

REPORT OF THE SUPERVISORY BOARD

Borussia Dortmund GmbH & Co. KGaA looks back on a very complex 2017/2018 financial year. Kicking off with the positive news, Borussia Dortmund met one of its key objectives for the season and qualified directly for the group stage of the 2018/2019 UEFA Champions League. The Company's financial position remains healthy sustainable in equal measure, and will be discussed in detail further on in this report. The negative news focused on the transfer drama surrounding players Ousmane Dembélé and Pierre-Emerick Aubameyang, early elimination from the UEFA Champions League, a string of poor performances in the Bundesliga and the resulting early replacement of trainer Peter Bosz with Peter Stöger mid season. The myriad reasons for the somewhat unsatisfactory performance on the pitch, which are often not sufficiently acknowledged in this context, include the consequences of the bomb attack on 11 April 2017.

The Supervisory Board would like to take this opportunity to express its utmost regard for the way in which the management handled these many difficult situations and circumstances in the past season. Thanks are also due to trainer Peter Stöger and his coaching staff, who were initially appointed on a temporary basis until 30 June 2018 and took BVB from eighth place in the Bundesliga to round out the season directly qualifying for the UEFA Champions League.

Conclusions have already been drawn from the past season and the first actions and staffing decisions are in place. Lucien Favre was appointed to the vacant position of head coach from 1 July 2018. The team managers headed by Michael Zorc have been bolstered by the appointment of the new Head of the Professional Squad and former BVB captain Sebastian Kehl and external advisor Matthias Sammer. Together with these colleagues, management has set itself the goal of rebuilding the squad and making a new start, both on the pitch and in communications. For the Supervisory Board, the issue is now for all stakeholders to take a realistic view of this new beginning and to breath new life into the "Dortmund spirit". While the Supervisory Board is

optimistic and has the utmost confidence that those in charge will ultimately be successful, this will inevitably require time and patience. We call on all those who believe in BVB to lend their utmost support and trust to our players and the club. If we make a success of it, we can look forward to an even more enjoyable 2018/2019 season on the pitch.

From a financial viewpoint, Borussia Dortmund can look back on one of its most successful ever financial years. Consolidated revenue increased by 32.13% to a recordhigh EUR 536.0 million (previous year: EUR 405.7 million). In the financial year ended, consolidated net profit after taxes amounted to EUR 28.5 million (previous year: EUR 8.2 million), which was reflected in the results of operations in Borussia Dortmund GmbH & Co. KGaA's singleentity financial statements. The Company generated net income for the year after taxes of EUR 26.4 million (previous year: EUR 6.3 million). The Supervisory Board is therefore extremely pleased to report that it and the general partner will, for the seventh consecutive year, propose to the Annual General Meeting in November 2018 that it resolve to distribute a dividend using the net profit.

Supervisory Board Activity, Meetings

In the 2017/2018 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 four times during the 2017/2018 financial year (on 11 September 2017, 27 November 2017, 01 March 2018 and 14 May 2018). In addition, one resolution was circulated and adopted by the Supervisory Board without holding a meeting. With the exception of Dr Werner Müller and Mr Christian Kullmann, all members attended more than half of the meetings of the Supervisory Board. All resolutions were adopted in accordance with the provisions of the Articles of Association and the relevant law. All issues are deliberated and all resolutions are passed by the

full Supervisory Board; the Supervisory Board has not formed any committees.

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 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 directors 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 concerned in particular athletic performance in the 2017/2018 season.

In the reporting period, the Supervisory Board also adopted resolutions on commissioning an external review of the Company's separate non-financial Group report for financial year 2017/2018 (§ 111 (2) sentence 4 in conjunction with § 278 (3) AktG), on amending its rules of procedure, and on issuing the Supervisory Board's pre-approval for non-audit services provided by the auditors pursuant to Article 5(4) of the EU Audit Regulation and § 319a (3) HGB. In addition, the Supervisory Board reviewed the accounting and financial reporting and the preparations for the Annual General Meeting in the previous year. Part of this review involved ascertaining the independence of the auditor, taking into consideration the additional services rendered by it, prior to resolving to propose it for election. The Supervisory Board's activities also covered the terms of engagement and the fee agreement, the audit focal points and engaging the auditor elected by the previous year's Annual General Meeting.

2017/2018 Annual and consolidated financial Statements

The annual financial statements for Borussia Dortmund GmbH & Co. KGaA and the consolidated financial statements as at 30 June 2018 and the management report for the Company and the Group management report (each of which comprising the explanatory report on disclosures made pursuant to § 289a (1) and § 315a (1) 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 ("KPMG"), 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 10 September 2018, 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 10 September 2018, the Supervisory Board approved the annual financial statements of Borussia Dortmund GmbH & Co. KGaA as at 30 June 2018 as well as the consolidated financial statements as at 30 June 2018.

Moreover, the Supervisory Board performed its own review of the report on relationships with affiliated companies (dependent company report) for the 2017/2018 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 con-

cluding 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 general partner had voluntarily prepared a sustainability report for the 2016/2017 financial year. The requirements introduced in the German CSR Directive Implementation Act (*CSR-Richtlinie-Umsetzungsgesetz*) stipulate that, from the 2017/2018 financial year, the Borussia Dortmund Group must separately disclose the non-financial aspects of its activities. In line with the statutory options, the general partner has chosen to prepare a separate non-financial Group report pursuant to § 315b (3) HGB that is not part of the Group management report, and to make this permanently available on the Company's website. The Supervisory board engaged KPMG to provide limited assurance over the separate Group non-financial statement. KPMG issued a limited assurance report based on this engagement. This means that, based on the work it performed and the evidence it obtained, nothing had come to KPMG's attention that caused it to believe that the separate non-financial Group report for the period from 1 July 2017 to 30 June 2018 had not been prepared, in all material respects, in accordance with § 315b and § 315c, in conjunction with § 289c to § 289e HGB. The separate non-financial Group report and the review report prepared by KPMG were presented to the Supervisory Board. After discussing the topic at its meeting convened to approve the financial statements on 10 September 2018, the Supervisory Board concurred with the findings of KPMG's limited assurance engagement and raised no objections to the separate non-financial Group report based on the findings of its own review.

The Supervisory Board proposes to the Annual General Meeting that the annual financial statements as at 30 June 2018 be adopted. At its meeting on 10 September 2018, 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 26,404,743.83 for financial year 2017/2018 to distribute a dividend of EUR 0.06 per share carrying dividend rights (totalling EUR 5,518,866.00) and to transfer the remainder (EUR 20,885,877.83) to other revenue reserves.

Moreover, the Supervisory Board proposes ratifying the actions of the general partner, Borussia Dortmund Geschäftsführungs-GmbH, for the 2017/2018 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 preparation 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 07 February 2017. The full declaration is permanently available online at <http://aktie.bvb.de/eng>, 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

In February 2018, the Executive Committee of the Advisory Board of Borussia Dortmund Geschäftsführungs-GmbH and Chairman of the management, Hans-Joachim Watzke, agreed to extend his existing service agreement (originally set to expire on 31 December 2019) until 31 December 2022. Agreement was likewise reached with Managing Director

Thomas Treß to extend his service agreement (originally set to expire on 30 June 2020) until 30 June 2022. The former Head of Sales & Marketing, Carsten Cramer, was appointed as a subsequent managing director with effect as at 1 March 2018. His service agreement also runs until 30 June 2022.

There were no changes in the composition of the Supervisory Board in financial year 2017/2018 as against the previous year.

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.

The Supervisory Board also wishes to thank Borussia Dortmund's business partners, shareholders and fans for their trust.

Dortmund, 10 September 2018

The Supervisory Board



Gerd Pieper
Chairman