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Consolidated Financial Statements as at 30 June 2019, Group Management Report and Independent Auditor's Report for the Financial Year from 1 July 2018 to 30 June 2019

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

Free translation of excerpts of the Original German Financial Statements

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

C O N S O L I D A T E D B A L A N C E S H E E T as at 30 June 2019

A S S E T S	€	€	€	Prior year in thousand €
A. Fixed assets				
I. Intangible assets				
1. Concessions purchased, trade and similar rights and assets and licences in such rights and assets	495,626.00			605
2. Player market values	17,222,856.00			24,881
3. Prepayments	57,500.00			0
		17,775,982.00		(25,486)
II. Tangible assets				
1. Buildings on third-party land	1,934,637.00			2,636
2. Operating and office equipment	995,451.80			1,008
3. Prepayments and assets under construction	194,780.89			951
		3,124,869.69		(4,595)
III. Financial assets				
Cooperative shares		104.00		0
			20,900,955.69	(30,081)
B. Current assets				
I. Inventories				
Merchandise		1,335,473.91		1,408
II. Receivables and other assets				
1. Trade receivables	2,522,912.50			1,098
2. Receivables from player transfers	21,805,045.00			1,124
3. Receivables from companies in which investments are held	2,812,928.73			0
4. Other assets	691,409.25			5,180
		27,832,295.48		(7,402)
III. Cash and cash equivalents		77,842,163.02		2,267
			107,009,932.41	(11,077)
C. Prepaid expenses			5,482,823.19	6,409
D. Deficit not covered by equity			0.00	62,985
			133,393,711.29	110,552

L I A B I L I T I E S	€	€	Prior year in thousand €
A. Equity			
I. Share capital (contingent capital: € 0,00; prior year: € 188 thousand)	4,160,000.00		2,981
II. Revenue reserve	123,440,000.00		26,748
III. Consolidated loss carryforward	-110,384,647.02		-106,357
IV. Consolidated net loss for the year	-26,032,395.30		-3,357
V. Deficit not covered by equity	0.00		62,985
VI. Participation rights	17,000,000.00		17,000
		8,182,957.68	(0)
B. Provisions			
1. Tax provisions	0.00		62
2. Other provisions	11,067,071.43		6,623
		11,067,071.43	(6,685)
C. Liabilities			
1. Bonds	40,382,858.80		0
2. Liabilities to banks	19,933,478.26		10,105
3. Trade payables	4,922,518.22		5,483
4. Liabilities for player transfers	3,447,640.00		10,045
5. Liabilities to companies in which investments are held	0.00		95
6. Other liabilities	22,932,942.25		52,875
		91,619,437.53	(78,603)
D. Deferred income		22,524,244.65	25,264
		133,393,711.29	110,552

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

C O N S O L I D A T E D   I N C O M E   S T A T E M E N T

for the Financial Year from 1 July 2018 to 30 June 2019 [German GAAP (HGB)]

		€	€	Prior year *in thousand* €
1.	Revenue		139,762,662.04	130,386
2.	Other operating income		1,019,217.83	4,398
			140,781,879.87	134,784
3.	Cost of materials			
	Cost of merchandise purchased		-3,833,203.70	-3,765
4.	Personnel expenses			
	a) Wages and salaries	-59,534,394.71		-58,273
	b) Social security contributions and expenses for pensions and other benefits	-2,868,403.57		-2,681
			-62,402,798.28	(-60,954)
5.	Amortisation of intangible assets and depreciation of tangible assets		-9,729,937.63	-9,427
6.	Other operating expenses		-81,904,167.16	-57,042
			-17,088,226.90	3,596
7.	Other interest and similar income		52,600.97	9
	- thereof € 52,600.97 (prior year: € 4,000) related to affiliated companies -			
8.	Interest and similar expenses		-9,046,352.94	-5,829
9.	Remuneration for profit participation rights		62,000.00	-1,118
10.	Earnings after taxes		-26,019,978.87	-3,342
11.	Other taxes		-12,416.43	-15
12.	Consolidated net loss for the year		-26,032,395.30	-3,357

**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 Financial Year from 1 July 2018 to 30 June 2019

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Appendix to the Notes to the Consolidated financial statements:

Fixed asset schedule of player market values as at 30 June 2019 (consolidated fixed asset schedule)

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

The consolidated financial statements as at 30 June 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 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

Name, legal seat	Shareholding in %
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 consolidated financial statements and has been consolidated in the 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 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 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 consolidated financial statements as at 30 June 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.

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 consolidated financial statements for the period from 1 July 2018 to 30 June 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 consolidated financial statements.

2. Receivables and other assets

Receivables and other assets in the amount of € 14,000 thousand (prior year: € 266 thousand) have a residual term of up to one year.

Trade receivables include receivables from DFL (€ 677 thousand) from the second installment of the basic agreement. In the prior year receivables from the basic agreement (€ 687 thousand) are shown under other assets, in deviation from this 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:

	In thousand euros
- Partial payments to Lagardère Sports Germany GmbH by virtue of the 21st change agreement	2,286
- Prepaid player advisor contracts	1,277
- Prepaid player salaries	715
- Prepaid insurance premiums	373
- Prepaid interest for factoring and loan agreements	696
- Other	136

The discount on a loan taken up, which was included in the prior year at € 92 thousand, no longer exists in the current financial year.

5. Equity

In the 2013/2014 season share capital was increased from 2,600,000.00 no-par value shares to 2,879,291.00 no-par value shares, which are registered shares. In this conjunction € 279,291.00 were added to share capital and € 17,520,709.00 were allocated to the capital reserve. In the 2016/17 season contributions amounting to € 81,682.00 were added to the share capital and € 7,999,978.24 were allocated to the capital reserve. In the 2017/18 season contributions amounting to € 20,421.00 were added to the share capital and € 1,226,864.54 were allocated to the capital reserve. By having redeemed the shareholdings of the investor, Kohlberg Kravis Roberts & Co. (KKR), in the season being reported, the share capital was decreased to its original amount of € 2.600.000,00. Since the redemption expense exceeded the capital reserve, it was reduced from € 26,757,551.78 to € 0.00. The remaining amount was recognised as a loss carryforward.

Following the conclusion of an investment and shareholder agreement dated 19 June 2019, the share capital was increased from 2,600,000.00 no-par value shares to 4,160,000.00 no-par value shares, which are registered shares. In this conjunction € 1,560,000.00 were added to share capital and € 123,440,000.00 were allocated 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	4,160,000.00
Capital reserve	123,440,000.00
Loss carryforward	-110,384,647.02
Participation rights	17,000,000.00
Consolidated annual result P&L	-26,032,395.30
Equity	**8,182,957.68**

Hertha BSC GmbH & Co. KGaA issued a participation right at a nominal value of € 4.0 million in accordance with the agreement dated 14 December 2007, issued an additional tranche of a participation right at a nominal value of € 500 thousand in accordance with the agreement dated 30 June 2010 and issued another participation right amounting to € 3.5 million on 12 January 2016. The performance-related remuneration entitlements existing up to 30 June 2013 amounting to € 1,619 thousand in total, which were not to be accounted for under liabilities by law because of a lack of free equity shares as at 30 June 2013, were fully recognised as a liability as of 30 June 2019 upon the entry of the investor in accordance with an agreement reached on 18 June 2019.

The remuneration entitlements of the two participation rights not yet paid by 30 June 2019 in the amount of € 518 thousand were accounted for as liabilities.

Hertha BSC GmbH & Co. KGaA issued another participation right at a nominal value of € 6.0 million in accordance with the agreement dated 18 June/28 August 2014, issued an additional participation right at a nominal value of € 1.5 million in accordance with the agreement dated 11 January 2016 and issued yet another participation right at a nominal value of € 1.5 million in accordance with the agreement dated 29 July/22 August 2016. Remuneration entitlements amounting to € 630 thousand existing up to 30 June 2019 were accounted for under liabilities.

6. Provisions

Provisions were set up for the following items:

	In thousand euros
Variable remuneration entitlements exit agreement	5,223
Remuneration entitlements for interest on participation rights	2,766
Outstanding salaries	1,711
Employers' liability insurance association	606
Player agents	277
Miscellaneous	484

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
	In thousand euros	*In thousand euros*	*In thousand euros*	*In thousand euros*
Bonds	40,383 (0)	383 (0)	40,000 (0)	0 (0)
Liabilities to banks	19,933 (10,105)	9,933 (105)	10,000 (10,000)	0 (0)
Trade payables	4,923 (5,483)	4,923 (5,483)	0 (0)	0 (0)
Liabilities to player transfers	3,448 (10,045)	3,448 (6,531)	0 (3,514)	0 (0)
Liabilities to companies in which investments are held	0 (95)	0 (95)	0 (0)	0 (0)
Other liabilities	22,933 (52,875)	17,432 (17,333)	5,501 (6,516)	0 (29,026)
Total	91,620 (78,603)	36,119 (29,547)	55,501 (20,030)	0 (29,026)

Other liabilities comprise, amongst others, tax liabilities of € 7,216 thousand (prior year: € 10,064 thousand), personnel expenses of € 2,743 thousand (prior year: € 3,588 thousand) and liabilities for digital financing of € 1,505 thousand (prior year: € 2,516 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 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
	In thousand euros	*In thousand euros*	*In thousand euros*	*In thousand euros*
Rental contracts (estimated)	6,890	28,396	8,267	43,553
Leasing agreements	217	0	0	217
	7,107	28,396	8,267	43,770

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 2018/2019 financial year.

Income statement

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

1. Revenue

	2018/2019		2017/2018	
	In thousand euros	%	*In thousand euros*	%
Game revenue/ticketing	14,695	10.5	17,752	13.6
Television subsidies	67,235	48.1	59,334	45.5
Advertising	28,647	20.5	27,043	20.7
Trade	4,954	3.5	5,058	3.9
Transfer revenue	22,155	15.9	19,128	14.7
Miscellaneous	2,077	1.5	2,071	1.6
Total	139,763	100.0	130,386	100.0

2. Depreciation and amortisation

Amortisation and depreciation are shown in the consolidated fixed asset schedule in Appendix 1.3.1.

3. Other operating expenses

	2018/2019	2017/2018
	In thousand euros	*In thousand euros*
Game operating expenses	24,052	23,328
TV/Advertising	16,657	20,699
Transfers	16,075	6,307
Trade	521	530
Administration	23,301	5,186
Amateur and youth football	1,298	992
	81,904	57,042

Other operating expenses in the current financial year include expenses of € 20.1 million from the termination of the contractual relationship with the investor KKR and from the repurchase of marketing rights.

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)
- Mr. Walter Schubert, retired Sparkassendirektor (bank director) (Deputy Chair of the Supervisory Board) (until 24 June 2019)
- Dr. Christian Göke, Managing Director of Messe Berlin GmbH, CEO, Berlin
- Mr. Nicolas Heyer, lawyer, Berlin (until 24 June 2019)
- Mr. Harald J. Joos, entrepreneur, Berlin
- Mr. Christian Ollig, Director Kohlberg Kravis Roberts & Co. Partners LLP, London, Great Britain (until 28 February 2019)
- Mr. Horst Julius Pudwill, Chairman of Techtronic Industries Co. Ltd. (TTI), Hong Kong, People's Republic of China
- Ms. Vera Gäde-Butzlaff, Chair of the Management Board of GASAG Berliner Gaswerke Aktiengesellschaft, Berlin
- Mr. Markus Hunold, Director of Kohlberg Kravis Roberts & Partners LLP, London, Great Britain (until 28 February 2019)
- Mr. Dr. Holger Hatje, Chairman of the Board Berliner Volksbank a.D., Berlin (since10 April 2019)
- Mr. Klaus Siegers, Chairman of the Board Weberbank, Berlin (since10 April 2019)
- Mr. Stefan Kindler, Chief Risk Officer of Tennor Holding B.V., an in-house lawyer of Tennor International Services B.V. (Berlin), Rahden Sielhorst (since 24 June 2019)
- Mr. Tarek Malak, Portfolio Manager of Tennor Holding B.V., Berlin (since 24 June 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:

	2018/2019	2017/2018
Licenced football players	33	28
Functional team of the licensed football players	12	12
Administrative staff	96	83
Temporary employees	60	60
Amateur Department and Primary Youth Team	72	70
Temporary trainees	13	14
Trainees	2	1
	288	268

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

3. Related parties

The football club Hertha, Berliner Sport-Club (Hertha B.S.C.) e.V., holds 62.50 % of the shares in Hertha BSC GmbH & Co. KGaA and 100 % of the shares in Hertha BSC Verwaltung GmbH.

4. Auditor fees

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

	In thousand euros
Financial statement audit	143
Other attestation services	0
Tax advisory services	98
Other services	9
Total	255

5. Proposal for the appropriation of earnings

The Management Board proposes to carry forward the annual result of Hertha BSC GmbH & Co. KGaA to new account.

6. Supplementary report

In transfer period I in July and August 2019, the following transfers were made:

New arrivals

Player	Selling Club	Transfer Fee
Dodi Lukébakio	FC Watford	€ 20.60 million
Eduard Löwen	1. FC Nürnberg	€ 7.50 million
Marko Grujic	FC Liverpool (lending)	GBP 2.00 million
Daishawn Redan	Chelsea FC U23	GBP 2.50 million
Marius Wolf	Borussia Dortmund (lending)	€ 2.00 million
Dedryck Boyata	Celtic Glasgow	Free transfer

Departures

Player	Purchasing Club	Transfer Fee
Marius Gersbeck	Karlsruher SC	25.000,00 €
Nils Körber	VfL Osnabrück (lending)	Free of charge

Berlin, 11 October 2019

Hertha BSC GmbH & Co. Kommanditgesell-
schaft 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 30 June 2019

(Consolidated Fixed Asset Schedule)

	Aquisition and production costs					Accumulated depreciation and amortisation				Carrying amounts	
	1/7/2018	Additions	Reclassifications	Disposals	30/6/2019	1/7/2018	Additions	Disposals	30/6/2019	30/6/2019	30/6/2018
	€	€	€	€	€	€	€	€	€	€	€
I. Intangible assets											
1. Concessions purchased, trade and similar rights and assets and licences in such rights and assets	1,839,862.91	0.00	0.00	-25,756.76	1,814,106.15	1,234,806.91	109,430.00	-25,756.76	1,318,480.15	495,626.00	605,056.00
2. Player market values	42,036,000.00	5,406,000.00	0.00	-8,750,000.00	38,692,000.00	17,155,017.00	9,004,814.00	-4,690,687.00	21,469,144.00	17,222,856.00	24,880,983.00
Prepayments	0.00	57,500.00	0.00	0.00	57,500.00	0.00	0.00	0.00	0.00	57,500.00	0.00
	43,875,862.91	5,463,500.00	0.00	-8,775,756.76	40,563,606.15	18,389,823.91	9,114,244.00	-4,716,443.76	22,787,624.15	17,775,982.00	25,486,039.00
II. Tangible assets											
1. Buildings on third-party land	6,107,206.61	0.00	0.00	-1,566,912.71	4,540,293.90	3,471,179.61	276,930.00	-1,142,452.71	2,605,656.90	1,934,637.00	2,636,027.00
2. Operating and office equipment	3,348,330.63	326,105.43	0.00	-1,279,747.06	2,394,689.00	2,340,202.63	338,763.63	-1,279,729.06	1,399,237.20	995,451.80	1,008,128.00
3. Prepayments and assets under construction	950,522.34	194,780.89	0.00	-950,522.34	194,780.89	0.00	0.00	0.00	0.00	194,780.89	950,522.34
	10,406,059.58	520,886.32	0.00	-3,797,182.11	7,129,763.79	5,811,382.24	615,693.63	-2,422,181.77	4,004,894.10	3,124,869.69	4,594,677.34
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
	54,282,026.49	5,984,386.32	0.00	-12,572,938.87	47,693,473.94	24,201,206.15	9,729,937.63	-7,138,625.53	26,792,518.25	20,900,955.69	30,080,820.34

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 2018 to 30 June 2019

		2018/2019	2017/2018
		in thousand €	*in thousand €*
	Consolidated net loss for the period	-26,032	-3,357
+	Amortisation of intangible assets and depreciation of tangible assets	9,730	9,426
+/-	Decrease in provisions not attributable to investing activities	4,382	-79
+/-	Other non-cash expenses/income	0	2
-/+	Decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	3,007	-1,761
-/+	Decrease in trade payables and other liabilities not attributable to investing or financing activities	-9,346	-4,171
-	Proceeds from the outflows of player market values and fixed assets	-17,951	-18,617
+/-	Interest expenses/income	8,994	6,938
=	**Cash flows from operating activities**	**-27,216**	**-11,619**
+	Proceeds from player transfers	1,475	26,849
-	Outflows for player transfers	-12,060	-15,729
-	Outflows for investments in miscellaneous fixed assets	-521	-1,888
+	Interest income	52	9
=	**Cash flows from investing activities**	**-11,054**	**9,241**
+	Inflows from capital increase	125,000	1,247
+	Outflows for capital decrease	-27,800	0
+	Proceeds from factoring	18,100	14,300
-	Outflows for factoring	-16,600	-5,565
+	Inflows from granting loans and borrowings	58,370	3,000
-	Outflows for the repayment of loans and borrowings	-35,400	-3,000
-	Interest paid	-7,825	-6,690
=	**Cash flows from financing activities**	**113,845**	**3,292**
+	**Change in cash and cash equivalents**	**75,575**	**914**
+	Cash and cash equivalents at the beginning of the period	2,267	1,353
=	**Cash and cash equivalents at the end of the period**	**77,842**	**2,267**

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€
01.07.2012	2,600	0	-59,163	4,500	-52,063	0	-52,063
Consolidated annual result	0	0	-18,216	0	-18,216	0	-18,216
01.07.2013	2,600	0	-77,379	4,500	-70,279	0	-70,279
Consolidated annual result	279	17,521	-8,968	0	8,832	0	8,832
01.07.2014	2,879	17,521	-86,347	4,500	-61,447	0	-61,447
Consolidated annual result	0	0	-6,876	6,000	-876	0	-876
01.07.2015	2,879	17,521	-93,223	10,500	-62,323	0	-62,323
Consolidated annual result	0	0	-7,036	5,000	-2,036	0	-2,036
01.07.2016	2,879	17,521	-100,259	15,500	-64,359	0	-64,359
Consolidated annual result	82	8,000	-6,098	1,500	3,484	0	3,484
01.07.2017	2,961	25,521	-106,357	17,000	-60,875	0	-60,875
Consolidated annual result	20	1,227	-3,357	0	-2,110	0	-2,110
30.06.2018	2,981	26,748	-109,714	17,000	-62,985	0	-62,985
Reduction of capital shares	-381	-26,748					
Difference from capital reduction	0	0	-671	0	-671	0	-671
Increase in capital shares	1,560	123,440					
Consolidated annual result			-26,032	0	71,839	0	71,839
30.06.2019	**4,160**	**123,440**	**-136,417**	**17,000**	**8,183**	**0**	**8,183**

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

Group Management Report for the Financial Year

from 1 July 2018 to 30 June 2019

Contents of the group management report

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 financial statements as at 30 June 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 Sport Business Group of Deloitte writes in its 28th edition of the survey "Annual Review of Football Finance":

"The annual turnover record of the European football market has almost become a tradition in the Annual Review of Football Finance and in the current issue there is also a new turnover high to report: In the 2017/18 season, Europe's football market generated sales of 28.4 billion Euro, an increase of 11 percent over the previous year. This growth continues to be driven by the so-called "Big Five" leagues from England, Germany, Spain, Italy and France. With a total of 15.6 billion Euro, they accounted for more than half of total sales and recorded an increase of 6 percent over the previous year. But the 2018 World Cup in Russia also boosted sales in the European football market and contributed to an increase in revenues, especially from FIFA and the national associations.

"We expect the growth to continue," says Stefan Ludwig, Partner and Head of the Sport Business Group at Deloitte. "Football is one of the most popular forms of live entertainment and one of the most discussed topics on social media channels. Media rights are now in great demand not only among the major TV stations but also among online companies. There is further growth potential for European football here and in international media rights".

However, in the 2017/18 season, the national media rights have once again brought movement into the Deloitte ranking of the European top leagues: the start of the new media rights agreement had a positive effect on the sales of the German Bundesliga and ensured that the German league, with total sales of 3.17 billion Euro, overtook the Primera División (3.07 billion Euro) to second place.

Overall, sales in the German Bundesliga rose by 13 percent. As the growth champion of the "Big Five" leagues, it has thus not only left its direct competitor Spain (7 percent) behind, but has also grown faster than the undisputed sales giant, the English Premier League, whose total sales in the 2017/18 season amounted to 5.44 billion Euro."

2. Overview of business performance in 2018/19

In the season 2018/2019 the Hertha BSC Group realised operating income (sales revenue and other operating income) amounting to € 140,782 thousand (prior year € 134,784 thousand).

The consolidated annual result of the past playing season 2018/2019 amounts to € -26,032 thousand.

The result was significantly influenced by one-off effects in connection with the termination of the KKR investment and the repurchase of marketing rights (altogether € -20.1 million).

The uncommitted television and advertising rights were continuously marketed by Lagardère Sports Germany GmbH (formerly: SPORTFIVE GmbH & Co. KG, Hamburg).

On 19 June 2019 Hertha BSC GmbH & Co. KGaA concluded an Investment and Shareholders' Agreement with Tennor Holding B.V. This governs the acquisition of 37.5 % of the shares of Hertha BSC GmbH & Co. KGaA by Tennor Holding B.V. The inflow of the agreed purchase price of € 125.0 million also took place on 19 June 2019.

Detailed disclosures on the results of operation are shown in Section C1.

3. Overview of the development of the sport in the business year 2018/19

The parent company Hertha BSC GmbH & Co. KGaA finished the 2018/2019 season in the first league of the German National Football League (Bundesliga) ranking 11th in the Bundesliga chart.

For the 2018/2019 playing season, the parent company Hertha BSC GmbH & Co. KGaA engaged the licenced players, Javairo Dilrosun, Lukas Klünter and Pascal Köpke.

Moreover, contracts were concluded with the players Marko Grujic and Derrick Luckassen to be loaned out until 30 June 2019. Furthermore, the young talent players Maurice Covic, Dennis Jastrzembski, Muhammed Kiprit, Maximilian Pronichev and Dennis Smarsch received licenced player contracts.

In return, the players Maximilian Pronichev and Nils Körber were loaned out until 30 June 2019.

In transfer period II, the players Alexander Esswein (VfB Stuttgart, in return for compensation payment), Sidney Friede (Royal Excel Mouscron), Muhammed Kiprit (FC Wacker Innsbruck) and Maximilian Pronichev (Hallescher FC) were loaned out in January 2019.

After the end of the championship, the two players Marius Gersbeck and Valentino Lazaro left the club permanently against payment of a transfer compensation. In addition, the employment contracts ended for the players Julius Kade, Jonathan Klinsmann and Fabian Lustenberger.

The licenced football player team consisted of 34 players (including the contract players) (prior year: 28).

With Niklas Stark, a Hertha BSC player was appointed to the German national team for participation in the qualifying matches for the European Football Championship 2020.

C) Presentation of the economic development

1. Results of operations

The Hertha BSC Group concluded the business year 2018/2019 with a group net loss for the year amounting to € 26,032 thousand.

Revenues increased by € 9,377 thousand to € 139,763 and are therefore above last years' figures of € 130,386 thousand. This result was again significantly influenced by the increased revenues from the marketing of media rights.

At € 14,695 thousand, the player yields are € 3,057 thousand below the value of the previous season (€ 17,752 thousand). In the previous year, this figure was influenced by the participation in the UEFA Europa League (€ 3,961 thousand).

Marketing revenues clearly exceeded the previous year's figure (€ 27,043 thousand) at € 28,648 thousand.

A further increase in earnings was recorded in the area of central TV/radio marketing. As a result of the new marketing contract for the Bundesliga that has been in effect since the 2017/2018 season, income again increased significantly by € 11,150 thousand to € 65,856 thousand (prior year: € 54,706 thousand).

By transferring and loaning out licenced players, Hertha BSC GmbH & Co. KGaA generated revenues of € 22,155 thousand (prior year: € 19,128 thousand).

At € 4,954 thousand, revenues in the trading area were at the previous year's level (€ 5,058 thousand).

In the 2018/2019 season, personnel expenses amounting to € 62,403 thousand (prior year: € 60,954 thousand) were recorded as the main expense item.

Depreciation amounted to € 9,730 thousand (prior year € 9,427 thousand) and was mainly influenced by the depreciation of player values.

At € 3,833 thousand, the cost of materials remained at the previous year's level (€ 3,765 thousand).

Other operating expenses amounted to € 81,904 thousand in the reporting period (prior year: € 57,042 thousand). The increase is mainly due to the termination of the contractual relationship with KKR and the increase in transfer prices.

As the largest single item, gaming operations (€ 24,052 thousand, previous year: € 23,987 thousand) are characterised by match day expenses and association fees.

Expenses for television and radio exploitation, which include the commission in favour of the marketing partner Lagardère Sports Germany GmbH, amount to € 13,122 thousand (prior year: € 17,910 thousand).

Expenses for advertising have increased to € 3,228 thousand (prior year: € 2,822 thousand) in the reporting period.

Administration expenses are at € 23,301 thousand (prior year: € 5,133 thousand) and are coined by one-time expenses for the repurchase of sleeve sponsorship rights (€ 3,350 thousand) of the Swiss investment management company IM 1872 S.A. as well as the expenses for the termination of the contract with KKR – this relates to the reversal of prepaid expenses and deferred income with an effect on income – as well as transaction costs related to the bond issuance (€ 13,807 thousand).

The transfer expenses amount to € 16,075 (prior year: € 6,307). The disposal of residual book values in this item resulted in € 4,059 thousand.

Expenses for the trading business are at € 520 thousand in the reporting period (prior year: € 530 thousand).

Expenditures for amateur and youth football are at € 1,298 thousand and are thus above the level of the previous year (€ 992 thousand).

2. Financial position

As of the balance sheet date, the Hertha BSC Group had cash and cash equivalents and receivables of € 107.0 million, an increase of € 95.9 million over the previous year.

The redemption of the investor KKR implemented in November 2018 in the amount of € 71.2 million was represented by the issuance of a bond amounting to € 40.0 million (Nordic Bond), advance payments on sponsorship and hospitality proceeds of € 20.0 million, bank loans of € 10.0 million as well as cash flow from operating activities.

With the investment of Tennor Holding B.V., € 125.0 million were paid in in June 2019. Some of these funds were already used to repay financial liabilities before the balance sheet date.

In addition, unplanned positive and negative effects have largely balanced each other out.

3. Net assets

The player market values amounting to € 17,223 thousand (30 June 2018: € 24,881 thousand) are accounted for under fixed assets. The actual transfer or market values of players as assets (please refer to the independent valuation conducted by “transfermarkt.de” as at 4 October 2019: market value of € 195.3 million, prior year € 166.1 million) was assessed at far more than the value accounted for under the item player market values (hidden reserves).

Receivables and other assets amounted to € 27,832 thousand (prior year: € 7,402 thousand).

As of 30 June 2019, the Hertha BSC Group had equity of € 8,183 thousand (prior year: € -62,985 thousand).

Liabilities rose by € 18,240 in the reporting period (particularly influenced by the issuance of a bond in the amount of € 40.0 million) and amounted henceforth to € 91,619 thousand (prior year: € 78,602 thousand). They are presented in a breakdown in the notes to the consolidated financial statements. The Hertha BSC Group will reduce further liabilities in the current financial year.

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:

- 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 ultimately 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 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, Arne Maier, Dodi Lukébakio, Javairo Dilrosun, Jordan Torunarigha, Ondrej Duda and Davie Selke) 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 sports situation as well as for generating transfer revenue.

Because of the high number of above-average, talented players on the youth team [presently 24 national players from the U15 (under 15 year-olds) up to the U21 as well as another 5 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 the new season

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

Moreover, contracts were concluded with the players Marko Grujic and Marius Wolf on a loan basis until 30 June 2020. Furthermore, the young talent player Julian Albrecht received a licenced player contract.

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

In return, the player Nils Körber was loaned out until 30 June 2020.

The licenced player team thus currently comprises 34 players including contract players. Their average age is 25.1 years.

F) Outlook

After the 7th game day of the first league in the German Bundesliga (last updated: 7 October 2019), Hertha BSC ranked 10th in the Bundesliga chart. The management and the team of coaches have formulated the goal of a single-digit position in the ranking for the season.

However, the success of professional football clubs depends not only on their sporting capability but also on their economic performance. The parent company Hertha BSC GmbH & Co. KGaA has revised its previous planning for the business year 2019/2020 due to the now positive outlook on the sporting situation and activities in the past transfer period I. Based on the current planning status and taking into account transfer income, the company plans to achieve a balanced annual result, which may be significantly more positive due to sporting success or additional income. Conversely, in the event of sporting failure, worse results than planned may occur.

The management will continue to pursue the current strategy of focusing on sustainable youth development and involving young, talented players.

Total revenues of € 153.2 million are planned for 2019/2020.

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 the joining of an investor, the subsidiary Hertha BSC GmbH & Co. KGaA succeeded in significantly improving the equity situation of the company and the group. The inflow of funds will reduce the financial liabilities in the medium term and investments will be made in the licenced player team.

In addition, the 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 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, is also 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 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, 11 October 2019

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

Michael Preetz	Ingo Schiller
- Managing Director -	- Managing Director -

INDEPENDENT AUDITOR'S REPORT

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

Audit Opinions

We have audited the consolidated financial statements of Hertha BSC GmbH & Co. Kommanditgesellschaft auf Aktien (KGaA), Berlin, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit and loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 July 2018 to 30 June 2019 and notes to the consolidated financial statements including the presentation of the recognition and measurement policies. In addition, we have audited the group management report of Hertha BSC GmbH & Co. Kommanditgesellschaft auf Aktien (KGaA), Berlin, for the financial year from 1 July 2018 to 30 June 2019.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law including the relevant accounting regulations as stipulated by the DFL Deutschen Fußball Liga e.V. (DFL e.V.) and give a true and fair view of the assets, liabilities, and financial position of the Group as at 30 June 2019 and of its financial performance for the financial year from 1 July 2018 to 30 June 2019 in compliance with German Legally Required Accounting Principles, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the parts of the group management report listed in the appendix.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our [audit] opinions on the consolidated financial statements and on the group management report.

Responsibilities of the Executive Directors for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law including the relevant accounting regulations as stipulated by the DFL Deutschen Fußball Liga e.V. (DFL e.V.) and that the consolidated financial statements, in compliance with German Legally Required Accounting Principles, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit.
We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our [audit] opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an [audit] opinion on the effectiveness of these systems.

- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective [audit] opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate [audit] opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Berlin, 14 October 2019

Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

In the original German version signed by:

Helmut Schuhmann Wirtschaftsprüfer [German Public Auditor]	Marko Pape Wirtschaftsprüfer [German Public Auditor]

[Translator's notes are in square brackets]

General Engagement Terms
for
Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [*Translators Note: The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party

b) examination of tax assessments in relation to the taxes referred to in (a)

c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)

e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax**;**

b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;

c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and

d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.