

## **REPORT OF THE SUPERVISORY BOARD**

Borussia Dortmund GmbH & Co. KGaA can yet again look back on a successful 2013/2014 financial year, both from an athletic and a financial perspective. The club once again advanced to the quarter-finals of the UEFA Champions League, losing the incredibly close tie to eventual champions Real Madrid C.F. but at the same time emphatically demonstrating that it is here to stay in European club competition. Borussia Dortmund finished second in the 2013/2014 Bundesliga season, thus automatically qualifying once again for the 2014/2015 UEFA Champions League season. The 2014 DFB Cup final in Berlin marked another highlight this past season. Despite losing the final, Borussia Dortmund once again won the hearts of fans. From a financial perspective, financial year 2013/2014 was also a success. The Group significantly increased its revenue in certain areas and for the third year in a row it reported a net profit in the double-digit millions. The Supervisory Board is therefore extremely pleased that the Company's earnings position once again provides justification for the Supervisory Board and the general partner to propose to the Annual General Meeting in November 2014 to distribute a dividend using the net profit.

### **Supervisory Board activity, meetings**

In the 2013/2014 financial year, the Supervisory Board closely monitored the status and development of the Company and the Group. It exercised all of the rights and duties incumbent upon it by virtue of the law and the Articles of Association.

The Supervisory Board met five times during the 2013/2014 financial year (on 24 September 2013, 25 November 2013, 11 March 2014, 20 May 2014 and 27 June 2014). Given the fact that the Supervisory Board only has six members, it has not formed any committees; all issues are deliberated and all resolutions are passed by the full Supervisory Board. Resolutions are adopted in accordance with the provisions of the Articles of Association and the relevant law.

During the reporting period, the Supervisory Board received regular, timely and comprehensive oral and written reports from the management within the meaning of § 90 of the German Stock Corporation Act (Aktiengesetz, "AktG"). These reports focused on the development of the business, the Company's and the Group's liquidity, earnings and financial position, corporate planning (specifically, financial, investment and personnel planning), the risk position and risk management within the Company and the Group, measures initiated to streamline the Group structure (acquisition of hereditary building right to the stadium and the merger of Group companies with Borussia Dortmund GmbH & Co. KGaA), the implementation of a capital increase under the exclusion of existing shareholders' pre-emptive subscription rights in a partial utilisation of Authorised Capital 2010 (representing the reason for and focus of the meeting on 27 June 2014), as well as strategic issues. Moreover, the Supervisory Board received written reports in the intervals between its meetings. These reports and the subsequent discussion and verification thereof also dealt with the interim financial reports (i.e., the half-yearly financial report and quarterly financial reports). Moreover, the Chairman of the Supervisory Board was in regular contact with the management outside of meetings; he was kept regularly apprised of current developments in the business and major business transactions and advised on strategic and budgetary issues as well as the Company's business development, risk position, risk management and compliance issues. The management fulfilled its duty to keep the Supervisory Board informed in a complete, continuous and timely manner.

The Supervisory Board advised and monitored the general partner and its managing director on the management of the Company. The reports of the management and the Supervisory Board's enquiries and deliberations formed a basis for this function. The Supervisory Board considers the management of the Company to be in compliance with the law and in proper order, it deems the internal control system, risk management system and internal audit system to be effective, and attests to the Company's

corporate organisation and economic viability. Reports and consultations also concerned issues relating to athletic performance.

In addition, the Supervisory Board reviewed the accounting and financial reporting for financial year 2013/2014 and the preparations for the Annual General Meeting in the previous year. Part of this review involved ascertaining the independence of the auditor prior to resolving to propose it for election. Moreover, the Supervisory Board reviewed the terms of engagement and the engagement of the auditor, which had been elected in the previous year's Annual General Meeting.

### **2013/2014 Annual and Consolidated Financial Statements**

The annual financial statements for Borussia Dortmund GmbH & Co. KGaA and the consolidated financial statements as at 30 June 2014 and the management report for the Company and the Group management report (each of which comprising the explanatory report on disclosures made pursuant to § 289 (4) and § 315 (4) of the German Commercial Code (Handelsgesetzbuch, "HGB")) were prepared and submitted in due time by the management and were audited, along with the bookkeeping system by the auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Dortmund, in accordance with the statutory provisions, and were each issued an unqualified audit opinion. With respect to the risk early warning system, the auditor found that the management had taken the appropriate measures as required under § 91 (2) AktG, particularly with respect to establishing a monitoring system suited towards identifying risks early on which may jeopardise the Company as a going concern.

The annual and consolidated financial statements, the management report for the Company and the Group management report containing the risk report and the corresponding audit reports were submitted to all members of the Supervisory Board in due time. These documents were discussed in detail, explained

and reviewed by the Supervisory Board at a meeting on 9 September 2014, with the management and the auditors attending. At that meeting, the auditors reported on and discussed the key findings of their audit, including those relating to the accounting-related internal control and risk management system. The auditor and the management responded to questions raised by the Supervisory Board.

The Supervisory Board concurred with the auditors' findings and, subsequent to its own review work, did not raise any objections. At its meeting on 9 September 2014, the Supervisory Board approved the annual financial statements of Borussia Dortmund GmbH & Co. KGaA as at 30 June 2014 as well as the consolidated financial statements as at 30 June 2014.

Moreover, the Supervisory Board performed its own review of the report on relationships with affiliated companies (dependent company report) for the 2013/2014 financial year prepared by the general partner pursuant to § 312 AktG. The dependent company report was also audited by the auditor, who issued the following opinion:

"Having conducted a proper audit and assessment, we hereby confirm that

1. the factual information in the report is correct,
2. the consideration paid by or to the Company in connection with the legal transactions listed in the report was not inappropriately high."

The auditor's report on the audit of the dependent company report had also been submitted to the Supervisory Board. These documents were discussed and reviewed by the Supervisory Board at the aforementioned meeting, with the auditor and the management in attendance. Upon concluding its review, the Supervisory Board did not raise any objections to the declaration by the general partner at the conclusion of the dependent company report. The Supervisory Board noted with

approval the findings of the audit of the dependent company report by the auditor.

The Supervisory Board proposes to the Annual General Meeting that the annual financial statements as at 30 June 2014 be adopted. At its meeting on 9 September 2014, the Supervisory Board discussed and reviewed the proposal for the appropriation of net profits by the general partner, taking into account the interests of the limited liability shareholders and the position of the Company, namely the financial and capital structure; the Supervisory Board approved the management's proposal to the Annual General Meeting that it resolve to use the net retained profits of EUR 10,558,169.13 for financial year 2013/2014 to distribute a dividend of EUR 0.10 per share (ISIN DE0005493092) carrying dividend rights (totalling EUR 6,140,570.00) and to transfer the remainder (EUR 4,417,599.13) to other revenue reserves.

Moreover, the Supervisory Board proposes ratifying the actions of the general partner, Borussia Dortmund Geschäftsführungs-GmbH, for the 2013/2014 financial year.

### **Corporate governance**

The Supervisory Board and the management of the general partner also dealt with issues of corporate governance during the reporting period. The Supervisory Board also assessed the efficiency of its work, namely the frequency of its meetings and their pre-

paration and conduct, as well as the flow of information. The current Declaration of Conformity was adopted at the same time as the resolution on this report and relates to the German Corporate Governance Code in the currently applicable version dated 13 May 2013, which has as of yet not been amended in calendar year 2014. The full declaration is permanently available online at [www.bvb.de/aktie](http://www.bvb.de/aktie), under "Corporate Governance". Additional disclosures and explanations in this regard are made in accordance with section 3.10 of the Code in connection with the corporate governance declaration.

### **Personnel matters**

Mr Friedrich Merz, having resigned his mandate, left the Supervisory Board with effect from the expiry of 30 June 2014.

In August 2014, the Executive Committee of the Advisory Board of Borussia Dortmund Geschäftsführungs-GmbH and the Chairman of the management, Mr Hans-Joachim Watzke agreed to renew his service agreement early; the agreement was set to expire on 31 December 2016 and was extended until 31 December 2019. Mr Thomas Treß's term is currently set to expire on 30 June 2016.

The Supervisory Board would like to express its gratitude to the management, the Works Council and all employees for their enduring commitment and hard work. It also wishes to thank Borussia Dortmund's business partners, shareholders and fans for their trust.

Dortmund, September, 9<sup>th</sup> 2014

The Supervisory Board



Gerd Pieper  
Chairman