

Recommendation:
BUY (Initiating Coverage)

Risk:
MEDIUM (-)

Price Target:
EUR 5.00 (-)

23 May 2013

BVB is already a winner

Positive stock momentum and promising outlook

- Borussia Dortmund GmbH & Co KGaA is a Germany-based company engaged in the operation of Ballspielverein Borussia (BVB), a professional football club based in Dortmund, Germany. BVB is one of the most successful companies in European professional football and one of the few clubs listed on a stock exchange (and the only listed club in Germany).
- While the company reported revenues of EUR 179.8m in 9M we expect group revenues to come in at EUR 289.4m (incl. Götze transfer) for 12/13E. Excluding the transfers group revenues of the core business should come in at EUR 244.2m. Given the positive financial impacts from the transfer segment (revenues of EUR 45m in 2012/2013E) and the incredible performance in the Champions League we expect group EBITDA to come in at EUR 92.5m, and net income at EUR 50.7m, corresponding to an EPS of EUR 0.82. Considering the company's sound cash generating, we expect BVB's growth momentum to continue also over the next years. Thus, we project net revenues (no estimated transfer revenues) of EUR 240.2m, and EUR 254.4m for the FY2013/2014E, and 2014/2015E, respectively. With higher margins (excluding transfers) we see group's EPS at EUR 0.40, and EUR 0.43 for the years 2013/2014E to 2014/2015E, respectively. Regarding the dividend policy we assume that BVB will propose DPS of EUR 0.10, EUR 0.12 and EUR 0.12 for the years 2012/2013E to 2014/2015E.
- Currently all the attention is on the big Final game in Wembley. FC Bayern München against BVB. Most of the Media and the betting providers are expecting a victory by Bayern. However, BVB has no pressure playing this game and can be considered a winner no matter what.
- The share of BVB already shows a strong momentum and supported by positive news (possible Champions League win) this trend could endure for a while. However, despite the positive stock development, the company still has to sustain its profitability in the long run by steadily qualifying for the Champions League and also survive the group stage.
- We applied a multiple valuation based on a peer group and a Discounted Cash Flow (DCF) model. On the basis of both results this approach resulted in a fair value of EUR 5.09 per share. Our price target per share is at EUR 5.00. We initiate our coverage with a BUY recommendation.

Key data:

Y/E 31 Dec, EURm	09/10	10/11	11/12	12/13E	13/14E	14/15E
Sales	110.1	151.5	215.2	289.4	240.2	254.4
EBITDA	16.7	32.4	60.0	92.5	61.5	67.8
EBIT (reported)	-0.5	14.9	41.4	74.5	37.2	39.9
Net income/loss	-6.2	5.3	27.4	50.7	24.7	26.5
EPS	-0.10	0.09	0.45	0.82	0.40	0.43
EBITDA margin	15.1%	21.4%	27.9%	32.0%	25.6%	26.7%
EBIT margin	-0.5%	9.8%	19.2%	25.7%	15.5%	15.7%
Net margin	-5.6%	3.5%	12.7%	17.5%	10.3%	10.4%
EV/EBITDA	14.3	7.3	4.0	2.6	3.9	3.5
EV/EBIT	n.m.	15.9	5.7	3.2	6.4	6.0
P/E	n.m.	36.7	7.1	3.8	7.9	7.3

Source: Borussia Dortmund GmbH & Co KGaA, CBS Research AG

Share price (dark) vs. SDAX



Sources: CBS Research AG, Bloomberg

Change	12/13E		13/14E		14/15E	
	new	old	new	old	new	old
Revenues	289.4	-	240.2	-	254.4	-
EBITDA	92.5	-	61.5	-	67.8	-
EPS	0.82	-	0.40	-	0.43	-

Internet: bvb.de
WKN: 549309
Reuters: BVB.DE

Sector: Entertainment
ISIN: DE0005493092
Bloomberg: BVB GY

Short company profile:

Borussia Dortmund GmbH & Co KGaA is a Germany-based company engaged in the operation of Ballspielverein Borussia (BVB), a professional football club based in Dortmund, Germany.

Share data:

Share price (last closing price):	EUR 3.17
Shares outstanding (m):	61.4
Market capitalisation (EURm):	194.7
Enterprise value (EURm):	237.7
Ø daily trading volume (3 m., no. of shares):	204,426

Performance data:

High 52 weeks:	EUR 3.44
Low 52 weeks:	EUR 2.09
Absolute performance (12 months):	49.0%
Relative performance (vs. SDAX):	
1 month	-5.0%
3 months	-7.5%
6 months	-3.7%
12 months	12.3%

Shareholders (preferred shares):

Bernd Geske:	11.7%
BVB (own shares):	7.2%
Free Float, others:	81.1%

Financial calendar:

2012/2013 report	August/September 2013
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Author: **Marcus Silbe** (Analyst)

Close Brothers Seydler Research AG
Phone: +49 (0)69 - 977 84 56 0
E-Mail: research@cbseydlerresearch.ag
www.cbseydlerresearch.ag

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Investment thesis

Borussia Dortmund GmbH & Co KGaA is a Germany-based company engaged in the operation of Ballspielverein Borussia (BVB), a professional football club based in Dortmund, Germany. BVB is one of the most successful companies in European professional football and one of the few clubs listed on a stock exchange (and the only listed club in Germany).

The competition of major football clubs in West Germany is eminent. Borussia Dortmund' archrival FC Schalke 04 is just 35 km away and the differences in the numbers of fans and fan clubs are comparatively low (Borussia Dortmund has around 80.000 members and FC Schalke 04 has even 119,040 members). In addition there are many other clubs such as Dusseldorf, Leverkusen and Cologne in North Rhine Westfalia (NRW), which compete for sponsors and fans.

On the other hand, Bayern Munich' geographically closest competitor Augsburg is 70 km away and differences between the number of registered fans is enormous (there are 225,000 registered FC Bayern Fans against 11,178 FC Augsburg members). Generally, Dortmund and NRW also have a disadvantage in terms of purchasing power of residents which is significantly lower than in Munich and Bavaria. In comparison Dortmund has a purchasing power of EUR 19,221 per resident (NRW of EUR 20,621) whereas Munich has a purchasing power of EUR 28,247 per resident (Bavaria of EUR 22,508)

After a long transformation phase, the company has stabilised its operative performance over the last year. Along with a steady improvement in net income and EBIT margin, the company pushed ahead with achieving the Champions League final and therefore generating more revenues than the company has ever achieved before.

Taking into account that the fourth quarter will be as profitable as the first nine months this fiscal year will end very positive. Overall, we expect the group to achieve total revenues of EUR 289.4m, indicating a 34.4% growth YoY. Therefore, 4Q revenues will amount to EUR 109.0m. The estimated EBITDA margin of 48.0% leads to a margin for full year of 32.0%, corresponding to an EBITDA of EUR 92.5m. Most of this year's 4Q performance is based on the sale of Mario Götze for EUR 37m (due to an exit clause) to FC Bayern München. All in all, net income should be at EUR 50.7m, translating into an EPS of EUR 0.82.

In the long-term perspective, we conservatively forecast the EBIT-margin to be at around 15%. BVB should achieve this through stabilisation of revenues at a much higher level after the establishment of BVB again as a top contender in European football.

Overall, BVB has established an attractive business model around the core product football which is superior in many respects as it enables to remain highly innovative while keeping at the same time operating expenses on a manageable level. As a result of the recent sporting success also on an European level the strategic focus allows the company on focusing on the sporting success which will accordingly lift also the revenue streams of all segments. This sadly also involves the transfer segment, since players from an attractive team always are more in demand than from mediocre teams. Best example hereby was the recent Götze transfer to FC Bayern München. While we are certain that the club would have never sold the player the exit clause in Götze's contract made it nearly impossible for BVB to refuse the deal. Since then the management stated that from now on, the team will

BVB is one of the most successful football clubs in Germany

Strong growth

4Q will confirm the positive momentum in the current fiscal year

Long-term EBIT-margin should be at 15%

Transfer policy

not allow any exit clauses in their player's contract anymore, which is definite a positive sign not only for the sporting success but also economical. Finding and buying an adequate replacement for the time amount of money is rather difficult, especially for such names like Götze which many consider as one of the best talents of the world.

Based on the expected figures for 2012/2013E the EV/EBITDA-Multiple is about 2.6x and about 3.9x for 2013/2014E. Based on our forecasts for 2013/2014E, currently the share is traded with a P/E-ratio of about 7.9x. BVB's P/E is not only clearly below Manchester United's P/E but only at around the industry averages (sport & entertainment). Hence, an indication that BVB is clearly undervalued vs. its closest peers.

Additionally, recently Forbes magazine published a list of the most valued football clubs of the world. According to the article, BVB is valued at USD 456m, which is approx. EUR 350m. Compared to that, BVB's biggest competitor and clear market leader in Germany, FC Bayern München, was valued at USD 1bn. Our DCF valuation indicated a fair value of equity at EUR 351.8m which fits the view of Forbes.

We applied a multiple valuation based on a peer group and a Discounted Cash Flow (DCF) model. Given the long-term growth prospects we weight the DCF with 70% in our valuation approach. Our multiple valuation on the basis of P/E and EV multiples indicates a market-derived value of EUR 3.59 per share. Our DCF model yields a fair value of EUR 5.73 per share. On the basis of both results this approach resulted in a fair value of EUR 5.09 per share. Our price target per share is at EUR 5.00. We initiate our coverage with a BUY recommendation.

**Multiples indicate
under valuation**

**Forbes values BVB at
EUR ~350m**

BUY recommendation

PT EUR 5.00

SWOT

Strength

- Loyal and large fan base
- Constant/high match day revenues due to sold out ticket contingent
- Owning the Signal Iduna park stadium, which has a capacity of 80.645 seats and is rated as a category 4 (formerly elite) stadium by the UEFA
- Significant popularity in Germany
- Reliable revenue streams (ticket sales, Bundesliga TV rights, long term sponsoring agreements) which are not entirely dependent on the sporting success

Weaknesses

- Total amount of revenue is dependent on the sporting success. But the sporting success is also dependent on the amount spent on new and existing players.
- Variable dividend payment dependent on revenues and sporting success
- International less popular than the leading English clubs
- No multifunctional stadium
- Competition for sponsors and fans by other big clubs which are located in NRW

Opportunities

- Significant increased revenues because of bonus payments from UEFA competitions, sponsoring and merchandising
- Successful participation in international competitions contribute to BVB's popularity and strengthening of the brand
- Better opportunities for additional player purchases due to higher revenues
- Average salaries for players in Germany are low compared to the rest of Europe
Acquiring of well-known international sponsors would led to a better marketing of the brand

Threats

- Enticing away of well performing players by competing clubs
- Change of trainer, key players or management
- Systematically lower broadcast revenues in Germany in comparison to the Spanish or English League
- Weak purchasing power in NRW and Dortmund with limited potential for ticket price increases

Valuation

Valuation summary

We applied multiple valuation approaches to derive the company's fair value. While the DCF valuation can appropriately indicate very well the long-term growth potential of a company our indicated market multiples give more insights about the current market momentum. We focused on the multiples for 2013/2014E to 2014/2015E on details, in order to have more certainty in considering the estimates for the market sentiment and for the long-term with our DCF valuation.

Overall, our valuation is based on the following two main assumptions:

- Due to the very specific business model of BVB focussing on football, it is not difficult to find adequate companies whose business models are a 'perfect match' to the one of BVB. However, given that most of the European football clubs which are listed do not have any public estimates it is quite difficult to compare the financial targets of these clubs. Therefore, we decided to evaluate the multiples of the company with just three football clubs (Manchester United, Juventus Turn, Olympique Lyon) and add Madison Square garden company which is a pure entertainment company. The selection of these four peers allowed us including a standard peer-group valuation.
- A DCF model can appropriately indicate organic and external growth. As a result of the new success level of BVB the outlook becomes more attractive (tendency: improving financial figures) and margins which are not yet fully accountable (and priced in) will be seen in mid-term.

Peer group consists of mostly pure football clubs and one entertainment company

DCF can appropriately indicate the growth potential of BVB

Consolidation of the valuation method

	Weighting factor	Fair value per share (EUR)
Market multiple valuation	30.0%	3.59
DCF valuation	70.0%	5.73
Fair value per share (EUR)		5.09
Price target per share (EUR)		5.00

Source: CBS Research AG

Our DCF model results in a fair value of EUR 5.73 per share and our market valuation indicated a fair value per share of EUR 3.59 (including a discount of 20%), corresponding to a weighted (DCF 70% / Peer Group 30%) fair value per share of EUR 5.09. **We start our coverage with a BUY recommendation and a price target of EUR 5.00 per share.**

Fair value at EUR 5.09

BUY recommendation with PT of EUR 5.00

We think that BVB's share moved into focus of many investors resulting from the positive development of the team over the last two to three years. Additionally, the upcoming Champions League finale with a two German teams (FC Bayern against BVB) is a tremendous support both for the brand awareness as well as the share attention. Overall, our assumption is that the company will continue the achieved growth momentum over the next years as well, which is not reflected in the current share price yet and illustrates the ~60% upside potential to our price target.

Since the company is currently in a stage with strong growth, the long-term growth targets are ambitious but achievable. In our opinion, BVB's growth momentum is sustainable as the company is currently at the sweet spot of sporting success, as the club was able to achieve the Champions League finale on Saturday in Wembley.

Growth momentum is sustainable

Multiples overview

On the basis of our derived price target we calculated an EV/EBIT multiple of 4.3x for 2012/2013E and an EV/EBIT multiple for 2013/2014E of 9.4x. EV/EBITDA for 2012/2013E and 2013/2014E on basis of the derived price target is about 3.2x and 6.0x. Furthermore, we calculated the multiples based on the current stock market price, which are stated in the last row of the table below.

2012/2013E & 2013/2014E multiples

Multiples of BVB on basis of price target per share

EURm, except EPS (EUR)			EBITDA			EBIT			EPS		
			12/13E	13/14E	14/15E	12/13E	13/14E	14/15E	12/13E	13/14E	14/15E
Financial estimates for Borussia Dortmund by CBS Research AG:			92.5	61.5	67.8	74.5	37.2	39.9	0.82	0.40	0.43
	Price target	Market price	EV / EBITDA			EV / EBIT			P / E		
			12/13E	13/14E	14/15E	12/13E	13/14E	14/15E	12/13E	13/14E	14/15E
Value per share (EUR)	5.00	3.17									
Market capitalisation (EURm)	307.1	194.7									
Enterprise value EV (EURm)	350.1	237.7									
Implied multiples of Borussia Dortmund:											
- on basis of our price target			3.8	5.7	5.2	4.7	9.4	8.8	6.1	12.4	11.6
- on basis of the current market price			2.6	3.9	3.5	3.2	6.4	6.0	3.8	7.9	7.3

Source: Bloomberg, CBS Research AG

Peer group valuation

In order to include a market-oriented approach in our valuation, we used a multiple valuation based on a peer group. Our peer group comprises four listed companies listed with similar business models (three football clubs and one entertainment company). The major focus of the group is the European football market (except Madison Square Garden). The major competitors of the company are basically the best teams in each country (Manchester in England, Juventus in Italy, Lyon in France) in Europe with Manchester United as the market leader, at least based on their market cap. Focusing purely on the German market there would be several other football clubs who are relevant peer companies. Unfortunately such companies as FC Bayern or FC Schalke are neither listed nor have any significant data to compare.

Only a small peer group available

Company name	Market cap.	EV	EBITDA			EBIT			Sales		
			12/13E	13/14E	14/15E	12/13E	13/14E	14/15E	12/13E	13/14E	14/15E
Borussia Dortmund	194.7	237.7	92.5	61.5	67.8	74.5	37.2	39.9	289.4	240.2	254.4
JUVENTUS FOOTBALL CLUB SPA	205.4	370.3	-	-	60.3	-	-	2.3	-	-	269.0
OL GROUPE	27.9	90.4	-	-	-16.0	-	-	-3.0	136.0	-	106.0
MANCHESTER UNITED PLC-CL A	2,893.2	2,277.6	110.0	91.5	112.5	63.3	42.4	60.6	331.0	319.7	368.8
MADISON SQUARE GARDEN CO-A	4,529.6	4,281.0	-	262.5	318.4	-	179.5	222.7	-	1,186.5	1,316.7

Source: Bloomberg, CBS Research AG

As illustrated in the chart above, the company's market cap of EUR 194.7m is still relatively low compared to its relevant peers, although BVB is in Germany currently number 2 (After FC Bayern) and also provides one the highest margins over all

football clubs. All in all, BVB is a strong player in the overall European football market with a very high brand awareness.

Short profiles

Juventus Turin

Juventus Football Club S.p.A. is a professional football company listed on the Italian stock exchange since 1967. The club plays in Italy's highest football division Serie A and won in season 2011/12 the league title, winning its 28th official Serie A title. Characteristic business activities are the participation in national and international football competitions and the organization of games. The Company's main sources of revenues are the economic utilization of sport events, marketing of the brand, licensing of television and media rights, sponsorship and the selling of advertising space. Currently, the club is ranked 9th on Forbes' list of the most valuable football clubs in the world.

Juventus Turin

Olympique Lyon

The football club Olympique Lyonnais operates under the OL Groupe, a company specialized in media and sport related entertainment in France and listed on the Paris stock exchange. The football club was founded in 1950 and is currently privately owned by Jean-Michel Aulas, who acquired the club in 1987 whereas OL Group was founded in 1999. The group divides its revenue stream into five sources: ticketing, marketing and marketing rights, sponsoring and advertising, brand related revenue and player trading. Last year Olympique Lyonnais finished in fourth place in the French Ligue 1 championship. On Forbes' list Lyon ranks on 15th place.

Olympique Lyon

Manchester United

Manchester United Football Club is a professional football club, based in Manchester, England. The club's first team currently plays in the Premier League, the top football league in England and finished last season in the second place. Manchester United revenues consists of sponsorship revenues, retail, merchandising, apparel & product licensing revenues, new media & mobile revenues, broadcasting revenues, Champions League prize money and matchday revenues through ticket sales. The amount of revenues varies significantly depending on the team's participation and performance in championships. In 2012 Manchester United was ranked first by Forbes magazine in its list of the ten most valuable sports team brands and in August 2012, Manchester United made an initial public offering on the New York Stock Exchange.

Manchester United

The Madison Square Garden Company

The Madison Square Garden Company, is an American entertainment company, headquartered in New York. The company is comprised of three business segments: MSG Sports, MSG Media and MSG Entertainment. MSG Sports consists of owning and operating sports franchises, including the New York Knicks (NBA), the New York Rangers (NHL), the New York Liberty (WNBA), and the Connecticut Whale (AHL). MSG Sports also features other sports properties, including the presentation of a wide variety of live sporting events including professional boxing, college basketball, track and field and tennis.

Madison Square Garden

Peer groups: Company data (margins)

Company name	EBITDA-margin			EBIT-margin			Sales growth		
	12/13E	13/14E	14/15E	12/13E	13/14E	14/15E	12/13E	13/14E	14/15E
Borussia Dortmund	32.0%	25.6%	26.7%	25.7%	15.5%	15.7%	34.4%	-17.0%	5.9%
JUVENTUS FOOTBALL CLUB SPA	-	-	22.4%	-	-	0.9%	-	-	-
OL GROUPE	-	-	-15.1%	-	-	-2.8%	-6.8%	-	-
MANCHESTER UNITED PLC-CL A	33.2%	28.6%	30.5%	19.1%	13.3%	16.4%	-	-3.4%	15.4%
MADISON SQUARE GARDEN CO-A	-	22.1%	24.2%	-	15.1%	16.9%	-	-	11.0%
Average	33.2%	25.4%	15.5%	19.1%	14.2%	7.8%	-6.8%	-3.4%	13.2%
Median	33.2%	25.4%	23.3%	19.1%	14.2%	8.6%	-6.8%	-3.4%	13.2%

Source: Bloomberg, CBS Research AG

Valuation

As already mentioned, we applied the median of the peer group multiples for 2013/2014E-2014/2015E to our financial forecasts for BVB.

We chose the PE-multiple and the EV/Sales-multiples. We added BVB's net cash (cash minus financial debt) to the derived enterprise values. In case of the P/E valuation we directly calculated the fair market value of the company.

We applied the median of the peer group multiples

We chose Sales, and PE multiples

Market multiple and derived valuation

Company name	P/E			EV/EBITDA			EV/EBIT			EV / Sales		
	12/13E	13/14E	14/15E	12/13E	13/14E	14/15E	12/13E	13/14E	14/15E	12/13E	13/14E	14/15E
JUVENTUS FOOTBALL CLUB SPA	-	n.m.	-	-	6.1	5.8	-	n.m.	42.1	-	1.4	1.4
OL GROUPE	-	n.m.	n.m.	-	n.m.	n.m.	-	n.m.	n.m.	-	0.9	0.8
MANCHESTER UNITED PLC-CL A	18.8	13.6	7.2	24.9	20.2	12.9	n.m.	37.7	16.6	n.m.	n.m.	5.0
MADISON SQUARE GARDEN CO-A	2.9	1.9	1.7	16.3	13.4	12.2	27.4	19.8	17.7	3.6	3.3	2.9
Average	10.9	7.8	4.5	20.6	13.3	10.3	27.4	28.8	25.5	3.6	1.8	2.5
Median	10.9	7.8	4.5	20.6	13.4	12.2	27.4	28.8	17.7	3.6	1.4	2.2

EURm, except EPS (EUR)	EPS			EBITDA			EBIT			Sales		
	12/13E	13/14E	14/15E	12/13E	13/14E	14/15E	12/13E	13/14E	14/15E	12/13E	13/14E	14/15E
Borussia Dortmund: Financial estimates CBS Research	0.82	0.40	0.43	92.5	61.5	67.8	74.5	37.2	39.9	289.4	240.2	254.4
Applied multiples: Peer group median	10.9	7.8	4.5	20.6	13.4	12.2	27.4	28.8	17.7	3.6	1.4	2.2
Enterprise value (derived)	-	-	-	1,905.1	827.5	830.4	2,044.8	1,070.9	707.3	1,044.1	330.7	547.6
- Net debt	-43.0	-	-	-	-	-	-	-	-	-	-	-
Market capitalisation (derived)	-	192.3	118.4	-	-	-	-	-	-	-	287.8	504.7
Average	275.8	-	-	-	-	-	-	-	-	-	-	-
Premium (discount) vs. Peer Group	-20%	-	-	-	-	-	-	-	-	-	-	-
Fair market capitalisation	220.6	-	-	-	-	-	-	-	-	-	-	-
Number of shares (m)	61.4	-	-	-	-	-	-	-	-	-	-	-
Fair value per share (EUR)	3.59	-	-	-	-	-	-	-	-	-	-	-

Source: Bloomberg, CBS Research AG

Our multiple valuation of BVB resulted in a fair value of equity of EUR 220.6m (after a discount of 20% based on the German 50+1 regulation). According to our multiple valuation, the fair value per share amounts to EUR 3.59.

Our multiple valuation resulted in a fair value of EUR 3.59 per share

DCF valuation

Overall our DCF model is based on the following assumptions:

Weighted average cost of capital (WACC): On basis of the current long-term yields of German federal bonds, we set the risk-free rate at 3.0%. We assumed an equity risk premium of 6.0%, and a debt risk premium of 3.0%. Although the company's stocks have been listed for a long period, we did not apply BVB's historical beta to our WACC calculation. We decided to apply a beta of 1.60. The

Assumptions:

WACC 10.12%

reason for this adjustment was mainly due to high volatility of the share price as well as the positive upside potential related to success of the current sporting success. With the high beta we furthermore took also into account the cyclical characteristics of company's business and the higher volatility at equity markets and high revenue variability in the past. We furthermore assumed a long-term target equity ratio of 70%. These premises lead to a WACC of 10.12%.

Phase 1 (2012/2013E-2014/2015E): We estimated the free cash flows (FCF) of phase 1 according to our detailed financial forecasts for these years.

Phase 2 (2015/2016E-2021/2022E): For Phase 2, we made more general assumptions. We allowed annual sales growth to decrease to 5.0% as from 2016/2017E. Given the fluctuations due to the uncertainties of the sporting success we decided to choose a conservative approach. Moreover, we assumed a stabilisation of the EBIT margin at 15% in the long run. Similar to the long-term sales growth we picked a more conservative outlook to be more on the safe side.

Phase 3: For the calculation of the terminal value, we applied a long-term FCF growth rate of 2.0% which approximates the estimated inflation rate. This assumption theoretically corresponds to a real-term zero growth, since we use a nominal discount rate (WACC).

Based on these assumptions, we calculated a fair value of the operating business of EUR 394.8m. We included BVB's net debt in the amount of EUR 43.0m. The resulting fair value of equity corresponds to EUR 351.8m and the fair value per share of the DCF model amounts to EUR 5.73.

Phase 1: Detailed financial forecasts

Phase 2: Decreasing growth rates

Phase 3: 2% growth for terminal value

DCF model results in a fair value of EUR 5.73 per share

Discounted Cash Flow Model

EURm	PHASE 1			PHASE 2						PHASE 3	
	12/13E	13/14E	14/15E	15/16E	16/17E	17/18E	18/19E	19/20E	20/21E	21/22E	∞
Sales	289.4	240.2	254.4	270.9	284.4	298.6	313.6	329.2	345.7	363.0	
Sales growth	34.4%	-17.0%	5.9%	6.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
EBIT	74.5	37.2	39.9	46.9	42.7	44.8	47.0	49.4	51.9	54.4	
EBIT margin	25.7%	15.5%	15.7%	17.3%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	
Income tax on EBIT	-18.9	-9.7	-10.4	-12.5	-11.9	-12.5	-13.2	-13.8	-14.5	-15.2	
Depreciation and amortisation	17.9	24.3	28.0	31.7	31.3	24.9	26.1	23.0	22.5	21.8	
Change in long-term provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in net working capital	-7.8	-1.4	-2.0	-1.7	-1.7	-1.8	-1.9	-2.0	-2.1	-2.1	
Net capital expenditure	-30.1	-31.1	-19.1	-20.1	-20.1	-20.1	-22.2	-20.7	-21.3	-21.8	
Free cash flow	35.7	19.3	36.3	44.4	40.2	35.2	35.9	35.9	36.4	37.1	
Present values	33.6	16.4	27.9	30.8	25.2	20.0	18.4	16.6	15.2	14.0	176.5
Present value Phase 1	77.9										
Present value Phase 2	140.3										
Present value Phase 3	176.5										
Total present value	394.8										
+ Excess cash/Non-operating assets	12.1										
- Financial debt	-55.1										
Fair value of equity	351.8										
Number of shares (m)	61.4										
Fair value per share (EUR)	5.73										

Risk free rate	3.0%	Target equity ratio	70.0%
Equity risk premium	6.0%	Tax shield	28.0%
Debt risk premium	3.0%	Beta (fundamental)	1.60
CAGR Sales Phase 2	5.0%	WACC	10.12%
Ø EBIT-margin Phase 2	15.3%	Terminal growth	2.0%

Sensitivity analysis						
		Terminal growth (Phase 3)				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	9.1%	6.15	6.37	6.63	6.92	7.26
	9.6%	5.75	5.93	6.15	6.39	6.67
	10.1%	5.39	5.55	5.73	5.93	6.16
	10.6%	5.06	5.20	5.36	5.53	5.72
	11.1%	4.77	4.89	5.02	5.17	5.34

Source: CBS Research AG

The Company

Short company profile

Borussia Dortmund GmbH & Co. KGaA (henceforth Borussia Dortmund, BVB, KGaA) is one of the most successful companies in European professional football and one of the few clubs listed on a stock exchange (and the only listed club in Germany). In addition to the professional team of the BVB, which is playing in the Erste Bundesliga, the company is also responsible for the management of the amateur team and the cadets. While the business focus is clearly set on football, the BVB also maintains a handball and a table tennis division.

The KGaA originated as a result of the separation between the taxable economic assets and other assets of the Ballspielverein Borussia 09 e.V Dortmund (henceforth Borussia 09 e.V.).

The company generates revenues from the operation of the stadium in Dortmund, use of the trademark "Borussia Dortmund" in merchandising as well as the marketing of television rights and revenues from advertising and player transfers. Besides the core business of professional football, Borussia Dortmund is also involved in sports-related businesses.

A crucial role for the stream of revenues plays the Signal Iduna Park (formerly Westfalenstadion) with spaces/seats for 80,645 spectators which is owned by BVB Stadion GmbH. In season 2011/12 a new attendance record has been reached with 53,000 season tickets sold and an overall average of 80,521 visitors for Bundesliga home matches (for season 2012/13 even 54,000 season tickets were sold). On average 99.75% of the stadium's capacity in the last season and more than 90% in the last ten years were utilized.

All in all season 2011/12 was a very successful year for Borussia Dortmund. The Bundesliga season has been finished simultaneously with the championship title and the victory of the DFB Cup. In accordance to the sporting success, economic development has significantly improved. Currently, the club is ranked 14th on Forbes' list of the most valuable football clubs in the world.

Company structure

Borussia Dortmund, which handles the operating business, is managed via the Borussia Dortmund Geschäftsführungs-GmbH (henceforth GmbH) and its managing directors. Responsible in terms of business management are Hans-Joachim Watzke und Thomas Treß. The sole owner of the last mentioned GmbH is the Ballspielverein Borussia 09 e.V. Dortmund (**both are marked blue in the following chart**).

Apart from the professional football business Borussia Dortmund holds subsidiaries which are active in the fields of businesses and services related to football and sporting activities. Wholly owned subsidiaries are BVB Merchandising GmbH, BVB Stadion Holding GmbH, BVB Stadion GmbH (owner of the Signal Iduna Park), Sports & Bytes GmbH (design and development of websites for professional athletes and clubs) and participations in besttravel dortmund GmbH (51%), and Orthomed Medizinisches Leistungs- und Reha-bilitationszentrum GmbH (33,33%). **The non-BVB related shareholders of the last-mentioned companies are marked in grey.**

BVB is a football club

Legal situation

Diversified revenue streams

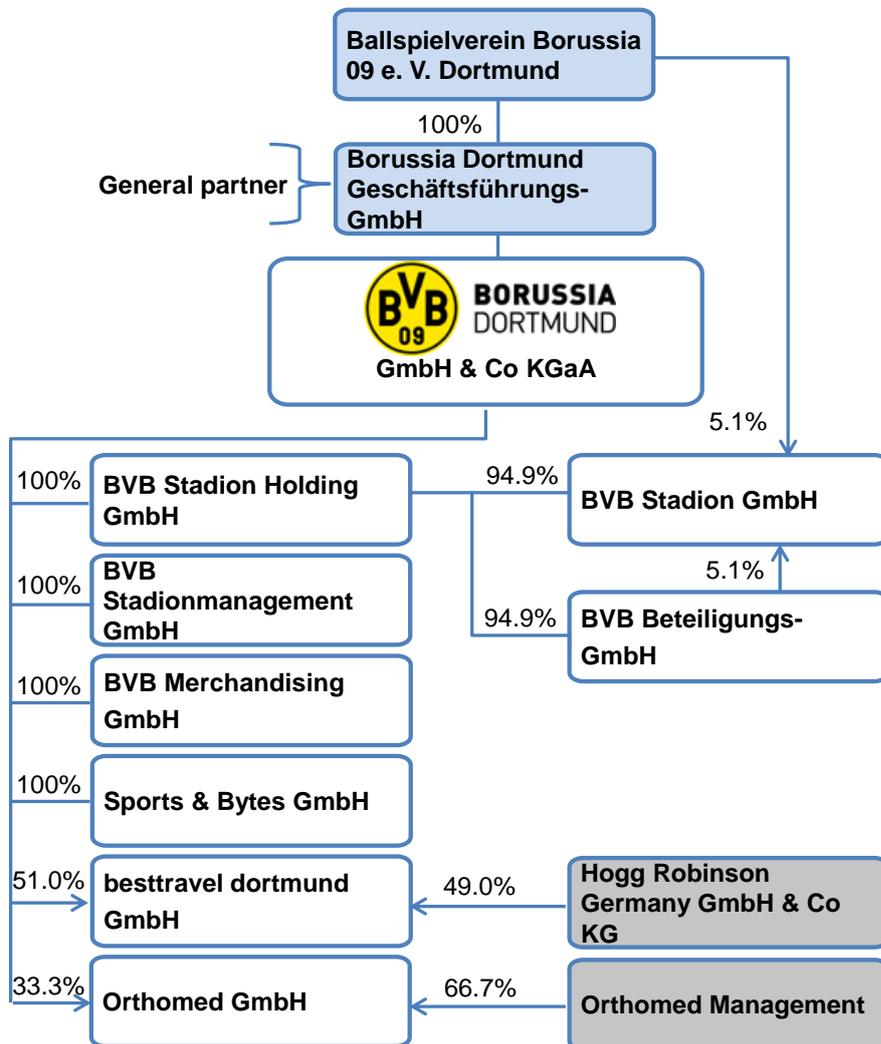
Signal Iduna Park is the biggest football stadium in Germany

According to Forbes on rank 14 of most valuable football clubs

Corporate structure

The overall current corporate structure can be seen in the following chart:

Corporate structure with direct and indirect subsidiaries



Source: Borussia Dortmund GmbH & Co. KGaA, CBS Research AG

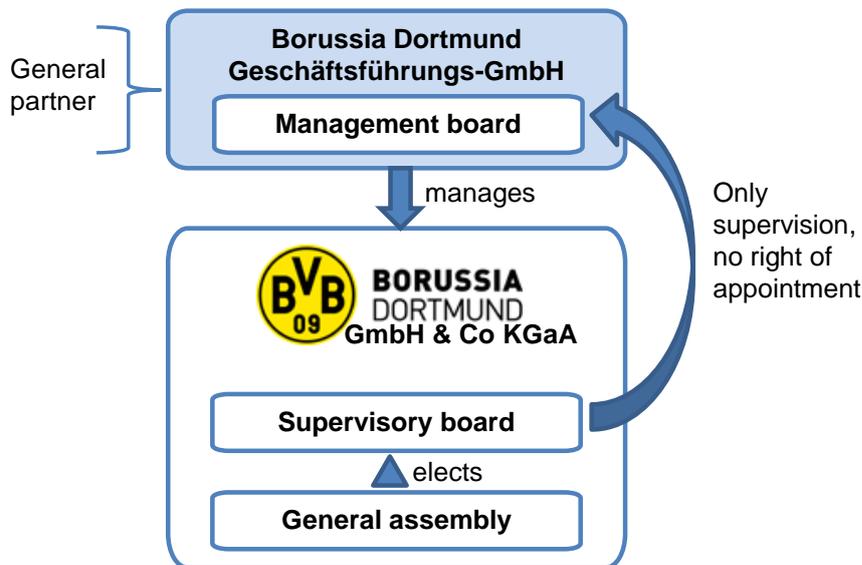
Legal form

Borussia Dortmund GmbH & Co. KGaA and the legal form “KGaA” can be seen as a mixture between a stock company (AG) and a limited partnership (KG). The general partner (in this case Borussia Dortmund Geschäftsführungs-GmbH) is a limited company, which is responsible for the representation and management of the KGaA. Whereas the limited partners (shareholders) are not liable for the liabilities of the company but elect the representatives of the supervisory board and participate from the company’s profits through their shares.

Significant differences between a KGaA and a standard AG are characterized by the absence of a management board and the limited rights and duties of the supervisory board of the KGaA.

Legal form

Division of competence between management board and supervisory board



Source: Borussia Dortmund GmbH & Co. KGaA, CBS Research AG

Shareholder Structure

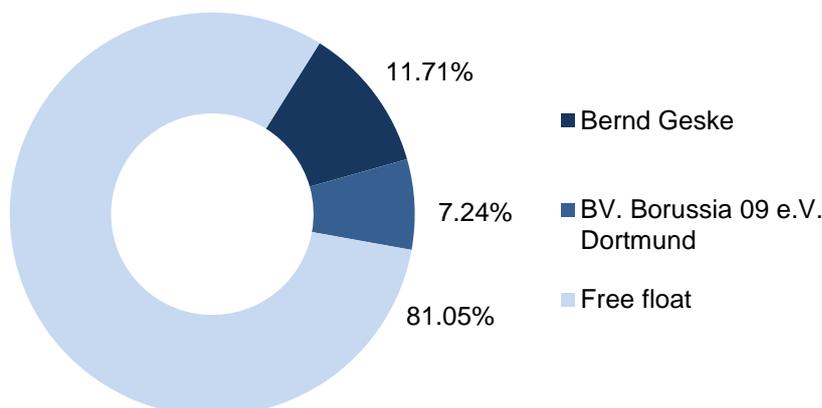
The share capital is divided into 61.425m no-par bearer shares. 81.05% of which shares are attributable to the free float. Major shareholder of the company is Bernd Geske, who holds a 11.71% stake, whereas the association's Borussia 09 e.V. shareholding amounts to 7.24%. Borussia 09 e.V. and Bernd Geske together hold a market share of 18.95%. Both stakes are added due to a shareholders' agreement stipulated until mid-2017. Despite the minor interest in the KGaA, the Borussia 09 e.V. has an equivalent position to a majority shareholder caused by the ownership of Borussia Dortmund Geschäftsführungs-GmbH (as mentioned above only the general partner has the legal authorization to represent and to manage the KGaA).

Furthermore the 50+1 rule (which is defined in the statutes of the German football league) prevents the company from acquisition or hostile takeover. The rule stated that the football club has to possess more than 50% of the voting rights or 100% of a general partner. It's legally not allowed for an investor to achieve a majority stake in the company.

Most of the shares consists to the free float

50+1 rule is unique in European football

Shareholder structure as of 31.03.2013



Source: Borussia Dortmund GmbH & Co. KGaA, CBS Research AG

Management board

Hans-Joachim Watzke has been managing director of Borussia Dortmund Geschäftsführungs-GmbH since 1 July 2005 and acted as the sole managing director until 31 December 2005. His field of activity includes "sport," "sales & marketing," and "communication". Along with managing director Thomas Treß he was responsible for the restructuring of debts and avoidance of insolvency of the club in 2006. He studied business administration and graduated as Dipl. Kaufmann. After his graduation he founded the Watex-Schutz-Bekleidungs-GmbH, a manufacturer of protective clothing for workers and fire departments located in the Sauerland and served also as CEO. He has been a member of Borussia 09 e.V. since 1996 and the treasurer of the football club since 2001.

Hans-Joachim Watzke

Thomas Treß serves also as the managing director of Borussia Dortmund Geschäftsführungs-GmbH as of 1 January 2006 and is responsible for "finances" and "organisation". In addition he acts as the managing director of BVB Stadion Holding GmbH as well as Sports & Bytes GmbH. He graduated as Dipl. Kaufmann and worked formerly as a chief representative tax advisor and chartered auditor for the auditing company RölfsPartner.

Thomas Treß

Sporting highlights and company milestones

Sporting highlights

The Ballspielverein Borussia 09 e.V. Dortmund was founded in December 1909 and played in the A Klasse, in former times the highest football division in Germany. Since then, Borussia Dortmund achieved numerous sporting successes. Before the foundation of the Bundesliga in 1963, Borussia Dortmund won the German championship twice in a row (1956 and 1957). After 1963, Borussia Dortmund won the German championship six times altogether and other domestic competitions like the DFB Cup and DFB Hallenpokal. Not only in domestic championships but also on international level Borussia Dortmund proved to be successful. The first international highlight was achieved in 1967 with victory in the UEFA Cup Winners' Cup. Further successes followed with victories in the UEFA Champions League as well as the Intercontinental Cup. Currently BVB ranks fifth in the "ewige Tabelle" (All-time Bundesliga table).

Sporting milestones

Championship victories

Competitions	Years
Germany	
German Championship*	1955/56, 1956/57, 1962/63, 1994/95, 1995/96, 2001/02, 2010/11, 2011/12
DFB-Pokal	1964/65, 1988/89, 2011/12
DFB-Supercup/DFL-Supercup	1988/89, 1994/95, 1995/96, 2007/08
International	
UEFA Champions League	1996/97
UEFA Cup Winners' Cup	1965/66
Intercontinental Cup	1996/97

* foundation of the Bundesliga in 1963

Source: Borussia Dortmund GmbH & Co. KGaA, CBS Research AG

Company milestones

The company Borussia Dortmund GmbH & Co. KGaA, as a legal and economic independent entity was a spun off Borussia 09 e.V.. By orders of the general assembly, in November 1999 and February 2000, the “entire existing taxable economic business and operations” was transferred to the KGaA. The initial public offering at the Frankfurt stock exchange followed in October 2000.

In fiscal year 2004/05 Borussia Dortmund revenues fell significantly as a result of the early withdrawal from the UI Cup and financial burdens of the stadium expansion as well as license payments for the stadium.. Small revenues in combination with large debts led to precarious financial situation and the threat of insolvency.

An act of liberation against the poor financial situation was the credit agreement with the U.S. investment bank Morgan Stanley at the beginning of June 2006. The credit (EUR 79.2m) was used to repurchase the stadium and restructuring of debts. After 2007/2008 Borussia Dortmund was able to stabilize its financial positions and, after further sporting successes in the Bundesliga, to generate profits which resulted in the first payment of a dividend in 2012.

Company milestones

Highlights and milestones since 1997

Sporting highlights	Year	Company milestones
<ul style="list-style-type: none"> ▪ Winner Champions League ▪ Winner Intercontinental Cup 	1997	
<ul style="list-style-type: none"> ▪ Winner German Hallenmeister 	1999	<ul style="list-style-type: none"> ▪ Foundation of Borussia Dortmund GmbH & Co. KGaA
	2000	<ul style="list-style-type: none"> ▪ IPO at the Frankfurt stock exchange
<ul style="list-style-type: none"> ▪ Winner German championship, UEFA Cup runners-up 	2002	
	2004	<ul style="list-style-type: none"> ▪ One capital increase with EUR 24.375m gross proceeds
	2005	<ul style="list-style-type: none"> ▪ Hans Joachim Watzke appointed for managing director
	2006	<ul style="list-style-type: none"> ▪ Two capital increases with EUR 29.25m and EUR 15.1m gross proceeds
<ul style="list-style-type: none"> ▪ Winner DFB Supercup 	2008	<ul style="list-style-type: none"> ▪ Change of the company name “gool.de Sportswear GmbH” to “BVB Stadion Holding GmbH”
<ul style="list-style-type: none"> ▪ Winner German championship 	2011	
<ul style="list-style-type: none"> ▪ Winner German championship, ▪ Winner DFB Pokal 	2012	<ul style="list-style-type: none"> ▪ First payment of a dividend (EUR 0.06 per share)

Source: Borussia Dortmund GmbH & Co. KGaA, CBS Research AG

Squad and coaching staff

Overview squad season 2012/13

Name	Contract expiry	Nationality	Age	Market value in EURm
Goalkeepers				
Roman Weidenfeller	2016	German	32	4.0
Mitchell Langerak	2016	Australian	34	0.8
Zlatan Alomerovic	2013	German/Serbian	21	0.2
Defenders				
Marc Hornschuh	2014	German	22	0.3
Neven Subotic	2016	Serbian	24	18.0
Mats Hummels	2017	German	24	24.0
Oliver Kirch	2014	German	30	1.0
Patrick Owomoyela	2013	German	33	0.5
Lukasz Piszczek	2017	Polish	27	12.5
Felipe Santana	2014	Brazilian	27	5.0
Marcel Schmelzer	2017	German	25	9.0
Koray Günter	2014	German	18	0.5
Midfield				
Sebastian Kehl	2014	German	33	2.5
Sven Bender	2017	German	23	14.0
Moritz Leitner	2015	German	20	5.0
İlkay Gündogan	2015	German	22	20.0
Mario Götze*	2016	German	20	42.0
Jakub Blaszczykowski	2016	Polish	27	15.0
Nuri Sahin	2014	Turkish	24	8.0
Kevin Großkreutz	2016	German	24	6.5
Mustafa Amini	2015	Australian	20	0.3
Marvin Bakalorz	2014	German	23	0.2
Marco Reus	2017	German	23	30.0
Leonardo Bittencourt	2016	German	19	2.5
Forwards				
Robert Lewandowski	2014	Polish	24	28.0
Julian Schieber	2016	German	24	4.5

* Transfer to Bayern Munich at the end of the season 2012/13 for EUR 37m

Source: Borussia Dortmund GmbH & Co. KGaA, Transfermarkt.de, CBS Research AG

Coaching staff

Jürgen Klopp (born 16 June 1967) is a German football coach and since 1 July 2008 coach of Borussia Dortmund. Prior to that, he coached FSV Mainz 05, which reached a rank in the Bundesliga in 2004. In 2007 Mainz' team was relegated to the second division. He remained there as a coach for seven years. After he missed the direct relegation to the Bundesliga in 2007/08, he moved to BVB in May 2008. Under Klopp the club finished a sixth place in season 2008/09, and a fifth place finish in the season after that, before leading the club to successive Bundesliga titles (and DFB Pokal title) in the 2010/11 and 2011/12 seasons. Before he started his career as a coach, he was an active player for Mainz 05 from 1989 to 2001.

Jürgen Klopp

Wolfgang de Beer (born 2 January 1964) is a former German football goalkeeper and current goalkeeper coach. Wolfgang de Beer played in the B-youth of MSV Duisburg in 1978. Then, in 1986 he moved to Borussia Dortmund. After a knee injury ended his active career in the 2000/01 season, he acquired the coach-A license and he became the official goalkeeper coach of Borussia Dortmund (since the 2002/03 season). Since 2004/05 he is responsible for Roman Weidenfeller (the primary goalkeeper in Borussia Dortmund).

Wolfgang de Beer

Željko Buvač (born 13 September 1961) is a former football player for Yugoslavia and Bosnia and Herzegovina and current coach. Since 2008 he is assistant coach for Borussia Dortmund.

Željko Buvač

Peter Krawietz (born 31 December 1971) is the second assistant coach in Dortmund. During his career Krawietz has never played professional football. His work in Dortmund focuses on the video analysis of the team and the opponents team.

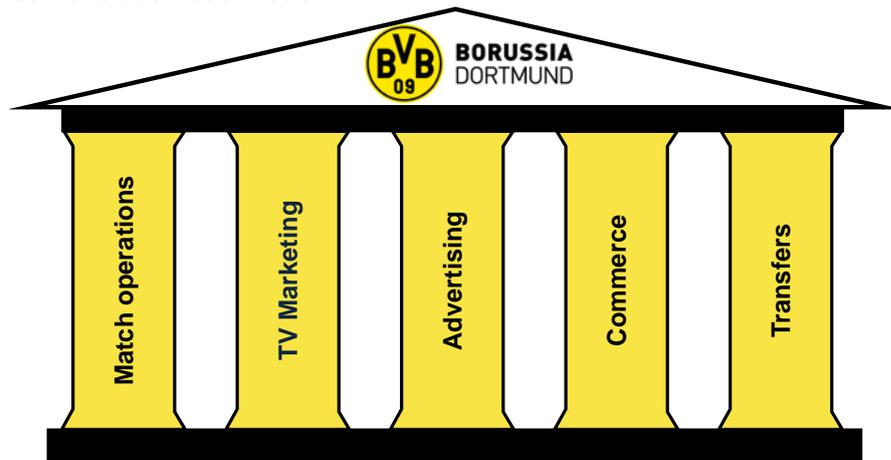
Peter Krawietz

Business model

Classic income sources of professional football, which represent BVB's core businesses, are TV marketing, advertising, match operations and merchandising. Borussia Dortmund continues to pursue the objective of re-establishing itself in the top of the German Bundesliga. Taking the performance of the last couple of seasons including the current 2012/2013 season into account, BVB is well on track to accomplishing that task. Another important aspect for Borussia Dortmund is to further stabilize and expand profitability.

Borussia Dortmund currently divides its business activities into five revenue streams as can be seen in the chart below:

Current business model



Source: Borussia Dortmund GmbH & Co. KGaA, CBS Research AG

Due to fixed payments, bonuses and TV rights commercialization, revenues of sporting successes contribute immensely to financial independency. Moreover, advertising plays also a key role in this context. Over the years, advertising has grown to one of the company's largest income categories. The achievable revenues for the advertising segment are already determined for the coming years based on commitments from the company's primary sponsors SIGNAL IDUNA (until 2021), Evonik Industries AG (until 2016) and PUMA SE (until 2020). In terms of revenues from ticket sales Borussia Dortmund benefits from its popularity and a large fan base that leads to one of the highest average spectator numbers in Europe.

In the long run it is essential for football clubs to be successful in order to achieve financial stability. Investments, particularly in the professional roster, are a necessary requirement for achieving sporting objectives such as qualifying for the UEFA Champions League or the winning in tournaments like the DFB Pokal.

5 Pillar business model

Financial stability is the target

Match operations

This segment includes all revenues from Bundesliga ticket sales as well as ticket sales from participated competitions (e.g. DFB Pokal, UEFA Champions League, UEFA Europa League). Match operations is the company's third largest revenue stream with a revenue share of 16.42% in FY 2011/12, i.e. EUR 31.40m (FY 10/11: EUR 27.68m). Due to a moderate price increase at the beginning of the season and an average attendance of 80,521 spectators in the SIGNAL IDUNA PARK (with almost 100% capacity utilization during the entire season) Borussia Dortmund again increased income from Bundesliga ticket sales reaching EUR 24.51m, which rose by EUR 1.01m yoy. From Champions League ticket sales BVB generated income of EUR 4.35m, therefore EUR 1.00m more than in comparison to the Europe League sales in the 2010/11 season. The rise of income from DFB Pokal ticket sales compared to the previous year (in which the team did not advance past the second round) amounted to EUR 1.74m, i.e. from EUR 0.15m in FY 2010/11 to EUR 1.89m in FY 2011/12.

Ticket sales Bundesliga

The **Bundesliga** is a professional association football league and Germany's primary football competition. The Bundesliga is contested by 18 teams and a season runs from August to May. Most games are played on Saturdays and Sundays, with a few games played during weekdays. There are two different types of tickets available for the Bundesliga matches.

Matchday Tickets

The Tickets are valid for one match on a specific day and sold via a ticket hotline, letter, booking office and online ticket shop. When ticket sales start the hotline offers up to 500 free telephone lines, thus at least 500 requests are processed simultaneously. For top games, such as matches against Bayern Munich and Schalke 04 there are up to 300,000 dial-in attempts on a single day. Members of BVB and BVB fanclubs enjoy a priority treatment through a contingent of tickets for home and away matches that are exclusively sold via the ticket hotline before the beginning of the official sales. For home games the sale starts every Monday, usually 4 - 6 weeks before the match.

There are different matchday tickets available according to the seating plan: Seats (categories 1-6 between EUR 50 and EUR 29), standing places (EUR 15.30) and price reduced tickets for the disabled persons and children. For the games against Bayern Munich, FC Schalke 04 and four other clubs as well as for the Champions League home matches there is a 20% surcharge.

Matchday Tickets (2012/2013 Season)

Category	Prices in EUR
Regulars Table	prices on request
Category 1	€ 50.00
Category 2	€ 47.00
Category 3	€ 43.00
Category 4	€ 41.00
Category 5	€ 34.50
Category 5 (Disabled Persons)*	€ 14.70
Category 6	€ 29.00
Wheelchair	€ 9.00
Standing Place	€ 15.30
Standing Place (Discounted Rate)	€ 10.30
Standing Place (Disabled Persons)	€ 9.30
Kids Block (Block 64-65, up to 13 years)	€ 6.40
VIP	prices on request

Source: Borussia Dortmund GmbH & Co. KGaA

Pillar 1: Match operations

Revenues coming from Bundesliga

Matchday tickets

Different categories for prices

Seating Plan of SIGNAL IDUNA PARK



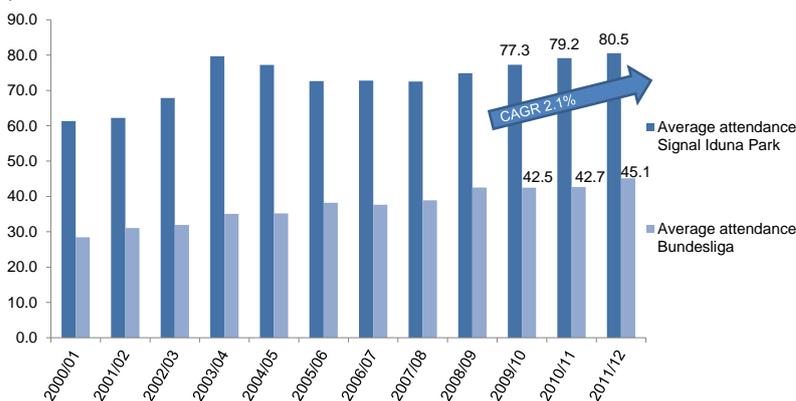
Source: Borussia Dortmund GmbH & Co. KGaA

The beginning of ticket sales for away games is determined by the host club. Normally ticket sales starts 4 weeks in advance of a game (the date is announced on the BVB website).

Since 2011/2012 the average attendance per home match has surpassed 80k spectators (SIGNAL IDUNA PARK's capacity amounts to 80,645, thereof 24,454 standing places). Relatively to the average attendance at any Bundesliga match with 45k spectators home match attendance for BVB is nearly twice as high. The average attendance for BVB home matches as well as overall Bundesliga attendance rose steadily over the last few years (as seen below).

Highest average attendance in Germany

Average attendance home matches BVB and Bundesliga matches in 1,000



Source: Borussia Dortmund GmbH & Co. KGaA, kicker.de, CBS Research AG

Season Tickets

The season ticket includes 17 Bundesliga home games (and might include matches from Champions League and DFB Pokal) and is valid for the complete season. In the current 2012/13 season 54,000 season tickets were issued and sold. In addition, about 500 season tickets for away matches were created for fans who attend all BVB away matches. Actually there is a season ticket waiting list because of the great demand.

Season tickets

Members of BVB have a pre-emptive right to buy season tickets. An actual season ticket holder will be contacted before each season on behalf of the renewal of the season ticket from Borussia Dortmund.

Analog to matchday tickets, there are different available categories for season tickets according to the seating plan: Seats (normal categories between EUR 845 and EUR 365/ with Champions League matches between EUR 1,020 and EUR 430), standing places (EUR 187/ EUR 225) and price reduced tickets for disabled persons and children.

Tickets for regulars' tables

These tickets include exclusive hospitality at the regulars' table at a reserved corporate table two hours before and after the game and during half time, a reserved parking space next to the stadium and comfortable business seats in the tribune. Season tickets are also valid if it comes to a national / international friendly match at SIGNAL IDUNA PARK prior to the seasons' opening.

Season Tickets (2012/2013 Season)

Category	Prices in EUR
Regulars Table	prices on request
Category 1	€ 685.00 / 840.00*
Category 2	€ 580.00 / 690.00*
Category 3	€ 525.00 / 625.00*
Category 4	€ 480.00 / 575.00*
Category 5	€ 425.00 / 510.00*
Category 5 (Disabled Persons)	€ 170.00 / 200.00*
Category 6	€ 365.00 / 430.00*
Category 15	€ 845.00 / 1020.00*
Wheelchair	€ 90.00 / 110.00*
Standing Place	€ 187.00 / 225.00*
Standing Place (Discounted Rate)	€ 109.00 / 140.00*
Standing Place (Disabled Persons)	€ 95.00 / 110.00*
Kids Block (Block 64-65, up to 13 years)	€ 75.00 / 90.00*
Kids Block (Block 64-65, up to 15 years)	€ 112.00 / 130.00*

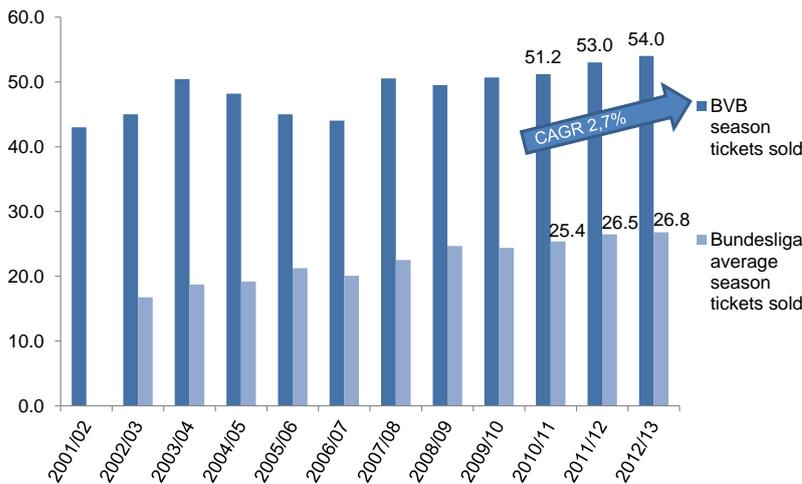
*Season ticket includes all 17 Bundesliga home games as well as all 3 home games in the Champions League group stage.

Source: Borussia Dortmund GmbH & Co. KGaA

The contingent of season tickets was steadily increased over the last few years and since season 2008/09 every year a new sales record was achieved. Last season's contingent amounted to 53k while this season's contingent was increased by a thousand tickets to 54k and is currently sold out. Relatively to other sold season tickets at any Bundesliga club with 27k on average per club, the BVB's contingent is nearly twice as high.

**In this season 54,000
season tickets have
been sold**

Season tickets sold BVB and Bundesliga average in 1,000



Source: Borussia Dortmund GmbH & Co. KGaA, CBS Research AG

All in all Borussia Dortmund increased income from Bundesliga ticket sales from EUR 23.50m to EUR 24.51m yoy.

Ticket sales DFB-Pokal

The DFB-Pokal or DFB Cup is a German football cup competition run by the Deutscher Fußball-Bund (DFB, German Football Association) since 1935. 64 teams participate in the competition, including all clubs from the Erste Bundesliga and Zweite Bundesliga (36 teams) and 28 clubs from lower leagues. The competition is held annually between August and July (of the following year) and is considered the second most important national title in German football after the Bundesliga championship. The winner is determined via knock out system and qualifies for the DFL-Supercup and the UEFA Europa League (unless the winner already qualifies for the UEFA Champions League). Bayern Munich has won the most titles with 15 victories while the most recent winner is Borussia Dortmund.

In this competition net income from ticket sales is divided (50:50) amongst the two opposing teams, after subtracting the expenses of the stadium. In the past financial year, Borussia Dortmund recognized income of EUR 1.89m from ticket sales for DFB Pokal matches.

Ticket sales UEFA Champions League

The UEFA Champions League is a continental club football competition organized by the Union of European Football Associations (UEFA) since 1955 for the top football clubs in Europe (before 1992, the tournament was officially called the "European Champion Clubs' Cup"). Annually, it begins in mid-July with three knockout qualifying rounds and the final match in May the next calendar year. According to the number of television viewers, it is the most prestigious club competition in European football. The tournament consists of several stages and 32 teams. The winner of the UEFA Champions League qualifies for the UEFA Super Cup and the FIFA Club World Cup.

In 2011/12 Borussia Dortmund competed in the UEFA Champions League and generated income of EUR 4.35m from international ticket sales of three home matches (home team receives 100% of income from the ticket sales). In international matches no standing places are allowed. The tribunes will be equipped with seats, **therefore only up to 65,829 fans can watch the matches.**

Revenues coming from DFB Pokal

Revenues coming from Champions League

TV Marketing

The revenue stream from media rights and joint marketing is the company's largest contributor towards total revenue with a revenue share of 31.16% in FY2011/12, i.e. EUR 60.40m (FY10/11: EUR 32.10m). TV marketing sales grew by 88.2% (EUR 28.30m) over the previous year. Summarized in this revenue stream are the commercialization of media rights and performance bonuses from the tournaments. The big leap of income was caused by winning the 2010/2011 German Championship and the qualification for the group stage of the UEFA Champions League and by winning the DFB Pokal. The Champions League participation generated income of EUR 25.60m while live broadcasts of all Cup matches (excluding round one) and the victory of DFB Pokal increased the marketing income by EUR 6.94m. Also income from Bundesliga TV marketing rose by EUR 1.08m because of a slightly altered calculation basis (higher payments to the clubs in 2011/12).

Bundesliga

Deutsche Fußball Liga GmbH (henceforth DFL) is responsible for the commercialization of the Bundesliga TV rights (national and international). For the season 2012/2013 approximately EUR 440m are distributed and provided to the members of the Erste und Zweite Bundesliga (Erste Liga 79% / 21% Zweite Liga)

From next season onwards until 2016/17 DFL distributes an average sum of EUR 628m per season to the clubs from the sale of the national Bundesliga TV rights. Accordingly, the Erste Bundesliga receives 80 percent, and thus 1% more than in the past, the Zweite Bundesliga 20% instead of 21%. For the amount of received TV money the current standings of a club in the current season as well as the performance in the last three seasons have been so far instrumental. In the future, the results of the club in the last four seasons, and the current round will be used to ensure greater predictability of income for the clubs.

Payments to the clubs of the Ersten und Zweiten Bundesliga

Season		Payments	Distribution
2009/10	EUR	390,000,000	1. Liga 78.44% / 2. Liga 21.56%
2010/11	EUR	402,000,000	1. Liga 79% / 2. Liga 21%
2011/12	EUR	418,000,000	1. Liga 79% / 2. Liga 21%
2012/13	EUR	440,000,000	1. Liga 79% / 2. Liga 21%
2013/14	EUR	560,000,000	1. Liga 80% / 2. Liga 20%
2014/15	EUR	615,000,000	1. Liga 80% / 2. Liga 20%
2015/16	EUR	663,000,000	1. Liga 80% / 2. Liga 20%
2016/17	EUR	673,000,000	1. Liga 80% / 2. Liga 20%

Source: DFL, www.nwzonline.de, kicker.de, CBS Research AG

In the Bundesliga, the distribution of revenue from the international market continues to be determined by achieved points in the five-year summary of the UEFA and the success on national level.

DFB-Pokal

The DFB has ensured broad domestic television coverage with all 63 games being broadcasted live on Pay TV channel Sky and selected matches live on national public channels ARD / ZDF in Germany. The television contract with ARD, ZDF and Sky brought an annual income of around EUR 50m for the DFB during the season 2011/2012.

Pillar 2: TV marketing

Revenues coming from Bundesliga

Revenues coming from DFB Pokal

The new television deal for the DFB Pokal from season 2012/13 to 2015/16 brings some changes. Only ARD will broadcast the DFB Pokal competition on free television. For the new free-TV rights package DFB will receive about 10% less than in the past sale rights period. Proceeds per round from perimeter boards and sleeve advertising slightly increased (up to EUR 152,000 for the host club from pay-TV and between EUR 313,000 and EUR 621,000 from ARD. Visiting club receives up to EUR 101,000 from pay-TV and between EUR 209,000 up to EUR 414,000 from ARD).

The amount and distribution of fixed payments are redetermined each season. In season 2012/13 the premiums are distributed as follows between the participants:

DFB Pokal revenue distribution fixed payments

Round/Performance	Bonus		Maximum cumulated payments for the victor
1. Round	EUR	74,000	74,000
2. Round	EUR	183,000	257,000
Round of 16	EUR	390,000	647,000
Quarter-finals	EUR	820,000	1,467,000
Semi-finals	EUR	1,260,000	2,727,000
Losing finalist	EUR	1,400,000	-
Winning the cup	EUR	1,700,000	4,427,000

Source: DFB, CBS Research AG

For season 2011/12 DFB Pokal winner (in this case the BVB) received a maximum EUR 6.26m from the commercialization of media rights. In addition, cup participants received between EUR 10,000 to 90,000 per round from live broadcasts on the pay-TV channel Sky and up to EUR 621,000 from ARD and ZDF for perimeter boards and sleeve advertising.

UEFA Champions League

In addition to the income from ticket sales, each participating team receives fixed payments, which depend on the success in the tournament. As of 2012/13, UEFA awards EUR 2.1m to each team in the play-off round. For reaching the group stage, UEFA awards a base fee of EUR 8.6m. A win in the group is awarded through EUR 1.0m and a draw is worth EUR 500,000. In addition, UEFA pays teams reaching the first knockout round EUR 3.5m, each quarter-finalist EUR 3.9m, EUR 4.9m for each semi-finalist, EUR 6.5m for the runners-up and EUR 10.5m for the winners. The team that goes on to win the trophy this spring could collect EUR 37.4m, with the playoff payment a total amount of EUR 39.5m.

UEFA Champions League revenue distribution fixed payments

Round/Performance	Bonus		Maximum cumulated payments for the victor
Playoffs	EUR	2,100,000	
Base fee for group stage	EUR	8,600,000	8,600,000
Group match victory	EUR	1,000,000	14,600,000
Group match draw	EUR	500,000	-
Round of 16	EUR	3,500,000	18,100,000
Quarter-finals	EUR	3,900,000	22,000,000
Semi-finals	EUR	4,900,000	26,900,000
Losing finalist	EUR	6,500,000	-
Winning the Final	EUR	10,500,000	37,400,000

Source: UEFA, CBS Research AG

Revenues coming from Champions League

A large part of the revenue (adding to ticket sales and fixed payments) from the UEFA Champions League is linked to the distribution of the TV "market pool" money. Starting at the group stage, UEFA is in charge of the centralized TV marketing for the UEFA Champions League. Before the season starts, UEFA determines how much money the participants from each country can earn during the tournament. The distribution depends mainly on the value of the television market from each country of the participating teams. Other factors affecting the amount of the money a club receives is their previous domestic league position, the stage it has reached in the current Champions League season and the stages other clubs from the same nation have reached in their current season.

For season 2012/13 the net amount available to the participating clubs will be split to EUR 500.7m in fixed payments and EUR 409.6m in market pool money.

Advertising

Under the revenue stream "advertising" are subsumed: mainly income from sponsorship agreements and other premium payments from sponsors as well as revenues from hospitality areas at SIGNAL IDUNA PARK (Stammtisch seating, Business Club, Borussia Park, Rote Erde Club) and incentive packages. This revenue stream is the company's second largest contributor towards total revenue with a revenue share of 30.28% in FY2011/12 i.e. EUR 57.80m (FY10/11: EUR 49.97m).

Sponsoring

Borussia's primary sponsors include Evonik Industries AG, PUMA SE and SIGNAL IDUNA. In season 2011/12 Borussia Dortmund and its primary sponsor, Evonik Industries AG agreed to continue their partnership until 30 June 2016 (again extending the agreement since July 2006).

In addition the naming rights agreement with SIGNAL IDUNA, which was set to expire in 2016, was also extended until 2021. Accordingly, Borussia Dortmund will continue to play its home matches at the SIGNAL IDUNA PARK for the next seasons to come.

With the beginning of season 2012/13 Puma SE has been added as a new primary sponsors. The partnership started on 1 July 2012 and is designated to run 30 June 2020. It includes the equipment of the professional Bundesliga team as well as all youth and amateur teams with jerseys, training apparel and accessories. PUMA is also the official partner of the club in replica jerseys and other merchandise products.

In addition to Evonik, PUMA SE and SIGNAL IDUNA, eleven Champion Partners form an important source of advertising income at Borussia Dortmund. Each Champion Partner supports the BVB at least with a six-figure sum. In 2012 Borussia added ODDSET Deutschland Sportwetten GmbH to its Champion Partners. Besides the fixed Payment the agreement includes bonuses paid for the team winning the German Championship and the DFB Pokal. Also in 2012 Borussia Dortmund has agreed to a three-year sponsorship deal with Flyeralarm. The Würzburg- based printing specialist will be granted a presence on TV-visible advertising hoardings at Signal Iduna Park, while it will assist the club in the production of specially printed merchandise. Turkish airlines is the eleventh Champion Partners and will be BVB's airline of choice for all international flights, be it games, competitions or training camps. The contract was signed on the 2 May

Pillar 3: Advertising

Sponsoring

Puma SE is a new primary sponsor

Eleven Champion Partners

2013. Altogether, the actual Champion Partners are: Opel, Brinkhoff's, Sparda-Bank, Signal Iduna, Sprehe Feinkost, Hankook, flyeralarm, wilo, YANMAR, Turkish airlines and West Lotto.

Besides the above mentioned sponsor types there are also the normal partner agreement (this agreement includes various advertising rights and the rights for the use of the BVB brands) and product partnerships (this includes the brand's presence at home games at Signal Iduna Park, the stadium magazine and newsletter for BVB).

Hospitality

Hospitality is an established way to act as a host at selected events and to entertain guests away from the classic business environment. The capacity utilization of the hospitality areas at SIGNAL IDUNA PARK (Stammtisch seating, Business Club, Borussia Park, Rote Erde Club, and the west and southeast catering level) reached 100% in the 2011/2012 season and is also fully booked for season 2012/13. There is also an increasing demand for incentive packages that business clients can book for specific matches. Accordingly, additional capacities in the form of VIP tents had to be constructed for top matches (e.g Schalke 04 or Bayern Munich). The stadium possesses a total of 3.691 VIP seats.

Hospitality

Commerce

This revenue stream consist of the business activities of Borussia Dortmund GmbH & Co. KGaA and BVB Merchandising GmbH. Together they generated revenues of EUR 39.5m (FY10/11: EUR 28.74m) on group level. This segment subsumed revenues from fan and online shops, retail, catering and licenses.

Pillar 4: Commerce

Compared to the previous year, income from retail, catering and licenses, as well as other income rose by 13.06% to EUR 15.48m (FY10/11: EUR 13.70m) on the KGaA level. This revenue stream represents the smallest contributor towards total revenue (8.1% of total revenue).

Retail, Catering, licenses

Sales from catering consist of merchandising on the circulation levels and in hospitality areas during national and international matches, as well as non-footballing events that can be booked during the year at SIGNAL IDUNA PARK. Rental and lease income, advance booking and other ticketing fees increased to EUR 6.77m (FY10/11: EUR 5.23m)

Merchandising

Other operating income resulted from the appearances of the club's players in qualification matches and German national team matches as well as at the 2012 European Championships. Other operating income increased by EUR 3.32m YoY to EUR 7.63m

Looking at Group level, BVB Merchandising GmbH contributes mainly to this segment's sales. In 2011/12 BVB Merchandising GmbH achieved revenues of EUR 23.43m which improved by more than 50% yoy (FY10/11: EUR 14.76m). BVB Merchandising GmbH's business includes the management of the fan and online shops.

In September 2011, BVB Merchandising GmbH opened its now fifth Fan shop with 160 m² in Dortmund, located in the new Thier Galerie shopping center. In addition a small merchandise shop was established in the CentrO shopping center in Oberhausen. Furthermore, Borussia Dortmund's online shop was redesigned and

new features (these included an English-language version of the online shop to target international clients) were added during the past season. BVB Merchandising GmbH generates more than a third of its total sales from the online shop as online sales increased significantly compared to the previous year.

Transfers

This segment includes all revenues from the transfer of players from and to other football clubs. In 2011/12 revenue amounted to EUR 26.13m and improved by more than 101% yoy (FY10/11: EUR 12.99m). This revenue stream was mainly driven by the transfers of Lucas Barrios and Shinji Kagawa.

According to the rules set by FIFA (Fédération Internationale de Football Association) the players can only be transferred during a transfer window.

- In Germany the scheduled period is between 1 July to 31 August and from 1 to 31 January. A written offer will be made for a player and the selling club may reject or accept any bid.

Involved parties are the selling club, buying club, agent und player

- There are 4 agreements necessary for the transfer process: a transfer agreement, cancellation contract, employment contract and brokerage agreement (club & agent).

Role of the agent in the transfer process

- Clubs may contact an agent to work on their behalf and ask them to find a buyer for a particular player. The agent will speak to managers and chief scouts and ask which positions they are looking to fill.
- Then secure the best possible deal for their client. Professional and financial issues of the player will be taken into consideration.
- In most cases a fee for the agents work will be negotiate with the buying club.

When a player moves from one club to another, his old contract is terminated and he negotiates a new one with the club he is moving to.

- **Fees and compensation (relevant for the clubs):** Usually some sort of transfer fee is paid for the player's rights and if a player is younger than 23, the new club has to pay a training compensation. If a professional is transferred before the expiry of his contract, any club that has contributed to his education and training shall receive a proportion of the compensation paid to his former club (solidarity contribution). After expiration of its employment contract, a player can move to another club without paying a transfer fee to the former club.
- **Contract details and remuneration (relevant for the players):** In principle a fixed salary and bonus payments as agreed. Upon in terms of premium payments different arrangements are possible (goal bonus, victory bonus, participation bonus). Premium payments can be classified as individual player bonuses (e.g. participation bonuses) and team bonuses (e.g. victory bonuses, advancement bonuses). The contract term is usually set for not longer than 5 years.

Pillar 5: Transfers

Transfer periods

Involved parties

Contract details

- **Registration:** The player has to be registered in the DFL to play for the new club. The application for registration of a professional must be submitted together with a copy of the player's contract.

The revenues highly vary and depend on the market value of the player and the negotiation success of the club. An overview of the transferred players since season 2008/09 and the generated transfer net revenues can be seen in the chart below:

Additions and disposals of contract players

Season	Additions	Disposals	Income in EUR m
2008/09	<ul style="list-style-type: none"> ▶ Tamas Hajnal ▶ Patrick Owomoyela ▶ Felipe Santana ▶ Neven Subotic ▶ Mohamed Zidan ▶ Young Pyo Lee ▶ Sven Bender ▶ Dimitar Rangelov 	<ul style="list-style-type: none"> ◀ Mladen Petric ◀ Martin Amedick ◀ Andre Kruska ◀ Robert Kovac ◀ Diego Klimowicz ◀ Antonio Rukavina 	11.3
2009/10	<ul style="list-style-type: none"> ▶ Lucas Barrios ▶ Mats Hummels 	<ul style="list-style-type: none"> ◀ Alexander Frei ◀ Marc Ziegler 	4.9
2010/11	<ul style="list-style-type: none"> ▶ Robert Lewandowski ▶ Moritz Leitner 	<ul style="list-style-type: none"> ◀ Nuri Sahin ◀ Nelson Valdez ◀ Tamas Hajnal ◀ Markus Feulner 	13.0
2011/12	<ul style="list-style-type: none"> ▶ Ilkay Gündogan ▶ Chris Löwe ▶ Mustafa Amini ▶ Ivan Perisic 	<ul style="list-style-type: none"> ◀ Shinji Kagawa ◀ Lucas Barrios ◀ Mohamed Zidan 	26.1
2012/13*	<ul style="list-style-type: none"> ▶ Julian Schieber ▶ Oliver Kirch ▶ Marco Reus 	<ul style="list-style-type: none"> ◀ Ivan Perisic ◀ Chris Löwe 	7.7

* Nine months report 2012/13

Source: Borussia Dortmund GmbH & Co. KGaA, CBS Research AG

One should note that revenues for the full year 2012/13 will definitely increase further due to the disposal of Mario Götze for EUR 37m to Bayern Munich.

Recent transfers

Götze deal

Market environment

Football is today, based on the number of members in associations, the most practiced sport in Germany and Europe. In addition, each year millions of viewers visit the stadiums (103m attendees in 2011/12) and organizer of football events are also pleased about increasing number of spectators (the 2012 UEFA Champions League final had a global live reach of over 300m viewers). Despite a background of recession and economic turbulence people are continuing to enjoy football.

Football is one of the biggest markets in Europe

This raises the question of in which way/instance and through which sub-markets professional clubs and leagues generate revenues and which are the determinants to alter revenue streams. This chapter is divided into two segments: national/German market and the international/European market. The clear focus lies on the European region because in Europe football has always played the most important role. Another focal point has been the inclusion of only the first division of the national leagues. Particular subjects involved the development of revenues in recent years, exploitation of broadcasting rights, number of attendees and employees expenses.

National/ Germany

Professional football in Germany consists of the Erste and Zweite Bundesliga. Generally, overviews in terms of revenues and revenue streams, EBITDA and earnings development are only covered for the Erste Bundesliga.

Football in Germany

Note: Comparing the Social media activity (based on Facebook likes) of all 18 Bundesliga clubs you can see that all clubs are more popular than at the start of the season. However, not many clubs are above League average and BVB even managed to be on the top (based on Change in %) and hence remains on rank 2 behind FC Bayern München.

Facebook likes comparison

Facebook likes	01.08.2012	16.5.2013	Change in %
FC Bayern München	4,687,366	7,056,713	50.5%
Borussia Dortmund	1,418,137	2,556,321	80.3%
FC Schalke 04	575,259	674,454	17.2%
SV Werder Bremen	416,247	449,686	8.0%
Hamburger SV	368,285	407,963	10.8%
VfB Stuttgart	270,976	295,262	9.0%
Eintracht Frankfurt	194,781	228,326	17.2%
Borussia Mönchengladbach	178,039	221,010	24.1%
Hannover 96	169,509	193,034	13.9%
1. FC Nürnberg	148,389	163,107	9.9%
Bayer 04 Leverkusen	119,406	136,444	14.3%
Fortuna Düsseldorf	118,933	145,092	22.0%
VfL Wolfsburg	74,452	86,863	16.7%
Sport-Club Freiburg	62,695	83,786	33.6%
FC Augsburg	63,185	72,858	15.3%
1. FSV Mainz 05	59,051	67,908	15.0%
1899 Hoffenheim	55,597	62,283	12.0%
SpVgg Greuther Fürth	23,831	31,603	32.6%
Total	9,004,138	12,932,713	43.6%

Source: facebook.de, media.news.de, CBS Research AG

Development of revenue, EBITDA and earnings in the Erste Bundesliga

For the first time in its history, the Bundesliga recorded revenues of over EUR 2bn. This represents an increase of 7.2% compared to last year's figure of EUR 1.94bn. Season 2011/12 was the eighth consecutive time that Germany's top football league posted an annual turnover record. The league, which is celebrating its 50th anniversary this season, has now doubled its income over the past decade from EUR 1bn in 2001/02.

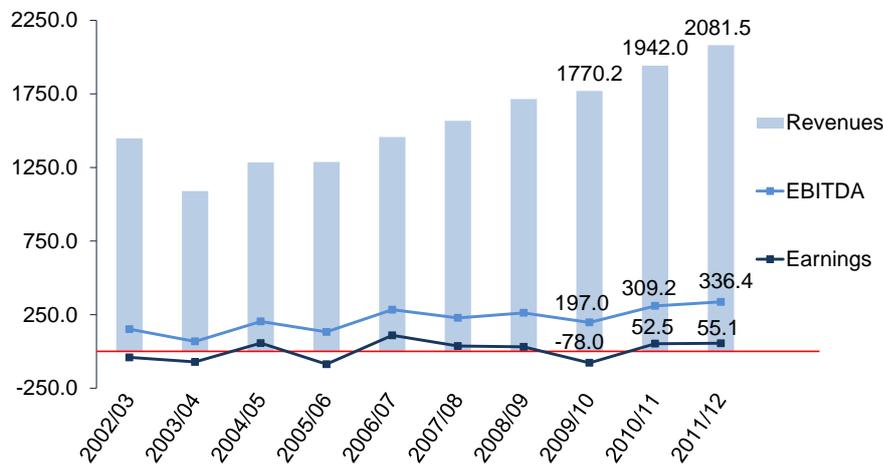
The three largest clubs, Bayern München (EUR 373.4m, Consolidated Financial Statements 2011/12), Borussia Dortmund (EUR 215,2m, CFS 2011/12) and Schalke (EUR 167.2m, CFS 2011/12) generated more than one third (36.7%) of the total revenue. All in all, eight clubs generated revenues of more than EUR 100m each. The first division clubs achieved a total profit after tax of EUR 55.1m. This figure represented a slight increase on the EUR 52.5m profit recorded for the 2010/11 season, while the Erste Bundesliga lost EUR 78m in 2009/10. EBITDA rose for the 2011/12 season to EUR 336.4m, after EUR 309.2m in 2010/11 and EUR 197m in 2009/10. The number of clubs which generated a profit increased from 7 in 2009/10 to 12 in 2010/11 and to 14 of the 18 teams in 2011/12. These figures illustrate that the Bundesliga continues to follow a solid financial path.

With regard to profit, no other football league is anywhere close to the Bundesliga numbers except the English Premier League generating higher turnovers, but less profit. The Premier League's 20 clubs collectively made a loss of GBP 361m last year, after spending all of their record GBP 2.3bn income.

Development of Erste Bundesliga

In terms of revenues number 2 in Europe after England

Development of revenue, EBITDA and Earnings in the Erste Bundesliga



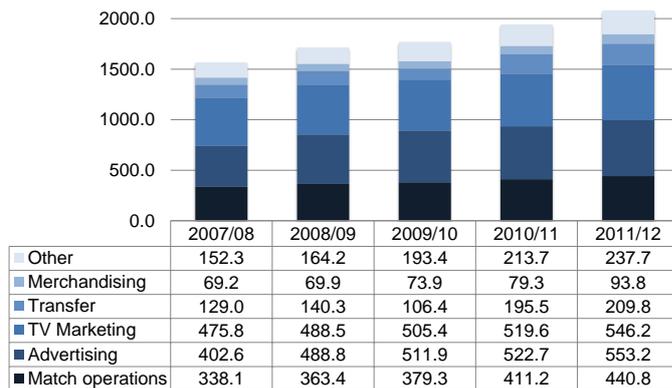
Source: Bundesliga Report 2013, CBS Research AG

The league's key revenue streams remained balanced with advertising bringing in 26.6% of income, marketing/broadcasting contributing 26.2% and ticket sales a further 21.1%. Together they account for around three quarters of total revenue. Broadcasting revenue rose by almost EUR 26.6m (5.1%) from EUR 519.6 in 2010/11 to EUR 546.2m (CAGR 12.9% from 2007/08). Match operations revenue reached EUR 440.8m in 2011/12 and compared to previous year, revenues increased by 7.1% or EUR 29,6m (CAGR 6.9% from 2007/08). Advertising revenues grew by 5.8% to EUR 553.2m in season 2011/12. Since 2007/08, Advertising revenues grew by an average of 8.2% per year. The strongest growth

Revenues in Bundesliga are broadly diversified

(an increase of 18.26%) was in merchandising, although it accounted for the lowest share of total revenue with 4.5% at EUR 93.8 m (CAGR 7.9% from 2007/08). Other income reached EUR 237.7m in 2011/12 (CAGR 11.8% from 2007/08). Its share in the total revenue has varied between 9.6% and 11.4% over the last four years. Transfer revenue reached a peak in the 2011/12 season at just under EUR 210m, while two years earlier it was only just over half that amount. There are often fluctuations in transfer revenues because the number of transfers and the transfer fee can vary greatly from year to year.

Development of gross revenue streams in the Erste Bundesliga



Source: Bundesliga Report 2013, CBS Research AG

International/ Europe

A number of factors dictate a club’s ability to generate revenue. For clubs from the European top divisions, the split of central revenues (broadcast, sponsorship), participation in UEFA competitions, stadium ownership, and ability to connect with the fan base are key factors. This section provides an overview about the development of revenue and the diversification into revenue stream as well a more detailed analysis of broadcasting revenues, ticket revenues/ attendance development and employee expenses. Starting this section with the description of Europe’s largest and most successful Football leagues, (‘big five’ including the Bundesliga).

Football internationally

Financial figures in this section (league revenues, absolute amount of different revenue streams and attendance) may differ to other sections due to notwithstanding time periods, which have been taken as the basis. Figures in this section are based on the calendar year (January to December) while figures in other sections refer to the playing season as a year (June to May).

Primera División

In April 1927, José María Acha, first proposed the idea of a national league in Spain. Today Primera División is, for sponsorship reasons, officially named Liga BBVA and represents the top professional association football division of the Spanish football league system. It is contested by 20 teams, with the three lowest placed teams relegated to the Segunda División and replaced by the top three teams in that division. Since the 1950s, Real Madrid and Barcelona have dominated the championship. Real Madrid has won the title 32 times and Barcelona 21 times. The Primera División is currently first in the UEFA rankings of European leagues (Country coefficients 2012/13 based on their performances in European competitions over a five-year period), ahead of the English Premier League in second and Germany’s Bundesliga in third.

Spain

Premier League

The **Premier League** is an English professional league for association football clubs and represents the country's primary football competition. The Premier League is a corporation in which the 20 members own the corporation and act as shareholders. Seasons run from August to May, each teams playing 38 matches, totaling 380 matches in the season. Contested by 20 clubs, it operates on a system of promotion and relegation. Since the inception of the Premier League in 1992 (break away from The Football League in 1992), five clubs have won the title: Manchester United (12 titles), Arsenal (3), Chelsea (3), Blackburn Rovers (1) and Manchester City (1). The current champion is Manchester City, who won the title in the 2011/12 season. The Premier League ranked second in the UEFA coefficients of leagues.

England**Serie A**

The Lega Nazionale Professionisti Serie A, commonly known as Lega Serie A is the governing body that runs the major professional football competitions in Italy (in addition to Serie A, the Coppa Italia, Supercoppa Italiana and a few more). Serie A, as it is structured today, began in 1929. It was founded on 1 July 2010 due to a split between the Serie A and Serie B leagues. Since 2004–05 there have been 20 clubs altogether. The league title in 2011/12 was won by Juventus, winning its 28th official Serie A title. Also the most successful clubs are Juventus with 28 winning titles, followed by Milan (18), Internazionale (18), and Genoa (9). Serie A is ranked 4th among European leagues according to UEFA's league coefficient.

Italy**Ligue 1**

Formerly known as Division 1, Ligue 1 is the French professional league for association football clubs and is contested by 20 clubs. Ligue 1 and Ligue 2 making up the Ligue de Football Professionnel. The current champion is Montpellier, who won the first title of their history in the 2011/12 season. Since the creation of the European Cup (Now UEFA Champions League) in 1955, only one French club has won the competition. The Ligue 1 ranked fifth in the UEFA Country coefficients 2012/13 of leagues. Many viewers of Ligue 1 have generally criticized the league for its over-reliance on defence, which results in matches being less entertaining. Over the last decade, Ligue 1 has regularly averaged the fewest goals per game among the top five European leagues.

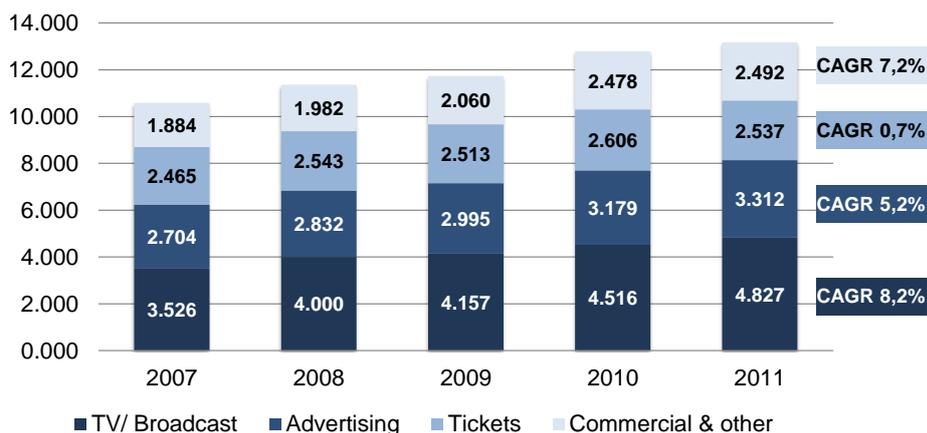
France

Revenue development in European football (UEFA countries)

Regardless of the turbulent economic period of the last five years, the European football market grew by an average of 5.6% per year in revenue terms to EUR 13.169bn in FY 2011 (EUR 12.780bn in FY 2010). All of Europe's 'big five' leagues reported revenue growth, to a collective total of EUR 8.96bn (up 11.3% from FY 2007). Broadcasting revenue (up 8.2% CAGR) was the main driver of growth and now stands at over EUR 4.8bn across the European top leagues (all 720 UEFA first league clubs).

Aggregated figures of European football

Development gross revenue streams in all European top football leagues (excluding transfer revenues) in EUR bn



Source: UEFA Benchmarking Bericht 2011, CBS Research AG

Broadcasting revenue in the leagues rose by almost EUR 311m (6.9%) from EUR 4.516bn to a record result of EUR 4.827bn in FY 2011, representing 36.65% of collective European top league revenue. Matchday revenue reached EUR 2.537bn in FY 2011 and comprised 19.3% of European top league revenues. But, compared to previous year, Matchday revenues decreased slightly by 2.6% or EUR 69m. While revenues decreased, average UEFA top league match attendance (720 first league clubs) increased in season 2011/12 to 6,909 from 6,797. Furthermore the average league match attendances increased in the two best attended leagues in Europe – the Bundesliga (to 44,297) and the Premier League (to 34,600) in FY 2011.

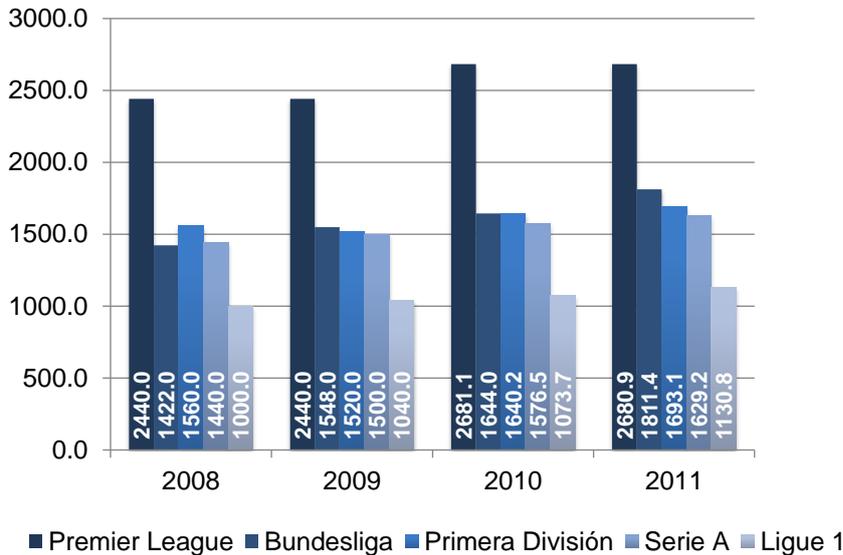
Sponsoring/Advertising revenues grew by 4.1% to EUR 3.312bn in FY 2011, representing 25.15% of collective European top league revenue. Since 2007, Sponsoring/Advertising revenues grew by an average of 5.2% per year. Commercial and other income reached EUR 2.492bn in FY 2011 and comprised 18.9% of European top league revenues. In this context commercial revenue includes conferencing and merchandising, while other revenue includes donations, grants, solidarity payments, exceptional and unclassified revenues. Profits/income from transfers is usually a large and fluctuating figure and is not included in these revenues.

Revenue development of the European “big five” leagues

The English Premier League remained the highest revenue generating league in world football, but, with its clubs’ revenues staying flat at approximately EUR 2.680bn in FY 2011. The gap to the second ranked German Bundesliga decreased to EUR 870m from 1.04bn in FY 2010.

Overview of “big 5” leagues

Development gross revenue largest European leagues (excluding transfer revenues) in EUR m



Source: UEFA Benchmarking Bericht 2011, CBS Research AG

The German Bundesliga has the highest average attendances in European football (44,297) which helped consolidate its second placed with EUR 1.811bn for FY 2011 in revenue ranking. The Bundesliga achieved with 10.2% the highest revenue growth of Europe’s ‘big five’ leagues.

Spain’s Primera División achieved a revenue growth of 3.2%, much of which was driven by increased revenues at Real Madrid and Barcelona. Both clubs generate more than half (58.8%) of the revenue or EUR 995m in the most polarized of Europe’s ‘big five’ leagues, in terms of revenue distribution within the league.

Revenues in Italy’s Serie A increased by EUR 52.7m (3.3%) to EUR 1.629bn, so Italy remains in fourth position and a long way ahead of France’s Ligue 1, whose revenues (EUR 1,130bn) grew by the second highest amount (5.3%) amongst the ‘big five’ leagues.

Outside of the ‘big five’ countries, Russia (EUR 800m), Turkey (EUR 500m), and The Netherlands (EUR 480m) have the largest revenue generating leagues.

Revenues of the top 20 football clubs

In 2011/12 the top 20 league clubs with the highest remuneration generated over EUR 4.8bn represented an increase of 10% in comparison to the previous year (EUR 4.4bn). In contrast to Europe’s top leagues the football’s top 20 earning clubs contribute over one third (36.45%) of the total revenues of the European football market (EUR 13,169bn for FY 2011 according to UEFA). Interesting to note is that all of the top 20 clubs are based in one of Europe’s ‘big five’ European markets – England (7), Italy (5), Germany (4), Spain (2), and France (2). Revenues exclude player transfer fees, VAT and other sales related taxes.

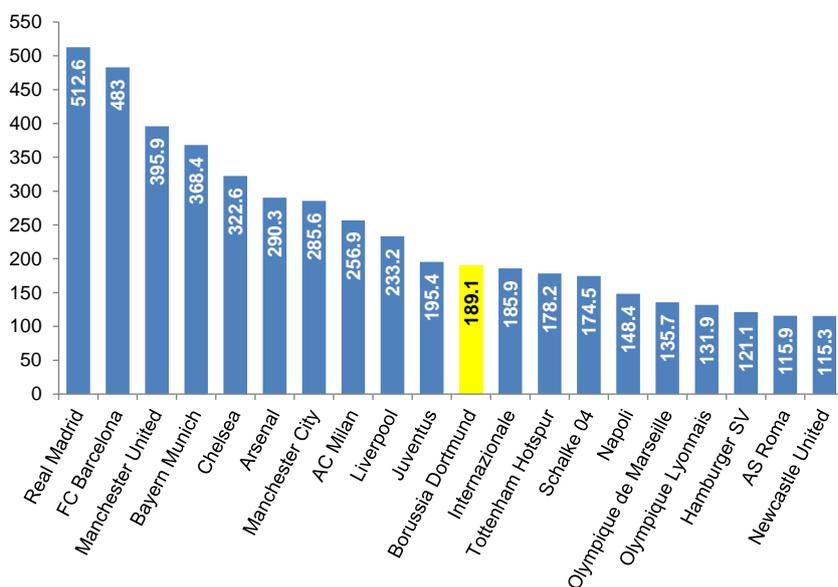
Top 20 football clubs

Significant are substantial revenue differences among these 20 clubs. Real Madrid reached the top position with revenues of EUR 513m in 2011/12, an increase of EUR 33m (7%) on previous year's. Additionally, the club was the first to earn more than EUR 500m in a single year. As can be seen in the chart below, Real Madrid earned almost EUR 200m more than fifth placed club Chelsea in 2011/12, double that of eighth placed AC Milan, and approaching four and a half times more than 20th ranked club, Newcastle United. This unequal distribution of revenues is partially caused by individual selling of broadcast rights in Spain.

Borussia Dortmund moved up five places to 11th, their highest ranking since 1997/98. The second victory of the Bundesliga season in a row and victory of the DFB Pokal allowed Borussia Dortmund to earn the second highest revenues of any German club in 2011/12 behind Bayern Munich.

BVB is currently on rank 11

Revenues of the largest football clubs worldwide 2011/12 (excluding transfer revenues)



Source: Deloitte Football money league 2013, CBS Research AG

Comparison of the domestic broadcasting market and revenues between the largest European leagues

The way each league distributes its TV money slightly differs from the others leagues (indeed no nation is similar to one another). Most leagues have a collective bargaining process, with balanced payments between the clubs within the first league and /or between the first and second league.

Comparison TV deals across big 5 leagues

At present, **Germany's TV-rights** deal ranks last among the 5 largest European leagues, even inferior to French Ligue 1. In 2011/12 season EUR 418m was paid to the Bundesliga clubs, of which 21% is actually shared with the Zweite Bundesliga. This has left the real number, just under EUR 330m, to be shared among the 18 teams. From this aspect, Bundesliga is very different compared to all the other big leagues. For many of them TV income represent their largest individual revenue stream. In comparison to the average broadcasting revenue share with 36.65% from all first leagues in Europe, the Bundesliga has only an average broadcasting revenue share of 29.09% for FY 2011. On the other hand, German clubs have higher sponsorship income with 30.23% relative to its European peers with 25.15% in FY 2011.

Germany TV rights details

One reason for Germany's low value of the broadcasting rights lies in the TV market itself. Germany is home to dozens of free-to-air channels; therefore Germans are more accustomed to having lots of free TV than many other nations.

Premier League (England)

The competition formed as the **FA Premier League** in 1992 followed the decision of clubs to break away from The Football League (which was originally founded in 1888) and take advantage of a lucrative television rights deal. The Premier League sells its television rights in three-season agreements on a collective basis with 50% of domestic broadcast equally divided between the clubs. Over GBP 968m was paid out in total to Premier League clubs in season 2011/2012. The next three-season deal will be worth GBP 6.5bn as of 2013–16. The Premier League is the most-watched football league in the world, broadcast in 212 territories to 643m homes and a TV audience of 4.7bn people (in 2010/11).

England TV rights details

Primera Division (Spain)

The Primera Division stands apart from its major European rivals in selling their TV rights on an individual basis, rather than a collective bargaining process. The disparity in TV revenues generated by Barcelona and Real Madrid when compared to the rest of the league, is one of the key reasons cited for the current competitive gulf that exists in the Primera Division. Of the EUR 655m TV rights for 2011/12, EUR 280m (43%) went to Real Madrid and FC Barcelona (EUR 140m each). Two clubs, Valencia and Atletico Madrid, managed to pull in EUR 48m and EUR 46m, thereby getting 1/3 of the TV money. However, 12 of the 20 teams in La Liga received only EUR 13m to EUR 18m. The group of clubs calling for change had grown from the original five or six to 13 out of the Primera Division's 20 clubs. From 2012/13 season onwards a new three-year deal with Mediapro and pay TV broadcaster Canal Plus has been agreed. Barcelona and Real Madrid have agreed to lower their stake to 34%.

Spain TV rights details

Despite the fact that Real Madrid and FC Barcelona are the two football clubs with the highest income, Primera Division's total TV rights were worth less than of England and Italy.

Ligue 1(France)

In France, the Ligue de Football Professionnel has an exclusive broadcasting agreement with premium pay TV channels, Canal+ and beIN Sport. The latter channel is operated by Qatar-based broadcaster Al Jazeera. Following the announcement of the agreement, it was revealed that Canal+ had acquired four television packages, while beIN Sport acquired two packages. Nevertheless the new Ligue 1 TV Rights Deal decreased by EUR 61m. The rights sold for the Ligue 1 from 2008-12 were worth EUR 668m per year, but the new deal for 2012-16 is down to EUR 607m per year. The TV revenues are redistributed to the clubs in Ligue1 and Ligue 2.

France TV rights deals

Serie A (Italy)

For the 2010–11 and 2011–12 seasons, Serie A clubs negotiated TV rights revenues collectively rather than individually for the first time since 1998–99 (a law was implemented to provide a fair method of splitting the money and parachute payments for the three teams relegated to Serie B). This deal was worth around EUR 860m per season. For the next three seasons the total value of the deal has increased. Whereas this season 2012/13 is worth EUR 966m, it will increase by EUR 17m for the second year to EUR 983m and then additional EUR 24m for the final year, meaning 2014-15 will see a pot of around EUR 1.007bn split amongst 20 teams.

Italy TV rights deals

UEFA broadcasting revenues (including UEFA bonus payments)

Broadcasting revenue in the ‘big five’ leagues rose to EUR 4.074bn and exceeded the EUR 4bn mark for the first time in FY 2011, representing 84.40% of collective European top league broadcasting revenue. Three of the ‘big five’ leagues generated more than half of their revenue from broadcasting (England 51.31%: EUR 1.375bn, Italy 56.81%: EUR 0.925bn, and France 53.75%: EUR 0.607bn). However the difference between Spain (37.73%: EUR 0.638bn) and Germany (29.09%: EUR 0.526bn) and the other three is significant. Looking at the absolute figures, England ranks first with generated EUR 1.375bn while looking at relative figures Andorra ranks first with a broadcasting revenue share of 59.91%.

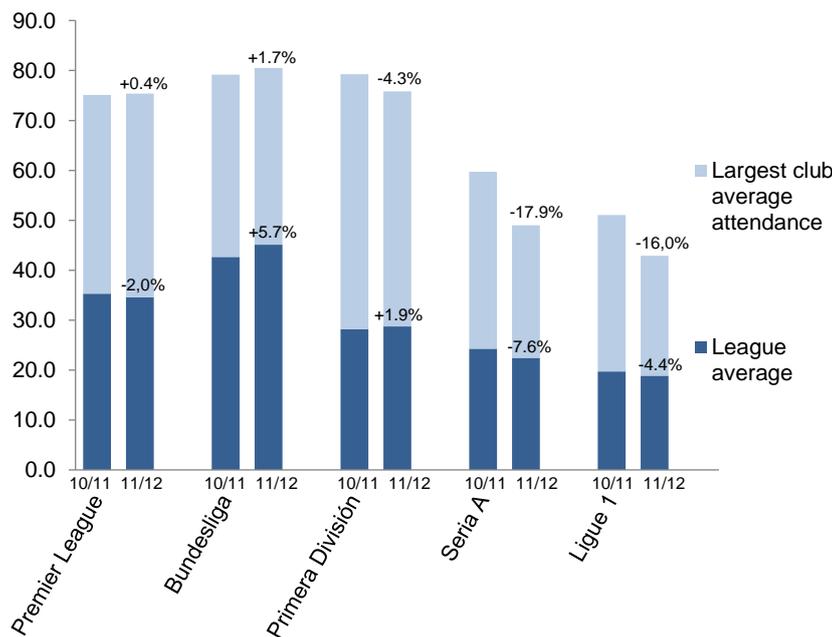
Aggregated numbers of top 5 leagues

The development of attendances in European top five leagues (2011/12 season) and ticket revenues (FY 2011)

Even if revenues from ticket sales do not represent the majority of UEFA league revenues (19.3%) and which, in comparison with the other revenue streams, grow below-average (CAGR 0.7%), ticket sales are an important indicator to assess how popular football is and how much people are willing to spend on football in individual countries. Conclusions can be drawn from the utilization of the stadium, the average attendances as well as the infrastructure. Since both ticket sales and stadium visit are directly correlated (level of ticket prices not taken into consideration), both issues are summarized in this section.

Development of attendance in top 5 leagues

Average attendance of matches of largest European leagues



Source: UEFA Benchmarking Bericht 2011, CBS Research AG

UEFA ticket revenues big five” leagues

Ticket sales generated revenues of EUR 1.850bn in FY 2011, representing 74.24% of collective European top league ticket revenue. Only three of the ‘big five’ leagues generated more than 20% of their revenue from ticket sales (Spain 31.91%: EUR 0.540bn, England 22.77%: EUR 0.610bn, and Germany 21.25%: EUR 0.384bn). In Italy and France only around 11% are contributed by ticket revenues (EUR 0.183bn, EUR 0.131bn). In comparison, ticket revenues in England’s Premier League were around 365% higher than France’s Ligue 1.

Average attendances in the “big five” leagues

Among the “big five” leagues, only Germany and Spain had increased attendances (5.7% and 1.9% respectively), while Italy, France and England declined (-7.6%, -4.4% and -2.0%). In addition only Germany’s Bundesliga was able to increase the average attendance for all league matches as well as the average attendance for the largest club.

Bundesliga: For each of the 306 games in the 2011/12 season 44,293 spectators on average visited the stadiums and thus 5.7% more than in the season before. This is the highest average match attendance in any professional football league. Summarized over all clubs and games, 91% of all available seats were occupied. In addition Borussia Dortmund led the Bundesliga in terms of the best club attendance with almost 80,521 attendees and overtook FC Barcelona (75,844 attendees).

Premier League: In the 2010/11 season the average Premier League match attendance was 35,363 and declined to 34,600 in the 2011/12 season. Still the Premier league had the second highest attendance of any professional football league and stadium capacity occupancy was 92.2%.

Primera División: With an average attendance of 28,796 for league matches in the 2011/12 season Primera División has the third-highest attendance in Europe, behind the German Bundesliga and English Premier League. The average stadium capacity occupancy amounted to 74%. Historically, Camp Nou, home of FC Barcelona, had the highest average attendance for a club in Europe.

Serie A: Since 2008/09 season Italia’s average attendance is falling. Serie A has lowest rate in terms of average stadium capacity occupancy with 55%. There was a 0.8% decrease from 2008/09 to 2009/10, a 2.6% drop between 2009/10 and 2010/11 (24,306) and a further 7.6% decline to 22,466 in 2011/12. The club with the highest attendance is A.C. Milan with 49,020 attendees.

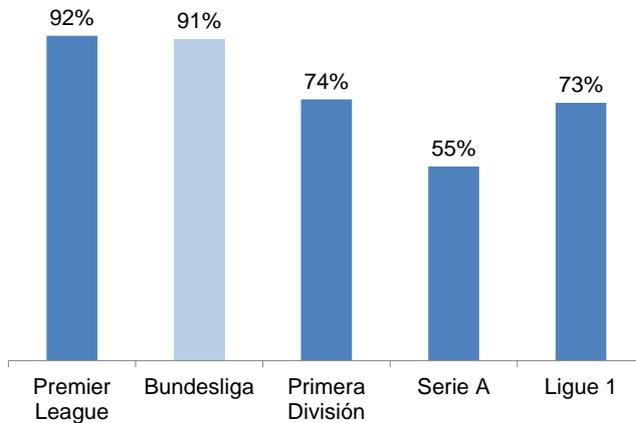
Ligue 1: Compared to the attendances of Europe’s five major leagues, Ligue 1 ranked bottom with an average attendance of 18,870 per match, which meant that about 73% of all tickets had been sold. Comparing 2011/12 with 2010/11 we see a decline in Ligue 1 attendances of 4.4%. The club with the highest average attendance is Paris Saint Germain F.C. with 42,892 attendees. The organisation of the Euro 2016 in France presents a significant opportunity for many French clubs to refurbish their stadia to increase attendances and matchday revenue

**Average attendance in
Bundesliga****Premier League****Primera Division****Serie A****Ligue 1**

The Bundesliga and Premier League clubs were all able to sell over 90% of their seats. One reason for this result is that both leagues consist mainly of new or redeveloped stadiums.

Occupancy rate in top 5 leagues

Occupancy rate 2011/12



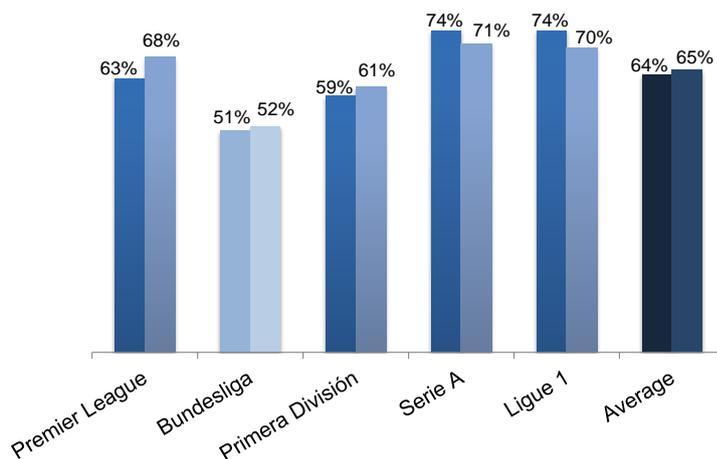
Source: UEFA Benchmarking Bericht 2011, CBS Research AG

Employee expenses on European level

European football clubs are the highest earning clubs in the world, and their players are paid accordingly. But the average wage of a professional football player varies greatly among top-level UEFA leagues. For example, players in the top leagues of England, Italy or Spain are paid more than those in countries such as Poland, Switzerland or Norway. Given the significance of employee costs for football clubs, in particular player salaries, the ratio is regularly used as a key performance indicator by clubs. Generally, all direct employee (player, technical and administrative staff) costs incurred by the employer are disclosed together and this is the figure used below.

Personnel cost ratios in top 5 leagues

Employee expenses expressed as percentage of revenues (left FY 2010, right FY 2011)



Source: UEFA Benchmarking Bericht 2011, CBS Research AG

According to the UEFA Benchmark report 2011, the English Premier League pays, speaking in absolute figures, the most for its players. Wages and Salaries amounted to 68% which resulted in EUR 1.823bn being paid. Italy and France have a slightly higher ratio with 71% and 70%, resulting in absolute payments of approximately EUR 1.156bn and EUR 791m. Spanish clubs pay significantly less to its employees with a ratio of only 61% or EUR 1.032bn in absolute terms. Among the top five leagues, the Bundesliga has the lowest revenues/employee expenses

ratio with only 52% and payments of EUR 941m. Respectively, only Bundesliga and Primera División pay less than the UEFA average of 65%. The wages/revenue ratio is lowest in the Bundesliga (52%) and highest in Serie A (71%).

However, there was wage inflation in the three biggest leagues by comparing FY 2010 and FY 2011. Bundesliga clubs' wages grew by 12.3% (up EUR 103m), and wages were up 7.9% in Premier League (up EUR 134m) and Primera División by 6.7% (up EUR 65m). Wages in Italy and France decreased slightly (-0.85%, -0.38%) down EUR -10m and EUR -3m, respectively.

Bundesliga wages increased by 12.3% YoY

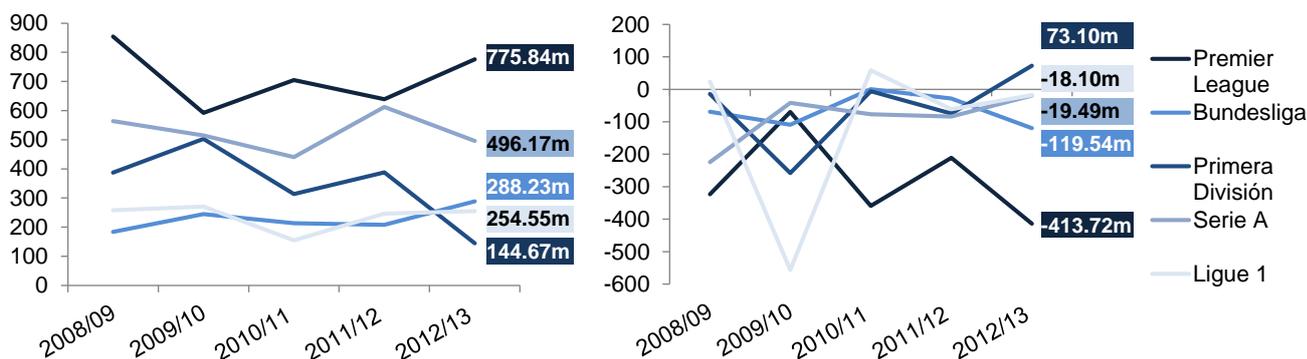
Determinants for a player's expense are the player's position and bonus payments. A survey, conducted by The Independent and the Professional Footballers' Association in 2006, revealed that strikers are the best-paid players, thereafter midfielders and defenders and goalkeepers on the last position. Players' bonuses vary enormously depending on the terms of their deal but could easily double a footballer's salary.

Transfer policy in the UEFA top 5 leagues

The ability to transfer players provides a unique opportunity for football clubs to influence financial results by creating deficits or surpluses through player purchases or sales. The situation in the transfer market depends on the current level of market prices, the number of active buyers and sellers and the strategies of the club.

Transfer net streams

Transfer expenditures and net transfer result in EUR m



Transfermarkt.de, CBS Research AG

The left chart illustrates the transfer expenditures of the top 5 UEFA leagues for the five year period 2008/09- 2012/13. The English premier league clearly surpasses the other leagues in terms of the absolute amount of expenditure (EUR 775.84m) and the significant expenditures increase in season 2012/13 (+21.34% to season 2011/12). Bundesliga and Ligue1 showed a very constant expenditures development over the last couple of seasons (between EUR 200m and EUR 300m) whereas spending of Italian and Spanish clubs had slowed down (especially in Spain with a decrease of 62.73% to EUR 144.67m).

Development of total transfer expenses in top 5 League

The net transfer result, which is illustrated on the right side, shows the sum of transfer earnings and transfer expenditures. The estimates are based on the website transfermarkt.de, which data information is based in most cases on publicly reported transfer values. The chart also shows clearly that whilst in aggregate terms the larger leagues are net "importers" of talent and hence spend more than earn from transfer activity, there are still season where these larger leagues report net income from transfers. A look on the chart indicates that the spending in the

Net transfer result mostly negative in top 5 leagues

four leagues (Bundesliga, Primera División, Seria A and Ligue1) had stayed flat or slowed down and earnings increased so that the negative net transfer result decreased. Only the net transfer result of Premier League increased over the last seasons. In general Premier League clubs are the biggest net importers in the UEFA transfer market (Season 2012/13 EUR -413.72m) and German, Italian and the French league are only small net importers (Season 2012/13 EUR -119.54m, EUR -19.49m, EUR -18.10m). Only Primera División developed to a net talent exporter over the last seasons and achieved a positive net result (EUR 73.10m) in the 2012/13 season.

Strategy

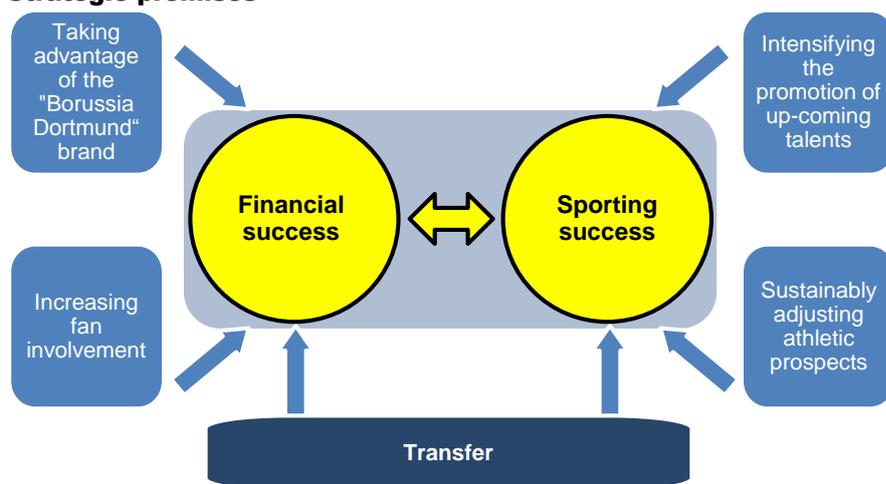
Borussia Dortmund is in sporting and financial terms one of the most successful, well known and popular football clubs in Germany, but only recently also international acknowledged due to the UEFA Champions League participation in the recent two seasons. Borussia Dortmund's most important sporting goals will be to establish the club in the top of the German Bundesliga, success in national as well as international tournaments and the consolidation of the international position in the next seasons. Financial goals will be, on the one hand, the increase in profitability (which can be used for investments for new players without debt increases) and improvement of the equity ratio. Furthermore a sustainable capital market communication forms an essential part of the financial strategy.

Main goal is to achieve steady success in the league as well as UEFA competitions

The pursuit of the classical strategy to push the profitability is centred on the improvement and development of the core revenue streams: broadcasting, advertising, match operations and merchandising (which are somewhat characteristic for all large football clubs). However, the club has only limited possibilities to directly influence most of the streams. Therefore, a total of four sub-objectives were formulated, which are used by BVB, to affect the revenues indirectly. BVB's business strategy can principally be summarised as follows:

Stabilisation of the profitability

Strategic premises



Source: Borussia Dortmund GmbH & Co. KGaA, CBS Research AG

The financial success can be achieved partly by an intensified fan involvement (which subsequently influence the utilization of the stadium, ticket prices and the merchandising revenues) and the strengthening of the brand name, which in turn has a positive effect on advertising and merchandising income. In contrast, broadcasting revenues (bonus and participations payments) are influenced by sporting success. Primarily this depends on the individual players, the team and the interaction between team and coaches. Thus, in order to sustainably improve the sporting success, the emphasis is put on the promotion of up-and-coming talents and athletic prospects of the current players in the club. It is, however, important, that the player selection and promotion are accomplished under sustainable economic aspects (no new debts for buying new players.). Transfer revenues represent a unique status because they can significantly affect the athletic performance as well as the financial performance (purchase/sale of well qualified players).

Intensified fan involvement to utilise the business model main pillars

The four sub-objectives are characterized as follows:

Intensifying the promotion of up-and-coming talents

BVB has been well on track for the last couple of years in terms of youth talent acquisition and talent development. It has been internationally acknowledged that a football club of mostly unknown players (in terms of popularity in Europe) could outplay star-studded clubs like Manchester City or Real Madrid. Dortmund is an example for a football club representing the values of the promotion of young talents instead of a business model based on expensive transfers which are, nowadays in some cases, financed by potent investors like sheikhs or Russians.

Talents

Sustainably adjusting athletic prospects

Nevertheless, investments in the professional roster are also a necessity for achieving sporting objectives such as qualifying for the UEFA Europa League. One reason is to further foster established players, another reason is that the players should also take part in sporting successes in money terms as well as the salaries have to remain attractive to the players to bind them to the club (and prevent removals of key players like Götze). However, conflicts can arise between sporting and financial targets, especially when players are bought or sold or the club fails the sporting goal in the mid-term. In addition, BVB (as well as other clubs) have to deal responsibly with money and expenses with regard to the new UEFA financial fair play rules.

Athletic prospects

Increasing fan involvement

The BVB has one of the biggest and most loyal fan bases that results in one of the highest average spectator numbers in Europe and a sold-out stadium for nearly all games. A season ticket for the "yellow wall" (standing space in the Südtribüne) is relatively cheap in comparison to a ticket from Bayern Munich or in the English Premier League. Thus, even fans with a small budget can watch the matches.

Increasing fan involvement

BVB also takes care of activities for fans outside the stadium. In 2012 a new online game was introduced for fans. In "BVB Fantasy Manager", players can simulate being the club manager. It has been extremely well received by fans since its release, having been downloaded more than 170,000 times within the first four months. The game was honoured at the SPONSORS Sports Media Summit.

Taking advantage of the "Borussia Dortmund" brand

"Echte Liebe" is the motto of the BVB, who was crowned with the "Marken-Award 2012" for the best managed sports brand in March 2012. The motto symbolizes the strong bond of the fans (and sponsors) to the club and associates the brand BVB with an intense, memorable football experience. As long as Borussia Dortmund achieves (international) sporting success, the club can strengthen the marketing for the brand name, international as well as national. Advertising plays a key role in this context. The club can determine the requirements and direction of sponsoring activities and modify the strategy, which sponsors will be represented by BVB.

Brand "Borussia Dortmund"

Financials

Historical financial development

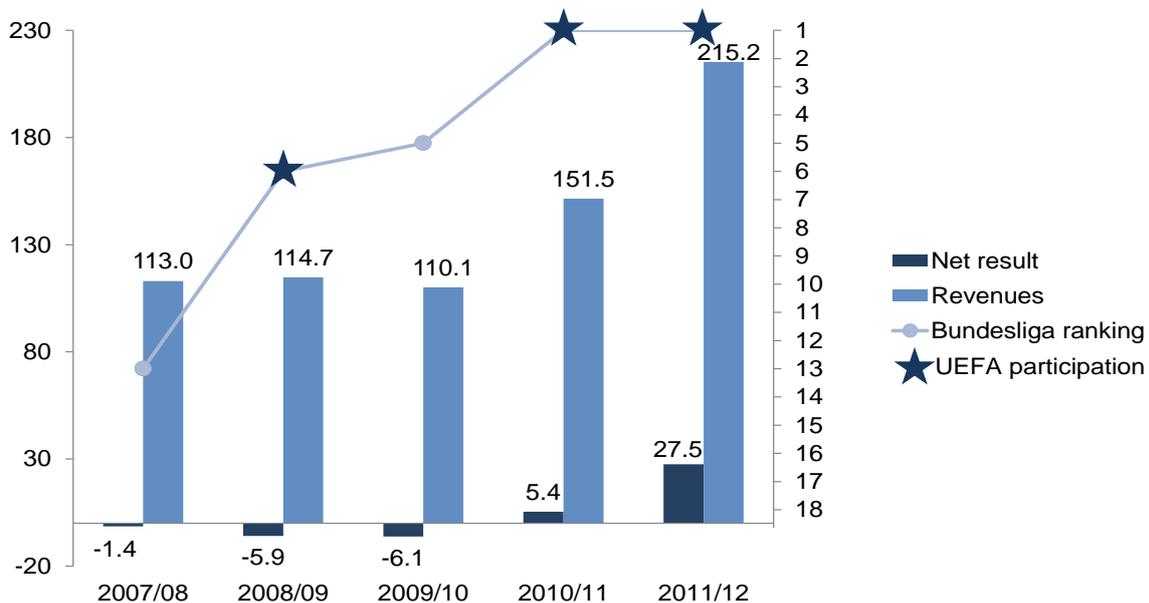
Almost 10 years ago, Borussia Dortmund was nearly insolvent, but more impressive is the considerable leap forward the company has achieved since then. Since 2003 large debt caused by buying expensive players (who did not bring the desired sporting performance) and doubtful business decisions in the course of the stadium expansion (which had to be rented for the matches) burdened the company. Total debt amounted to EUR 118m in FY 2003/04. The crisis led to the resignation of the responsible managing director Gerd Niebaum in February 2005. He was succeeded by Hans-Joachim Watzke, who initiating an economic consolidation by drastically reducing the player and transfer budget, restructuring of the liabilities (associated with the repurchase of the stadium) and three capital increases. The new strategic focus was on the increase in profitability induced by concentration on the key revenue streams and a sustainable investment in players. As a consequence the company has stabilised its operative performance over the last years.

Success story after some bumps on the road

Despite the achieved financial success, the sporting performance plays an essential role in terms of revenue development. The chart below shows revenue development since season 2007/08 along with the achieved rankings in the Bundesliga and the participation in UEFA tournaments.

Revenue development show a strong upside

Historical development of revenues, net income and Bundesliga performance (including UEFA tournament participation)



Source: Borussia Dortmund GmbH & Co. KGaA, CBS Research AG

Over the period 2007/08-2011/12 the company experienced a top line growth of CAGR 17.5% on a yearly basis and managed to improve net result figures significantly from EUR -1.45m in season 2007/08 up to EUR 27.53m in 2011/12. Especially the participation in UEFA tournaments has contributed to revenue growth. In 2008/09 Borussia Dortmund reached only the first round of the Europa League (former UEFA Cup), which had only a small impact on revenues, while participations in Europa League (2010/11) and Champions League (2011/12), and both times reaching the group stage, resulted in significant revenue growth. In addition also broadcasting revenues from the Bundesliga increased due to the better achieved ranking (13 in season 2007/08, 1 in 2011/12).

Champions League helped to boost the revenues

1H 12/13 Review

Borussia Dortmund posted in the first six months revenues of EUR 124.12m, indicating an increase of 22.4% YoY. The growth in revenues is attributable to the improvement of nearly all revenue streams. In particular revenues from TV broadcasting grew by 20.4% to EUR 46.93m and contributed almost 35% of the absolute growth in revenues. The successful participation in the group phase of the Champions League was the main factor for the improved TV revenues. Besides, advertising revenues grew by 25.87% to EUR 31.73m and commerce (including BVB Merchandising GmbH) grew by 32.21% to EUR 25.90m (largest growth in relative terms). Revenues from advertising increased primarily due to the new equipment supplier agreement with PUMA SE and crucial for the revenues from commerce/merchandising business was the new design of the jerseys at the start of the season.

Overall, the company reported group net income at EUR 14.22m which was moderately above last year's 1H (1H 11/12: EUR 12.81m) but significantly increased QoQ by 355.5% (1Q 12/13: EUR 2.56m). The corresponding EPS was EUR 0.23 for 1H 12/13 and EUR 0.21 for 1H 11/12. Also equity ratio increased to 37.9% (1H 11/12: 33.4%).

The company's cash and cash equivalents amounted to EUR 16.96m, indicating an increase of EUR 11.69m over the balance at FY 11/12. During the first six months of 2012 the company generated cash from operations of EUR 15.68m, compared to a positive cash flow of EUR 12.45m recorded in 1H 11/12.

9M 12/13 Review

Last week the company reported its 9M 12/13 figures. Overall, this quarter can be considered a really strong one, since both top and bottom line were up YoY. Borussia Dortmund reported group net revenues of EUR 179.79m (3Q13: EUR xm) which was clearly above last year's 9M (9M 11/12: EUR 140.42m) and above previous year's 3Q (+42.6%). Net result for 9M 12/13 improved by 27.48% to EUR 16.32m (9M 11/12: EUR 12.80m), the corresponding EPS was EUR 0.27 for 9M 12/13 after EUR 0.21 in 9M 11/12.

Basically the revenue improvement is attributable to the growths of all revenues streams. As in the previous quarters of the year 2012/13, revenues from TV broadcasting recorded the second strongest growth with 34.01% to EUR 60.05m. The successful participation in the quarter finals of the Champions League was the main factor for the improved TV revenues. Furthermore, advertising revenues grew to EUR 46.97m due to success related payments from sponsors and match operations grew to EUR 29.70m due to the ticket sales for the UEFA matches. Above all, however, revenues from transfers recorded the strongest increase in 9M 12/13 with EUR 7.75m (9M 11/12 EUR 1.0m) which is due to the transfer of Ivan Perisic and Chris Löwe in the winter transfer period.

The company's cash and cash equivalents amounted to EUR 12.10m, indicating a decline of EUR 4.86m over the balance at 1H 12/13.

1H 12/13 was very successful

Group net income at EUR 14.2m, EPS at EUR 0.23

Cash of EUR 17.0m

3Q 12/13 another positive development

Transfer revenues positive in 3Q

Cash of EUR 12.1m

Financial forecast

Preview 4Q12E

We expect that this fiscal year will end very positively after already very promising 9M figures. Overall, we expect the group to achieve total revenues of EUR 289.4m in 2012/2013E, indicating a 34.4% growth YoY. Therefore, 4QE revenues will amount to EUR 109.0m (including the transfer income of EUR 37m for Mario Götze as announced at the end of April). On segment level the major contributor remains the TV-marketing segment with revenues of EUR 26.3m in 4QE and EUR 86.9m for FY2012/2013E (2011:2012: EUR 60.4m; +43.8% YoY). This strong increase mostly results from the tremendous performance in the UEFA Champions League by reaching the Final (25 May in Wembley against FC Bayern München).

While we did not include any premiums due for winning the cup (conservative approach), we do believe that BVB has as a good a chance to win the Champions League as the opponent FC Bayern München despite the press comment whom see FC Bayern as an odd-on favourite.

Besides the above mentioned segment also the segments Advertising (Revenues: 4QE EUR 22.9m; 2012/2013E: EUR 69.82m; +20.8% YoY) and Match operations (Revenues: 4QE EUR 10.8m; 2012/2013E: EUR 40.5m; +28.9% YoY) will end with strong growth YoY. Overall, most of the jump in sales is based on this year's success in the Champions League. The Retail, Catering, Licensing & Other unit should also grow both QoQ and YoY. We assume that this segment will achieve revenues of EUR 47.4m in 2012/2013E of which EUR 12.1m will be generated in 4Q 12/13E.

However, while the roster is playing an incredible season this also may lead to an increase in demand BVB player's in the future (transfers). At the end of April one of such cases occurred as it came public that FC Bayern München will buy BVB super talent Mario Götze for the sum of EUR 37m due to an exit clause in Götze's contract. As a result, we expect this year's Transfer segment to achieve revenues of EUR 44.8m of which EUR 37m will be booked into 4Q. Up to now, we no further finalised deal has been announced and given the ongoing rumours about Robert Lewandowski. We at least expect no news concerning him playing for additional season (and then will be a free agent) or immediate transfer to FC Bayern München (as many speculate) or to a big club in Europe (most likely England or Spain).

With revenues of EUR 289.4m and overall OPEX of EUR 219.8m, EBITDA is forecasted to come in at EUR 92.5m (margin: 32.0%), mostly supported by the sale of Götze and the unexpected performance in the Champions League. The club has even the chance to win the cup which would lift up the figures even higher. Compared to 2011/2012 this is an increase of 54.1% YoY (2011: 2012: EUR 60.0m). Group EBIT therefore should be at EUR 74.5m (margin: 25.7%). All in all, net income after minorities is expected to stand at EUR 50.7m after EUR 27.4m in 2011/2012. The corresponding EPS is at EUR 0.82 (prev. year: EUR 0.45).

Therefore, for 4Q 2012/2013E we expect group revenues of EUR 109.0m, which should lead to an EBITDA of EUR 52.3m, EBIT of EUR 51.2m after all to a net income of EUR 33.9m. Worth mentioning that possible additional transfers as well as the chance of winning the Champions League are currently not included into our estimates.

4Q positively affected by Götze transfer and success in Champions League

All segments positive

Götze transfer and rumours about Lewandowski

EBITDA is strong in 2012/2013E

4QE with outstanding upside

Assumptions on sporting success

To give a more insight about our estimates we illustrate our assumptions on the sport success during the next years which are the foundation of our mid-term estimates. To be more conservative our approach is rather flat YoY. For the long-term we locked our assumptions for 2015/2016E and extrapolate that until 2021/2022E (see DCF valuation).

2013/2014E

- Bundesliga: Rank 2 which leads to a direct qualification of UEFA Champions League
- DFB-Pokal: Reaching of Quarterfinal
- International: UEFA Champions League reaching round of last 16

2014/2015E

- Bundesliga: Rank 2 which leads to a direct qualification of UEFA Champions League
- DFB-Pokal: Reaching of Quarterfinal
- International: UEFA Champions League reaching round of last 16

2015/2016E

- Bundesliga: Rank 3 which leads to a direct qualification of UEFA Champions League
- DFB-Pokal: Reaching of Quarterfinal
- International: UEFA Champions League reaching round of last 16

Mid-term outlook

Besides the sporting success the company aims to sustain its profitability at a higher level (first steps already achieved) and we believe that in the long run the company should be able to reach an EBIT margin of >15%. As illustrated in the valuation section, we remain for the time being more conservative (peak EBIT margin 25.7%).

We believe that the company's growth momentum will continue and BVB will even manage to boost its top and bottom line to a higher level in the mid-term. Overall, we consider BVB, in particular the segments TV marketing and Advertising and the almost 100% occupancy rate of the BVB stadium at almost every game, as the current and future cash cows of the group.

The mid-term prospects for BVB seem very promising. Dividing the group revenues of EUR 289.4 for 2012/2013E into the five business units especially the TV marketing unit will bring the strongest growth up to around EUR 86.9m after EUR 60.4m in previous year (+43.8% YoY). Besides TV marketing, also the core business Match operations will bring a solid growth in this current fiscal year, ending with EUR 40.5m (2011/2012: 31.4m; +28.9% YoY).

For 2013/2014E the two segments Matching operations and TV marketing is assumed to decline YoY due to the conservative approach regarding the DFB Pokal and the Champions League (DFB-Pokal: reaching Quarter final; Champions League: reaching round of last 16). Therefore, it is no surprise that especially Match operations will decrease down to EUR 36.8m (due to less games

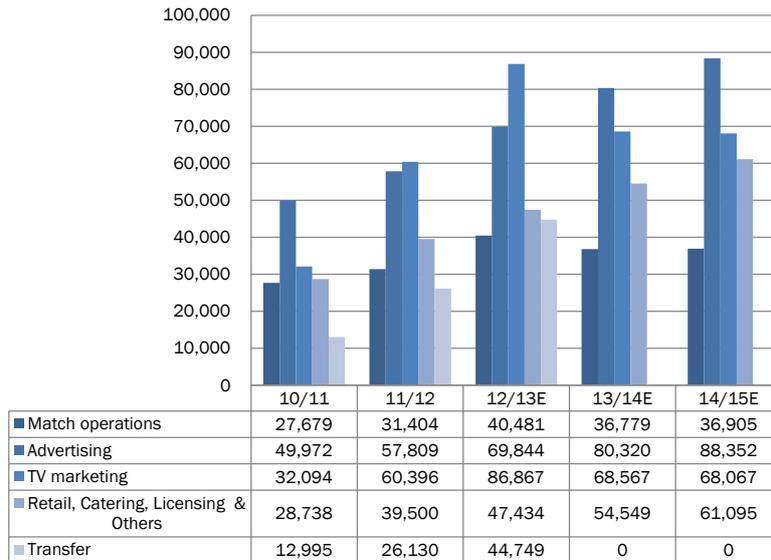
Improving profitability seems reasonable

All segments will contribute to forecasted growth over the next years

internationally) and TV marketing is expected to sink to EUR 68.6m (significantly less premium from UEFA). However, given the increased brand awareness of BVB we forecast the Advertising unit to show a nice growth in 2013/2014E up by 15% to EUR 80.3m. The Retail, Catering, Licensing & Others should also show an increase of about 12% to EUR 54.5m. For 2014/2015E we assumed a growth on all segments (as seen in chart).

Regarding the Transfer unit we point out that we will not include any sales into our estimates since it is practical impossible to assume such deals.

Segment breakdown (in EURk)

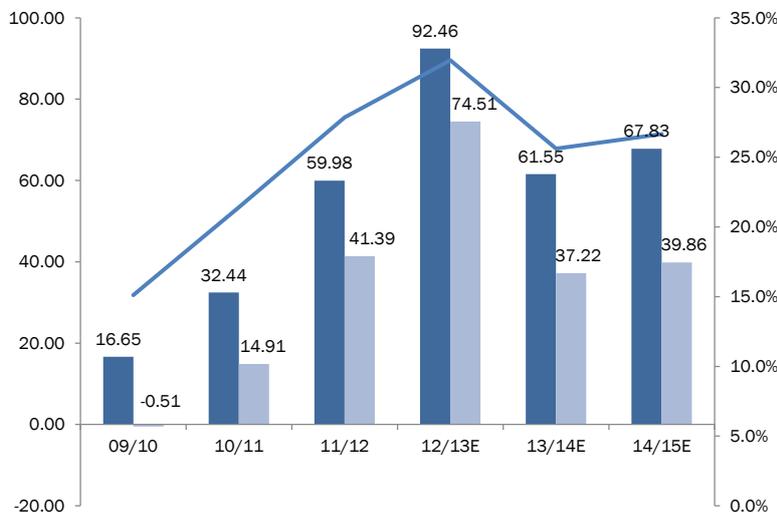


Source: Borussia Dortmund GmbH & Co. KGaA, CBS Research AG

Similarly with top line growth, we also expect the operating profit to increase up to a new level of profitability. Compared to 2011/2012 (EUR 60.0m) we forecast EBITDA to come in at EUR 92.5m with a margin of 32.0%. As seen in the chart below, the margin should as expected a decline towards around 25% (2013/2014E) but an increase again as from 2014/2015E up to ~27%.

Strong upside at EBITDA-margin

EBITDA (dark), EBITDA margin (line) vs. EBIT development (in EURm)



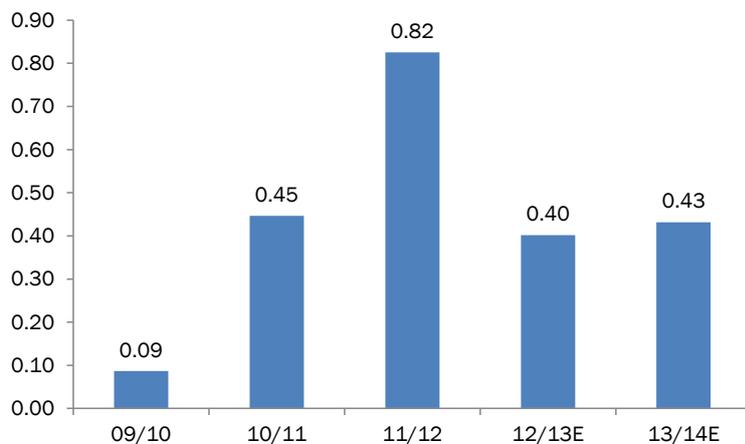
Source: Borussia Dortmund GmbH & Co. KGaA, CBS Research AG

On EBIT level, we estimate for FY12/13E an operating profit of EUR 74.5m, indicating a growth of 80% YoY (mostly due to the Götze deal as well as the tremendous success in the Champions League).

As seen in the chart below, the positive expected development of BVB is reflected very clearly with the EPS figures. With constant sales growth as well as improvements at the OPEX hence, higher margins, the EPS will increase from EUR 0.09 in 2009/2010 up to EUR 0.82 in 2012/2013E. Given our conservative approach and the positive effect of the Götze transfer on the financial figures in 2012/2013E we consider the stabilization of the EPS at EUR >0.40 very positively. Since our assumptions are rather conservative given the success of the team in this year, every outperformance would lift up our estimates to a much higher level.

...also in bottom-line

EPS development (in EUR)

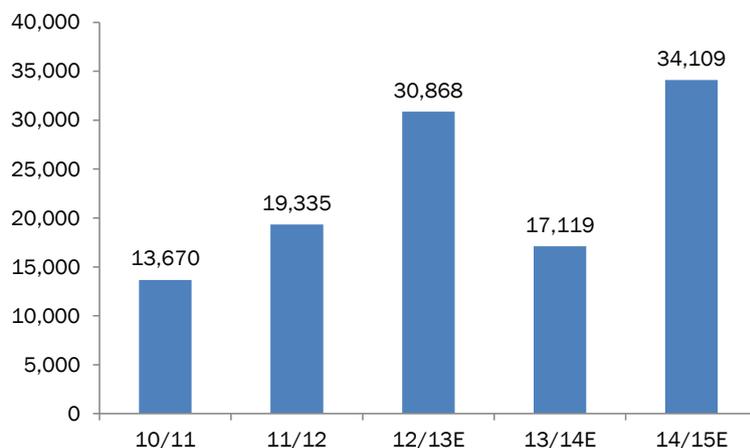


Source: Borussia Dortmund GmbH & Co. KGaA, CBS Research AG

Besides the positive development in the P&L also the free cash flow development can be considered as a strong improvement. Currently we expect a positive free cash flow in 2012/2013E of EUR 30.9m which is as aforementioned positive affected by the Götze transfer. In 2012/2013E the free cash flow should come in at EUR 17.1m in 2013/2014E and at EUR 34.1m in 2014/2015E (note: we do not include any sales but estimate some general player additions at around EUR 10m to EUR 20m per season). Overall, the prospects for BVB in the near future are very promising.

Positive free cash flow development despite some expected player purchases

Free cash flow development (in EURm)



Source: Borussia Dortmund GmbH & Co. KGaA, CBS Research AG

Appendix

Profit and loss account

	IFRS	EURm	09/10	10/11	11/12	12/13E	13/14E	14/15E
Sales			110.14	151.48	215.24	289.37	240.21	254.42
YoY growth			-	37.5%	42.1%	34.4%	-17.0%	5.9%
Cost of materials			-4.68	-7.66	-12.48	-17.11	-14.41	-15.27
as % of sales			-4.3%	-5.1%	-5.8%	-5.9%	-6.0%	-6.0%
Personnel costs			-47.96	-61.54	-79.92	-94.80	-93.68	-96.68
as % of sales			-43.5%	-40.6%	-37.1%	-32.8%	-39.0%	-38.0%
Other operating income			2.08	4.31	7.63	4.92	7.50	5.50
as % of sales			1.9%	3.9%	6.9%	4.5%	6.8%	5.0%
Other operating expenses			-42.93	-54.14	-70.49	-89.93	-78.07	-80.14
as % of sales			-39.0%	-35.7%	-32.7%	-31.1%	-32.5%	-31.5%
EBITDA			16.65	32.44	59.98	92.46	61.55	67.83
as % of sales			15.1%	21.4%	27.9%	32.0%	25.6%	26.7%
Depreciation and amortisation (incl. PPA depreciation)			-17.16	-17.53	-18.59	-17.94	-24.33	-27.97
as % of sales			-15.6%	-11.6%	-8.6%	-6.2%	-10.1%	-11.0%
EBIT (reported)			-0.51	14.91	41.39	74.51	37.22	39.86
as % of sales			-0.5%	9.8%	19.2%	25.7%	15.5%	15.7%
Net financial results			-5.74	-5.44	-4.86	-4.74	-2.59	-2.60
EBT (Earnings before income taxes)			-6.18	9.50	36.59	69.77	34.63	37.26
as % of sales			-5.6%	6.3%	17.0%	24.1%	14.4%	14.6%
Income taxes (incl. other taxes)			0.03	-4.10	-9.06	-18.89	-9.70	-10.43
as % of EBT			-0.5%	-43.1%	-24.8%	-27.1%	-28.0%	-28.0%
Net income			-6.15	5.40	27.53	50.88	24.93	26.82
Minorities			0.04	-0.09	-0.12	-0.21	-0.25	-0.30
Net income attributable to shareholders			-6.19	5.31	27.41	50.67	24.68	26.52
as % of sales			-5.6%	3.5%	12.7%	17.5%	10.3%	10.4%
Shares outstanding (in m)			61.4	61.4	61.4	61.4	61.4	61.4
Basic earnings per share (EUR)			-0.10	0.09	0.45	0.82	0.40	0.43

Source: Borussia Dortmund GmbH & Co. KGaA, CBS Research AG

Balance Sheet

	IFRS	EURm	09/10	10/11	11/12	12/13E	13/14E	14/15E
Assets								
Non-current assets			204.57	196.62	210.40	222.62	229.43	220.59
as % of total assets			95.1%	88.7%	84.6%	73.7%	72.6%	65.4%
Intangible assets			20.36	18.43	25.75	33.42	39.10	32.26
Property, plant and equipment			174.19	170.74	182.60	187.07	188.16	186.12
Financial assets			0.97	1.43	0.35	0.35	0.35	0.35
Income tax claims			6.63	4.92	1.67	1.75	1.77	1.81
Other assets			0.00	0.13	0.03	0.03	0.05	0.05
Other long-term receivables			2.43	0.97	0.00	0.00	0.00	0.00
Current assets			10.59	25.11	38.30	79.50	86.72	116.59
as % of total assets			4.9%	11.3%	15.4%	26.3%	27.4%	34.6%
Inventories			1.79	2.33	5.81	8.68	7.21	7.63
Accounts receivable, other receivables and other assets			7.70	21.70	27.22	38.37	39.02	41.44
Cash and cash equivalents			1.10	1.09	5.27	32.45	40.49	67.52
Total assets			215.16	221.73	248.71	302.12	316.14	337.18
Shareholders' equity and liabilities								
Shareholders' equity			62.03	67.63	93.46	140.65	159.44	178.90
as % of total equity and liabilities			28.8%	30.5%	37.6%	46.6%	50.4%	53.1%
Subscribed capital			61.43	61.43	61.43	61.43	61.43	61.43
Capital reserve and others			0.45	6.00	31.81	78.79	97.33	116.49
Own shares			-0.14	-0.13	-0.12	-0.12	-0.12	-0.12
Equity attributable to shareholders			61.74	67.30	93.11	140.09	158.64	177.79
Minorities			0.28	0.33	0.35	0.56	0.81	1.11
Current provisions and liabilities			70.42	63.37	61.95	68.17	66.18	66.57
as % of total equity and liabilities			32.7%	28.6%	24.9%	22.6%	20.9%	19.7%
Financial lease			0.29	0.53	1.28	1.28	1.41	1.41
Financial liabilities			15.83	13.21	5.97	5.97	5.97	4.78
Current provisions			36.08	19.68	19.22	19.22	19.41	19.80
Accounts payable			6.46	10.53	9.64	15.86	13.16	13.94
Current income tax liabilities			1.13	3.15	3.83	3.83	4.21	4.63
Other current liabilities			10.63	16.27	22.01	22.01	22.01	22.01
Non-current provisions and liabilities			82.72	90.74	93.31	93.31	90.52	91.72
as % of total equity and liabilities			38.4%	40.9%	37.5%	30.9%	28.6%	27.2%
Financial liabilities			58.55	47.90	41.27	41.27	37.14	38.63
Financial lease			6.62	9.44	21.15	21.15	22.21	22.21
Deferred tax liabilities			1.83	0.00	0.00	0.00	0.00	0.00
Other payables and liabilities			15.72	33.39	30.89	30.89	31.18	30.89
Total equity and liabilities			215.16	221.73	248.71	302.12	316.14	337.18

Source: Borussia Dortmund GmbH & Co. KGaA, CBS Research AG

Cash flow statement

	IFRS	EURm	09/10	10/11	11/12	12/13E	13/14E	14/15E
EBT (Earnings before income taxes)			-6.18	9.50	36.59	69.77	34.63	37.26
Depreciation and amortisation			17.16	17.53	18.59	17.94	24.33	27.97
Other transactions incl. non-cash			-5.04	-11.11	-28.22	-18.97	-9.33	-10.05
Change in Working Capital			-5.94	5.80	1.08	-7.80	-1.41	-1.97
Cash flow from operating activities			0.00	21.72	28.04	60.95	48.22	53.21
CAPEX			-14.35	-11.32	-28.28	-30.08	-31.10	-19.10
Other investing activities			11.53	3.27	19.57	0.00	0.00	0.00
Cash flow from investing activities			-2.82	-8.05	-8.70	-30.08	-31.10	-19.10
Change in debt			-0.34	-5.54	-11.69	0.00	-4.13	0.29
Repayment of liabilities under finance lease			-0.26	-0.34	-1.13	0.00	1.19	0.00
Paid interests			0.00	0.00	0.00	0.00	0.00	0.00
Net proceeds from capital increase & right capital			0.00	0.00	0.00	0.00	0.00	0.00
Acquisition of treasury shares			0.00	0.02	0.01	0.00	0.00	0.00
Dividend payments			-0.07	-0.05	-0.10	-3.69	-6.14	-7.37
Cash flow from financing activities			-0.66	-5.90	-12.91	-3.69	-9.08	-7.08
Total change in cash and cash equivalents			-3.48	7.77	6.43	27.18	8.04	27.03
Changes in cash due to changes in consolidation			0.00	0.00	0.00	0.00	0.00	0.00
Cash and cash equivalents at the start of the period			-5.44	-8.93	-1.16	5.27	32.45	40.49
Cash and cash equivalents at year's end			-8.93	-1.16	5.27	32.45	40.49	67.52
<i>Cash and equivalents</i>			1.10	1.09	5.27	32.45	40.49	67.52
<i>Current account</i>			-10.03	-2.25	0.00	0.00	0.00	0.00

Source: Borussia Dortmund GmbH & Co. KGaA, CBS Research AG

UEFA coefficient

The UEFA coefficient rankings are based on the results of all European clubs in UEFA club competition and are used for ranking and seeding teams in club and international competitions. Three different sets of coefficients are calculated: National team coefficient, Country coefficient, Club coefficient.

The national team coefficient is used to rank national teams, for seeding in the UEFA Euro qualifying and finals tournaments.

The country coefficient is used to rank the collective performance of the clubs of each member association, for assigning the number of places for each member association in the UEFA Champions League (1.-3. Rank receive 4 places, 4.-6. Rank receive 3 places) and UEFA Europa League (1.-6. Rank receives 3 places). This coefficient is determined by the results of the clubs of the associations in the UEFA Champions League and the UEFA Europa League over the past five seasons.

Country coefficient 2012/13 of 03.05.13

	Country	2008/09	2009/10	2010/11	2011/12	2012/13	Sum
1	Spain	88,025	88,025	88,025	88,025	88,025	88,025
2	England	15,000	17,928	18,357	15,250	16,142	82,677
3	Germany	12,687	18,083	15,666	15,250	17,642	79,328
4	Italy	11,375	15,428	11,571	11,357	14,416	64,147
5	Portugal	6,785	10,000	18,800	11,833	11,750	59,168

Source: UEFA, CBS Research AG

The club coefficient: used to rank individual clubs, for seeding in the UEFA Champions League and UEFA Europa League. The club coefficient rankings are determined by the results of the individual clubs in the UEFA Champions League and the UEFA Europa League over the previous five seasons

Club coefficient 2012/13 as of 03.05.13

	Country	2008/09	2009/10	2010/11	2011/12	2012/13	Sum	
1.	FC Barcelona	ESP	28,662	30,585	36,642	34,171	27,542	157,605
2.	FC Bayern München	GER	22,537	30,616	24,133	33,050	34,528	144,865
3.	Real Madrid CF	ESP	14,662	22,585	33,642	36,171	29,542	136,605
4.	Chelsea FC	ENG	25,000	22,585	26,671	33,050	28,228	135,535
5.	Manchester United FC	ENG	28,000	28,585	36,671	16,050	21,228	130,535
31.	Borussia Dortmund	GER	4,537	3,616	10,133	10,050	33,528	61,865

Source: UEFA, CBS Research AG

UEFA Europa League

For a complete overview of all European championships and revenues streams involved, this section covers the UEFA Europa League.

The UEFA Europa League (previously called the UEFA Cup) is a continental club football competition organized by the UEFA since 1971 and the second most prestigious European club football contest after the Champions League. Annually, it begins in mid-July with three knockout qualifying rounds and the final match in May. The tournament consists of several stages and a total of 160 teams. The winner of the UEFA Europa League qualifies for the UEFA Super Cup.

Ticket sales

In international matches no standing places are allowed. The tribunes will be equipped with seats, therefore 65,829 fans can watch the matches. In 2010/11 Borussia Dortmund competed in the UEFA Europa League and generated income of EUR 3.35m from international ticket sales of for home matches

Broadcasting revenues

In addition to the income from ticket sales, each participating team receives fixed payments, which depend on the successes in the tournament. As of 2012/13, UEFA awards EUR 0.1m to each team in the play-off round. For reaching the group stage, UEFA awards a base fee of EUR 1.3m. A win in the group is awarded EUR 0.2m and a draw is worth EUR 0.1m. In addition, UEFA pays teams reaching the first knockout round EUR 0.2m, for the second knock out round 0.35m, each quarter-finalist EUR 0.45m, EUR 1.0m for each semi-finalist, EUR 2.5m for the runners-up and EUR 5.0m for the winners. The winning team could receive maximum EUR 9.9m (in comparison Champions League EUR 37.4m).

As can be seen in the chart below, there is a large gap in terms of potential generated revenue through fixed payments dependent on the championship participation.

UEFA Europa League revenue distribution fixed payments and comparison to Champions League fixed payments

Round/Performance	Bonus	Europa League	Champions League
Playoffs	EUR	100,000	2,100,000
Base fee for group stage	EUR	1,300,000	8,600,000
Group match victory	EUR	200,000	1,000,000
Group match draw	EUR	100,000	500,000
Round of 32	EUR	200,000	-
Round of 16	EUR	350,000	3,500,000
Quarter-finals	EUR	450,000	3,900,000
Semi-finals	EUR	1,000,000	4,900,000
Losing finalist	EUR	2,500,000	6,500,000
Winning the Final	EUR	5,000,000	10,500,000

Source: UEFA, CBS Research AG

Accordingly to the Champions League, a large part of the revenue (adding to ticket sales and fixed payments) from the UEFA Europa League is linked to the distribution of the TV "market pool" money.

For season 2012/13 the net amount available to the participating clubs will be split to EUR 125.25m in fixed payments and EUR 83.5m in market pool money.

Europa League

Ticket sales

Broadcasting revenues

UEFA Financial Fair Play

In recent seasons, many clubs have reported repeated financial losses, which eventually resulted in liquidity shortfalls, leading to delayed payments to other clubs, employees and social/tax authorities and which might, over the long term, threaten the existence of the club. The UEFA Financial fair play regulations were introduced to prevent football clubs to spend more than they earn and strengthen discipline in finance.

Principle objectives are:

- decrease pressure on salaries and transfer fees and limit inflationary effect
- encourage clubs to compete with their revenues
- encourage long-term investments in the youth sector and infrastructure
- protect the long-term viability of European club football

Under the concept, the clubs will be obliged to meet all their transfer and employee payment commitments at all times. Imposed sanctions are the withholding of prize money and fines. Further clubs can be banned for not adhering to the new Financial Fair Play rules.

The UEFA Club Licensing and Financial Fair Play Regulations were approved in May 2010 and updated in 2012. There is a three-year implementing period, that consists of the monitoring of clubs' transfer and employee payables since 2011, a break-even assessment that covers the financial years ending 2012 and 2013 and the assessment during 2013/14.

Currently, UEFA withholds the payment of the prize money of 23 clubs involved in 2012/13 UEFA club competitions (including F.C. Malaga and Atletico Madrid).

UEFA Financial Fair Play details

Research



Schillerstrasse 27 - 29
60313 Frankfurt am Main

Phone: +49 (0)69 – 977 8456-0

Roger Peeters Member of the Board	+49 (0)69 -977 8456- 12 Roger.Peeters@cbseydlerresearch.ag	Igor Kim	+49 (0)69 -977 8456- 15 Igor.Kim@cbseydlerresearch.ag
Martin Decot	+49 (0)69 -977 8456- 13 Martin.Decot@cbseydlerresearch.ag	Gennadij Kremer	+49 (0)69 – 977 8456- 23 Gennadij.Kremer@cbseydlerresearch.ag
Anna von Klopmann	+49 (0)69 -977 8456- 10 Anna.Klopmann@cbseydlerresearch.ag	Ralf Marinoni	+49 (0)69 -977 8456- 17 Ralf.Marinoni@cbseydlerresearch.ag
Daniel Kukalj	+49 (0)69 – 977 8456- 21 Daniel.Kukalj@cbseydlerresearch.ag	Felix Parmantier	+49 (0)69 -977 8456- 22 Felix.Parmantier@cbseydlerresearch.ag
Manuel Martin	+49 (0)69 -977 8456- 16 Manuel.Martin@cbseydlerresearch.ag	Veysel Taze	+49 (0)69 -977 8456- 18 Veysel.Taze@cbseydlerresearch.ag
Marcus Silbe	+49 (0)69 -977 8456- 14 Marcus.Silbe@cbseydlerresearch.ag		
Ivo Višić	+49 (0)69 -977 8456- 19 Ivo.Visic@cbseydlerresearch.ag		

Institutional Sales



Schillerstrasse 27 – 29
60313 Frankfurt am Main

Phone: +49 (0)69 – 9 20 54-400

Klaus Korzilius (Benelux, Germany)	+49 (0)69 -9 20 54-114 Klaus.Korzilius@cbseydler.com	Stefan Krewinkel (Sales Trading, Germany, UK)	+49 (0)69 -9 20 54-118 Stefan.Krewinkel@cbseydler.com
Bruno de Lencquesaing (Benelux, France)	+49 (0)69 -9 20 54-116 Bruno.deLencquesaing@cbseydler.com	Nico Gesthüsen (Germany)	+49 (0)69 -9 20 54-115 Nico.Gesthuesen@cbseydler.com
Dr. James Jackson (UK)	+49 (0)69 -9 20 54-113 James.Jackson@cbseydler.com	Claudia Jurewecz (Germany)	+49 (0)69 -9 20 54-106 Claudia.Jurewecz@cbseydler.com
Markus Laifle (Sales Trading, Execution)	+49 (0)69 -9 20 54-120 Markus.Laifle@cbseydler.com	Michael Laufenberg (Germany)	+49 (0)69 -9 20 54-112 Michael.Laufenberg@cbseydler.com
Angela Leser (Germany)	+49 (0)69 -9 20 54-111 Angela.Leser@cbseydler.com	Rasmus Mac Donald-Thomé (Scandinavia)	+49 (0)69 -9 20 54-119 Rasmus.MacDonald-Thomé@cbseydler.com
Mirella Mancuso (Sales Support)	+49 (0)69 -9 20 54-107 Mirella.Mancuso@cbseydler.com	Zeljko Maric (Scandinavia, Austria, East EU)	+49 (0)69 -9 20 54-119 Zeljko.Maric@cbseydler.com
Carsten Pfersdorf (Sales Trading, Execution)	+49 (0)69 -9 20 54-168 Carsten.Pfersdorf@cbseydler.com	Hugo Raffaitin (Sales Support)	+49 (0)69 -9 20 54-102 Hugo.Raffaitin@cbseydler.com
Carsten Schlegel (UK, Ireland)	+49 (0)69 -9 20 54-137 Carsten.Schlegel@cbseydler.com	Christopher Seedorf (Sales Support)	+49 (0)69 -9 20 54-110 Christopher.Seedorf@cbseydler.com
Holger Schmidt (UK)	+49 (0)69 -9 20 54-103 Holger.Schmidt@cbseydler.com	Bas-Jan Walhof (Benelux)	+49 (0)69 -9 20 54-105 Bas-Jan.Walhof@cbseydler.com

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Close Brothers Seydler Research AG uses a 3-level absolute share rating system. The ratings pertain to a time horizon of up to 12 months:

BUY: The expected performance of the share price is above +10%.

HOLD: The expected performance of the share price is between 0% and +10%.

SELL: The expected performance of the share price is below 0%.

Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price target
23 May 2013	BUY (Initial Coverage)	EUR 3.17	EUR 5.00

Risk-scaling System:

Close Brothers Seydler Research AG uses a 3-level risk-scaling system. The ratings pertain to a time horizon of up to 12 months:

LOW: The volatility is expected to be lower than the volatility of the benchmark

MEDIUM: The volatility is expected to be equal to the volatility of the benchmark

HIGH: The volatility is expected to be higher than the volatility of the benchmark

The following valuation methods are used when valuing companies: Multiplier models (price/earnings, price/cash flow, price/book value, EV/Sales, EV/EBIT, EV/EBITA, EV/EBITDA), peer group comparisons, historical valuation

approaches, discounting models (DCF, DDM), break-up value approaches or asset valuation approaches. The valuation models are dependent upon macroeconomic measures such as interest, currencies, raw materials and assumptions concerning the economy. In addition, market moods influence the valuation of companies. The figures taken from the income statement, the cash flow statement and the balance sheet upon which the evaluation of companies is based are estimates referring to given dates and therefore subject to risks. These may change at any time without prior notice.

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Graurheindorferstraße 108
53117 Bonn
and
Lurgiallee 12
60439 Frankfurt

 **Close Brothers Seydler**
Research AG
Schillerstrasse 27 - 29
60313 Frankfurt am Main
www.cbseydlerresearch.ag
Tel.: 0049 - (0)69 - 97 78 45 60