



BUSINESS AND FRAMEWORK CONDITIONS

FINANCIAL YEAR 2007/2008 IN REVIEW

The trust that Borussia Dortmund GmbH & Co. KGaA's shareholders placed in us in 2007/2008 was reflected in their vote at the General Shareholders' Meeting to approve the actions of the management and the Supervisory Board by over 99%, and has provided us the tail-wind needed to bring the restructuring of our Company to completion.

The crucial step at this juncture was the early repayment of the loan from Morgan Stanley, which was made possible by entering into an agreement with our marketing partner Sportfive, extending our partnership until 2020. Furthermore, a number of key agreements were extended with partners who will assure the stability of our future business development.

The early extension of our partnership with our primary sponsor EVONIK Industries until 2011 is just one example. This followed the – also early – extension until 2016 of our agreement with SIGNAL IDUNA concerning the stadium name “SIGNAL IDUNA PARK”. The newly signed agreement with the Radeberger Group will remain in force until 2011 and stipulates that from now on, the only beer served in SIGNAL IDUNA PARK will be the Dortmund “Brinkhoff's No. 1”.

This means that the critical framework conditions for the future of the Borussia Dortmund Group are in place. However, we will continue to need patience and perseverance – especially in driving forward our sporting development, which is the basic foundation of future economic success.

The signing at the end of the financial year of Jürgen Klopp to be head coach starting next season embodies the maxim “sustainability before speed”. This man had long been in Borussia Dortmund's sights as their top choice for coach. By signing him, the team hopes to bring to life the fundamentals of the sporting philosophy that had been defined together with the management.

That philosophy entails building up a strong team of young, ambitious and talented players – not necessarily from our own youth teams – backed up by experienced “pillars”. Over the medium term, that team will be able to hold its own again against the top teams in the German *Bundesliga* and internationally.

In view of the agreements described above that were concluded in the 2007/2008 financial year, and given



*DFB Cup
4 August 2007
1. FC Magdeburg 1:4 BVB*

Tinga and Co. had a harder time with Magdeburg than the final score suggests.



*Match day 1
12 August 2007
BVB 1:3 MSV Duisburg*

BVB stumbles over the “Zebras” at kick-off: Sebastian Kehl going head to head with Manasseh Ishiaku.

the fact that the Group's financial leeway will continue to grow, this goal appears quite realistic.

The team's further sporting development will go hand-in-hand with the further development of its attitude, performance and confidence. This team, this club, this Company identifies with Dortmund, with the region in which we live and work, in fundamental ways that are clear for all: it is driven to succeed, it is unpretentious, it has a fighting spirit, it is sincere.

Our 13th place ranking in the Bundesliga made the last sporting season a disappointing one. Nonetheless,

the team fought for and won a spot in a European competition through to its successful performance in the DFB Cup, where it went all the way to the finals in Berlin.

In the new financial year, our return to the European sporting scene will serve to motivate us to continue patiently on the successful path we have chosen. The fact that nearly 50,000 season tickets were again sold for the 2008/2009 season is confirmation that BVB's fans are prepared to accompany us along this path.

Key financial indicators

Overview of the key financial figures
Borussia Dortmund Group

EUR millions	2007/2008 30 June 2008	2006/2007 30 June 2007
Equity	80.8	86.5
Investments	4.8	16.3
Gross revenue	116.3	106.0
Operating profit (EBIT)	5.4	15.6
Financial result (investment income and net interest expense)	-10.1	-8.5
Net profit/loss for the period	-3.9	10.1
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	20.9	29.1
Cash flows from operating activities	56.6	12.1
Number of shares (in thousands)	61,425	61,425
Earnings per share shares (in EUR)	-0.07	0.17



Match day 2
18 August 2007
FC Schalke 4:1 BVB

Whatever Gerald Asamoah is doing with Robert Kovac in this scene, it doesn't look gentle...



Match day 3
25 August 2007
BVB 3:0 Cottbus

He came, he saw, he scored – twice!
In as a substitute, Diego Klimowicz scores two goals.

DEVELOPMENT OF THE MARKET AND COMPETITIVE ENVIRONMENT IN GERMAN PROFESSIONAL FOOTBALL

Ticketing

Although the 2008/2009 *Bundesliga* season has yet to begin, one record has already been broken: The eighteen first division clubs have sold well more than 400,000 season tickets before the first kick-off of the new season. This figure has never been reached before in *Bundesliga* history. One can only guess how strong the demand for season tickets really is since many clubs have suspended season ticket sales after reaching their maximum limit.

With 49,500 season tickets sold, Borussia Dortmund has once again taken the lead, arriving at just below its record for last year due to the fact that it has held back a number of standing-room-only tickets.

During the 2007/2008 season, the *Bundesliga* recorded a 1.5% drop in spectators. However, licence football – comprising both the *Bundesliga* and the Second *Bundesliga* – recorded a 1.38% increase in spectators. This is attributable to the fact that teams with a long-standing tradition and those drawing large numbers of spectators – such as Borussia Mönchengladbach, TSV 1860 München, 1. FC Kaiserslautern and 1. FC Köln – were in the Second *Bundesliga*. Furthermore the three teams that were relegated to the Second *Bundesliga* in the 2006/2007 season hosted roughly 100,000 spectators more at home matches last season than the three teams that were promoted.

With an average of 38,975 (previous year: 39,547) spectators per match, the *Bundesliga* held its position as number one internationally. In order to improve comparability with the other leagues, DFL Deutsche Fußball Liga has decided, with immediate effect, to report absolute spectator numbers. Until now, spectator reports only accounted for tickets sold. Henceforth, the comparative figures will also include complimentary and free tickets. 11,926,395 fans attended *Bundesliga* matches during the 2007/2008 season. Borussia Dortmund welcomed 1,218,054 spectators to its matches, placing it at the top of the list, followed by FC Bayern Munich (1,181,709) and FC Schalke 04 (1,040,901). Just under 55% of the tickets sold were season tickets. According to DFL Deutsche Fußball Liga, this was due not least to solid infrastructure, state-of-the-art stadiums and the lowest admission prices compared to all other top European leagues.

TV marketing

The three-year contract for TV marketing entered into in December 2005 for a total amount of over € 1.2 billion expires on 30 June 2009.

In October 2007, DFL Deutsche Fußball Liga negotiated a follow-up agreement with Sirius SportMedia GmbH intended to cover at least € 3 billion in domestic marketing alone for the coming six years. This arrangement represents a fundamentally new

Match day 4
1 September 2007
Hansa Rostock 0:1 BVB



Giovanni Federico celebrates his first goal for BVB. The former Karlsruhe player scored the goal in the 1:0 victory over FC Hansa.

Match day 5
14 September 2007
BVB 3:0 Werder Bremen



Mladen Petric: Double scorer in the match against Bremen.

marketing model that avoids dependencies and opens up new options. This marketing model rests on three pillars:

- DFL will commission an agency to award media rights in German-speaking countries from 2009 to 2015
- *Bundesliga* will produce its own, journalistically independent programme for live pay-per-view television
- DFL will form a separate company to market international media rights

The German Federal Cartel Office (*Bundeskartellamt*) has initiated investigations into the agreement with Sirius SportMedia GmbH, as well as the centralised marketing of media rights. As a result, it has not yet been possible to proceed with the awarding of media rights as planned by DFL. The *Bundeskartellamt* rejected the league association's plans in July 2008 on the basis that the model did not sufficiently satisfy the requirements of antitrust law.

However, the *Bundeskartellamt* did not raise objection to the German Football Association's (*Deutscher Fußball-Bund*, "DFB") centralised marketing of the DFB Cup in 2011/2012.

International players

The founding of the European Club Association (ECA) and the signing of a memorandum of understanding between UEFA and the new organisation,

which represents the clubs' interests at the European level, signalled the launch of a new era in football.

According to the joint declaration of FIFA and UEFA, the formation of the ECA will restore harmony between the governing bodies and the clubs. The signing of the joint memorandum of understanding means that UEFA will consider the ECA as a single body that may represent the interests of the clubs at the European level, while the ECA recognises UEFA as the supreme body for football in Europe and FIFA as the supreme body for football worldwide.

The ECA, which is expected to comprise a total of 103 clubs from the 53 UEFA member countries, is an independent, autonomous body that represents European clubs and their interests vis-à-vis FIFA and UEFA. The first joint resolution stipulates that in the coming six years, funds will be paid to those clubs sending international athletes to the World and European Cups.

The unauthorised dispatch of *Bundesliga* athletes to the Olympic Games caused a stir recently. These athletes had been nominated to represent their countries at the Olympic Games, although they had not obtained permission from their employers. After some confusion and differences of opinion between associations and governing bodies, it was decided that *Bundesliga* clubs were not required to release their players for the Olympic football tournament. This final ruling was pronounced by the international Court of Arbitration for Sport.



Match day 6
22 September 2007
Hertha BSC 3:2 BVB

An acrobatic bicycle kick: Diego Klimowicz sizes up the situation in Hertha BSC Berlin's penalty box.



Match day 7
25 September 2007
BVB 0:3 Hamburger SV

In a tight squeeze: Christian Wörns and Dede (right) allow Paolo Guerrero no passage.

Transfer system

A good 12 years after the groundbreaking Bosman ruling, the CAS ruling in the case of the Scottish player Andy Webster has caused an uproar in professional football. Although he was under contract with the Scottish club Heart of Midlothian, Webster transferred to Wigan Athletic in the English Premier League. The Court of Arbitration for Sport (CAS) has now ruled that Webster was in breach of contract, and ordered him to pay damages to his former club in accordance with Article 17 of the FIFA Statutes. Immediately following this ruling, some had initially feared that the professional football transfer system would again have to cope with fundamental changes as it did in the aftermath of the Bosman case. However, when considered rationally, such fears are unfounded since Article 17 of the FIFA Statutes does not stipulate any right of termination for players wishing to transfer to other teams. The CAS explicitly confirmed this. The Statute merely lays out the legal con-

sequences of a breach of contract by a player. This is relevant solely to international transfers; player transfers within the *Bundesliga* are not affected by the CAS ruling. DFL Deutsche Fußball Liga GmbH is currently scrutinising the precise consequences of this ruling.

In cooperation with the German Football Association (DFB) and under the aegis of the European Professional Football Leagues (EPFL), the League Association (*Ligaverband*) will be working out a joint position of the football community. Moreover, FIFA has announced that it plans to revise the ambiguous wording of Article 17 of the FIFA Statutes. It is furthermore advisable that the clubs include legal sanctions in new player contracts for the event of a breach of contract on the part of the player. In the event of a dispute, clubs do have recourse to the regular national courts in order to enforce claims for injunctive relief and damages.

Match day 8
29 September 2007
Karlsruher SC 3:1 BVB



Delron Buckley races with Karlsruhe player Timo Staffelt for the ball: Rarely has the BVB looked so determined.

Match day 9
5 October 2007
BVB 2:1 VfL Bochum



Celebrating Giovanni Federico's long-range shot to win the match 2:1.

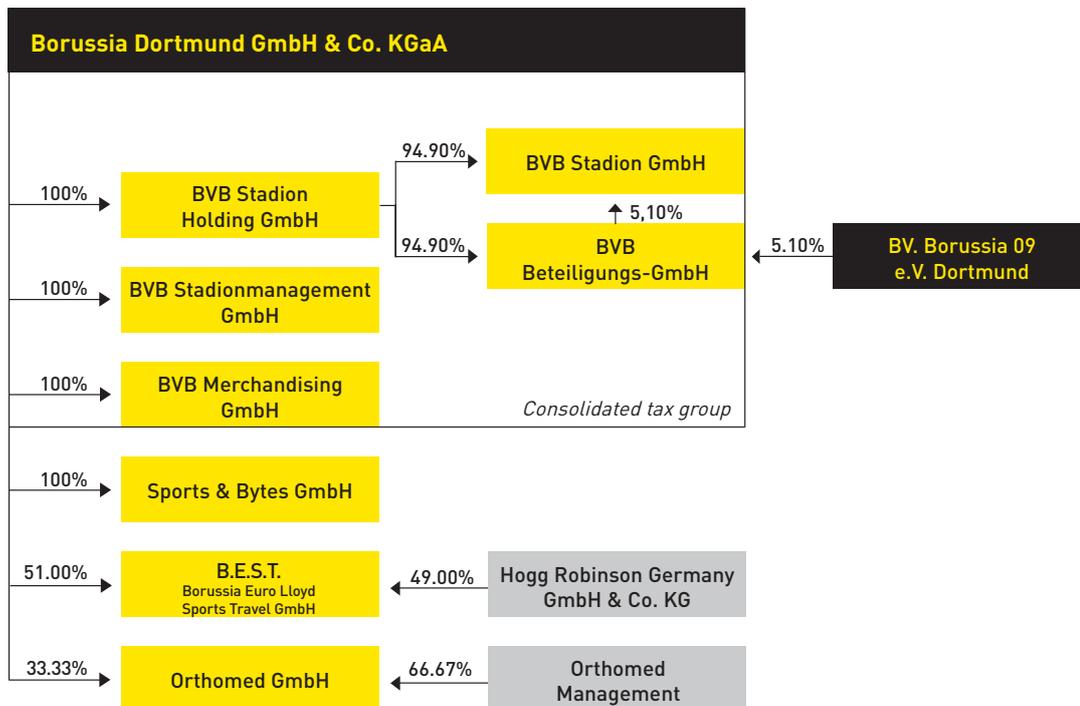
GROUP STRUCTURE AND BUSINESS

Group legal structure

The Group management report is based on the consolidated group of Borussia Dortmund GmbH & Co. KGaA. In addition to its core activities of football and the marketing of SIGNAL IDUNA PARK, Borussia Dortmund is involved in lines of business related to football. At present, the Company holds direct and indirect interests in the following companies: BVB Stadionmanagement GmbH (100.00%), BVB Stadion Holding GmbH (formerly

gool.de Sportswear GmbH) (100.00%), Sports & Bytes GmbH (100.00%), BVB Merchandising GmbH (100.00%), BVB Stadion GmbH (99.74%), BVB Beteiligungs-GmbH (94.90%), B.E.S.T. Borussia Euro Lloyd Sports Travel GmbH (51.00%) and Orthomed GmbH (33.33%).

Some of these companies have concluded mutual control and/or profit and loss transfer agreements.



Match day 10
20 October 2007
Leverkusen 2:2 BVB

Head to head race for the ball between Diego Klimowicz and Hans Sarpei.



Match day 11.
28 October 2007
BVB 0:0 FC Bayern

Fight for the ball: Toni and the formidable Tinga (right).



BVB Merchandising GmbH

BVB Merchandising GmbH, a wholly-owned subsidiary of Borussia Dortmund GmbH & Co. KGaA, was again a key income driver in the past financial year. The company finished the financial year with a profit of € 0.30 million before profit transfer, beating its prior-year result by € 0.44 million. This was due to the increase in the company's total revenues by approximately 51.4% to € 7.97 million.

BVB Merchandising GmbH even generated a record profit from its core business of selling and marketing merchandise, with revenues amounting to € 7.37 million. (previous year: € 4.63 million)

This is attributable largely to the proceeds from the jersey exchange promotion with EVONIK Industries. In three days, roughly 40,000 jerseys were distributed to season ticket holders in an unprecedented promotion. The primary sponsor of Borussia Dortmund GmbH & Co. KGaA, EVONIK Industries AG, promised every season ticket holder a jersey as a token of thanks for their support last season and in anticipation of EVONIK's upcoming IPO. The jersey distribution promotion was just as great a challenge for EVONIK Industries as it was for the Dortmund-based company, and although neither partner had had any previous experience in implementing such a promotion, both partners were congratulated after the successful execution of the campaign.

However, notwithstanding the jersey promotion, BVB Merchandising GmbH increased its revenues from the sale of merchandise by 21%. Merchandise sales in particular reflect the emotions of the fans,

with revenues and sporting success being strongly correlated. This growth is attributable to the team's participation in the Cup finals and the merchandise that was created specifically for this special occasion and the Cup competition, as well as unique sales promotions such as the "Steh drauf" – attending the local derby "up close and personal" campaign.

The fan shop that opened in January 2007 in the August Lenz building has proven to be another revenue driver, and has meanwhile established itself as a key component in the Merchandising sales structure.

Sports & Bytes GmbH

In the period from 1 July to 30 June 2008, Sports & Bytes GmbH recorded a profit of € 0.009 million.

The key mission of the wholly-owned subsidiary Sports & Bytes comprised IT process implementation and video reporting on *Bundesliga* and DFB Cup matches on BVB TV and live broadcasts on BVB Netradio.

BVB Netradio premiered on Holy Saturday 1999. Sophisticated technology and ever larger data servers allow it to reach a broader public every year. The current average number of listeners for *Bundesliga* matches is between 70,000 and 90,000. On 26 February 2008, the station reached a record 125,000 users listening in on BVB's 3:1 DFB Cup quarterfinal victory against TSG 1899 Hoffenheim. This match was not broadcast live on TV. Fans listened in from around the world: the US, Canada, Japan, China, India, Indonesia, Thailand, Nicaragua, Sri Lanka and Tanzania, as well as almost every country in Europe.



*DFB Cup
31 October 2007
BVB 2:1 Frankfurt*

A head above the rest: Scorer Markus Brzenska against Marco Russ.



*Match day 12
3 November 2007
Hanover 96 2:1 BVB*

Robert Kovac makes a last minute save just before Hanover's Szabolcs Huszti shoots.

BVB TV is part of the BVB CLUB and has been a fixed component of the BVB homepage since November 2003. A video recap of every Borussia match can be accessed here shortly after the end of play. But the BVB CLUB offers even more: Fans have access to their own BVB e-mail address, exclusive news, downloads and a wide range of communications tools, from chat to star chat and through the forum.

Sports & Bytes GmbH is currently developing an electronic player passport on behalf of Borussia Dortmund GmbH & Co. KGaA's sports management.

**BVB Stadion Holding GmbH
(formerly goool.de Sportswear GmbH)**

Pursuant to the resolution of the Shareholders' Meeting on 10 June 2008 and the entry into the commercial register on 13 June 2008, the wholly owned subsidiary goool.de Sportswear GmbH will henceforth operate under the name BVB Stadion Holding GmbH.

At the same time, the purpose of the company was changed: Going forward, the object of BVB Stadion Holding GmbH will be to make equity investments in other companies.

The company's original business of manufacturing and selling sports and leisure attire was suspended and the remaining merchandise held in inventory was sold to BVB Merchandising GmbH.

In the current financial year, the loan granted by Morgan Stanley was repaid in full by Borussia Dortmund GmbH & Co. KGaA. The Company is hence free from financial liabilities.

With effect from 30 June 2008, the liabilities to the KGaA were transferred to the capital reserves of BVB Stadion Holding GmbH.

BVB Stadion Holding concluded the financial year with a loss of € 4.25 million prior to loss absorption by the KGaA. The results were impacted for the last time by the negative financial result of € 3.75 million to finance the stadium shares.

BVB Stadion GmbH

BVB Stadion GmbH, which is the legal successor company to Westfalenstadion Dortmund GmbH & Co. KG, owns the stadium property.

The BVB Group holds a 99.74% interest in BVB Stadion GmbH through BVB Stadion Holding GmbH and BVB Beteiligungs – GmbH; BV Borussia 09 e.V. Dortmund holds a 0.26% interest.

The company entered into a lease agreement with Borussia Dortmund GmbH & Co. KGaA for the use of the stadium property with a fixed term until 30 June 2027.

Additionally, a profit and loss transfer agreement was entered into with BVB Stadion Holding GmbH.

BVB Stadion GmbH's net loss before loss absorption by BVB Stadion Holding GmbH for the financial year in accordance with IFRS amounted to € 3.39 million (previous year: € 3.48 million loss).

BVB Beteiligungs-GmbH

BVB Beteiligungs-GmbH was founded and entered into the commercial register on 2 May 2006. The company holds a 5.1% interest in BVB Stadion GmbH.



*Match day 13
10 November 2007
BVB 1:1 Frankfurt*

Close your eyes and go for it: Florian Krings, here battling Patrick Ochs, scores a point against Eintracht.



*Match day 14
25 November 2007
Nuremberg 2:0 BVB*

Brzenska (left) knows what's coming: Galasek shoots past Petric and Kovac to bring the score to 1:0.



In the current financial year, Borussia Dortmund GmbH & Co. KGaA repaid in full the loan granted by Morgan Stanley to finance the stadium shares, meaning that the interest expense from this loan impacted net profit and loss for the year for the last time in 2007/2008.

Against the backdrop of the financing of the shares, BVB Beteiligungs-GmbH closed the financial year with a loss of € 0.37 million before loss absorption by BVB Stadion Holding (previous year: € 0.32 million loss).

BVB Stadionmanagement GmbH

The object of BVB Stadionmanagement GmbH is the provision of personnel and other services for the management and administration of the operating facilities of Borussia Dortmund GmbH & Co. KGaA, in particular SIGNAL IDUNA PARK.

The company entered into a profit and loss transfer agreement with the KGaA in October 2006.

In the last financial year, net income for the year was € 0.06 million (previous year: € 0.12 million).

B.E.S.T. Borussia Euro Lloyd Sports Travel GmbH

Borussia Dortmund GmbH & Co. KGaA has a 51% interest in Borussia Euro Lloyd Sports Travel GmbH.

In addition to general travel agency services, B.E.S.T. offers the conception, planning and implementation of events, conferences and congresses. BVB provides B.E.S.T. above all with the contacts and business relations it has with numerous enterprises.

B.E.S.T. Borussia Euro Lloyd Sports Travel GmbH closed the financial year with a profit of € 0.17 million (previous year: € 0.12 million).

Orthomed GmbH

Borussia Dortmund has a 33.33% interest in Orthomed Medizinisches Leistungs- und Rehabilitationszentrum GmbH. Orthomed offers an all round concept for medical rehabilitation, particularly for competitive athletes. The service package offered is divided into prophylactic measures and training-related measures. It goes without saying that all of Borussia Dortmund's sporting departments are also attended to by Orthomed.

Orthomed recorded a profit for the year of € 0.15 million as at 31 December 2007 (previous year: € 0.06 million).

*Match day 15
1 December 2007
VfB Stuttgart 1:2 BVB*



Sebastian Kehl doesn't let Pavel Pardo throw him off track: He led the BVB to victory against VfB.

*Match day 16
7 December 2007
BVB 6:1 Arm. Bielefeld*



A shooting match against Bielefeld: Florian Krinke can also add his name to the list of scorers in this game.

ORGANISATION OF MANAGEMENT AND CONTROL

The general partner, Borussia Dortmund Geschäftsführungs-GmbH, is responsible for management and representation of Borussia Dortmund GmbH & Co. KGaA. This limited liability company (“GmbH”) is in turn represented by its Managing Directors Hans-Joachim Watzke and Thomas Treß; its sole share-

holder is Ballspielverein Borussia 09 e.V. Dortmund.

The following chart shows the structures and responsibilities as between Ballspielverein Borussia 09 e.V. Dortmund, Borussia Dortmund GmbH & Co. KGaA and Borussia Dortmund Geschäftsführungs-GmbH.



Match day 17
15 December 2007
VfL Wolfsburg 4:0 BVB

This is the only scene in the last game before the winter break in which Borussia was on top (Valdez/Simunek).



DFB Cup (second round)
29 January 2008
BVB 2:1 Werder Bremen

BVB faces Werder Bremen in the second round: Tinga and Co. prevail 2:1.



The rights and duties of the KGaA's Supervisory Board, which is appointed by the General Shareholders' Meeting, are limited. Specifically, it has no authority with respect to matters involving personnel, i.e., no authority to appoint and dismiss managing directors at Borussia Dortmund Geschäftsführungs-GmbH or to stipulate the terms of their contracts. Nor is the Supervisory Board authorised to adopt internal rules of procedure for the general partner or issue any list of transactions requiring its consent. Rather, such rights and duties are vested in the governing bodies of Borussia Dortmund Geschäftsführungs-GmbH, namely its Advisory Board and the Executive Committee created by the Advisory Board.

The members of the Supervisory Board are as follows:

Gerd Pieper (Chairman)

*Proprietor and Managing Director of
Stadtparfümerie Pieper GmbH, Herne*

Harald Heinze (Deputy Chairman)

Ruedi Baer

*Consultant, B + B Beratungs AG, Watt
(Switzerland)*

Othmar Freiherr von Diemar

*Proprietor and manager of Othmar von Diemar
Vermögensverwaltung + Beratung, Cologne*

Bernd Geske

*Managing partner of Bernd Geske Lean
Communication, Meerbusch*

Christian Kullmann

*Head of the management board office and group
communications of EVONIK Industries AG,
Essen*

*Match day 18
2 February 2008
MSV Duisburg 3:3 BVB*



*Diego Klimowicz' two goals late in the
game secured BVB a point in the
match against MSV Duisburg.*

*Match day 19
10 February 2008
BVB 2:3 Schalke 04*



*Dede sees red in the derby: Jermaine
Jones from Schalke tries to calm the
Borussian.*

Within Borussia Dortmund GmbH & Co. KGaA, there are four independent areas of responsibility below the management level, namely, “Communications”, “Sport”, “Finance” and “Organisation”.

The responsible employees and the divisions for which they are responsible can be seen from the following chart.

BORUSSIA DORTMUND GmbH & Co. KGaA



Match day 20
16 February 2008
Energie Cottbus 0:2 BVB

Double-scorer Mladen Petric removes all doubt with this shot – goalie Tremmel can't quite reach.



Match day 21
23 February 2008
BVB 1:0 Hansa Rostock

Delron Buckley, shown here in an aerial duel with Kai Bülow, was the strongest player in the field.



INTERNAL MANAGEMENT SYSTEM

Sports management

Despite the successful restructuring and the economically stable results, in the future the focus will be on playing football successfully with a cost-optimised budget. In order to achieve this aim, BVB will continue to have a competitive team going forward which is made up of young, promising players.

The sporting objectives will be aligned with the financial circumstances, meaning that the makeup of the squad and its cost structure will continue to depend on foreseeable variables on the income side. Qualifying for and successfully playing in international competitions would provide the financial flexibility for acquiring additional reinforcements. The medium-term goal must therefore be for the team to establish itself at the European level of competition.

Financial management

One of the main aims of BVB's management is to increase profitability in the long-term and thus to further improve the Borussia Dortmund Group's equity resources. In addition, there is a focus on financial strength. As well as a constant improvement in the operating result, generating positive cash flow is therefore the most important financial objective of our Company. We are seeking to opti-

mise cash flow by concentrating on the impacting factors of "operating results" and "investments".

The operating result is the most important indicator for measuring success. For us, the operating result means earnings before interest and taxes (EBIT). Therefore we are constantly monitoring the operating results in all lines of business and areas of responsibility based on monthly comparisons between the budget and the actual situation. The most important drivers for the operating result are further improvement in sales revenues in the major income areas of ticketing, sponsorship, TV marketing and merchandising, and disciplined management of operating expenses.

In coming years we will concentrate on successively generating sales growth while limiting operating expenditure. In this respect, the decisive factor is qualifying for international competitions.

Capital management

The management's capital management responsibilities include stabilising and increasing the consolidated equity as determined in accordance with IFRS. We will reach these targets, in particular, by improving the operating result and through effective investments.



DFB Cup QF
26 February 2008
BVB 3:1 Hoffenheim

Giovanni Federico and Co. didn't treat their opponents (Gustavo) lightly in the quarter finals.



Match day 22
1 March 2008
Werder Bremen 2:0 BVB

Duel between Sebastian Kehl and Markus Rosenberg, a striker from Werder Bremen.

CORPORATE STRATEGY

Borussia Dortmund's continues to pursue the aim of establishing itself over the medium-term as one of the leading German football clubs after FC Bayern Munich. Following the successful implementation of the reorganisation, the restructuring of our financial liabilities and investments in the professional squad, we consider ourselves to be on the right path.

The financial foundations of the first and to date only listed German football company have been expanded with the exclusive marketing right for SIGNAL IDUNA PARK, more effective use of the "Borussia Dortmund" brand and the establishment of football-related lines of business. However, the core business will in future also be professional football together with its classic income sources of TV marketing, sponsorship, ticketing and merchandising. For the following reasons, BVB is convinced that it will be able to further stabilise and expand its position:

- Borussia Dortmund is in sporting terms one of the most successful, well known and most popular German football clubs with an outstanding fan base that provides BVB with one of the highest average numbers of spectators in Europe.
- A football company can only be financially successful if it enjoys sporting success in the long term. In order to make its financial performance less dependent on short-term sporting success in the future, Borussia Dortmund will push ahead further with national and international marketing of its brand name.

- Germany continues to be Europe's largest football market, which, however, is behind some other European markets in financial terms. This provides great growth potential.

All financial activities at Borussia Dortmund are oriented around the target groups that are relevant for a football club: Its fans, members and business partners. Products and services should be tailored to these groups in the best way possible. Through its existing brand potential, Borussia Dortmund wants to utilise all commercial opportunities presented by professional club football in an international context.

The current business strategy can principally be summarised as follows:

- Sustainable adjustment of sporting perspectives
- Intensifying the promotion of up and coming talent
- Fan involvement
- Utilisation of the "Borussia Dortmund" brand

However, financial and business development is largely dependent on sporting success. Since sporting success can only be planned to a very limited degree, the best management can do is to create a foundation for success. Investments, particularly in the professional squad, are therefore a necessary prerequisite for achieving sporting objectives, such as qualifying for the UEFA Cup. However, in order to meet financial goals, planned investments and decisions must under certain circumstances be post-



*Match day 23
7 March 2008
BVB 1:1 Hertha BSC*

The match against Hertha was hard-fought: Wörns attacks Berlin's scorer Pantelic.



*Match day 24
15 March 2008
Hamburger SV 1:0 BVB*

Hamburg's scorer Paolo Guerrero takes off the kid gloves with Borussia's Martin Amedick.



poned to the extent these would only be possible by incurring new debt. Moreover, a player may be sold based on financial considerations in cases where this would not have happened had the decision been made based solely on sporting criteria.

A conflict, or a situation where sporting considerations and financial considerations affect each other adversely, therefore arises between the pursuit of financial interests and sporting interests, particularly if the club continually falls short of its sporting goals. In such cases, management weighs up the opportunities and risks to find a solution that is broadly in line with our strategic objectives from a medium-term point of view.

The first steps in bringing us closer to this goal have been taken with the marketing of the stadium name – the agreement with the SIGNAL IDUNA Group was extended early by five years to at least 2016 –, the new principal sponsor agreement with EVONIK Industries AG – extended until 2011 – and conclusion of the new television agreement by DFL. Moreover, further significant revenue potential is available, especially by successfully qualifying for international competitions, which would have a positive effect on all Borussia Dortmund's revenue sources.

Positive operating results and investments, mainly in the professional squad, depending on those results, are expected to enable stable, positive cash flows to be achieved over the long term.



*DFB Cup SF
18 March 2008
BVB 3:0 Carl Zeiss Jena*

Tinga scores in the 13th minute for an early 1:0 lead for BVB.



*Match day 25
22 March 2008
BVB 1:1 Karlsruher SC*

Borussia – as here with Rukavina against Iashvili – were clearly the better team, but managed to score only one goal.

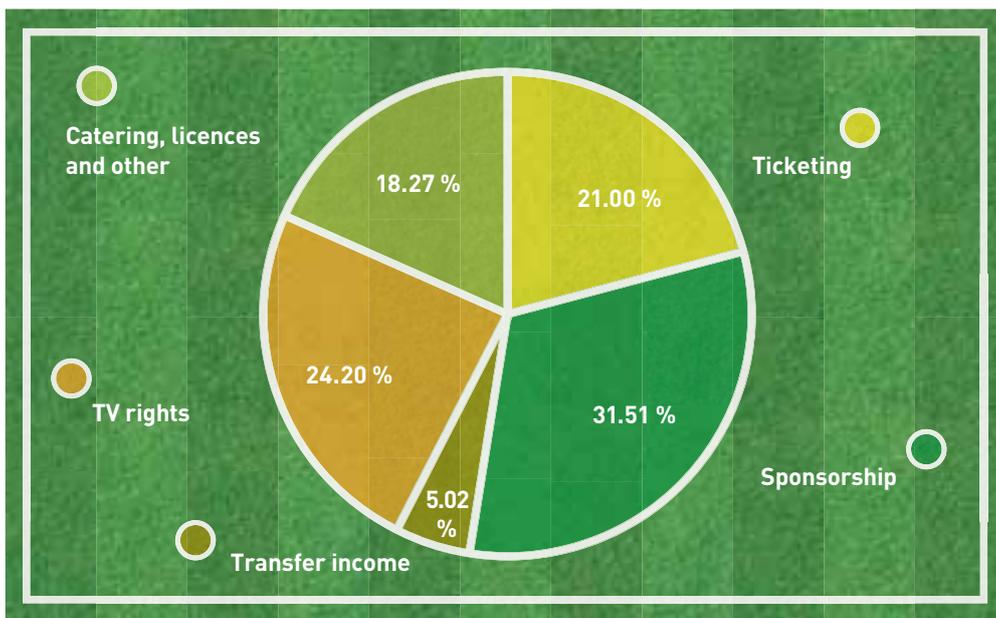
POSITION OF THE GROUP

RESULTS OF OPERATIONS

Although the Borussia Dortmund Group generated revenues of € 107.56 million, thus topping the previous year's figure by € 10.44 million and breaking through the € 100 million ceiling for the first time, the Group closed the 2007/2008 financial year with a € 3.94 million loss in accordance with IFRS (previous year: € 10.12 million).

Gross revenue amounted to € 116.28 (previous year: € 105.98 million). The result from operating activities (EBIT) was again positive, at € 5.40 million (previous year: € 15.60 million).

Borussia Dortmund Group – Revenues in %



Match day 26
29 March 2008
VfL Bochum 3:3 BVB

Nelson Valdez (here tackling Imhof) earns his "miles" in the match against Bochum as well.



Match day 27
6 April 2008
BVB 1:2 Leverkusen

These two beat Leverkusen almost single-handedly: Dede and Alex Frei, who alternately set up goals for each other.



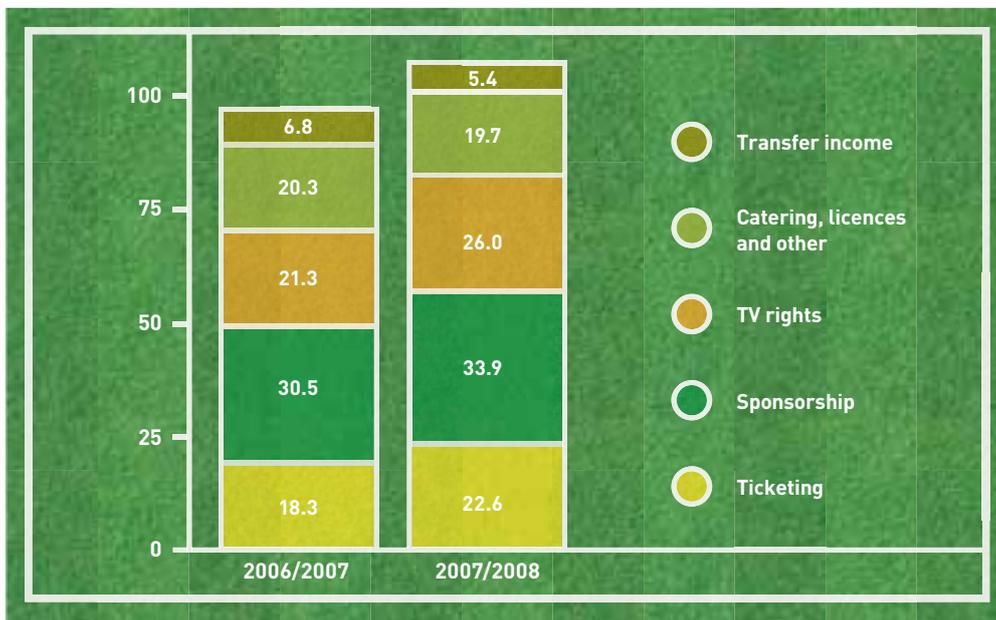
SALES DEVELOPMENT

In spite of its sporting performance in the *Bundesliga*, the Borussia Dortmund Group again increased its revenues by 10.8%. This growth is primarily attributable to the success in the DFB Cup competition, which contributed considerably to

increased revenues in ticketing (23.7%), sponsorship (10.9%) and TV marketing (22.5%).

The revenues for the individual segments are broken down as follows:

Revenues in EUR million



Match day 28
13 April 2008
FC Bayern 5:0 BVB



Disappointed Borussians (Dede, Wörns, Tinga) and jubilant Munich players (Podolski, Sagnol).

Match day 29
16 April 2008
BVB 1:3 Hanover 96



Höttecke celebrates his Bundesliga debut in the match versus Hanover but was powerless to stop this shot by Huszti.

Details of the performance of the individual revenue sources are provided in the following paragraphs.

Income from ticketing

With income from the sale of tickets for *Bundesliga* matches, the DFB Cup and from other football matches, Borussia Dortmund generated € 22.59 million in revenues, representing a € 4.33 million increase over the previous year.

Income from the sale of admissions tickets to *Bundesliga* matches amounted to € 16.72 million last year, a € 0.22 million decline. In spite of the disappointing sporting performance in *Bundesliga* matches, leading the team to rank 13th nationally, Borussia Dortmund can boast that it leads the chart in ticket sales as compared to the other *Bundesliga* clubs. Already at the beginning of the season, Borussia Dortmund set the overall *Bundesliga* record for the amount of season tickets sold: 50,549. On average, 71,650 spectators (including those holding free and complimentary tickets) attended Borussia Dortmund's home matches. However, Borussia Dortmund was less fortunate with regard to the *Bundesliga* match schedule, as each of the three midweek match days scheduled was set as a BVB home match. The matches against Hamburger SV, Hannover 96 and VfB Stuttgart confirmed again that midweek matches draw smaller crowds, thus generating weaker income.

Above all, DFB Cup ticket sales contributed to the positive earnings. With sales amounting to € 4.08 million, this represented an increase by € 3.88 million. Whereas Borussia Dortmund was already disqualified in the second main round in the previous year, it suc-

cessfully qualified for the DFB Cup finals this season for the first time in nineteen years. Of the six rounds, four were played at the home stadium, SIGNAL IDUNA PARK. Due to the high stadium capacity, this meant that it was possible to host a larger number of spectators than at away matches. It should be noted that in the national cup, ticket income does not flow solely to the home team. Rather, a share of ticket sales also goes to the guest team.

Match operations generated an additional € 1.78 million from friendly matches and from regional match operations.

Income from sponsorship

Borussia Dortmund's sponsoring income amounted to € 33.89 million, beating the prior-year figure by a further € 3.34 million.

In addition to EVONIK Industries AG, the team's committed primary sponsor who not only grabbed attention with the first ever jersey campaign in the history of the *Bundesliga*, but also extended its commitment early until 2011, Borussia Dortmund can continue to count on established partners such as Nike, SIGNAL IDUNA, Warsteiner and Sparda Bank this season. In order to strengthen these partnerships and to underpin the trust and the constructive co-operation between Borussia Dortmund and its partners, the agreement with the SIGNAL IDUNA Group was also extended early by an additional five years. Germany's largest football stadium will therefore be called SIGNAL IDUNA PARK at least until 2016. Sparda Bank also expressed its confidence in us in February by extending its Champion Partner agreement by three years.



*DFB Cup finals
19 April 2008
BVB 1:2 FC Bayern in overtime*

The equaliser in the 92nd minute: Kahn looks on dumbfounded as Lahm won't be able to stop it.



*Match day 30
25 April 2008
Frankfurt 1:1 BVB*

Kuba scores his first goal for BVB at the 1:1 tie in Frankfurt – and makes a great play.

In addition, the hospitality suites around the western, northern and eastern stands made a substantial contribution to the positive results. In addition to the suites at the regulars' level (*Stammtischebene*) and the "Rote Erde Club", which had already been at full capacity in previous years, the Business 09 Club was also completely sold out for all of this year. Incentives packages are also gaining in popularity. In recent years, these packages have been used more and more frequently by companies who would like to play host to their guests on individual match days at SIGNAL IDUNA PARK independently of season packages. An increasing number of companies who support the guest teams are also taking advantage of the opportunity to share the SIGNAL IDUNA PARK experience with business associates. In order to satisfy all the requests in this segment and in accordance with past practice, the golf area located at the south of SIGNAL IDUNA PARK and the Conference Center added in early 2007 were converted into hospitality suites on match days during the current financial year.

In addition, our DFB Cup success and the resulting qualification for the UEFA Cup in the following season helped lift revenues from advertising income.

Income from TV marketing

Income from TV marketing in the past financial year amounted to € 26.02 million, or € 4.77 million more than the previous year.

For *Bundesliga* match operations, this amount was € 20.76 million, the same level as the previous year despite our final 13th-place ranking. This was attributable to the fact that the budget for the distribution by DFL Deutsche Fußball Liga GmbH of income from marketing across all media in Germany for the 2007/2008 season was € 15.00 million higher.

The increase in TV revenues is therefore mainly due to the team's success in the national cup championships. A total of € 4.91 million was generated in the six rounds played, including the Cup final in Berlin. The German Football Association determines the distribution of the income from the marketing of media rights for each round prior to the competition. The only distinction drawn for this purpose is whether the matches are broadcast live or as a roundup.

At € 0.36 million, TV marketing for the regional league team fell just € 0.05 million short of the previous year's level.

Transfer income

In the past financial year, transfer income declined by € 1.37 million to € 5.40 million.

The core components of this revenue category were the transfers of Ebi Smolarek to Real Racing Club de Santander and Steven Pienaar to FC Everton. In summer 2007, FC Everton borrowed Pienaar from BVB, initially for a one-year term. In March 2008, the club exercised an option to buy Pienaar, who received a contract until 2011.

Match day 31
2 May 2008
BVB 0:0 Nuremberg



Though Mladen Petric managed to break free of Andreas Wolf in this picture, he ran out of luck in the end.

Match day 32
6 May 2008
BVB 3:2 Stuttgart



Alexander Frei (shown here battling Matthieu Delpierre) scores the 2nd and 3rd goals against VfB Stuttgart.

Income from retail, catering and licences including other income

In the past financial year, Borussia Dortmund generated € 19.65 million in revenues from retail, catering and licences including other income. This amount was € 0.63 million lower than the prior-year figure.

The revenues are broken down individually into the following lines of business:

Revenues from merchandising amounted to € 8.09 million, up € 2.10 million on the previous year. In addition to BVB Stadion Holding GmbH (formerly goool.de Sportswear GmbH), which generated revenues from operating activities of € 0.72 million as at 31 May 2008, BVB Merchandising GmbH generated record revenues in the amount of € 7.37 million. The wholly owned subsidiary lifted merchandise sales by approximately 59%.

This is attributable largely to the proceeds from the jersey exchange promotion with EVONIK Industries, which accounted for approximately 23% of overall volume. Notwithstanding the jersey promotion, the revenues generated exceeded the previous year's level by 21%. In addition to the team's successful performance in the DFB Cup competition and the related demand for items created specifically for this event, other special sales and promotions, such as the "Steh drauf" campaign contributed to the positive results.

As in previous years, catering in SIGNAL IDUNA PARK's circulation levels and hospitality suites, as well as for non-match events, made a significant contribution to sales. € 7.44 million was generated here, representing an increase by € 0.77 million resulting primarily from the three additional home matches. It should be noted that average consumption per customer at *Bundesliga* matches rose year on year by € 0.28 net; excluding the three midweek matches, this amount rose by € 0.37 net.

Retail, catering and licences including other income also includes proceeds from rentals and leases, the rights of use for all companies and advance booking fees from ticketing, totalling € 4.13 million (previous year: € 7.64 million). The rental and lease proceeds generated last financial year as a result of the 2006 FIFA World Cup that were recognised under this item on a one-off basis explain the € 3.51 million decline in this area.

Other operating income fell by € 0.23 million to € 8.63 million in the past financial year. Again, this decline is primarily attributable to the earnings recognised in the prior year period in relation to the 2006 FIFA World Cup. Next to the remuneration received for the first time for clubs that sent international players to the 2008 European Cup, this item primarily comprises the sale of the swap transaction with Deutsche Bank AG as part of the retirement of the credit facility with Morgan Stanley International Bank Limited, London.



Match day 33
10 May 2008
Bielefeld 2:2 BVB

Retreat: Kuba, Wörns and Kovac give chase after Bielefeld's Zuma.



Match day 34
17 May 2008
BVB 2:4 Wolfsburg

On the last day of play, the Wolves showed they were not all bark. Sascha Riether cleanly cuts the Brazilian Tinga off from the ball.



DEVELOPMENT OF SIGNIFICANT OPERATING EXPENSES

Cost of materials

The cost of materials increased by € 1.49 million to € 4.71 million. This was primarily attributable to the increase in merchandising revenue, which included the jersey exchange promotion with EVONIK.

Personnel expenses

Personnel expenses rose year on year to € 45.36 million (previous year: € 36.98 million). This increase was primarily attributable to the budget of the *Bundesliga* squad, which had already been increased at the beginning of the season, the premiums paid out upon qualifying for the DFB Cup finals and the early qualification for the UEFA Cup Championship for the 2008/2009 season.

Depreciation and amortisation

Depreciation and amortisation increased year on year by € 1.95 million to € 15.50 million, primarily due to reinforcements made to the professional squad.

Other operating expenses

Other operating expenses amounted to € 45.31 million in the 2007/2008 financial year compared with € 36.64 million in the previous year.

This increase was primarily the result of the three additional home matches, the resulting increased expense for match operations and the increase in marketing commissions and association dues in connection with the successful outcome of the DFB Cup.

FINANCIAL CONDITION

Analysis of capital structure

After taking into account the net loss for the year, the Borussia Dortmund Group's equity amounted to € 80.80 million as at 30 June 2008. This corresponds to an equity ratio of 31.49%.

In the past financial year, Borussia Dortmund's debt structure was impacted by the signing of a new marketing agreement with Sportfive, the Group-wide retirement in full of the line of credit with Morgan

Stanley amounting to € 79.2 million and the new loan taken out in this context.

Liabilities amounted to € 175.80 million as at the balance sheet date and were thus € 4.18 million higher than the previous year's level. This increase was the result of greater payment obligations for professional players and the increase in value added tax in connection with the new marketing agreement.



*DFB Cup
09 August 2008
RW Essen 1:3 BVB*

Match-winner Nelson Valdez and scorer Florian Krings celebrate the goal for a 2:1 victory over Rot-Weiss Essen.



*Match day 1
16 August 2008
Leverkusen 2:3 BVB*

Krings, Hummels, Kehl and Subotic celebrate Subotic's first goal in the Bundesliga.

Analysis of investments

Payments for investments in player assets amounted to € 3.06 million and investments in tangible assets amounted to € 1.69 million.

Analysis of liquidity

As at 30 June 2008, the Borussia Dortmund Group held cash of € 7.91 million, none of which was subject to restrictions. Furthermore, € 2.50 million in overdraft facilities is available in full.

In 2007/2008, the completion of a non-recourse sale of receivables made it possible to generate advance

funds from the new marketing agreement with Sportfive. The funds were used in full to repay the Morgan Stanley loan. Further information can be found in the notes to the cash flow statement.

The repayment of the net credit obligation in the amount of approximately € 59.2 million resulted in the release of formerly pledged collateral. This will increase future financial flexibility to make moderate investments.

NET ASSETS

Net assets fell year on year by € 1.56 million to € 256.59 million as at the balance sheet date.

The reduction in non-current assets by a total of € 5.70 million is due primarily to depreciation and

amortisation. In contrast, current assets rose by € 4.14 million as against receivables, which rose year on year. Cash and cash equivalents fell by € 5.99 million.

OVERALL SUMMARY OF RESULTS OF OPERATIONS, FINANCIAL CONDITION AND NET ASSETS

The Borussia Dortmund Group again generated an operating profit without having played in any lucrative international competitions and can continue to boast a solid equity ratio. Given this, and in connec-

tion with the restructuring of the liabilities side, the room for manoeuvre in strengthening the professional squad for the future has increased.



*Match day 2
23 August 2008
BVB 1:1 FC Bayern*

“Gimme a hug”: Goal provider Nelson Valdez pursues Kuba, the scorer. Right: Munich’s Christian Lell.



*Match day 3
30 August 2008
Cottbus 0:1 BVB*

This is how Borussia celebrates its 1:0 victory in the “stadium of friendship”.



COMPENSATION REPORT

The structure of the compensation system for management is determined and regularly reviewed by the Executive Committee of the Advisory Board. The Executive Committee is also responsible for determining the compensation of management in detail and sets the appropriate amount of compensation. The principal criteria for determining the appropriate amount of compensation are the responsibilities of the particular member of management, their personal performance and the financial condition, success and future prospects of Borussia Dortmund.

As well as annual payments not related to performance and based on market rates at comparable companies, the compensation includes a performance-related component that is based on the consolidated earnings of Borussia Dortmund GmbH & Co. KGaA before the fixed annual salary and income

taxes. In addition, special payments can be made on the basis of resolutions approved by the Executive Committee of the Advisory Board.

The component not related to performance comprises a fixed annual salary and benefits in kind, mainly derived from the amounts required to be taken into account in accordance with tax regulations e.g. for the use of company cars.

The Supervisory Board's compensation is governed by § 13 of the Articles of Association, pursuant to which each member of the Supervisory Board receives fixed compensation amounting to € 7,000; the Chairman receives twice that amount, while the Deputy Chairman receives one and a half times that amount. Value added tax is reimbursed to the members of the Supervisory Board.

RISK REPORT

In the course of its business activities, the Borussia Dortmund Group is constantly exposed to risks which may negatively impact its operations. The

identification, assessment and management of these dangers define the areas of responsibility of a company's risk management system.

RISK MANAGEMENT

With its diverse lines of business, Borussia Dortmund takes business decisions that allow it to seize the opportunities offered to the Group. However, there are risks inherent in many opportunities. While most of these risks are of no significance to the Company, some may jeopardise its existence. Given the fact that certain risks must be taken in order to sufficiently leverage opportunities, it is vital to have a functioning control and monitoring system.

It is the responsibility of the Group's internal risk management system to recognise, assess, monitor and control these risks, as well as the associated opportunities.

Borussia Dortmund's risk management system is based on principles and guidelines laid out by the management which are designed to enable uncertainties to be identified and countermeasures to be taken in good time.

In order to ensure the highest possible level of transparency, risk management has been incorporated into the organisational structure of the entire Group. Every department and division is required to report to the management on any market-relevant changes to the risk portfolio.

In order to ensure that the existing risks that have already been captured are kept up to date and to record identifiable risks, the proven risk inventory process of previous years is being kept. At regular intervals, every individual risk is highlighted, discussed and reviewed in terms of current circumstances, both in individual meetings and in plenary meetings. Depending on the classification of the risks by amount of loss they may cause and their likelihood of occurring, the necessary measures are derived or adapted. Furthermore, a functioning risk management system is in a position to identify weaknesses in the Company's internal processes, thus



offering the opportunity to counter these weaknesses through early recognition.

The observance of targets is monitored using a system of regular reporting. Particular emphasis is placed here on high priority risks which could significantly jeopardise the continuing existence of Borussia Dortmund.

The governing bodies of Borussia Dortmund received regular reports on the risk inventories performed in the past year, and the results thereof, and were thus kept informed of the Company's current risk situation. The efficiency and effectiveness of the risk management system is examined as part of the audit carried out by the Company's auditors.

SPECIFIC RISKS

STRATEGIC RISKS

A key management responsibility in a football company is to appropriately balance sporting and financial targets in terms of risk, to ensure that financial and corporate planning are performed independently of athletic success, and to maintain the company's profitability, bringing it in line with sporting objectives.

Long-term affiliations and partnerships ensure a certain level of planning security, independently of sporting success. The pursuit of athletically driven aims and the necessary measures to achieve those aims may potentially conflict with the financial objectives, such as ensuring adequate liquidity. The achievement of one company objective may therefore make it necessary to abandon or modify another objective. In such cases, management will weigh up the risks and opportunities and attempt to find a solution that is broadly in line with the strategic objectives from a medium-term point of view, while remaining within the range of defined company performance indicators in order not to jeopardise the financial objectives.

PERSONNEL RISKS

The commitment and performance of employees are essential pillars of successful company development. Quality and employee motivation will play a decisive role in future sporting and financial success.

The professional squad and the quality thereof form the bedrock enabling Borussia Dortmund to succeed as a company in its core business. Bad investments in relation to hiring new players can have far-reaching effects on sporting, and thus, financial objectives. Additionally, a lack of identification with the Company, insufficient willingness to be part of the team, and a lack of commitment negatively impact performance – particularly in terms of sport – and hence earnings. To some extent, it may however also not be possible to make up for the loss of key players as a result of injury and, as a result, the ability to meet internally defined objectives may be endangered.

Yet in the economic sector as well, the use of qualified specialists and executives is essential for BVB.

Taking the right strategic decisions and thus laying the groundwork early on for a secured future independent of sporting success is the basis for the Company's success. The ability to act with foresight is a testament to the quality of the employees used. Borussia Dortmund's organisational structure, with clear structures and areas of responsibilities was designed to ensure the separation of the specialist departments. This enables business decisions to be analysed and prepared in individual departments with the relevant expertise before a decision is made for the Company as a whole. The constant exchange between the corporate divisions is essential to optimising the quality of the decisions made and avoiding conflicts of objectives.

COMPETITIVE RISKS

Especially in recent years, the playing field for football clubs has been levelled out, in both sporting and economic terms. The economic discrepancy in size that exists in other European leagues can be more or less ruled out, e.g. by centralised TV marketing, since every club is guaranteed a minimum amount. The table rankings in recent years have also shown that the presumed smaller clubs are certainly able to hold their own in competition. The increasing balance within the league means that potential customers will increasingly be spread thinner over a larger group, with competition for sponsors growing fiercer. To complicate matters further for some clubs, sponsors are assessed differently according to region. This could mean that a partnership is forbidden for one club but permitted for its competitors. Extending co-operations with professional partners – such as the extension until 2020 of the

collaboration with Sportfive GmbH & Co. KG, which is a leader in marketing sporting rights throughout Europe and has access to an international network – reduces the risk that it will not be possible to win over new sponsors, keep existing ones and maintain sponsor relationships.

SALES RISKS

The success of the individual lines of business depends on demand, which in turn depends heavily on sporting success or is based on sympathy with those involved. In order to reduce the risk of a lack of demand, Borussia Dortmund extended agreements early with key partners, thus following the strategy of securing long-term relationships with business partners in order to create together a foundation for the future and to ensure a basis for planning security.

However, the Company can do little to counteract the reduction in demand caused by statutory provisions (ban on advertising certain products, smoking ban, ban on alcohol at sporting events). It can merely consider possible solutions to the problem in advance in order to prepare appropriate measures. Additionally, the Federal Cartel Office's rejection of the German Football Association's marketing model for broadcasting *Bundesliga* matches beginning in 2009/2010 will also have an effect on the amount of future revenues. Borussia Dortmund will not be in a position to influence this circumstance.

The League Association and the umbrella association DFL are also aware of these risks. It will be important in the coming years to systematically



implement the prepared strategies. In that regard, the political arena is gaining importance. Central issues of media marketing, transfer conditions and match operation itself are subject to increasing political influence. The internationalisation of the media, advertising, labour and capital markets does not stop at borders. Each of these factors will affect the future of professional football.

FINANCIAL RISKS

Interest rate risk

After the repayment of the line of credit with Morgan Stanley International Bank Limited and due to the fixed-interest credit agreements entered into for the coming years, the Group is not subject to any interest rate risk.

Credit risk

The Group companies conduct business exclusively with third parties of high credit standing. Credit risk can arise in the context of a player transfer and from long-term sponsorship agreements, as well as from centralised marketing agreements.

Liquidity risk

The danger of at some point not being able to meet payment obligations in a timely manner and in full is

called liquidity risk. This risk is continuously monitored and mitigated as part of the Company's liquidity policy and planning under consideration of expected cash flows.

RISKS JEOPARDISING PERFORMANCE AND CONTINUED EXISTENCE

In order to participate in *Bundesliga* matches, every club – and hence Borussia Dortmund as well – requires a licence from Deutsche Fußball Liga for at least one season. Financial performance is linked to e.g. the presumption of positive equity and proof of sufficient liquidity to ensure match operations for the duration of the season in question. If the licence were to be revoked or denied because of failure to comply with conditions or evidence of inability to meet financial criteria, this would result in automatic relegation.

But relegation to the Second *Bundesliga* can also result from lack of sporting success. The effects of relegation on earnings and liquidity could materially and lastingly adversely affect the Company's net assets, financial position and results of operations.

THE RISK SITUATION IN SUMMARY

There have been no material changes to the Group's risk situation since the last report. Thanks to its risk management system, Borussia Dortmund is in a position to meet the statutory provisions with regard to control and transparency in the Company.

A review of the overall risk situation has concluded that in the past year, no risks existed that jeopardised

the existence of the Group or the individual companies in the past year. No concrete development is presently identifiable that could materially and lastingly impact Borussia Dortmund's net assets, financial position and results of operations or continued existence in the future.

REPORT ON EXPECTED DEVELOPMENTS

ANTICIPATED DEVELOPMENT OF THE COMPANY

After having entered into the agreement with its marketing partner Sportfive and repaying the Morgan Stanley loan, Borussia Dortmund believes that it is in a position to invest more in its professional squad, as well as to finance its personnel expenses from operating activities long-term, without needing to take on additional debt. Borussia Dortmund expects that this will put it in a position

again to qualify for slots in international competitions over the medium term.

We will maintain the course we have been following for several seasons now – one of striving for sporting success from a sound equity base while avoiding financial risks – in order to re-establish ourselves at the top ranks of the *Bundesliga* over the medium term.

EXPECTED GENERAL ECONOMIC ENVIRONMENT

The trend of rising popularity of the football *Bundesliga* observed in recent years seems to be continuing into the 2008/2009 season. Based on season ticket sales, the first division clubs are already headed towards record spectator numbers for the season that has just begun.

This trend is impressive proof of how attractive the *Bundesliga* is. Given high level of quality and performance of all of the teams in the league and the new generation of coaches – featuring new faces such as Jürgen Klinsmann, Fred Rutten and Bruno Labbadia,

as well as the familiar faces of Jürgen Klopp and Ralf Rangnick – the new *Bundesliga* season already promises to be a suspenseful and entertaining one.

Even though it will be necessary to rethink the structure of the new TV marketing agreement to bring it in line with legal rulings, the product on offer is still top-notch and its market value is unquestionably high. The sound financial decision-making of the *Bundesliga* clubs puts them in a position to draw star athletes into the league, and will surely enable them to make a big play every now and again, as well.

EXPECTED RESULTS OF OPERATIONS

ANTICIPATED EARNINGS DEVELOPMENT

In 2008/2009, earnings will again depend heavily on the key factor of sporting success. In particular, successful participation in the UEFA Cup can impact earnings for the year accordingly.

The management generally expects to generate a consolidated operating profit (EBIT) for 2008/2009.



ANTICIPATED DEVELOPMENT OF REVENUES

As a result of our successful performance in the DFB Cup competition, revenues in the past season rose to € 107.56 million – a result that will be difficult to repeat without a similar sporting success, even considering the strong demand for season tickets, sold-out hospitality suites in the stadium and the successful marketing of advertising space in and around SIGNAL IDUNA PARK.

As in previous years, we would like to point out here that sporting success or increased transfer activities could cause this level to rise considerably.

ANTICIPATED DEVELOPMENT OF SIGNIFICANT OPERATING EXPENSES

Expenses for professional players will be increased in the 2008/2009 season in order to further guarantee and increase the competitiveness of the professional squad.

Equally, the Company expects that expenses for marketing commissions paid to Sportfive will increase, in particular as a result of expected increases in revenues, which cause expenses to rise proportionately.

Borussia Dortmund is intent on maintaining all other operating expenses at the same level, or even lowering them, in order to comply with savings measures introduced in previous years.

EXPECTED DIVIDENDS

Following its repayment of the Morgan Stanley loan, the KGaA still reports liabilities in the amount of € 68.76 million on its balance sheet. In spite of the resulting potential rise in earnings power and the positive results of recent years, a dividend payment would not be appropriate until Borussia Dortmund has re-established itself on the international sporting scene and generated long-term, substantial profits.

EXPECTED FINANCIAL CONDITION

FINANCIAL PLANNING

We will continue to reduce our liabilities as scheduled in financial year 2008/2009 by repaying in instalments the long-term stadium financing. We do not intend to take on new liabilities.

The amount of the other liabilities in the context of our operating activities will be relatively unchanged.

CAPITAL EXPENDITURE PLANNING

Going forward, the focus of our investing activities will lie on strengthening the professional squad and in further upgrading SIGNAL IDUNA PARK.

Construction of the “Borusseum” extension in the northeast corner of the stadium, where the history of Borussia Dortmund will be housed, has made much progress. The Borusseum will celebrate its grand opening in 2009. This renovation/construction project also includes a bridge linking the fan shop in the August Lenz building to the corner of the stadium.

ANTICIPATED DEVELOPMENT OF LIQUIDITY

Due to the consolidated operating profit and the repayment of the Morgan Stanley loan, Borussia Dortmund will continue to be in a position in the future to generate substantial financial surpluses.

These surpluses will continue to provide us with the leeway needed to strengthen the professional team, as well as to repay the long-term stadium financing on schedule.

OPPORTUNITIES

Its involvement in international competition will provide the young Borussia team an opportunity to generate additional revenues again for the first time, attributable to TV, sponsorship and ticketing revenues.

In addition, the 2007/2008 season demonstrated that the successful participation in the national DFB Cup can lead to strong additional revenues. Both competitions represent a major opportunity for Borussia Dortmund to increase its consolidated net profit.

Additionally, a successful sporting season can also be expected to translate into higher merchandising sales, leading in turn to rising revenues for this division.

However, these opportunities also depend to a great extent on which teams Borussia Dortmund is drawn

against. Particularly in the UEFA Cup, BVB could face a tough opponent in the first round for which it must rely on fate in the drawing.

No discussion of the sporting aspects would be complete without mention of the youth of the squad. Despite the fact that in comparison with the previous season the average age of the squad has fallen, the squad still possesses considerable potential. Furthermore, many key players, such as Sebastian Kehl, have signed long-term commitments with BVB.

In addition to the increased earnings mentioned above resulting from sporting success, the professional squad offers tremendous transfer potential for the future.

DEVELOPMENT FORECAST IN SUMMARY

The extension of our partnership with the marketing agency Sportfive and the subsequent repayment of financial liabilities to Morgan Stanley have again placed Borussia Dortmund in the comfortable position to be able to invest more in its professional squad in order to systematically improve its competitiveness. In keeping with our policy of previous years, we assumed no unforeseeable financial risks

in making these investments. Thanks to our increased financial flexibility, however, we have already been able to sign key players this season, such as Neven Subotic, Tamas Hajnal, Patrick Owomoyela and Mohamed Zidan.

We will continue to strive to reclaim our place among the leading *Bundesliga* clubs in the medium term.



REPORT ON POST BALANCE SHEET DATE EVENTS

Borussia Dortmund is pleased to announce that it has sold 49,500 season tickets for 2008/2009, once again underscoring Dortmunders' high level of enthusiasm for and excitement in anticipation of football in SIGNAL IDUNA PARK.

From the sporting point of view, things are looking distinctly encouraging. The additions of Lukas Kruse, Felipe Santana, Patrick Owomoyela, Neven Subotic, Tamas Hajnal, Bajram Sadrijaj and Mohamed Zidan to the roster of coach Jürgen Klopp mean that the team is quantitatively und qualitatively even better positioned than in the prior season. "We have succeeded in giving the squad more depth, and the sense of competition within the team has increased," concluded sport director Michael Zorc. Head coach Jürgen Klopp is also convinced that this will result in an ability to produce better performances and more attractive football. He hopes that his team will provide "positive surprises in all three competitions".

Already before the start of the 2008/2009 *Bundesliga* season, Borussia Dortmund has given a positive sign of its sporting potential. Coach Jürgen Klopp's team beat Rot-Weiss Essen in the DFB Cup. In addition to scorers Hajnal and Kringe, Nelson Valdez also scored a goal in the match with a final score of 1:3. The draw for the 2nd main round of the DFB Cup on 24 August 2008 provided Borussia Dortmund

with an attractive opponent in the form of Hertha BSC Berlin, also a *Bundesliga* club. The match is expected to be played on 23 or 24 September 2008 at SIGNAL IDUNA PARK.

After the second match day in the football *Bundesliga*, Borussia Dortmund was in fourth place, providing a good start into the 2008/2009 season. No one expected an away win against Bayer 04 Leverkusen and a tie against FC Bayern Munich at SIGNAL IDUNA PARK, when the match schedule was published for the first half of the season. Coach Jürgen Klopp's team laid a good foundation for the current season.

Borussia Dortmund got off to a good start in the season from a financial perspective as well, since adding Brilliance Motors as a new Champion Partner. The partners are planning a long-term alliance above and beyond the current term of their agreement until 2010.

Just prior to the end of the transfer period for the first half of the 2008/2009 season, BVB signed striker Mohamed Zidan from Hamburger Sportverein. The player signed a four-year contract expiring on 30 June 2012.

In return, HSV signed Mladen Petric. The clubs have agreed to maintain confidentiality over the terms of release.

OTHER DISCLOSURES

REPORT IN ACCORDANCE WITH § 315 (4) HGB

The Company gives the following information in response to the requirements of § 315 (4) Nos. 1 to 9 HGB:

1. The share capital of Borussia Dortmund GmbH & Co. KGaA amounts to € 61,425,000.00 and is divided into 61,425,000 no-par value ordinary bearer shares. All of the shares have been admitted to trading on the Official Market (General Standard) of the Frankfurt Stock Exchange and in the over-the-counter markets (Regulated Unofficial Markets) in Berlin, Bremen, Stuttgart, Munich, Hamburg and Düsseldorf. Each no-par value share entitles the holder to one vote at the General Shareholders' Meeting. The Company therefore has only one class of shares and all shares carry the same rights and obligations. Additional rights and responsibilities attaching to the Company's shares are determined in accordance with the German Stock Corporation Act (*Aktiengesetz*, "AktG").
2. There are no restrictions affecting the voting rights or transfer of the shares.
3. As of 30 June 2008, the Company had been notified of the following interests in the share capital of Borussia Dortmund GmbH & Co. KGaA in excess of 10% of the voting rights:
 - Morgan Stanley International Limited: 16.25%
 - Blue Bay Asset Management: 14.99%
4. There are no shares with special rights which confer powers of control.
5. There is no control of voting rights in cases where employees are shareholders.
6. Because of its legal form as a partnership limited by shares, Borussia Dortmund GmbH & Co. KGaA does not have a management board. Instead, the Company's management and representation is the responsibility of the general partner. The terms of § 6 No. 1 of the Articles of Association provide that this executive body of the Company is Borussia Dortmund Geschäftsführungs-GmbH, whose registered office is in Dortmund, on a permanent basis and not for a limited period of time, by virtue of its status as a shareholder. The appointment and removal of managing directors of Borussia Dortmund Geschäftsführungs-GmbH is governed by § 8 No. 6 of its shareholders' agreement and is the responsibility of the Executive Committee of its Advisory Board, and therefore not of the Supervisory Board of Borussia Dortmund GmbH & Co. KGaA.

In principle, changes may be made to the Articles of Association of Borussia Dortmund GmbH & Co. KGaA only by a resolution of its General Shareholders' Meeting, which must be passed, in accordance with § 133 (1) AktG, by a simple majority of votes and also, in accordance with § 15 No. 3 of the Articles of Association of the Company together with § 179 (1) and (2) AktG, by a simple majority of the capital represented at the passing of the resolution, except to the extent that there are mandatory statutory provisions to the contrary or the Articles of Association provide oth-



erwise. It is a mandatory provision of statute that a resolution of the General Shareholders' Meeting passed by a majority of three-quarters of the share capital represented at the passing of the resolution is required for changes to the Articles of Association relating to the objects of the Company (§ 179 (2) sentence 2 AktG), the issuance of non-voting preferred shares (§ 182 (1) sentence 2 AktG), capital increases where subscription rights have been disappplied (§ 186 (3) AktG), the creation of conditional capital (§ 193 (1) AktG), the creation of authorised capital (§ 202 (2) AktG) – where appropriate with authorisation to disapply subscription rights (§ 203 (2) sentence 2 together with § 186 (3) AktG) –, the ordinary or simplified reduction of capital (§ 222 (1) sentence 2 and/or § 229 (3) AktG) or a change of legal form (§ 233 (2) and/or § 240 (1) German Reorganisation Act (*Umwandlungsgesetz*, “UmwG”). In addition, capital increases, other changes to the Articles of Association and other decisions of a fundamental nature may only be resolved with the approval of the general partner, in accordance with § 285 (2) sentence 1 AktG. The Supervisory Board is authorised in accordance with § 12 No. 5 of the Articles of Association to resolve changes to the Articles of Association which relate only to their wording, in particular in connection with the amount of capital increases out of authorised and conditional capital.

7. In accordance with § 5 No. 4 of the Articles of Association of Borussia Dortmund GmbH & Co. KGaA, the general partner is authorised until 31 July 2011, with the approval of the Supervisory Board, to increase the share capital by the issue of up to 21,937,500 new no-par value ordinary bearer shares against cash or non-cash contributions on one or more occasions, but by a maximum of € 21,937,500.00 in total (Authorised Capital 2006). In all cases, the new shares participate in profits

from the beginning of the financial year in which they are issued. The general partner is further authorised, with the approval of the Supervisory Board, to disapply the statutory subscription right of the limited liability shareholders in certain circumstances.

In addition, by a resolution of the General Shareholders' Meeting held on 22 November 2005, the share capital of Borussia Dortmund GmbH & Co. KGaA has been conditionally increased by up to € 14,625,000.00 by the issue of up to 14,625,000 new no-par value ordinary bearer shares. The general partner is authorised until 31 October 2010, with the approval of the Supervisory Board, to issue bearer bonds with warrants and/or convertible bonds with a total nominal amount of up to € 40,000,000.00 and a maximum maturity of 25 years on one or more occasions. The holders of bonds with warrants may be granted rights to subscribe for, and the holders of convertible bonds may be granted rights to convert into, a total of up to 14,625,000 new no-par value ordinary bearer shares of the Company in accordance with the detailed terms and conditions of the bonds with warrants and/or convertible bonds.

In the event of a takeover offer for shares issued by the Company and admitted to trading on an organised market, general statutory responsibilities and powers also apply to the general partner. For example, if a takeover offer were to be received, the general partner and the Supervisory Board would be required to issue and publish a response to the offer, giving their reasons, in accordance with § 27 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*, “WpÜG”), so that the limited liability shareholders can make a decision on the offer on an informed basis. Moreover, in accordance with § 33 WpÜG, once a takeover offer has been announced, the general partner

may not take any actions outside the ordinary course of business which could frustrate the success of the offer, unless those actions have been authorised by the General Shareholders' Meeting, or the Supervisory Board has given its approval to the actions or the actions relate to obtaining a competing offer. In making their decisions, the general partner and the Supervisory Board are bound to have regard to the interests of the Company, its employees and its shareholders. At the balance sheet date, there were no provisions of the Articles of Association within the meaning of

§§ 33a – 33c WpÜG (European prohibition on frustrating action, European breakthrough rule, reservation of reciprocity).

8. The Company is not a party to any material agreements which are conditional on a change of control following a takeover offer for the issued shares of Borussia Dortmund GmbH & Co. KGaA.
9. The Company is not a party to any compensation agreements applying in the event of a takeover offer.

STATEMENT OF THE GENERAL PARTNER CONCERNING RELATIONS WITH AFFILIATED COMPANIES

The Dependent Company Report prepared by Borussia Dortmund GmbH & Co. KGaA pursuant to § 312 AktG sets out the relations with BV Borussia 09 e.V. Dortmund as the controlling entity and its affiliated companies. The general partner – represented by its Managing Directors – issued the following concluding statement:

With respect to the transactions set out in the report concerning relations with affiliated companies, the Company received consideration in the financial year

that was in each case reasonable under the circumstances known to us at the time such transactions were entered into. In all other cases, the Company has been compensated for any disadvantages having arisen. No other measures within the meaning of § 312 (1) AktG were taken or omitted during the financial year.

Dortmund, 29 August 2008
 Borussia Dortmund GmbH & Co. KGaA
 Borussia Dortmund Geschäftsführungs- GmbH



Hans-Joachim Watzke
 Managing Director (Chairman)



Thomas Treß
 Managing Director