	429	0	0	0	1,730	0	1,730
Consolidated profit or loss	0	0	0	-28,201	0	-28,201	0	-28,201
<b>31.12.2021</b>	<b>7,365</b>	<b>369,758</b>	<b>0</b>	<b>-296,031</b>	<b>0</b>	<b>81,092</b>	<b>0</b>	<b>81,092</b>
Increase in capital shares	0	0	0	0	0	0	0	0
Consolidated profit or loss	0	0	0	-51,557	0	-51,557	0	-51,557
<b>30.06.2022</b>	<b>7,365</b>	<b>369,758</b>	<b>0</b>	<b>-347,588</b>	<b>0</b>	<b>29,535</b>	<b>0</b>	<b>29,535</b>
Increase in capital shares	0	0	0	0	0	0	0	0
Consolidated profit or loss	0	0	0	-44,644	0	-44,644	0	-44,644
<b>31.12.2022</b>	<b>7,365</b>	<b>369,758</b>	<b>0</b>	<b>-392,232</b>	<b>0</b>	<b>-15,109</b>	<b>0</b>	<b>-15,109</b>



# Hertha BSC GmbH & Co. Kommanditgesellschaft auf Aktien (KGaA)

## Group Management Report for the Period

from 1 July 2022 to 31 December 2022

### Contents of the management report

- A) Group structure and business activities
- B) Business and framework conditions
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- D) Opportunities and risks of future development
- E) Changes in the licenced football player team in winter 2022/2023
- F) Outlook

### **A) Group structure and business activities**

The parent company of the Group is Hertha BSC GmbH & Co. Kommanditgesellschaft auf Aktien (KGaA). Included in the consolidated interim financial statements as at 31 December 2021 are not only the parent company but also the subsidiaries Hertha BSC Rechte GmbH & Co. KG, Hertha BSC Transfer GmbH & Co. KG, Hertha BSC Lizenz GmbH and Hertha BSC Infrastruktur GmbH, Hertha BSC Stadion GmbH and SWC GmbH.

The business purpose of Hertha BSC GmbH & Co. Kommanditgesellschaft auf Aktien (KGaA) is to engage in the sport of professional football by observing and complying with the Statutes of the German Football Association (*Statuten des Deutschen Fußballbundes*) and its classifications as well as participating in the licenced operation of the federal football leagues.

Hertha BSC Rechte GmbH & Co. KG uses rights of any kind, especially in conjunction with licenced football.

The business purpose of Hertha BSC Lizenz GmbH and Hertha BSC Transfer GmbH & Co. KG is to acquire, hold and administer licences or participation rights to transfer revenues for professional football players.

The business purpose of Hertha BSC Infrastruktur GmbH comprises obtaining loans and transferring loan proceeds to Hertha BSC GmbH & Co. KGaA or to Hertha, Berliner Sport-Club (Hertha B.S.C.) e.V. or to their affiliated companies.

The business purpose of Hertha BSC Stadion GmbH is to plan, to construct, to operate and to maintain sports facilities.

The business purposes of SWC GmbH are (i) to organise, market and transmit television programmes via all types of broadcasting media, in particular in conjunction with television financed by subscriber fees; (ii) to produce, acquire, sell, market and broadcast television, cinema, radio and media productions of all types as well as other intangible rights; (iii) to render, procure and market services in the area of communication and electronic media

including making available and marketing of connections and broadcasting services; (iv) to be active in merchandising, event and multimedia business areas.

## **B) Business and framework conditions**

### **1. Development of licenced football**

In its study “Football Money League 2023”, published in January 2023, the Deloitte Sports Business Group presents the clubs with the highest revenues in world football.

*“In the 2021/22 season of the Deloitte Football Money League (DFML), the top 20 clubs generated around € 9.2 billion (excl. transfer income), which represents growth of +13 % compared to the previous season. The corresponding figure from the last full season before the outbreak of the pandemic in 2018/19 (€ 9.3 billion) was thus only just undercut.*

*Compared to the 2020/21 season, which recorded a cumulative decline in revenue for the top 20 clubs compared to 2019/20, mainly due to losses in matchday revenue, it was now possible to play without restrictions in most European leagues in the 2021/22 season. Accordingly, matchday revenues, which were just € 111 million in the previous 2020/21 season, rose to € 1.4 billion.*

*Aggregate commercial revenues also increased compared to the previous season, rising by 8 % from € 3.5 billion to the current € 3.8 billion. However, this was offset by an 11 % decline in media revenues (€ 485 million). It should be noted here that the record figure of € 4.5 billion in the 2020/21 season includes part of the media revenue generated in the 2019/20 season due to pandemic-related postponements.”*

The Hertha BSC Group was also able to increase its revenues again in the 2021/22 season. In total, these grew by € 35.5 million to € 139.3 million.

### **2. Overview of business development in the first half of the 2022/23 season**

The Hertha BSC Group reported a net loss of € 42.951 thousand (prior year: € 26,568 thousand) before interest and taxes in the first half of the year.

The result continues to be strongly influenced by the investments made in the licenced player team in the past transfer periods. In particular, this results in high depreciation and amortisation expenses amounting to € -16,313 thousand (prior year: € -16,940 thousand).

By contrast, the result in the first half year transfer was positively influenced by transfer fees received from the sales of players, although the current sales (€ 15,789 thousand) are significantly below the previous year's value (€ 40,135 thousand).

More detailed disclosures on the results of operations are shown in Section C. Detailed information on the results of operations, financial position and net assets can be found in the appendices to the notes.

The uncommitted television and advertising rights were continuously marketed by SPORTFIVE Germany GmbH.

On 28 January 2023, the Managing Director Sport, Mr Fredi Bobic, was relieved of his duties.

### 3. Overview of sport-related development in the first half of the 2021/22 season

For the new 2022/2023 season, the Group's parent company Hertha BSC GmbH & Co KGaA signed the licenced players Jean-Paul Boetius (1. FSV Mainz 05), Tjark Ernst (VfL Bochum), Wilfried Kanga (BSC Young Boys), Jonjoe Kenny (FC Everton), Agustin Rogel (Estudiantes), Filip Uremovic (Rubin Kazan).

Players Chidera Ejuke (ZSKA Moscow) and Ivan Sunjic (Birmingham City) were signed on loan until 30 June 2023.

After being loaned out, players Dodi Lukebakio, Jessic Ngankam and Deyovaisio Zeefuik returned at the start of the season as agreed.

In return, players Dedryck Boyata (FC Brügge), Javairo Dilrosun (Feyenoord Rotterdam), Jurgen Ekkelenkamp (Royal Antwerpen), Anton Kade (FC Basel), Eduard Löwen (St. Louis), Arne Maier (FC Augsburg) und Jordan Torunarigha (KAA Gent) were transferred in return for transfer compensation.

The following players have been loaned out for the 2022/2023 season: Omar Alderete (FC Getafe), Santiago Ascacibar (US Cremonese), Fredrik Björkan (Feyenoord Rotterdam), Krzysztof Piatek (US Salernitana), Daishawn Redan (FC Utrecht), Alexander Schwolow (FC Schalke 04), Marten Winkler (SV Waldhof Mannheim) und Luca Wollschläger (RW Essen).

The contracts with players Ishak Belfodil, Lukas Klünter, Nils Körber, Marcel Lotka and Niklas Stark expired at the end of the 2021/2022 season and were not extended.

## **C) Presentation of the economic development**

### 1. Results of operations

The Hertha BSC Group concluded the first half of the 2022/2023 season with a loss for the year net of interest and taxes amounting to of € 44,644 thousand (net loss in the prior year: € 28,201 thousand).

The development of the result is strongly influenced by the transfer income, which was € 24,346 thousand higher in the previous year (€ 40,135 thousand) than in the current reporting period (€ 15,789 thousand).

Accordingly, the income of the first half of the 2022/23 season amounted to € 62,353 thousand (prior year: € 83,199 thousand).

The other operating income of € 4,164 thousand includes, in particular, income unrelated to the accounting period resulting from the derecognition of liabilities in the context of an arbitration agreement. In the previous year, other operating income (€ 7,975,000) had increased in particular due to a grant applied for as part of interim aid of the federal government.

The other income and expense items do not contain any noteworthy extraordinary items and essentially reflect the budget figures, which are characterised by normal business operations.

## 2. Financial position

The planned liquidity development was adhered to. Unplanned positive and negative effects have largely balanced each other out.

The cash flow from operating activities of € -42.9 million is offset by positive cash flows from investing and financing activities of € 5.7 million and € 27.7 million respectively.

The parent company has been granted credit lines of € 35 million as at 31 December 2022.

## 3. Net assets

The value of players amounting to € 52,751 thousand (30/06/2022: € 69,419 thousand) is recognised as a significant asset. The actual transfer and market values of the players as assets (please refer to the independent valuation conducted by "transfermarkt.de" as at 24 February 2023: market value of € 116.0 million) are, however, still significantly higher than the value of the players' assets shown in the balance sheet ("hidden reserves").

Receivables and other assets amounted to € 23,360 thousand (30/06/2022: € 25,787 thousand).

As of the reporting date, the Hertha BSC Group had a deficit not covered by equity in the amount of € 15.1 million (equity as of 30/06/2021: € 29.5 million).

Liabilities amount to € 90.8 million (30/06/2022: € 80.8 million) and are presented and broken down in the notes to the consolidated financial statements.

## **D) Opportunities and risks of future development**

Like the other participants in the Bundesliga, the Hertha BSC Group is subject to legal and economic risks, which could affect the future development of the Company. General risks to be mentioned in this connection are in particular:

- A worldwide pandemic, triggered for example by a virus, can have an impact on economic development. As the current COVID-19 pandemic has shown, this can affect all revenue segments.
- Another global financial and economic crisis, which may have an impact especially in the area of sponsoring, as the expenses of advertising companies in this segment would decrease again.
- The business targets set for income depend on the successes in the sport of football that cannot be planned or budgeted. This also applies to the market development of revenue generated by the marketing activities of the Bundesliga. The two most recent relegations in the history of the club at the end of the 2009/2010 and 2011/2012 seasons have confirmed this.
- The future development of the transfer market for buying and selling football players, including the future salary development of licenced football players, cannot be precisely estimated at this time.

Since there is a strong correlation between economic success in the income area (income from games, sponsor payments based on performance, allocation of income from TV advertising) and the developments in the sport of football, economic success can only be planned to a limited extent. As of the 2020/2021 season, a marketing contract has been concluded for TV marketing for four seasons so that fixed income from this source can be counted on for the Bundesliga. Income generated by TV marketing of the Bundesliga is thus contractually stipulated until 2025. Again, this can also only be planned to a limited extent because both depend on the popularity of football as a sport and the development of the TV licence market. Ultimately, Hertha BSC cannot influence the industry risks to which professional football is subject.

We will continue to attempt to hire new players without having to pay any transfer fees. Conversely, Hertha BSC can only plan for revenue from transfer fees to a limited extent. High transfer fees continue to be charged, especially for above-average players. Our current reservoir of above-average players (such as Suad Serdar, Lucas Tousart, and Dodi Lukébakio) could possibly generate high transfer fee revenues. The current development is shown in Section E.

There are opportunities for the Hertha BSC Group to improve its marketing activities and sporting situation (which is associated with the achievement of higher revenue in the long term) as well as for generating transfer revenue.

Because of the high number of above-average, talented players on the youth team [presently 20 national players from the U15 (under 15-year-olds) up to the U21 as well as another 23 young players who were invited to attend football training camps organised by the DFB (German Football Federation)], Hertha BSC continues to assume that the expense of integrating external licenced players will be lower than for other Bundesliga clubs. As we have already successfully integrated our own young players, expenses for training and transfer fees can be kept low in this area. Moreover, additional income can be achieved through the sale of young players (and licenced players). This business avenue is being systematically tracked by the management of the Hertha BSC Group.

## **E) Changes in the licenced football player team in winter 2022/2023**

In transfer period II in January 2023, contracts were concluded with the players Florian Niederlechner and Tolga Cigerci.

The players Fredrik Björkan (Bodo Glimt), Vladimir Darida (Aris Saloniki), Dongjun Lee (Jeonbuk Hyundai), Daishawn Redan (Venice) as well as Davie Selke (1. FC Köln) have left Hertha BSC in winter. In addition, the players Santiago Ascacibar (Estudiantes), Linus Gechter (Eintracht Braunschweig), Myziane Maolida (Stade Reims) and Deyovaisio Zeefuik (Hellas Verona) have all been loaned out until the end of the season.

The professional squad, including contract players, currently comprises 36 players. The average age is 25.3 years.

## **F) Outlook**

After the 22<sup>nd</sup> game day of the Bundesliga (as of 26 February 2023), Hertha BSC's team of licenced players ranked 14<sup>th</sup>. The previous plans for financial year 2021/2022 were revised.

According to the current internal planning status, which includes additional transfer income, a net loss € 19.3 million is foreseen for the second half of the 2022/23 season, so that the Hertha BSC Group is expected to report a net loss for the year of € 64.0 million.

The management of Hertha BSC GmbH & Co. KGaA has made conservative estimates for the years 2023/2024 and onwards; significantly better annual results may result in the event of sporting success or additional income. Conversely, in the event of sporting failure, worse results than planned may occur.

Hertha BSC is currently in negotiations with the US investment company 777 Partners regarding an investment in exchange for a stake in the parent company Hertha BSC GmbH & Co. KGaA. Such an investment would significantly strengthen both the assets and the financial position.

The following points are significant for the further development:

Through the existing cooperation contract with our long-term business partner Sportfive GmbH Germany, we have a secure contract situation with a competent partner in the sponsoring area.

With the main sponsor Autohero, the equipment supplier NIKE and the sleeve logo partner CG Elementum, Hertha BSC has three very strong partners on its side.

In addition, there are contractual agreements with the co-sponsors – called exclusive partners – AOK, Berliner Kindl, betway, Coca-Cola, Homeday and Topradio 94,3 RS2.

Management assumes that the development of the Hertha BSC Group will continue to be successful in the sport and in business because of existing opportunities and the above-average infrastructure (in particular sports and medical facilities and working with young football talents).

The Berlin Olympic Stadium, the best-known German stadium, which was the venue for the finals during the Football World Cup 2006 in addition to four preliminary round matches and a quarter final, remains the home ground of Hertha BSC GmbH & Co. KGaA. It offers 74,220 covered seats, 88 boxes (approx. 1,000 seats), 15 sky boxes (approx. 130 seats) and approx. 4,000 business seats. Hertha BSC continues to anticipate possible increases in earnings in this area in the coming years.

The developments of the recent past have shown to a great extent that there is a high degree of dependence on sporting success. Maintaining our course along the lines of the business framework we have set up will result in a positive development of the Company. In Section D we have already pointed out that planning depends on success in football.

Berlin, 27 February 2023

Hertha BSC GmbH & Co.  
Kommanditgesellschaft auf Aktien (KGaA)  
represented by the general partner  
Hertha BSC Verwaltung GmbH

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Thomas E. Herrich  
- Managing Director -