

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

CONSOLIDATED BALANCE SHEET as at 31 December 2019

ASSETS	€		Prior year		LIABILITIES		Prior year	
	in thousand €		in thousand €		in thousand €		in thousand €	
A. Fixed assets					A. Equity			
I. Intangible assets					I. Share capital	5,189,621.00		4,160
1. Concessions purchased, trade and similar rights and assets					II. Capital reserve	221,412,398.23		123,440
2. Player market values	666,818.00		496		III. Consolidated loss carryforward	-136,417,042.32		-110,385
3. Prepayments	42,742,338.03		17,223		IV. Consolidated net loss for the year	-20,217,066.14		-26,032
	0.00		57		VI. Participation rights	0.00		17,000
		43,409,156.03	(17,776)			69,967,910.77		(8,189)
II. Tangible assets					B. Provisions			
1. Buildings on third-party land	1,796,175.00		1,935		Other provisions	8,618,191.44		(11,067)
2. Operating and office equipment	916,893.34		995					
3. Prepayments and assets under construction	991,143.88		195		C. Liabilities			
		3,704,212.22	(3,125)		1. Bonds	40,000,000.00		40,383
III. Financial assets					2. Liabilities to banks	14,940,412.90		19,933
Cooperative shares		104.00	0		3. Trade payables	9,395,971.00		4,923
		47,113,472.25	(20,901)		4. Liabilities for player transfers	19,645,295.62		3,448
					5. Other liabilities	22,614,383.10		22,933
B. Current assets						106,596,062.62		(91,620)
I. Inventories					D. Deferred income			
Merchandise		1,350,377.91	1,336			23,048,954.54		22,524
II. Receivables and other assets								
1. Trade receivables	1,780,376.56		2,523					
2. Receivables from player transfers	17,824,246.57		21,805					
3. Receivables from companies in which investments are held	3,077,019.91		2,813					
4. Other assets	11,054,681.87		691					
		33,736,324.91	(27,832)					
		109,094,698.14	77,842					
III. Cash and cash equivalents		144,181,400.96	(107,010)					
		16,936,246.16	5,483					
C. Prepaid expenses								
		208,231,119.37	133,394					
		208,231,119.37	133,394					

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

CONSOLIDATED INCOME STATEMENT

for the Period from 1 July 2019 to 31 December 2019 [German GAAP (HGB)]

		1/7/- 31/12/2018
	€	in thousand €
1. Revenue	58.918.193,32	55.908
2. Other operating income	223.040,33	566
	59.141.233,65	56.474
3. Cost of materials		
Cost of merchandise purchased	-2.282.136,20	-2.031
4. Personnel expenses		
a) Wages and salaries	-38.107.551,07	-28.297
b) Social security contributions and expenses for pensions and other benefits	-1.590.988,85	-1.423
	-39.698.539,92	(-29.720)
5. Amortisation of intangible assets and depreciation of tangible assets	-6.729.872,27	-4.856
6. Other operating expenses	-27.683.031,14	-35.887
	-17.252.345,88	-16.020
7. Other interest and similar income	59.638,13	1
- thereof € 59,301.68 (prior year: € 1 thousand) related to affiliated companies -		
8. Interest and similar expenses	-2.540.296,10	-3.014
9. Remuneration for profit participation rights	-471.668,67	-7
10. <u>Earnings after taxes</u>	-20.204.672,52	-19.040
11. Other taxes	-12.393,62	-4
12. <u>Consolidated net loss for the year</u>	-20.217.066,14	-19.044

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

**Notes to the Consolidated Financial Statements for the Period
from 1 July 2019 to 31 December 2019**

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Appendix to the Notes to the Interim Consolidated Financial Statements:

Fixed asset schedule of player market values as at 31 December 2019 (consolidated fixed asset schedule)

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

The interim consolidated financial statements as at 31 December 2019 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 of any mandatory explanations concerning options exercised have been presented in the notes to the interim consolidated financial statements.

In accordance with § 265 (5) HGB, classification items specific to the Company (player market values 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 by using the total cost method in accordance with § 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
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 interim consolidated financial statements and has been consolidated in the interim consolidated 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 (§ 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 § 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 interim consolidated financial statements).

2. Debt consolidation

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

3. Revenue and expense consolidation

Revenue and expenses were consolidated by applying § 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 policies and measurement methods

The interim consolidated financial statements as at 31 December 2019 were prepared under the assumption of the Group continuing as a going concern.

The significant accounting policies and measurement methods applied in the reporting 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 market values 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 payment terms have been agreed for additions to fixed assets, the assets and the corresponding liabilities are initially measured at the present value of the agreed payments. The present value is determined by taking into account the marginal borrowing rate. In subsequent periods, liabilities are compounded using the effective interest method.

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

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.

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. Explanatory notes on specific items of the interim consolidated financial statements for the period from 1 July 2019 to 31 December 2019

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 3.1. to the notes to the interim consolidated financial statements.

2. Receivables and other assets

Receivables from player transfers amounting to € 10,522 thousand (prior year: € 14,000 thousand) have a residual term of more than one year.

3. Cash and cash equivalents

€ 76 thousand of the cash and cash equivalents are not readily available (use earmarked for rental security deposits or pledging of income from player transfers).

4. Prepaid expenses

Prepaid expenses are shown in the following:

	<i><u>In thousand</u></i> <i><u>euros</u></i>
– Prepaid player consultant contracts	6,893
– Prepaid player salaries	4,406
– Partial payments to Lagardère Sports Germany GmbH, commission	2,549
– Partial payments to Lagardère Sports Germany GmbH by virtue of the 21st change agreement	1,143
– Prepaid compensation for player loans	1,000
– Prepaid interest for factoring and loan agreements	406
– Prepaid invoices for match operations	146
– Prepaid insurance premiums	98
– Other	295

5. Equity

By resolution of the Annual General Meeting on 8 November 2019, the share capital of Hertha BSC KGaA was increased from 4,160,000 no-par value shares to 5,189,621 no-par value registered shares. In this connection, payments of € 1,029,621.00 were made into the share capital and € 97,972,398.23 into the capital reserve.

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

	€
Share capital	5,189,621.00
Capital reserve	221,412,398.23
Loss carryforward	-136,417,042.32
Consolidated half-year result P&L	<u>-20,217,066.14</u>
Equity	<u>69,967,910.77</u>

Hertha BSC GmbH & Co. KGaA had issued profit-participation certificates with a total nominal value of € 17,000 thousand under various agreements between 2007 and 2016. These profit-participation rights were terminated with effect from 31 December 2019 and were accordingly repaid in full, including deferred compensation claims.

6. Provisions

Provisions were set up for the following items:

	<i>In thousand euros</i>
Impending losses	3,930
Employer's liability insurance association	1,262
Outstanding salaries	737
Outstanding invoices for player consultants	625
Outstanding invoices for barter settlements	523
Outstanding invoices match operations	414
Consulting and acquisition costs	289
Miscellaneous	838

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			
	<u>Total</u>	<u>up to 1 year</u>	<u>1 to 5 years</u>	<u>more than 5 years</u>
	<i>In thousand euros</i>	<i>In thousand euros</i>	<i>In thousand euros</i>	<i>In thousand euros</i>
Bonds	40,000 (40,383)	0 (383)	40,000 (40,000)	0 (0)
Liabilities to banks	14,941 (19,933)	9,941 (9,933)	5,000 (10,000)	0 (0)
Trade payables	9,396 (4,923)	9,396 (4,923)	0 (0)	0 (0)
Liabilities to player transfers	19,645 (3,448)	10,772 (3,448)	8,873 (0)	0 (0)
Other liabilities	22,614 (22,933)	22,614 (17,432)	0 (5,501)	0 (0)
Total	106,596 (91,620)	52,723 (36,119)	53,873 (55,501)	0 (0)

The information on bonds relates to the emission value of € 40,000 thousand. In contrast to the prior year, accrued interest at the current reporting date is reported under other liabilities.

Other liabilities comprise, amongst others, tax liabilities of € 6,748 thousand (prior year: € 7,216 thousand), personnel expenses of € 4,285 thousand (prior year: € 2,743 thousand) and liabilities for digital financing of € 1,535 thousand (prior year: € 1,505 thousand).

Liabilities to banks are collateralised by assigning claims from central marketing of media rights as security.

The prepayments for marketing brand rights shown in other liabilities were collateralised by claims from hospitality agreements as security.

8. Deferred income

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

9. Other financial obligations

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

Description	Due < 1 year	Due 1-5 years	Due > 5 years	Total
	<i>In thousand euros</i>	<i>In thousand euros</i>	<i>In thousand euros</i>	<i>In thousand euros</i>
Rental contracts (estimated)	7,346	28,686	4,486	40,518
Leasing agreements	<u>73</u>	<u>0</u>	<u>0</u>	<u>73</u>
	<u>7,419</u>	<u>28,686</u>	<u>4,486</u>	<u>40,591</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 2019/2020 financial year.

Income statement

The income statement was prepared by using the total cost method.

1. Revenue

	<u>1/7/2019 – 31/12/2019</u>		<u>1/7/2018 – 31/12/2018</u>	
	<i>In thousand euros</i>	<i>%</i>	<i>In thousand euros</i>	<i>%</i>
Game revenue/ ticketing	6,572	11.2	6,256	11.2
Television subsidies	33,388	56.6	33,002	59.1
Advertising	15,079	25.6	12,605	22.5
Trade	2,900	4.9	2,770	4.9
Transfer revenue	240	0.4	145	0.3
Miscellaneous	<u>739</u>	<u>1.3</u>	<u>1,130</u>	<u>2.0</u>
Total	<u>58,918</u>	<u>100.0</u>	<u>55,908</u>	<u>100.0</u>

2. Depreciation and amortisation

Amortisation and depreciation are shown in the consolidated fixed asset schedule in Appendix 3.1.

3. Other operating expenses

	<u>1/7/2019 – 31/12/2019</u>	<u>1/7/2018 – 31/12/2018</u>
	<i><u>In thousand euros</u></i>	<i><u>In thousand euros</u></i>
Game operating expenses	11,910	10,292
TV/Advertising	6,439	5,528
Transfers	5,933	3,262
Trade	240	260
Administration	2,641	16,084
Amateur and youth football	<u>520</u>	<u>460</u>
	<u>27,683</u>	<u>35,886</u>

In the same period of the previous year, general administrative expenses included expenses of € 13,807 thousand for the termination of the contractual relationships with the former investor KKR and for the bond issuance.

4. Interest and similar expenses

This item includes expenses of € 352 thousand (prior year: € 0 thousand) from compounding long-term, formally non-interest-bearing liabilities.

VI. Other disclosures

1. Executive bodies

In the year under review, the following persons were members of the Supervisory Board of Hertha BSC GmbH & Co. KGaA:

- Dr. Karl Kauermann, Chair of the Management Board, K.M.T. Potsdamer Treuhand AG, Berlin (Chair of the Supervisory Board)
- Dr. Christian Göke, Managing Director of Messe Berlin GmbH, CEO, Berlin
- Mr. Harald J. Joos, entrepreneur, Berlin (until 20/11/2019)
- Mr. Horst Julius Pudwill, Chairman of Techtronic Industries Co. Ltd. (TTI), Hong Kong, People's Republic of China (until 08/11/2019)
- Ms. Vera Gäde-Butzlaff, Chair of the Supervisory Board of Vivantes Netzwerk für Gesundheit GmbH, Berlin
- Dr. Holger Hatje, Chief Executive Officer Berliner Volksbank (retired), Berlin (since 10/04/2019)
- Mr. Klaus Siegers, Chairman of the Management Board of Weberbank, Berlin (since 10/04/2019)
- Mr. Stefan Kindler, Chief Risk Officer of Tennor Holding B.V. and company lawyer of Tennor International Services B.V. (Berlin), Rahden Sietling (since 24/06/2019)
- Mr. Tarek Malak, Portfolio Manager with Tennor International Services B.V. (Berlin), Berlin (since 24/06/2019)
- Mr. Jürgen Klinsmann, entrepreneur, Newport Beach, CA, USA (since 08/11/2019, dormant since 27/11/2019)

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).

In the period under review Mr. Michael Preetz and Mr. Ingo Schiller were the Managing Directors of Hertha BSC Verwaltung GmbH. No managing director remuneration disclosures were made in accordance with § 286 (4) HGB.

2. Employees (headcount)

The breakdown of the number of employees (without the Managing Directors) was as follows:

	<u>1/7/2019 to 31/12/2019</u>	<u>1/7/2018 to 31/12/2018</u>
Licenced football players	33	28
Functional team of the licensed football players	14	12
Administrative staff	104	83
Temporary employees and trainees	57	60
Amateur Department and Primary Youth Team	75	70
Interns	15	14
Trainees	<u>2</u>	<u>1</u>
	<u>300</u>	<u>268</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>In thousand</u>
	<u>euros</u>
Financial statement audit	45
Other attestation services	0
Tax advisory services	68
Other services	<u>3</u>
Total	<u>116</u>

4. Supplementary report

The following transfers were made in transfer period II in January 2020:

Entries

Player	Releasing Club	Transfer fee
Santiago Ascacibar	VfB Stuttgart	€ 10 million
Matheus Cunha	RB Leipzig	€ 18 million
Krzysztof Piatek	AC Mailand	€ 24 million
Lucas Tousart	Olympique Lyon	€ 25 million

Departures

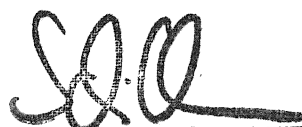
Player	Receiving Club	Transfer fee
Maurice Covic	Ascoli Calcio (on loan)	without charge
Sidney Friede	SV Wehen Wiesbaden	without charge
Ondrej Duda	Norwich City (on loan)	without charge
Dennis Jastrzembski	SC Paderborn (on loan)	conditional charge € 100,000
Eduard Löwen	FC Augsburg (on loan)	€ 200,000
Davie Selke	Werder Bremen (on loan)	€ 500,000
Daishawn Redan	FC Groningen (on loan)	€ 185,000
Maximilian Pronichev	Rot-Weiß Essen	without charge
Lucas Tousart	Olympique Lyon (on loan)	without charge

Berlin, 18 February 2020

Hertha BSC GmbH & Co. Kommanditgesellschaft auf Aktien (KGaA),
represented by the General Partner of
Hertha BSC Verwaltung GmbH



Michael Preetz
- Managing Director -



Ingo Schiller
- Managing Director -

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

Fixed Asset Schedule as at 31 December 2019
(Consolidated Fixed Asset Schedule)

	Acquisition and production costs					Accumulated depreciation and amortisation					Carrying amounts	
	17/2019		Disposals		31/12/2019	17/2019		Disposals		31/12/2019	31/12/2019	30/06/2019
	€	€	€	€	€	€	€	€	€	€	€	€
I. Intangible assets												
1. Concessions purchased, trade and similar rights and assets and licences in such rights and assets	1,814,106.15	37,153.60	188,578.00	0.00	2,039,837.75	1,318,480.15	54,539.60	0.00	1,373,019.75	666,818.00	495,626.00	
2. Player market values	38,692,000.00	31,887,764.03	0.00	0.00	70,579,764.03	21,469,144.00	6,368,282.00	0.00	27,837,426.00	42,742,338.03	17,222,856.00	
3. Prepayments	57,500.00	131,078.00	-188,578.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	57,500.00	
	40,563,606.15	32,055,995.63	0.00	0.00	72,619,601.78	22,787,624.15	6,422,821.60	0.00	29,210,445.75	43,409,156.03	17,775,982.00	
II. Tangible assets												
1. Buildings on third-party land	4,540,293.90	0.00	0.00	0.00	4,540,293.90	2,605,656.90	138,462.00	0.00	2,744,118.90	1,796,175.00	1,934,637.00	
2. Operating and office equipment	2,394,689.00	90,030.21	0.00	0.00	2,484,719.21	1,399,237.20	168,588.67	0.00	1,567,825.87	916,893.34	995,451.80	
3. Prepayments and assets under construction	194,780.89	796,362.99	0.00	0.00	991,143.88	0.00	0.00	0.00	0.00	991,143.88	194,780.89	
	7,129,763.79	886,393.20	0.00	0.00	8,016,156.99	4,004,894.10	307,050.67	0.00	4,311,944.77	3,704,212.22	3,124,869.69	
III. Financial assets												
Cooperative shares	104.00	0.00	0.00	0.00	104.00	0.00	0.00	0.00	0.00	104.00	104.00	
	47,693,473.94	32,942,388.83	0.00	0.00	80,635,862.77	26,792,518.25	6,729,872.27	0.00	33,522,390.52	47,113,472.25	20,900,955.69	

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 2019 to 31 December 2019

	01/07/2019 to 31/12/2019	01/07/2018 to 31/12/2018
	<i>in thousand €</i>	<i>in thousand €</i>
Consolidated net loss for the period	-20.217	-19.044
+ Amortisation of intangible assets and depreciation of tangible assets	6.730	4.856
+/- Decrease in provisions not attributable to investing activities	317	-1.849
-/+ Decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	-11.643	-6.507
-/+ Decrease in trade payables and other liabilities not attributable to investing or financing activities	6.821	-3.492
- Proceeds from the outflows of player market values and fixed assets	-189	0
+/- Interest expenses/income	2.775	3.020
= Cash flows from operating activities	-15.406	-23.016
+ Proceeds from player transfers	3.170	782
- Outflows for player transfers	-14.925	-10.512
- Payments made for investments in intangible fixed assets	-168	0
- Payments made for investments in tangible fixed assets	-887	-238
+ Interest income	60	0
= Cash flows from investing activities	-12.750	-9.968
+ Inflows from capital increase	99.002	0
+ Outflows for capital decrease	0	-27.800
- Repayment of participation rights capital	-17.000	0
+ Proceeds from factoring	0	17.500
- Outflows for factoring	-2.500	-8.500
+ Inflows from granting loans and borrowings	0	86.868
- Outflows for the repayment of loans and borrowings	-5.020	-31.900
- Interest paid	-5.073	-2.127
= Cash flows from financing activities	69.409	34.041
+ Change in cash and cash equivalents	41.253	1.057
+ Cash and cash equivalents at the beginning of the period	77.842	2.267
= Cash and cash equivalents at the end of the period	119.095	3.324
<u>Composition of the cash and cash equivalents:</u>		
Short-term financial investments	10.000	0
Cash on hand, bank balances and cheques	109.095	3.324
	119.095	3.324

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

Consolidated Statement of Changes in Equity

	Share capital		Revenue reserve		Accumulated losses		Participation rights		Equity		Non-controlling interests		Consolidated Equity	
	T€		T€		T€		T€		T€		T€		T€	
01.07.2018	2.981		26.748		-109.714		17.000		-62.985		0		-62.985	
Reduction of capital shares	-381		-26.748		0		0		-27.129		0		-27.129	
Difference from capital reduction	0		0		-671		0		-671		0		-671	
Consolidated result for the period	0		0		-19.043		0		-19.043		0		-19.043	
31.12.2018	2.600		0		-129.428		17.000		-109.828		0		-109.828	
Increase in capital shares	1.560		123.440		0		0		125.000		0		125.000	
Consolidated result for the period	0		0		-6.989		0		-6.989		0		-6.989	
30.06.2019	4.160		123.440		-136.417		17.000		8.183		0		8.183	
Increase in capital shares	1.030		97.972		0		0		99.002		0		99.002	
Repayment of participation rights capital	0		0		0		-17.000		-17.000		0		-17.000	
Consolidated result for the period	0		0		-20.217		0		-20.217		0		-20.217	
31.12.2019	5.190		221.412		-156.634		0		69.968		0		69.968	

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

Group Management Report for the Period

from 1 July 2019 to 31 December 2019

Contents of the group management report

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A) Group structure and business activities

The parent company of the Group is Hertha BSC GmbH & Co. Kommanditgesellschaft auf Aktien KGaA. Included in the interim consolidated financial statements as at 31 December 2019 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 as well as Hertha BSC Infrastruktur GmbH, Hertha BSC Stadion GmbH and Hertha BSC Medien 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 Hertha BSC Medien 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

The "Economic Report 2020" („Wirtschaftsreport 2020") for the 2018/2019 playing season published by the German Football League (DFL Deutsche Fußball Liga) once again reports a positive trend in the development of licenced football.

"German licenced football continued its economic growth in the 2018/19 season. The Bundesliga clubs surpassed the four-billion-euro mark in total sales for the first time - the figure of 4.02 billion euro is based on an increase of 5.4 percent. The cumulative revenues of the clubs in the 2nd Bundesliga, which with a total of up to six promotions and relegations are traditionally somewhat more volatile than those of the Bundesliga, have also reached a record level: 782 million euros represents an increase of 28.5 percent compared to the previous season. The total turnover of both leagues of 4.8 billion euros represents a historic high.

The overall responsible and professional approach to business becomes evident once again by the fact that 28 of the 36 clubs closed the 2018/19 season with a net profit. In addition, equity capital has reached a record level in both leagues: in the Bundesliga a total of 1.8 billion euros, in the 2nd Bundesliga 174 million euros."

In the 2018/2019 season, the Hertha BSC Group's consolidated income amounted to € 140.8 million, of which € 22.2 million came from transfers. The income from match revenues, advertising revenues and the marketing of media rights amounted to around 79 %. In the current 2019/2020 playing season, Hertha BSC plans to generate total revenues of € 152.4 million.

2. Overview of business performance in the first half of the 2019/20 season

The Hertha BSC Group showed a deficit of € 17,252 thousand (prior year: € 16,019 thousand) before interest and taxes in the first half of the year. This is strongly influenced by the investments made in the licenced player team at the beginning of the season. As a result, depreciation and amortisation rose to € -6,730 thousand (prior year: € -4,856 thousand), personnel expenses in the licenced player team to € -34,737 thousand (prior year: € -25,473 thousand) and transfer expenses to € 5,933 thousand (prior year: € 3,262 thousand).

Internal planning for the second half of the 2019/20 season envisages a surplus of € 6,437 thousand, so that the Hertha BSC Group will probably report a net loss for the year of € 8,761 thousand before interest and taxes. More detailed information on the earnings situation can be found in Section C.

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

Detailed disclosures on the results of operation can be found in the annexes to the notes.

3. Overview of the development of the sport in the first half of the 2019/20 season

For the new 2019/2020 season, the parent company Hertha BSC GmbH & Co KGaA has signed up the licenced players Dedryck Boyata, Eduard Löwen, Dodi Lukébakio and Daishawn Redan.

In addition, the players Marko Grujic and Marius Wolf were signed on a loan basis until 30/06/2020. Moreover, the junior player Julian Albrecht was given a licence player contract.

The players Alexander Esswein, Sidney Friede and Muhammed Kiprit returned from their loan outs for the new season.

In return, the player Nils Körber was released on loan until 30/06/2020.

The licenced football player team thus comprises 37 players including the players under contract as of the reporting date. The average age is 24.3 years.

On 27/11/2019 Jürgen Klinsmann took over the position of head coach at the parent company. He succeeded his predecessor Ante Covic, who had been released from his duties due to the lack of sporting success. On 11/02/2020 Jürgen Klinsmann resigned from his position as head coach. The previous co-trainer Alexander Nouri took over the vacant position on an interim basis.

At the end of the first half of the season, Hertha BSC GmbH & Co. KGaA ranked 12th in the Bundesliga chart with 19 points.

C) Presentation of the economic development

1. Results of operations

The Hertha BSC Group concluded the first half of the 2019/2020 playing season with a net loss of € 20,217 thousand after interest and taxes (prior year net loss: € 19,044 thousand).

Revenue for the first half of the ongoing season amount to € 58,918 thousand (prior year: € 55,908).

Budget targets were achieved in the material revenue areas, whereby positive and negative deviations offset each other for the most part.

The actual value of personnel expenses is slightly above the planned figures due to the changes made to the executive and co-trainer positions in November 2019.

In addition, revenues of € 493 thousand were generated, mainly from parking fees for national players.

The other revenue and expense items had no noteworthy extraordinary items, and for the most part reflected budget characterising normal business operations.

2. Financial position

On the balance sheet date, Hertha BSC GmbH & Co. KGaA had liquid assets including short-term financial investments and receivables in the amount of € 142.8 million and thus exceeded the previous year's value of € 13.2 million by € 129.6 million.

Due to the follow-up investment of the investor Peil Investment B.V. / Tennor Holding B.V., € 99.0 million were paid in in November 2019. As in the summer following the initial investment, parts of these funds were already used to repay financial liabilities before the balance sheet date.

The planned liquidity trend was maintained. In addition, unplanned positive and negative effects largely offset each other.

3. Net assets

The main asset item in the fixed assets is the players' assets, which are reported in the balance sheet at € 42,742 thousand (30/06/2019: € 17,223 thousand). However, the actual transfer or market values of the players' assets (cf. independent valuation by "transfermarkt.de", as of 03/02/2020: market value € 264.9 million) are far higher than the value of the players' assets shown in the balance sheet ("hidden reserves"). Further hidden reserves exist in the other intangible assets.

Receivables and other assets amount to € 33,736 thousand (30/06/2019: € 27,832 thousand).

The Hertha BSC Group reported equity of € 70.0 million on the balance sheet date (30/06/2019: € 8.2 million). The equity in the first half of the current season was influenced by the Tennor follow-up financing of € 99.0 million, the repayment of the profit participation rights in the nominal amount of € 17.0 million and the half-year result of € -20.2 million.

Liabilities increased by € 15.0 million to € 106.6 million (30/06/2019: € 91.6 million) in the reporting period - particularly influenced by the investments in transfer period I in summer - and are presented and broken down in the notes to the financial statements.

D) Opportunities and risks of future development

Just as 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 renewed global financial and economic crisis may have an impact particularly in the area of sponsorship, as the expenses of advertising companies in this segment would fall again.
- The business targets set for income depend on the successes in the sport of football that ultimately cannot be planned or budgeted. This also applies to the market development of revenue generated by the marketing activities of the Bundesliga.

- 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 2017/2018 playing season, a marketing contract has been concluded for TV marketing for four playing 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 2021. 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 the professional football is subject.

Just as in the prior season, the Hertha BSC Group was able to generate revenue from transfer activities. However, we will continue to attempt hiring new players without having to pay any transfer fees. Conversely, Hertha BSC can only limitedly plan on revenue from transfer fees. Especially for above-average players, high transfer fees continue to be charged. Our existing reservoir of above-average players (such as Niklas Stark, Dodi Lukébakio, Arne Maier and Javairo Dilrosun) could possibly generate high transfer fee revenues. There are opportunities for the Hertha BSC Group to improve its marketing activities and sports situation as well as for generating transfer revenue.

Because of the high number of above-average, talented players on the youth team [presently 12 national players from the U15 (under 15 year-olds) up to the U21 as well as another 11 young players having been 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 considerably lower than for other Bundesliga clubs. Owing to having already been successful at integrating 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 Hertha BSC GmbH & Co. KGaA.

E) Changes in the licenced football player team in Winter 2019/2020

In the transfer period II in January 2020, the players Sidney Friede (SV Wehen Wiesbaden) and Maximilian Pronichev (Rot-Weiß Essen) joined their new clubs permanently. The players Davie Selke (Werder Bremen), Ondrej Duda (Norwich City), Maurice Covic (Ascoli Calcio), Dennis Jastrzembki (SC Paderborn), Eduard Löwen (FC Augsburg) and Daishawn Redan (FC Groningen) were transferred on a loan basis.

Newly signed players were Santiago Ascacibar, Matheus Cunha, Krzysztof Piątek and Lucas Tousart. Lucas Tousart will be loaned directly to Olympique Lyon until the end of the ongoing season and will join the team for the next season 2019/2020.

F) Outlook

After the 22nd game day the licenced team of Hertha BSC ranked 13th in the Bundesliga chart. The previous plans for the 2019/2020 financial year were revised. According to the current state of planning, the company is expected to report a net loss for the year of € 13,780 thousand.

The results for 2020/2021 et seqq. have been conservatively planned by the management of Hertha BSC GmbH & Co. KGaA; distinctly higher earnings could be achieved through success in the sport of football or receiving more income. Conversely, the lack of success in the sport of football could also lead to lower than budget earnings.

The following points are significant for the further development:

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

With our main sponsors, TEDI, the sports equipment manufacturer NIKE and our sleeve partner Hyundai, Hertha BSC is confident to be supported by three strong partners.

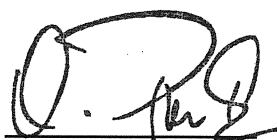
In addition, there are other contractual relationships with co-sponsors – the so-called exclusive partners – AOK (health insurance), Berliner Kindl (beer brewer), Berliner Volksbank, Coca-Cola, Deutsche Bahn (German railway), MoPlay, Orafol, Topradio 94,3 RS2 (radio station), Ryobi and yabo sports.

Not only due to the momentarily positive sports situation, management assumes that the development of Hertha BSC will continue to be successful in the sport and in business because of existing opportunities and of the above-average good infrastructure of the Hertha BSC Group (in particular sports facilities and working with young football talents).

The developments of the recent past have shown to a great extent that there is a great dependency on having success in the sport of football. We have, however, laid a good foundation for a positive steering of the Group in the past. Our maintaining our course along the lines of the business framework we have set up will result in a positive development of the Group. In Section D. we have already pointed out that planning depends on success in football.

Berlin, 18 February 2020

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



Michael Preetz
- Managing Director -



Ingo Schiller
- Managing Director -