



FINANCIAL  
REPORT OF  
PROFESSIONAL  
FOOTBALL

**2017**





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# PRELIMINARY NOTE

Reference is made to five categories (i.e. financial groupings) throughout this Report in order to distinguish, in the most transparent and truthful way possible, the financial performance of Spanish professional football:

1. **LaLiga Santander:** The First Division of Spanish professional football (20 clubs).
2. **LaLiga 1/2/3:** The Second Division of Spanish professional football (22 clubs).
3. **LaLiga:** **LaLiga Santander** plus **LaLiga 1/2/3**, in other words the sum total of Spanish professional football (42 clubs).
4. **Netted LaLiga Santander:** **LaLiga Santander** excluding the two largest clubs in terms of revenues and size of the balance sheet (18 clubs).
5. **Netted LaLiga:** **LaLiga** excluding the two largest clubs in terms of revenues and size of the balance sheet (40 clubs).

Unless otherwise stated, all monetary amounts in this Report are expressed in millions of Euros (€ M).

*LaLiga* has updated and adjusted the calculation of certain financial ratios and indices for the 2016-17 season and therefore slight differences may occur with respect to the information published in previous annual reports.

A glossary with the fundamental terms and definitions used in the Report is included at the end of this document.



It is my pleasure to present this new edition of the **Financial Report** of Spanish Professional Football, on this occasion for the latest complete season, 2016-17, although it also includes detailed information that dates back as far as the 2011-12 season.

This has been a very special year for the professional clubs that comprise **LaLiga**. We have now had several consecutive financial years of double-digit year-on-year growth with sustained improvements in earnings and consolidation of a financially sound competition also successful at the sporting level. This year marks the end of the first mandate of the management team that I am honoured to direct, and the General Meeting of the Association has extended my appointment until 2020. Thus, we embark on this new stage in office with renewed enthusiasm, energy, and the desire to continue serving the competition and the clubs that have confirmed their trust in us. The path we have travelled would not have been possible without the backing of a highly professional management team with unquestionable commitment to the project of transforming Spanish professional football, addressing its problems, refocussing the management goals and building a more solid future. Therefore, on this occasion my first vote of thanks goes to the management team for its dedication and professionalism. At the same time, I must also recognise the impressive effort made by the clubs during these years. From the first moment they understood the importance of carrying out an in-depth financial reengineering process which, although necessary, is never welcome due to the difficulties and complexities it entails.

Turning now to the specific analysis of the financial performance of the competition, I would like to start by highlighting the fact that the 2016-17 season has been by far the most brilliant in the history of Spanish professional football. On the sporting front this is indisputable, with various teams in a position to win the **LaLiga** championship until the final rounds and the extraordinary competitiveness of Spanish teams in the official international tournaments leading to an unprecedented string of successes. But it has also been a great year for LaLiga's economy after the best financial performance on record. Gone is the position in which we found ourselves when we first agreed to lead this project: the competition was running at a loss, majority of clubs were deeply indebted, visible impact of the financial results was lacking, there was meagre growth of revenue, serious doubts as to equity-related solvency and, ultimately, loss of viability and attractiveness at all levels. There were even serious doubts that Spanish professional football could survive as we understand it. Today, however, the wounds have not only healed, but the patient has also managed to overcome the long illness. It is now fully recovered and showing more strength and potential than ever before.

Last season's total revenues broke the € 3,500 M barrier for the first time, reaching € 3,662 M, an increase of € 495 M compared to the previous season and representing a year-on-year growth rate of +15.6%. The goal of **LaLiga** for the current 2017-18 season is to exceed, for the first time, the benchmark level of € 4,000 M. The trend in revenues for the 2016-17 season consolidates and accelerates the competition's growth and is the highest we have achieved in recent financial years.

The role of broadcasting income in this success should be highlighted. The 2016-17 season was the first in which the centralised mechanism for the collective sale of audio-visual rights pursuant to Royal Decree-Law 5/2015 was formally put in effect. The clubs received € 1,455 M under this head, +29.7% more than the previous season, which means that this item represented a contribution of nearly 40% of the total revenues of the competition. The other income heads are also growing vigorously, with year-on-year variations in double digits. Turnover from Match Day is an exception worth noting since it suffered a year-on-year fall of 3% for non-recurring reasons that have been adequately and are discussed below.

The aggregated earnings achieved by the competition have improved drastically. The balances of gross operating profit or EBITDA (€ 785.3 M, +14.2% year-on-year growth), net operating profit or EBIT (€ 291.5 M, +8.1%), profit before taxes (€ 242.8 M, +20.6%) and net profit (€ 177.2 M, +6.3%), were all the best in the history of **LaLiga**. It is worth remembering that these last two heads were in the red in the 2011-12 season. Moreover, 33 of the 42 clubs that comprise the two divisions of Spanish professional football obtained profits in 2016-17.

It should be emphasised that these results were obtained in a year in which two events occurred that subjected them to a certain amount of pressure. Firstly, the aforesaid Royal Decree-Law-5/2015 which obliges clubs, from this season, to allocate up to 7.5% of their annual revenues from **joint marketing and operation of audio-visual rights** to various items aimed at improving the promotion and operation of sports in general. And secondly, the unprecedented sporting success of Spanish teams exerted a certain upward pressure on operating expenses during the financial year. Without the simultaneous occurrence of these two effects the financial outcome of the 2016-17 season would not only have been excellent, but simply spectacular. However, in addition to boosting the value and image of the Spanish competition, these higher current expenses can be considered as investments rather a burden since they will sustain growth of revenues in the medium term.

This significant achievement in the profitability sphere is based on a solvent competition in two respects. Firstly, the competition's degree of leverage has continued to fall. The ratio of gross financial debt and net financial debt to EBITDA is now **2.1:1 and 1:1 respectively**. These are the lowest debt ratios on record and show that, **LaLiga** can no longer be considered a levered business at the aggregate level. On the contrary, they are indebtedness levels that may be considered to approach an optimal capital structure for the competition. Secondly, the degree of capitalisation of the competition has continued to increase. Net equity now stands at € 1,263 M, which represents an equity ratio of 23.5% compared to 7.3% at the beginning of the time series under analysis.

These factors enable, **LaLiga** to obtain an overall operating profitability index (ROIC) of 11.7% in the 2016-17 season, three decimal points higher than the previous season and substantially better than those of other benchmark competitions. The most noteworthy impact of rising ROIC and declining weighted average cost of capital (WACC) is an increase in value creation capacity, or economic value added (EVA) by **LaLiga**, which reached € 136.2 M in 2016-17. The value added over the last five seasons now stands at € 444.9 M. This capacity to generate EVA in the long term also out-performs that of other major national professional football competitions.

In this context I would like to highlight something that we have been detecting here at the Association for some time: the symbiosis that the competition seems to have achieved in the financial field at all levels. The fact that the commendable growth in revenues, higher profit margins and indices, and restored financial solvency have been achieved with a competition capable of withstanding a sustainable increase in operating expenses and of undertaking operating investments (player signings, stadiums, facilities, etc.) at the highest levels on record without compromising its financial stability has a lot to do with this. This parameter is of vital importance to consolidation of the foundations for **LaLiga's** future to ensure that the competition continues to stand out in both the sporting and economic spheres.

This year the Report adds a new area to its financial analysis: assessment of the competition's cash flow generation capacity. We have included this section to enhance the traceability that enables us to explain the satisfactory momentum of **LaLiga** in terms of producing effective economic performance and financial solvency. Structural generation of cash surpluses from operations that enable the investment needs as well as the obligations to financial creditors and/or other clubs to be met with sufficient margin over time is the best proof of the positive dynamic in which **LaLiga** now finds itself in the economic field.

Finally, it would be unjust not to underline the fact that the business growth we are experiencing this year is not only profitable and balanced, but also more fairly distributed in line with the strategy laid down by the Association. The Second Division A of Spanish professional football, **LaLiga 1|2|3**, is contributing more and more not only to the revenue of **LaLiga** as a whole, but also to the earnings (all the indicators are in positive territory and show upward trends compared to the position at the beginning of the time series under analysis in this Report) and to creation of operating cash flow. The two special groupings that we use for internal financial analysis in the Association, **Netted LaLiga** and **Netted Liga Santander**, which exclude the two largest clubs, are converging more and more rapidly towards **LaLiga** and **LaLiga Santander** respectively. This is indicative of a business that is increasingly better distributed and more sustainable in the long term.

I hope you enjoy reading and analysing this Report and share with me the

conviction that the professional football clubs have fulfilled their commitment to improving the financial health of the sector in order to eliminate this factor as a distortion of competition on the sports field and on the sustainability of professional football in the long term.

Finally, I would like to emphasize that once stability and financial solvency have been achieved, we must devote the next few years to deepening the creation of profitability and value while maintaining the growth of the business. We must achieve to consolidate an industry that is attractive not only for sports fans but also as a business for all the other market agents along the same lines as other prosperous economic activities in our country.

Thank you very much.

”

**Javier Tebas**  
President of LaLiga

March 2018



LaLiga  
at a glance

2,598Mn

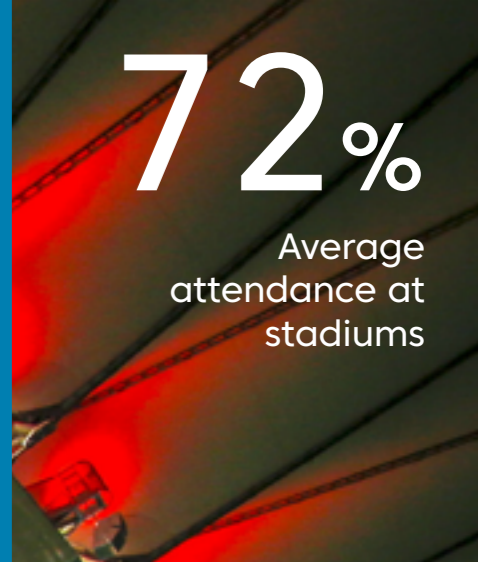
TV Spectators –  
World Leader



785  
€M  
EBITDA



262  
€M  
Free  
cash flow  
(FCF)



72%  
Average  
attendance at  
stadiums



26.7%  
Gross  
operating  
margin



136  
€M  
Economic  
value  
added  
(EVA)



17  
Official  
international titles  
in recent years –  
maximum sporting  
competitiveness



177  
€M  
Net  
income



+15.6%  
Year-on-year  
rise in revenues



600  
Youth  
football teams



26  
Projects  
developed  
for society



1.0x  
Adjusted  
net financial  
debt /  
EBITDA



3,662  
€M  
Revenues



11.7%  
Operating  
profitability  
index  
(ROIC)



1,146  
€M  
Gross  
investment in  
players and  
infrastructures





LALIGA:  
2016-17  
SEASON AT  
A GLANCE





### Summary of LaLiga's financial year

From the financial point of view 2016-17 was the best season in the history of Spanish professional football. **Total Revenues<sup>1</sup>** collected by *LaLiga* amounted to € 3,662.3 M, an increase of € 494.6 M (+15.6%) compared to the previous season. This is the largest year-on-year growth recorded in recent years both in absolute and relative terms.

For a more long-term outlook, over the course of recent years<sup>2</sup> starting from the 2011-2012 season, Total Revenues of *LaLiga* have increased by approximately € 1,500 M, (€ 1,433.5 M or +64.3 % to be exact) which entails a compound annual growth rate (CAGR)<sup>3</sup> of +10.4%.

In the same period the accumulated total variation rate of Spain's GDP<sup>4</sup> was +11.9%, a CAGR of +2.3%.

Unprecedented economic performance, maintaining the strong business growth rate

€ 3,662 M  
 Δ year-on-year  
 € +495 M  
 (+15.6%)

Total Revenues of LaLiga 2016-17



Average year-on-year growth (CAGR) of LaLiga during the time series.

Total accumulated growth during the time series.

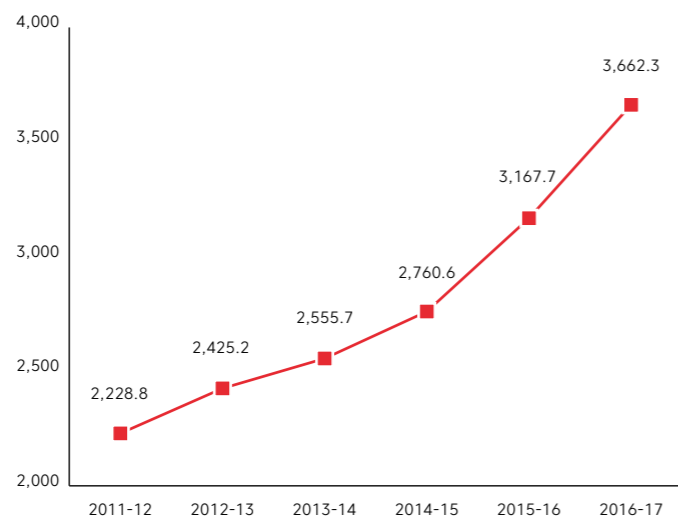
In addition to the satisfactory momentum of Spanish professional football, this performance shows the growing importance of the competition in the national economy as a whole. In recent years *LaLiga* has grown at a rate close to five and a half times that of the nation as a whole.

Like other benchmark competitions, this year *LaLiga* reports, for all the financial years of the series, the Total Revenues of the competition including the sale price of the federative rights - transfers - of players (and the cost of selling said rights in Total Expenses) instead of the net income of these transactions as has been the custom until now. If the criterion applied up to this Report (i.e. net earnings from transfers) had been maintained, Total Revenues would have amounted to € 3,523 M, a rise of € 489 M (+16.1%) compared to the previous season.

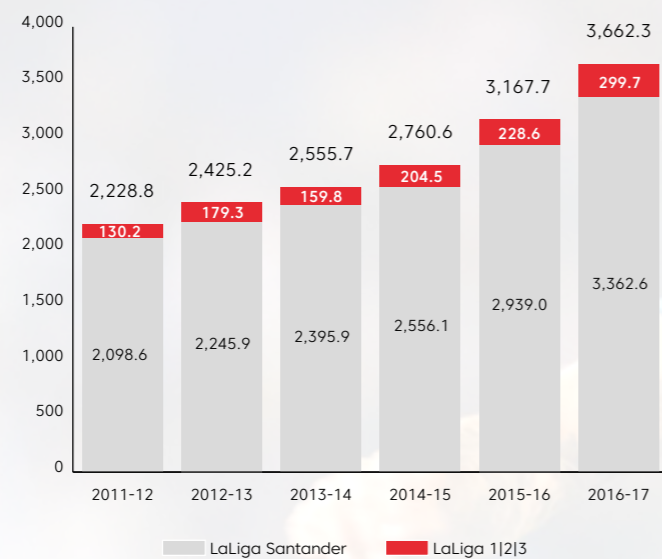


€ 299.7 M (8.2%) of LaLiga's Total Revenues were generated by the Second Division A, or LaLiga 1|2|3. This is the largest contribution by the Second Division A to the overall total on record and points to an increasingly balanced income distribution between the two competitions. At the end of the 2011-12 season at the beginning of the series under analysis, LaLiga 1|2|3 only contributed with 5.8% of the total.

Graph 1. Total Revenues of LaLiga



Graph 2. Total Revenues of LaLiga - First Division (LaLiga Santander) vs. Second Division A (LaLiga 1|2|3)



All the financial groupings of Spanish professional football have achieved strong long-term growth in business volume to the point where the highest sustained business growth rates are occurring in the aforesaid LaLiga 1|2|3, and in Netted LaLiga or Netted Liga Santander, i.e. in the groupings that exclude the two largest clubs. This confirms the rapid convergence between leagues and better distribution of the business in a manner consistent with the objectives and strategic lines drawn up by the Association.

Total Revenues - LaLiga accumulated annual average growth (CAGR) across the entire time series

Category	Total Revenues CAGR
LaLiga	+10.4%
LaLiga Santander	+9.9%
LaLiga 1 2 3	+18.1%
Netted LaLiga	+13.5%
Netted Liga Santander	+12.8%

Distribution of the growth is improving constantly

At € 2,940.9 M **Net Turnover (NTO)** has a relative weighting of 80.3% with respect to all items that comprise Total Revenues. This figure is particularly important since NTO is the most stable and sustainable base of the clubs' operating revenue. The percentage with respect to *LaLiga* has also been growing steadily in recent seasons.

The NTO of Spanish professional football is composed of four items:

- **Broadcasting**
- **Match Day** (includes revenue from competitions and season ticket holders/members)
- **Merchandising** (including sponsorship revenues)
- **Advertising**

These items, to which the sale price of players' federative rights (**Revenue from Transfers**)<sup>5</sup> and other operating or financial income (**Other Revenue**) of a less foreseeable nature must be added, comprise the *Total Revenues* of *LaLiga*.

NTO reached € 2,940.9 M in 2016-17 which represents an annual increase of € 388.0 M (+15.2%). NTO has grown by € 1,121.3 M to obtain a CAGR of +10.1% since the beginning of the time series.

As a general rule, all revenue items have experienced systematic year-on-year growth. Moreover, we are seeing a certain redistribution with respect to the relative contribution of each item to the overall figures. The variation in Broadcasting revenues, which increased by € +333.0 M (+29.7%) last season thanks to consolidation of the broadcast collective rights sale framework that was adopted in 2015 (2016-17 is the first season of full application of the new system, that was contracted for a three-year term). This is undoubtedly one of the main reasons for the profound transformation of Spanish professional football at the financial level and continues to be the driving force of business growth. It has doubled the turnover for this item since the beginning of the time series to reach € 1,454.6 M at the end of the 2016-17 season. This figure also includes revenue received from the UEFA. Furthermore, in 2014-15, only two seasons ago, this item contributed € 854.5 M, which means that it has increased by +70.2% in only two financial years.

Thus, in 2016-17 the relative weight of *Broadcasting* in *Total Revenues* reached 39.7%, 4.3 percentage points higher than in the previous season and 7.0 percentage points higher than in 2011-12. The magnitude of this relative increase is very similar to that of the downturn in the contribution of *Match Day* revenues (a reduction of its contribution to just 20.4%).

Rather than a negative variation in this head this year, the reason for the decline of the relative contribution of *Match Day* (3.9 percentage points in a single year) must be sought in the extraordinary performance it achieved in the previous season, 2015-16. Five Spanish teams competed in the Champions League and the European League in that season. Of these, three reached the finals in their respective competitions and two won the highest-ranking European football championships. All this entailed a considerable increase in revenue for the participating teams from competitions which in turn boosted the item in *LaLiga's* consolidated data. Moreover, some clubs reclassified part of their income, previously attributed to *Match Day*, under the head of *Broadcasting*, which also had a negative impact on revenues recognised under the former.

These two processes explain the slight downturn of € 23.1 M in *Match Day* turnover in 2016-17 to end the year at € 746.6 M. Nevertheless, it is still a remarkably good performance. In fact, it is more than € 135 M higher than the average of the four seasons prior to 2015-16. Furthermore, apart from redistribution of the relative weighting between these two heads, it is an undeniable fact that in absolute terms the increase in *Broadcasting* is substantially greater than the decrease in *Match Day*.

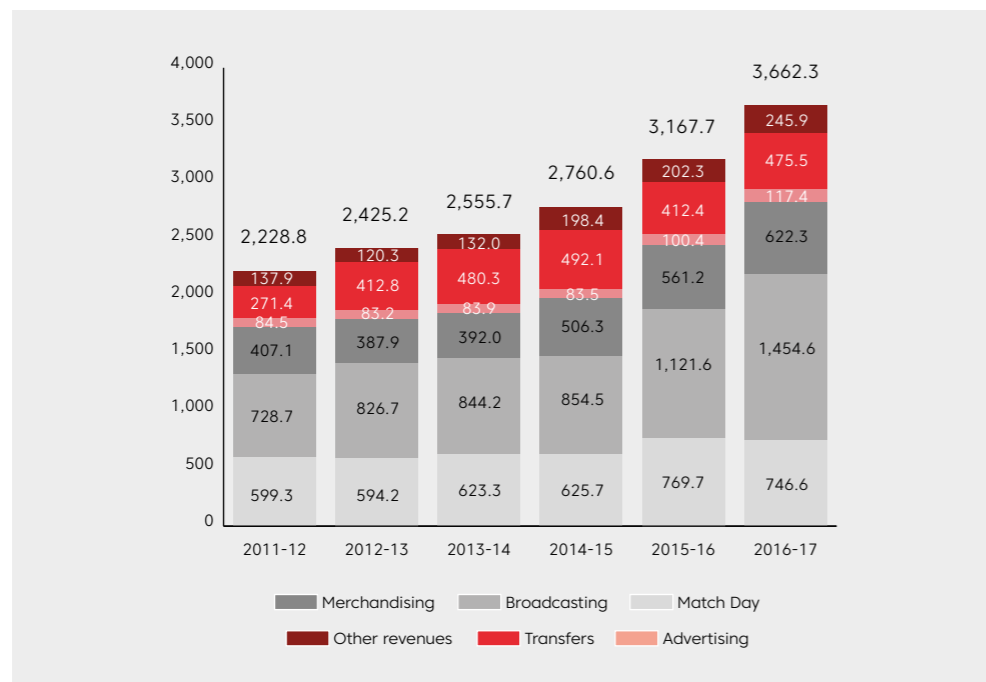
The rest of the income items are also remarkably dynamic. All have maintained their growth rates and their relative importance in *LaLiga* as a whole.

**Broadcasting**  
 revenues continue  
 to be the driving force  
 of growth

**Table 1. Evolution of Total Revenues, LaLiga**

Total Revenues	11-12	12-13	13-14	14-15	15-16	16-17	CAGR %	Total var.
Match Day	599.3 -	594.2 -0.8%	623.3 +4.9%	625.7 +0.4%	769.7 +23.0%	746.6 -3.0%	+4.5%	+24.6%
Broadcasting	728.7 -	826.7 +13.5%	844.2 +2.1%	854.5 +1.2%	1,125.2 +31.3%	1,454.6 +29.7%	+14.8%	+99.6%
Merchandising	407.1 -	387.9 -4.7%	392.0 +1.0%	506.3 +29.2%	561.2 +10.8%	622.3 +10.9%	+8.9%	+52.9%
Advertising	84.5 -	83.2 -1.5%	83.9 +0.8%	83.5 -0.4%	100.4 +20.2%	117.4 +16.9%	+6.8%	+38.9%
Transfers (sale price)	271.4 -	412.8 +52.1%	480.3 +16.4%	492.1 +2.5%	412.4 -16.2%	475.5 +15.3%	+11.9%	+75.2%
Other income	137.9 -	120.3 -12.7%	132.0 +9.7%	198.4 +50.3%	202.3 +1.9%	254.4 +21.6%	+12.3%	+78.4%
<b>LaLiga</b>	<b>2,228.8</b>	<b>2,425.2</b>	<b>2,555.7</b>	<b>2,760.6</b>	<b>3,167.7</b>	<b>3,662.3</b>	<b>+10.4%</b>	<b>+64.3%</b>
Var. anual %	-	+8.8%	+5.4%	+8.0%	+14.7%	+15.6%		

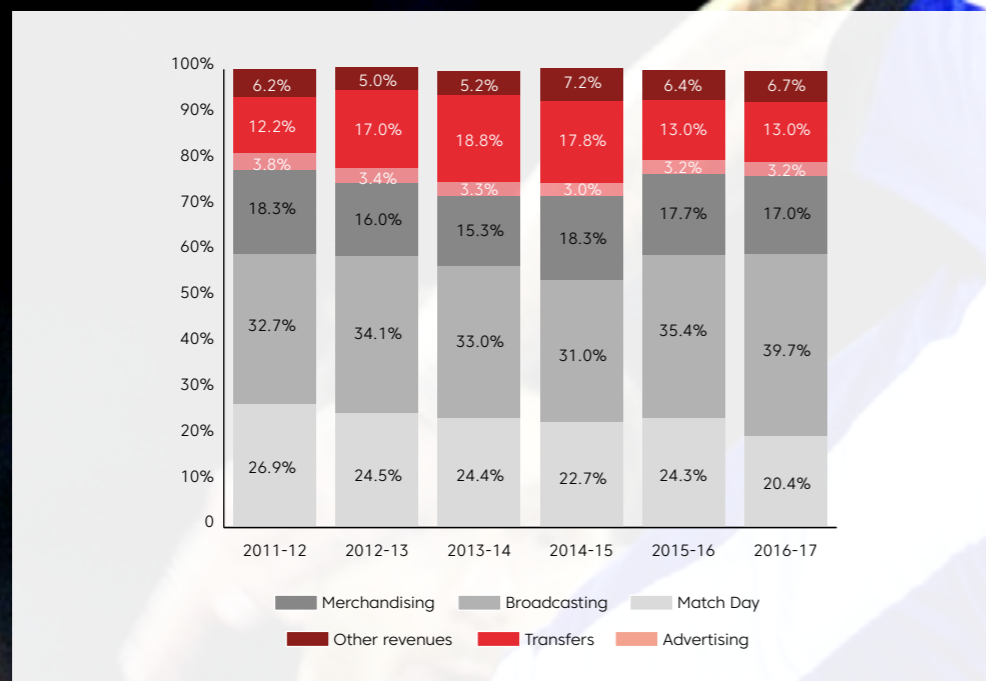
Graph 3. Distribution of Total Revenues of LaLiga



LaLiga's business volume has not only increased, but has also been more profitable. The operating margins have continued to grow. **Gross Operating Earnings (EBITDA)<sup>6</sup>** of LaLiga stood at € 785.3 M in 2016-17, an increase of € 97.8 M (+14.2%) compared to the previous season. Taking certain accounting conventions and other non-recurring income (which, unlike other years have had a negative impact in 2016-17) into consideration, this figure (**Adjusted EBITDA<sup>7</sup>**) would have reached € 778.1 M (+1.7%). On the other hand, the **Net Operating Earnings (EBIT)** amounted to € 291.5 M, an increase of € 21.8 M (+8.1%) and **Earnings Before Tax (EBT)** reached € 242.8 M, a year-on-year increase of 41.5 M € (+20.6%). Both are the highest figures obtained by the competition in recent years. Finally, **Net Earnings (NE)** for the year reached € 177.2 M, an increase of € 10.5 M (+6.3%). LaLiga, therefore, reports solid, satisfactory and growing profit results at all levels.

The higher quality of the EBT and NE outcomes deserves special mention. For example, it should be taken into account that in the 2011-12 season the positive contribution to the outcome (i.e. exceptional financial revenues) due to debt relief associated with the ongoing bankruptcy proceedings amounted to € 108.3 M.

Graph 4. Contribution to the Total Revenues of LaLiga



Vigorous earnings with growth at all levels

**Table 2. Impact of debt relief (insolvency proceedings) on LaLiga results (EBT and NE)**

Season	Amount of debt relief
2011-12	€ 108.3 M
2012-13	€ 21.1 M
2013-14	€ 66.6 M
2014-15	€ 19.2 M
2015-16	-
2016-17	€ 9.2 M

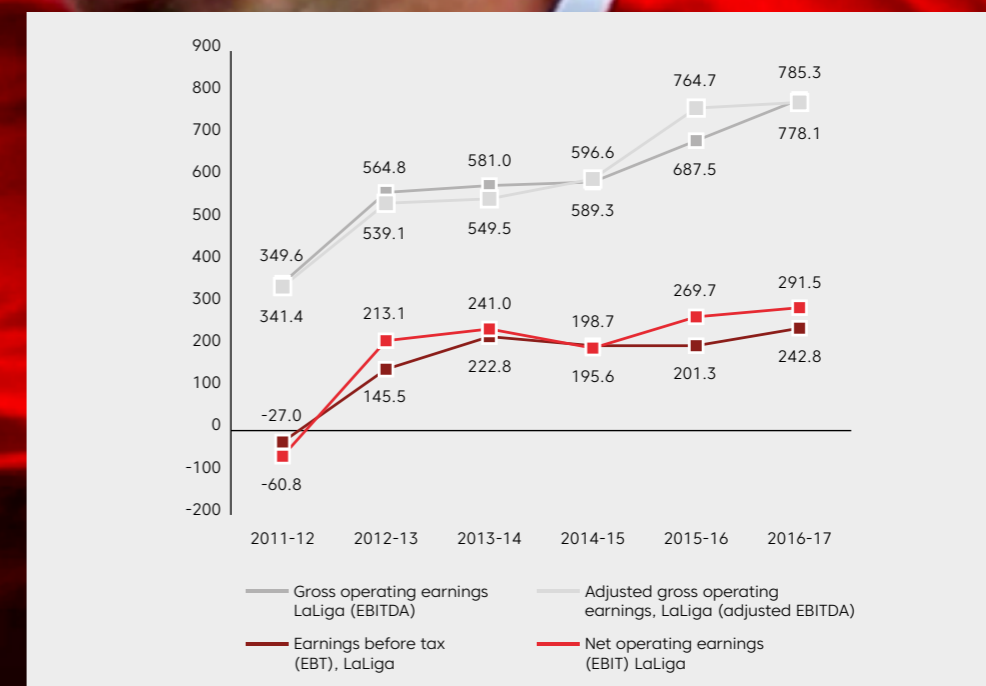
(\* In the absence of this debt relief, the EBT and NE of LaLiga would have been reduced by the respective amount in each financial year.

In short, these aggregate business outcomes produce some very notable operating margins (on NTO) in the 2016-17 season.

**Table 3. Operating margins (on NTO), LaLiga**

Operating margins	2016-17 (%)
EBITDA	26.7%
Adjusted EBITDA	26.5%
EBIT	10.8%
Adjusted EBIT	9.9%
EBT	8.3%
NE	6.0%

**Graph 5. Earnings, LaLiga**



**Main earnings of LaLiga - 2016-17 total amount and y-o-y variation**

<b>Earnings, LaLiga 2016-17</b>	
<b>Adjusted EBITDA</b>	<b>€ 778.1 M (+1.7%)</b>
<b>EBITDA</b>	<b>€ 785.3 M (+14.2%)</b>
<b>EBIT</b>	<b>€ 291.5 M (+8.1%)</b>
<b>EBT</b>	<b>€ 242.8 M (+20.6%)</b>
<b>NE</b>	<b>€ 177.2 M (+6.3%)</b>

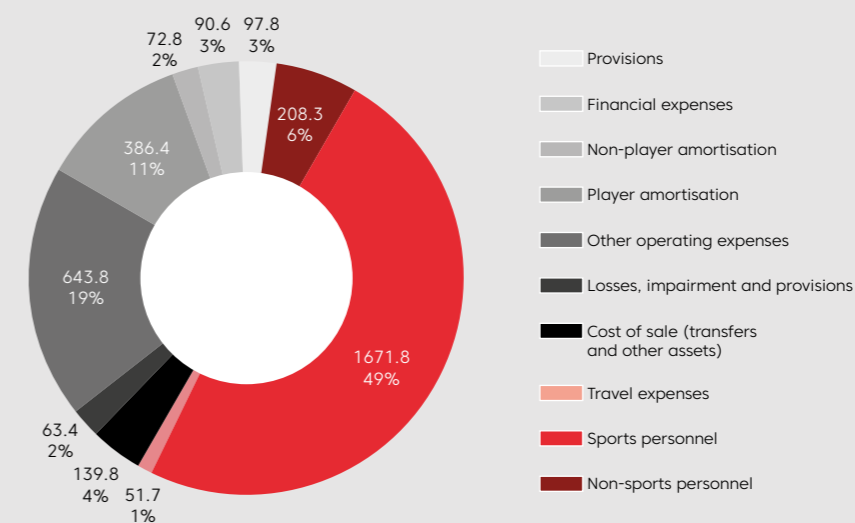
It is important to highlight the merit of these outcomes since the provisions of Royal Decree-Law 5/2015 (RDL-5/2015) came into force in the 2016-17 season. Among other impacts, it provoked a considerable year-on-year increase in the clubs' operating expenses (Total Expenses)<sup>8</sup> as a result of the obligation to allocate up to 7.5% (i.e. € 104.1 M last season or approximately 7.1%) of the annual net income from the collective sale of broadcasting rights to various destinations aimed at improving the promotion and operation of sports in general. This legal provision has led to a structural increase under the head of *Other Operating Expenses* that amounted to € 643.8 M last season, +€ 155.4 M (+31.8%) compared to the previous season. At the same time, the weighting of this cost item against the *Total Revenues of LaLiga*, a traditionally stable magnitude, increased by around 2.5 percentage points - from 16.5% to 18.8% - in a single year.

## Expenses increased on entry into force of the new regulation

A payroll increase caused by the exceptional sporting results, mainly in the international arena, in the 2016-17 season also contributed to the rise in *Total Expenses*. The cost of this extraordinary wage impact oscillates around € 50 M. At all events, the achievement of international sporting success must be considered as a driver of revenue growth in the medium term and enhances the value and image of the Spanish competition.

Spot upward pressure on payroll costs due to outstanding international sporting success

Graph 6. Distribution of Total Expenditure (excluding Taxes), LaLiga in 2016-17



Taking a more long-term view, it can be seen that the variation in *LaLiga's EBITDA* was even more satisfactory than that associated with revenues. This ultimately demonstrates the commendable efforts made by the clubs to contain operating expenses and achieve wider business margins.

EBITDA - Average accumulated year-on-year growth (CAGR) across the time series

	CAGR EBITDA
LaLiga	+17.6%
Liga Santander	+14.6%
LaLiga 1 2 3	- (*)
Netted LaLiga	+51.4%
Netted LaLiga Santander	+39.6%

(\*) Negative EBITDA in 2011-12 (CAGR cannot be calculated)

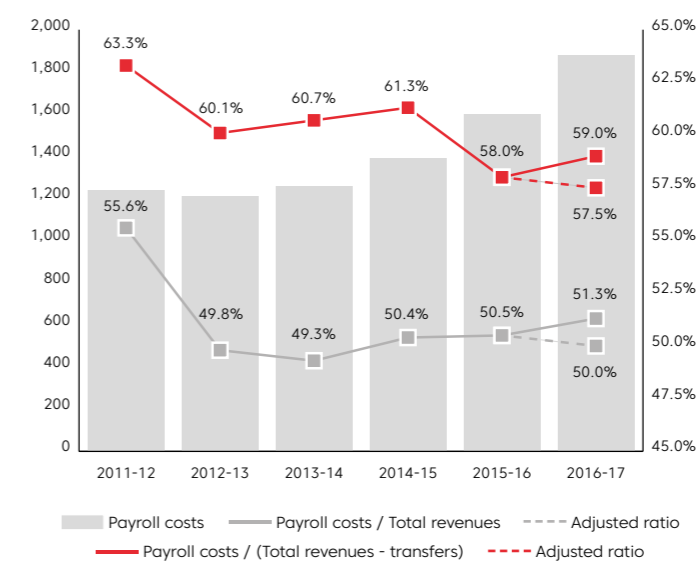
It should also be noted that both EBIT and EBT were clearly in the red at the beginning of the series and therefore LaLiga's track record in relation to these magnitudes is even more remarkable. This satisfactory variation has contributed not only to the increase in business and a stronger effort to maintain operating margins, but also to a very significant reduction in the clubs' indebtedness and their financing costs. All this has been achieved without neglecting updating of the payroll and execution of the required investments in players, stadiums and facilities, outlays that have in fact increased in line with our aim of enhancing the potential of the competition's business in the years ahead.

In the long term, earnings grow at a significantly higher rate than turnover, which demonstrates a general increase in economic efficiency

**Expenditure on sports and non-sports personnel (Payroll Costs)** amounted to € 1,880.1 M, an increase of € 280.8 M (+17.6%) compared to the previous season. However, in relative terms - taking the Total Revenues of the competition into account - the amount is well under control since the ratio is now 51.3% compared to the 55.6% it reached in the 2011-12 season. If the salary increases associated with higher sporting achievements are ignored, the percentage would have continued to fall to 50.0% (adjusted ratio), around half a percentage point below that of the previous year. This wage ratio (the smaller the better) is the most widely used indicator internationally to measure the operating efficiency of football clubs. It is usually calculated by subtracting the amount corresponding to Transfers from Total Revenues. Even by this measure, the resulting ratio (i.e. 59.0% and 57.5% respectively) would be well below 70.0%, the maximum value recommended by the European Club Association.

# Payroll costs remain under control

Graph 7. LaLiga Payroll Costs (sports and non-sports personnel)



**Net Capital Expenditures (Capex)**<sup>9</sup> -including investments and disinvestments for the season in players, facilities and other non-financial assets - amounted to € 647.6 M, an increase of € 255.5 M (+65.2%) compared to the previous season. This Capex can be classified according to its destination (i.e. players vs. other operating assets, mainly infrastructures: stadiums, sports facilities and complexes, etc.) or its nature (i.e. recurrent vs. non-recurring). Classification of the Capex by destination is direct and unambiguous. However, classification of Capex by the nature of the investment requires adoption of an allocation criterion. Thus, for purposes of improving the analysis, LaLiga considers all that amounts paid in a given year for players or infrastructures that exceeded the average of the previous seasons shall be recognised as non-recurring Capex. The results, on the basis of the double grouping criteria, are shown in the explanatory table.

**Table 4. Capex breakdown, 2016-17**

CAPEX 2016-17	Players	Infrastructures	Total
Recurring	98.7	205.4	304.1
Non-recurring	166.7	176.7	343.5
<b>Total</b>	<b>265.4</b>	<b>382.2</b>	<b>647.6</b>

(\*) All Capex magnitudes are shown in net terms, i.e. investments – divestments

**Table 5. Evolution of Capex**

CAPEX	13-14	14-15	15-16	16-17	CAGR %	Abs.
Net investment in players	433.7	705.3	678.5	740.9	+19.5%	1.7x
Gross investment in other assets	89.1	241.9	340.0	405.6	+65.8%	4.6x
<b>Total gross investment</b>	<b>522.7</b>	<b>947.1</b>	<b>1,081.6</b>	<b>1,146.4</b>	<b>+29.9%</b>	<b>2.2x</b>
Divestments in players	-429.3	-492.1	-412.4	-475.5	+3.5%	1.1x
Divestment in other assets	-20.7	-158.5	-214.1	-23.4	+4.1%	1.1x
<b>Total divestments</b>	<b>-450.0</b>	<b>-650.6</b>	<b>-626.5</b>	<b>-498.8</b>	<b>+3.5%</b>	<b>1.1x</b>
Net investment in players	4.3	213.2	266.1	265.4	+294.0%	61.2x
Net investment in other assets	68.4	83.4	126.0	382.2	+77.5%	5.6x
<b>Capex (net investment)</b>	<b>72.7</b>	<b>296.5</b>	<b>392.1</b>	<b>647.6</b>	<b>+107.3%</b>	<b>8.9x</b>
Y-o-Y var. %	-	+307.9%	+32.2%	+65.2%		

(\*) Investment / divestment in other assets including any other item of operating (non-financial) fixed assets, excluding intangible fixed assets (i.e. players)

**Record investment (Capex) levels in both gross and net terms**

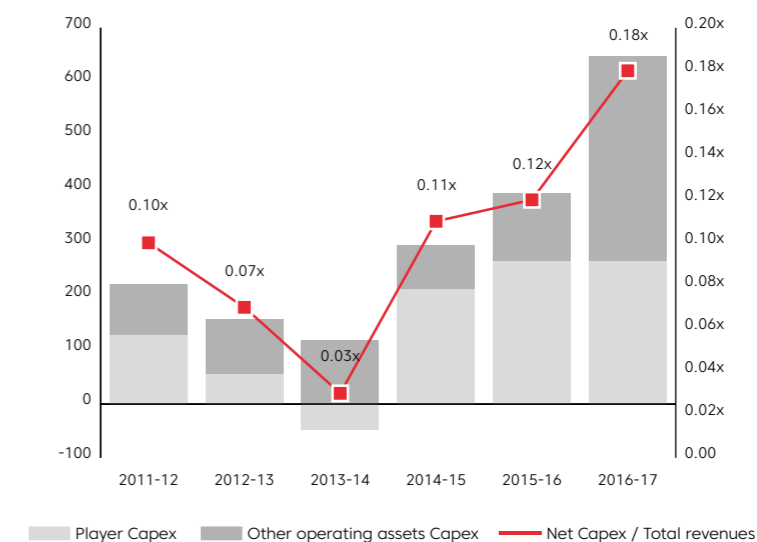
Taking this reference into consideration, in the 2016-17 season:

- Capex on players amounted to € 265.4 M (41% of the total) while Capex on other operating assets accounted for € 382.2 M (59%)
- According to the above criterion, non-structural or recurrent Capex is € 304.1 M (47%), while non-recurring or growth-related Capex amounts to € 343.5 M (53%)

At all events, the total amount of Capex in the 2016-17 season is around € 400 M higher than the average for the previous five seasons and therefore part of this investment can be considered extraordinary or non-recurring. These figures are also indicative of a more relaxed financial position for many clubs that enables them to invest in restructuring and growth, something that would not have been possible only a few seasons ago. This improvement in LaLiga's investment capacity is discussed below.

**Capex has risen significantly but the associated operating efficiency has been optimised**

**Graph 8. LaLiga, net capital expenditure (Capex)**



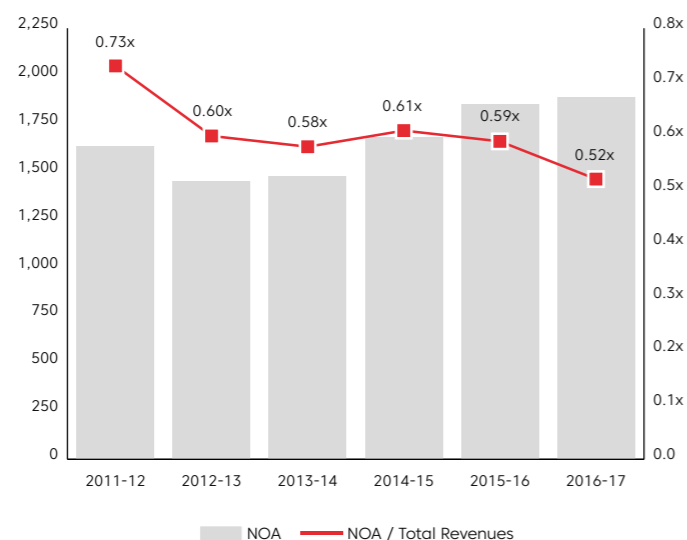


However, despite this remarkable investment effort by the clubs during the 2016-17 season, the **Net Operating Assets (NOANO)**<sup>10</sup>, or installed stock of operating capacity in relation to *Total Revenues*, remains under control. The *NOANO* to revenues ratio continues to fall, down from 0.59x to 0.52x in a single financial year (in the 2011-12 season it stood at 0.73x). This shows that *LaLiga* is capable of obtaining an increasingly efficient yield from its investments. If *NOANO* only rose by € 37.8 M (+2.0%) last season despite the sharp increase in *Capex* (€ 647.6 M), this is mainly due to the very satisfactory variation in **Working Capital (WC)**<sup>11</sup>, which has fallen (due to disinvestment) by € 459.9 M over the last year, largely offsetting the investment in non-financial fixed assets. Certain other less significant impacts such as the variation in net deferred taxes, provisions or certain net deferred payments for the year have also contributed to containment of the *NOANO*.

There are several reasons for the satisfactory variation in *WC*. On the one hand, it is related to efficient management of operations by the clubs, a tendency increasingly in evidence in recent years. There is also a component of natural improvement, a direct consequence of the substantial increase in *Capex* outlays, especially investments in infrastructures that is not settled in cash. However, the formidable variation in *WC* is mainly due to the effect of advance payments to the clubs of the broadcasting rights for the 2017-18 season during the 2016-17 season (€ 211.9 M) and to an increase in remunerations pending payments (€ 196.2 M, +44% compared to the previous season). The latter effect is explained by both the increase in payroll expenses and by the excellent sporting results.

The sum of *Capex* and *WC* provides a more accurate measure of the effective investment outlays made by *LaLiga*. These two magnitudes amounted to € 187.6 M in the 2016-17 season, a net decrease of € 204.3 M (-52.1%) compared to the previous season. This explains the reduction in the ratio between *Net Operating Assets (NOANO)*, or installed operating capacity and *Total Revenues* discussed above.

**Graph 9. Net installed operating operations capacity (NOA), LaLiga NOANO**



## Enhanced financial symbiosis at all levels

In brief, Spanish professional football seems to have embarked on a virtuous cycle of business growth in which a sustained increase in turnover and profitability of the business are enabling both the payroll base and sports investments to increase at the same time. As will become evident in subsequent sections, this has been achieved without neglecting consolidation of the financial position while enhancing the economic viability of the competition.

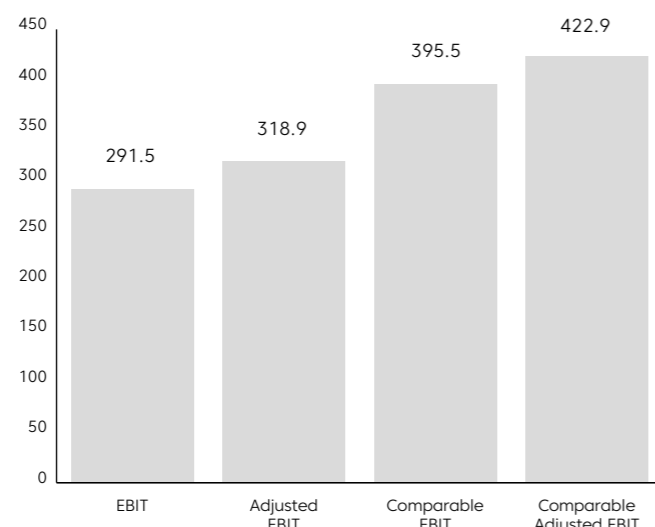
The circumstances set forth above enable *LaLiga* to achieve a remarkable **Return on Invested Capital (ROIC)**<sup>12</sup> index, which posted a slight 0.3-percent increase last season to reach 11.7%. This is the highest ROIC achieved by *LaLiga* in the time series and is superior to other major international professional football competitions. Moreover, it constitutes one of the pillars that should sustain the financial feasibility and economic attractiveness of the industry in the long term.

ROIC could also be calculated on an adjusted or comparable basis, i.e. taking the following into account respectively:

- **Adjusted ROIC:** ROIC without including non-recurring income or certain accounting conventions on the Income Statement with net effect on EBIT (i.e. Adjusted EBIT)<sup>13</sup> for the purposes of prudent valuation. However, the exceptional payroll increases recognised by some clubs to their players to reward outstanding sporting successes achieved internationally have not been cancelled from this calculation
- **Comparable ROIC:** ROIC based on EBIT without considering entry into force of RDL-5/2015 with its negative impact on the clubs' operating expenses - up to 7.5% of the net collective sales of broadcasting rights devoted the promotion of sport - (i.e. *Comparable EBIT*)<sup>14</sup>



Graph 10. Restatement of LaLiga's 2016-17 EBIT



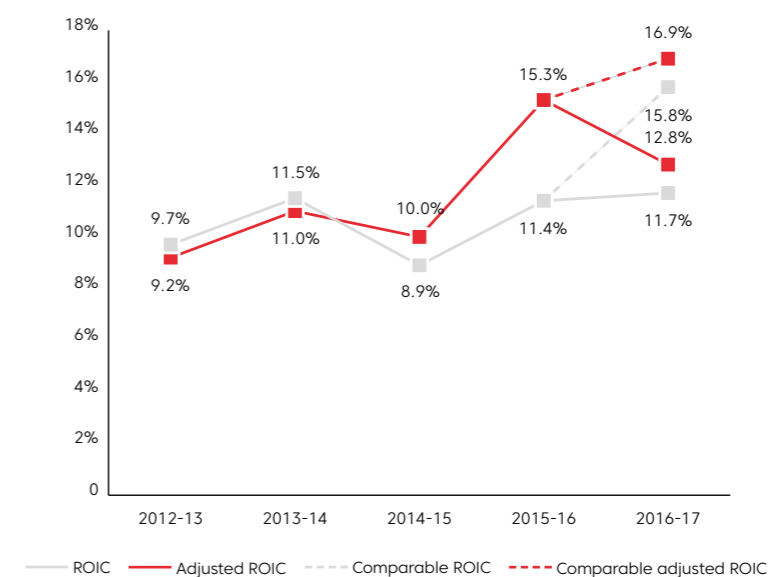
Taking the restated EBIT, the operating profitability indices resulting from the business (ROIC) would have increased considerably more in 2016-17 compared to the previous season.



## Consolidating an excellent operating profitability index level (ROIC)

This favourable variation of *LaLiga's* potential *ROIC* not only contributes to an increase in operating earnings but also to enhancing the efficiency of obtaining these results. This was achieved with a *NOANO* that only increased by € 37.9 M (from € 1,854.1 M to € 1,892.0 M) in the 2016-17 financial year, i.e., an increase of +2.0%, a growth rate substantially lower than the year-on-year growth rate of *Total Revenues* and, more specifically, of the various expressions of *EBIT* of *LaLiga*. This highly controlled growth of installed operating (or operating) capacity is mainly due, as shown above, to the favourable variation (downturn) in working capital that offset the considerable net investment (rise) in fixed assets both in players and stadiums and facilities that positioned the total net investment effort in investment for the year (i.e., both fixed capital and working capital) at levels lower than those of preceding years.

Graph 11. Operating profitability or return on capital invested, LaLiga (ROIC)



(\*) The reason why the 2015-16 adjusted ROIC is so high (15.3%) is linked to cancellation of the non-recurring "Other earnings" item (IS) in said season, which posted a loss of € -83.3 M

## Enhancing the visible impact of earnings by increasing the capacity to generate recurrent operating cash flow

The excellent financial performance of the competition at the accounting level that we have been discussing up to this point would have been in vain - or at least substantially weakened - if LaLiga had not been capable of converting the apparently excellent formal outcomes into effective economic performance. In this respect, the competition has shown formidable financial health in 2016-17 in terms of capacity to generate cash flow at different levels.

**Gross Operating Cash Flow (CGO)**<sup>15</sup> amounted to € 449.2 M, thus consolidating the improvement of this item at a similar level to the historical maximum of € 433.7 M achieved last year. This position proves that a significant part of the increase in turnover last year was accompanied by an equivalent rise in operating costs in absolute terms that especially affected personnel expenses and other operating costs items for the reasons set forth above.

In spite of this, **Net Operating Cash Flow (OCF)**<sup>16</sup>, - the result of adding investment (or disinvestment) in working capital (WC) to CGO, amounted to € 909.2 M. This is due to the satisfactory variation in WC that released resources valued at € 465.9 M during the 2016-17 season.

**Free Cash Flow (FCF)**<sup>17</sup> of LaLiga, which adds investments in installed operating capacity - players, facilities and other business assets - (Capex) to the OCF, amounted to 261.6 € M compared

to € 41.8 M last year. If non-recurring investments - especially significant in the 2016-17 season as a result of an extraordinary effort along these lines by some clubs - are ignored, this figure (**Recurring FCF**)<sup>18</sup> would have reached € 605.0 M, the highest yearly amount of the history of Spanish professional football. Moreover, only counting net investment in players (without considering investment in infrastructures, **FCF (Adjusted FCF)**)<sup>19</sup> would have reached € 643.8 M, also the highest amount in the time series and more than double that of any other financial year. The outstanding improvements in efficient management of operations by the clubs once again deserves special mention, since it freed a substantial amount in resources from working or circulating capital (CCap) that was largely offset by the excellent management of operating investments (Capex).

LaLiga's main cash balances in 2016-17

## Cash Flow 2016-17, LaLiga

**CGO** € 449.2 M

Investment in working capital (WC) € 459.9 M

**OCF** € 909.2 M

Total net asset-operating investments (Capex) € -647.6 M

**Total FCF** € 261.6 M

Sub-classification FCF I  
Cancellation of non-recurrent CapEx € +343.5 M

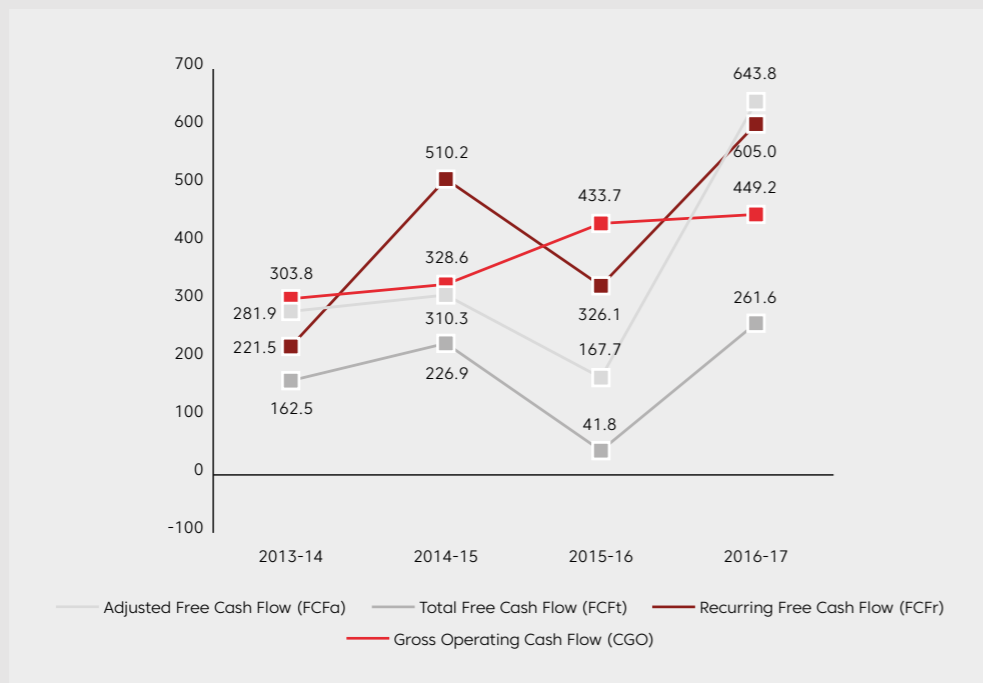
**Recurrent FCF** € 605.0 M

Sub-classification FCF II  
Cancellation of infrastructure Capex € +382.2 M

**Adjusted FCF** € 643.8 M



Graph 12. Cash Flow, LaLiga



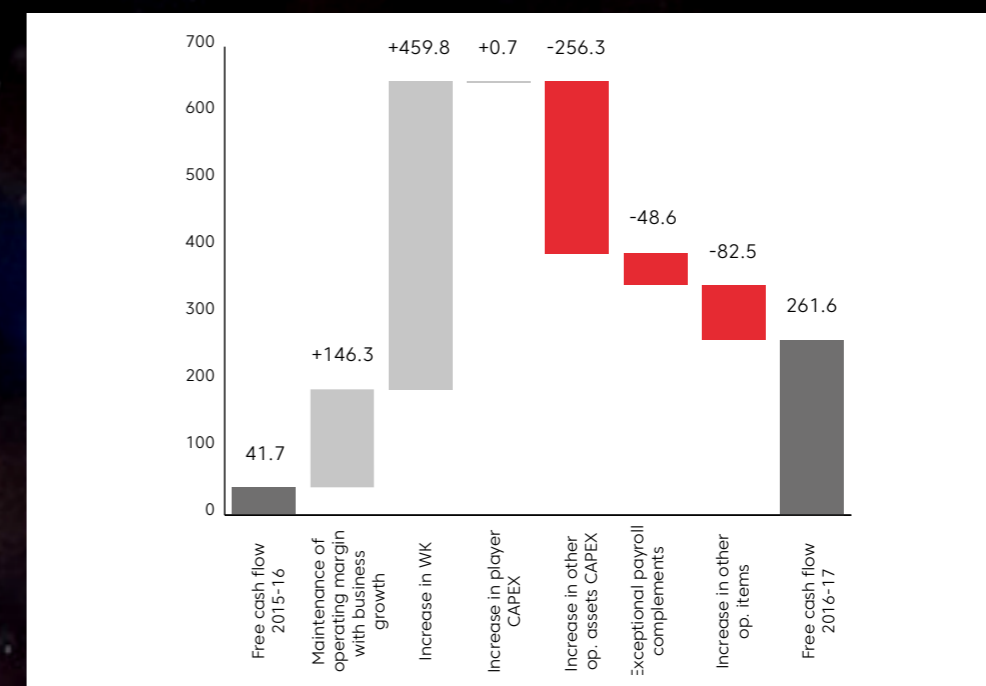
The variation in *CGO* of *LaLiga* shows a steady upward trend. *FCF*, however - a magnitude that does not behave in a linear manner over time - is somewhat more erratic in the long term as a result of recurring and non-recurring *Capex* applied both to players and sports facilities. At all events, it should be noted that net free cash flow (*FCF*) has been consistently positive in recent seasons.

The remarkable upswing in *LaLiga's FCF* is the best proof that Spanish professional football is not only growing but is doing so in a balanced and profitable manner. This aspect is of paramount importance to avoiding risk positions in the future that could involve *LaLiga* in situations of financial insolvency at the aggregate level.

The increase in *FCF* posted in the 2016-17 financial year with respect to the previous period (a total of € +219.8 M) can be analysed through a breakdown of the incremental effects that occurred during the season. Improvement in the operating margins with respect to the previous year - due to the increased turnover and assuming the same relative margin of *EBITDA* on *NTO* as in 2015-16 - amounted to € +146.3 M. However, after the exceptional wage increases this season the net improvement in operating margins has been reduced to € +98.0 M. In addition, while *WC* increased by € +459.8 M during the last financial year, net investment in sports personnel (*Capex* in players) remained practically stable (€ +0.7 M). On the other hand, the increases in investments in stadiums and facilities (*Capex* in other operating assets) of € -256.2 M and other operating variations at the cash level (mainly due to the higher operating expenses associated with the entry into force of RDL-5/2015) of -82.5 M € have an impact in the opposite direction. All these differential effects, added to the *FCF* of the 2015-16 season, explain the improvement in *FCF* achieved in 2016-17 in detail.

Historical conversion of earnings into operating cash flow

Graph 13. Factors that explain the increase in Free Cash Flow (FCF) in 2016-17



With this cash surplus from operations, *LaLiga* would be in a position to comfortably address remuneration of its financing sources - debt and equity - in a manner similar to the common of the most prosperous industries that comprise the Spanish business environment.

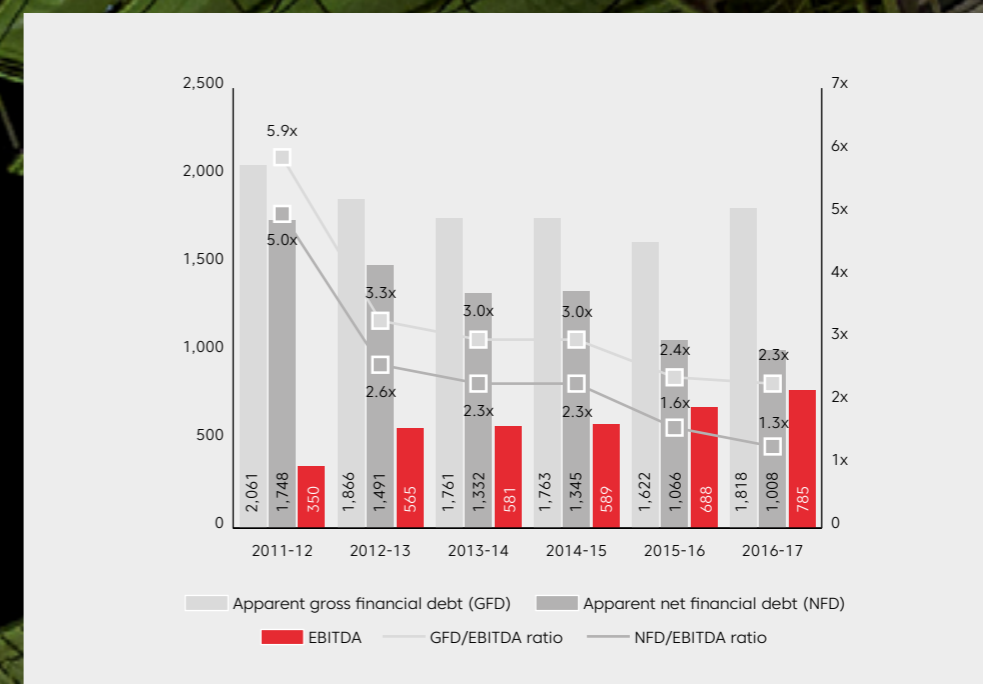
And indeed, this has been the case. *LaLiga* has carried out a thorough process of financial deleveraging in recent years. The **apparent Gross Financial Debt (GFD)**<sup>20</sup> stood at € 1,818.2 M at the end of the 2016-17 season. The **apparent Net Financial Debt (NFD)**<sup>21</sup> amounted to € 1,008.0 M. In credit terms, these levels are more than acceptable since they entail only 2.3x and 1.3x times the annual *EBITDA* of *LaLiga*. These ratios also prove an unquestionable fact: at the aggregate level, Spanish professional football can no longer be considered an excessively indebted activity. On the contrary, it could be argued that these levels are *a priori* close to the optimum position for an intensive investment-capital activity such as football in order to provide the clubs with sufficient flexibility, that does not limit their growth but, at the same time, does not compromise their financial creditworthiness and makes it possible to minimise the **Weighted Average Cost of Capital (WACC)**<sup>22</sup>, (the average cost of financing sources, i.e. debt and equity) that sustain the activity.

Apparent financial debt ratios of LaLiga in 2016-17



Sustainable indebtedness levels already positioned at the level of the structural objective

Graph 14. Apparent financial debt and credit ratios, LaLiga



In fact, the improvement in credit ratios (i.e. the relative indebtedness level) during the 2016-17 season is not incompatible with the appearance - for the first time in several seasons - of an increase in gross indebtedness, which rose by +12.1% to reach € 196.6 M. This increase is symptomatic of the extraordinary investment effort that the clubs are carrying out even though, as we shall see, these investments could have been self-financed in the short term with the cash flow generated by operations.

LaLiga also implements a series of adjustments to calculate the exact level of financial indebtedness by adding certain balance sheet items to the a priori debt balances. These items are not formally classified as debt under Liabilities in the audited Annual Financial Statements (AFS) but are important in the business of football in general and Spanish professional football in particular. These are:

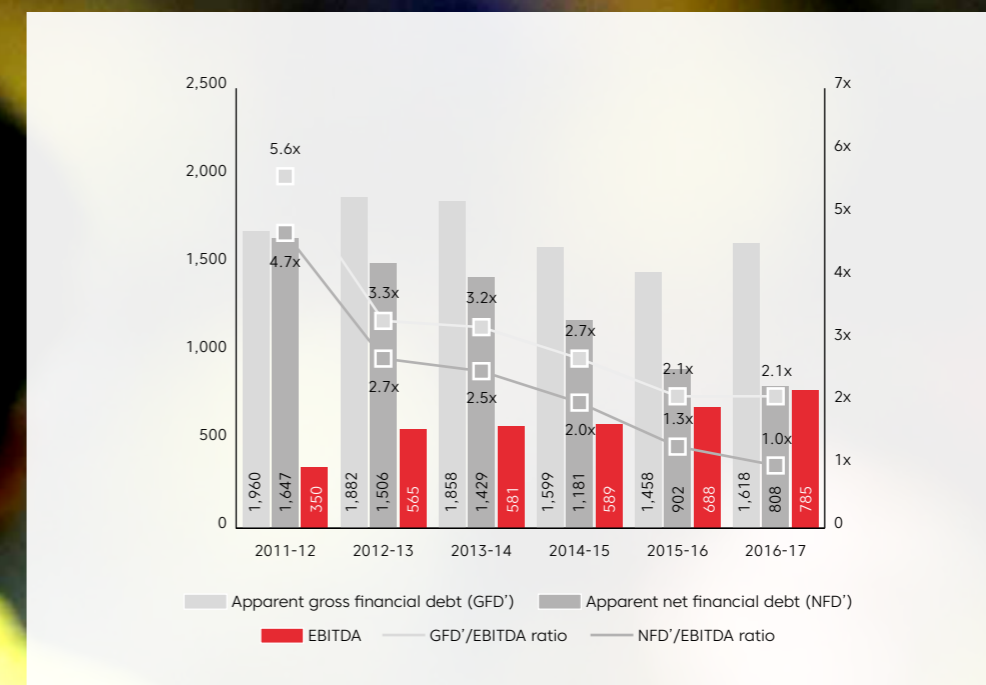
- Balance of credit and debit accounts with clubs for the transfer of players
- Insolvency debt classified as current liabilities
- Debt with public administrations for deferral of payments recognised in current liabilities
- Player remunerations pending payment at a level that exceeds the industry standard payment ratio

This definition gives rise to adjusted gross debt (*GFD'*)<sup>23</sup> and adjusted net debt (*NFD'*)<sup>24</sup> levels that vary slightly in this case due to the magnitude of the net value of the debit / credit balances with clubs for the transfer of players, which more than compensates for the impact of the rest of the additions or adjustments.

**Ratios of adjusted financial debt in 2016-17, LaLiga**



**Graph 15. Adjusted financial debt and credit ratios, LaLiga**

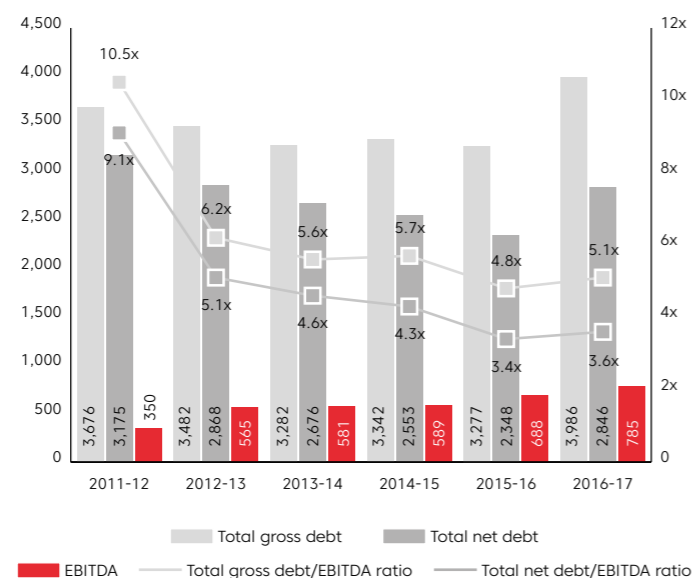


Finally, *LaLiga*, in compliance with the principle of financial prudence, performs a broader - and more conservative - analysis of the indebtedness item, giving rise to the heads of **Gross Total Debt (GTD)**<sup>25</sup> and **Net Total Debt (NTD)**<sup>26</sup>. This approach, considerably more restrictive than those used in other economic sectors, provides similar results: the DTB and DTN ratios between the annual EBITDA of the competition have been considerably reduced to stand at 5.1x and 3.6x respectively (less than half the level of the 2011-2012 season). From this point of view, an additional decrease in the level of total indebtedness could still be required and therefore we consider that the financial deleveraging process still has some way to go. This analysis, however, espouses a punitive definition of indebtedness and should therefore be applied with caution.

**Total debt ratios in 2016-17, LaLiga**



**Graph 16. Total debt and credit ratios, LaLiga**



*LaLiga* has made a concerted effort to reduce its *Financial Expenses* in line with this deleveraging process. The average annual effective financial cost of debt to the clubs was around 3.0%, the lowest rate in the entire time series. A favourable macroeconomic scenario characterised by record low interest rates has undoubtedly contributed to this decrease. Reduction of the risk premium perceived by the financial creditors, however, has had a much more marked influence on their credit transactions with the clubs. Nevertheless, any further reduction of *LaLiga's* total indebtedness indices over the next few years could lead, within a context of normal market behaviour, to a somewhat greater reduction in the cost of external financing (debt).

Likewise, the *Interest Coverage Index*<sup>27</sup> has reached a record high of 8.7x (approximately double that at the beginning of the series), which clearly corroborates the above analysis. From a point of view of cash flows, or effective financial capacity, the *FCF* could currently cover 2.9x the financial expenses generated during the financial year.

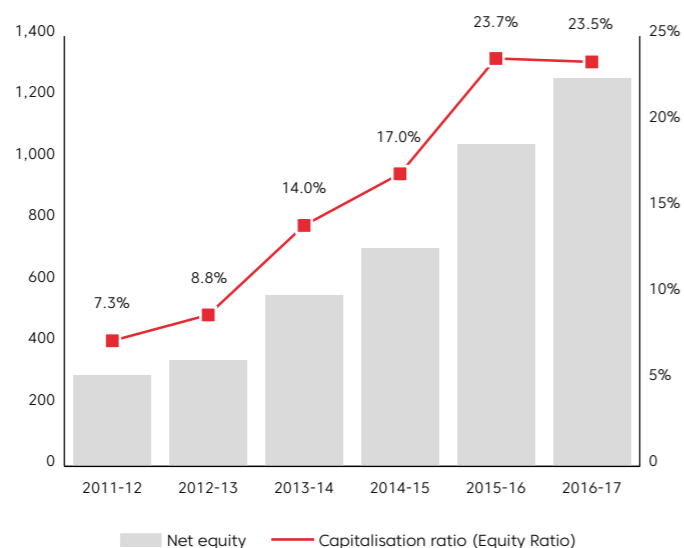
Strengthening the level of capitalisation and financial solvency

At the same time, *LaLiga* has undergone a thorough capitalisation process which, along with the significant financial effort made by shareholders and/or members of the professional clubs in the form of capital increases to strengthen the balance sheets, especially during the previous seasons, has undoubtedly contributed to the accumulation of positive net earnings in recent seasons. **Net Equity (NEq)** of the clubs amounted to € 1,262.8 M, an increase of € 212.6 M (+20.2%) compared to the previous season. In the last five years *Neq* has increased by € 965.8 M, the equivalent of a *CAGR* of +33.6%, proof of the significant effort to strengthen capital and reserves (*Equity*) and the financial solvency of the competition.

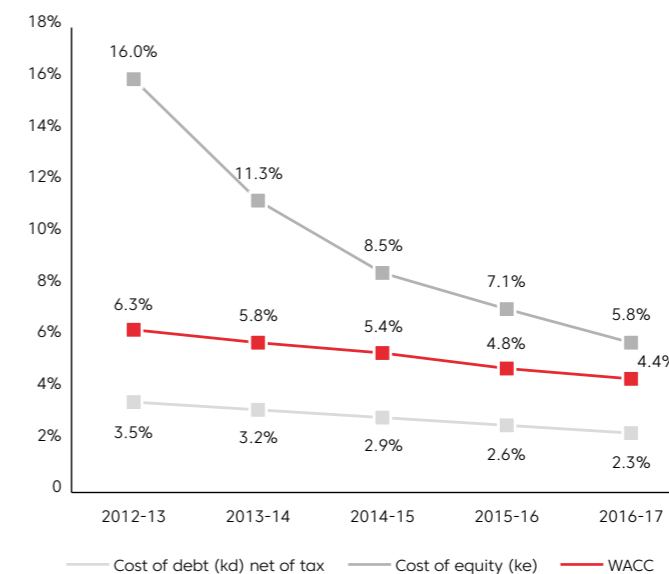
Consequently, the ratio between *Neq* and *Total Liabilities* (i.e., the capitalisation ratio or *Equity Ratio*) stood at 23.5%, a similar percentage to that of the previous season. Only five years ago, at the end of the 2011-12 season, this ratio was only 7.3% and therefore exposed a serious deficit in the financial structure of Spanish professional football which contributed to positions of financial imbalance that have now been completely overcome.

Taking current real data from the competition and the market and applying the widely accepted "**Capital Asset Pricing Model**" (*CAPM*)<sup>28</sup> methodology, the weighted average cost of financing sources of *LaLiga* in the 2016-17 season would be positioned at 4.4%, the lowest level in its history. This fact is especially significant with respect to maximising the attractiveness and underlying value of professional football in general, and of the clubs in particular, both for individual investors (as is already happening today) and for the capital markets. It will favour channelling of new financial resources towards the activity in the coming years, an aspect of key importance to consolidate the predominance of the Spanish competition on the international scene.

Graph 17. Net Equity, LaLiga



Graph 18. Weighted average cost of capital (WACC), LaLiga



The WACC continues to fall

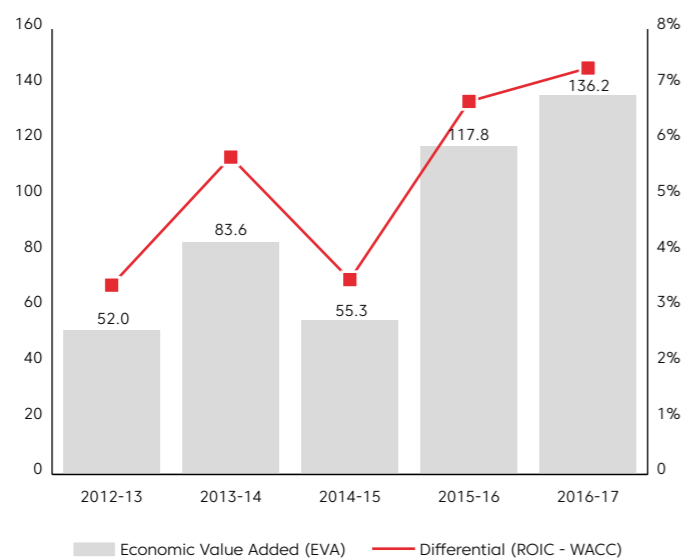


On this basis, the 2016-17 season has seen the greatest creation of **Economic Value Added (EVA)**<sup>29</sup> for LaLiga in the time series, reaching € 136.2 M. This is the result of widening of the differential between the annual return on invested capital (ROIC) and the annual cost of the financing sources that sustain said investments, i.e., the weighted average cost of capital (WACC). The former has remained steady with respect to the previous season (due to a certain downturn in the profitability indices due to the increase already explained - largely non-recurring - of operating expenses), while the latter has followed its downward tendency. This means that the difference between the two indices, applied on the level of installed operating capacity (i.e. NOA) of the competition has been maximised.

EVA has reached € 444.9 M over the last five seasons, which confirms LaLiga's capacity to generate value in the long term. This aggregate amount is higher than that of the other benchmark European professional football competitions.

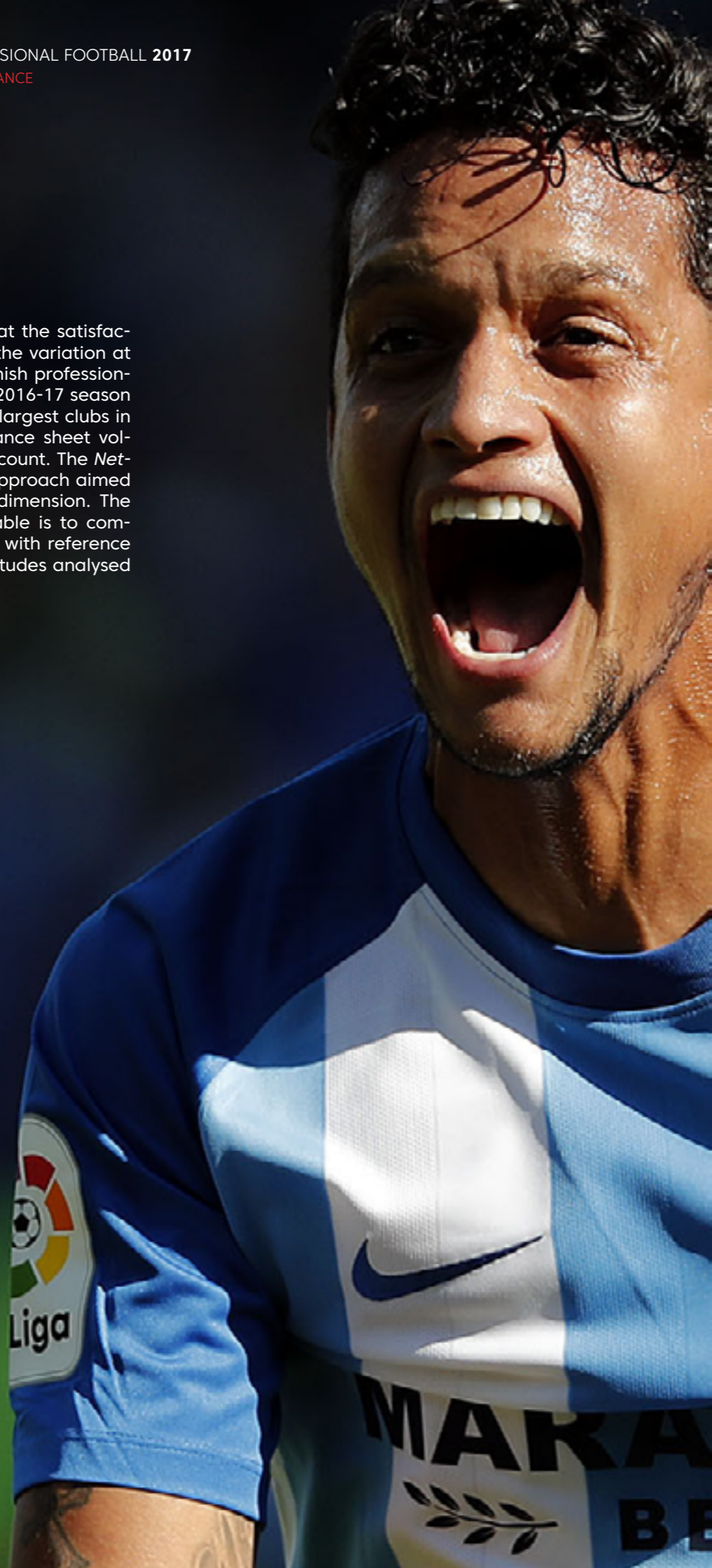
Value creation capacity, both year-on-year and accumulated during the last five years, would amount to € 156.7 M and € 536.5 M respectively if the *Adjusted ROIC* instead of the *ROIC* were taken into account. In other words, EVA would be higher if certain conventional and non-recurring earnings of LaLiga were not considered.

Graph 19. Economic Value Added (EVA), LaLiga



Creation of value and the economic attractiveness of the business continue to rise

Finally, it is worth noting that the satisfactory conclusions regarding the variation at the aggregate level of Spanish professional football - *LaLiga* - in the 2016-17 season would also apply if the two largest clubs in terms of earnings and balance sheet volume were not taken into account. The *Netted LaLiga* grouping is an approach aimed at analysing precisely this dimension. The purpose of the following table is to compare the two classifications with reference to the main financial magnitudes analysed in this Report.



**Table 6. LaLiga vs. Netted LaLiga**

COMPARISON M€ and %	LaLiga			LaLiga Net		
	2016-17	Δ y-o-y (%)	5-yr CAGR (%)	2016-17	Δ y-o-y (%)	5-yr CAGR (%)
<b>REVENUES</b>						
Total Revenues (TR)	3,662.3	15.6%	10.4%	2,243.4	21.8%	13.5%
Net Turnover (NTO)	2,940.9	15.2%	10.1%	1,691.9	22.9%	14.3%
Disaggregation, TR:						
Match Day	20.4%	-	-	15.8%	-	-
Broadcasting	39.7%	-	-	49.5%	-	-
Merchandising and advertising	20.2%	-	-	10.1%	-	-
Sale price for transfer of players	13.0%	-	-	17.0%	-	-
Other operating revenues	6.7%	-	-	7.6%	-	-
<b>EARNINGS; PROFIT (LOSS)</b>						
Adjusted EBITDA	778.1	1.7%	17.9%	520.9	13.5%	49.5%
EBITDA	785.3	14.2%	17.6%	533.0	32.3%	51.4%
Adjusted EBIT	318.9	-11.5%	-	252.1	0.9%	-
EBIT	291.5	8.1%	-	232.8	28.1%	-
EBT	242.8	20.6%	-	185.1	51.6%	-
NE	177.2	6.3%	-	137.7	27.9%	-
<b>OPERATING MARGINS (ON NTO)</b>						
Adjusted EBITDA	26.5%	-	-	30.8%	-	-
EBITDA	26.7%	-	-	31.5%	-	-
Adjusted EBIT	10.8%	-	-	14.9%	-	-
EBIT	9.9%	-	-	13.8%	-	-
EBT	8.3%	-	-	10.9%	-	-
NE	6.0%	-	-	8.1%	-	-
<b>CASH FLOW (+ sign: inflow / - sign: outflow)</b>						
Gross operating cash flow (CGO):	449.2	-	-	306.7	-	-
Working capital	459.9	-	-	213.6	-	-
Capex players	-265.4	-	-	-107.8	-	-
Adjusted Free Cash Flow (aFCF)	643.8	-	-	412.5	-	-
Infrastructure and other operating assets Capex	-382.2	-	-	-308.3	-	-
Total Free Cash Flow (FCF)	261.6	-	-	104.1	-	-
<b>OPERATING EFFICIENCY AND PROFITABILITY INDICES</b>						
Payroll costs	1,880.1	-	-	1,069.9	-	-
Payroll costs / TR	51.3%	-	-	47.7%	-	-
Net operating assets (NOA)	1,892.0	-	-	1,451.4	-	-
NOA / TR	0.52x	-	-	0.65x	-	-
Capex	647.6	-	-	416.1	-	-
Capex / TR	0.18x	-	-	0.19x	-	-
Operating profitability index (ROIC)	11.7%	-	-	12.8%	-	-
<b>FINANCIAL SOLVENCY</b>						
GFD/EBITDA	2.3x	-	-	2.9x	-	-
NFD/EBITDA	1.3x	-	-	1.9x	-	-
Adjusted GFD/EBITDA	2.1x	-	-	2.6x	-	-
Adjusted NFD/EBITDA	1.0x	-	-	1.6x	-	-
GTD/EBITDA	5.1x	-	-	5.1x	-	-
NTD/EBITDA	3.6x	-	-	3.7x	-	-
Interest coverage (EBITDA / financial expenses)	8.7x	-	-	6.4x	-	-
Average annual cost of debt (kd)	3.0%	-	-	3.7%	-	-
Net equity	1,262.8	-	-	684.0	-	-
Equity ratio (Net equity / Total liabilities)	23.5%	-	-	19.4%	-	-
<b>VALUE CREATION</b>						
ROIC vs WACC (p.p. differential)	7.3%	-	-	8.2%	-	-
Aggregated year-on-year value creation (EVA)	136.2	-	-	111.9	-	-
<b>WEIGHTING OF NETTED ON TOTAL LALIGA</b>						
	2016-17	VS.		2011-12		
TR	61%			54%		
NTO	58%			48%		
Adjusted EBITDA	67%			20%		
EBITDA	68%			19%		
Adjusted EBIT	79%			0%		
EBIT	80%			0%		
EBT	76%			0%		
NE	78%			0%		
NOA	77%			68%		
Net equity	54%			14%		
GFD	85%			78%		

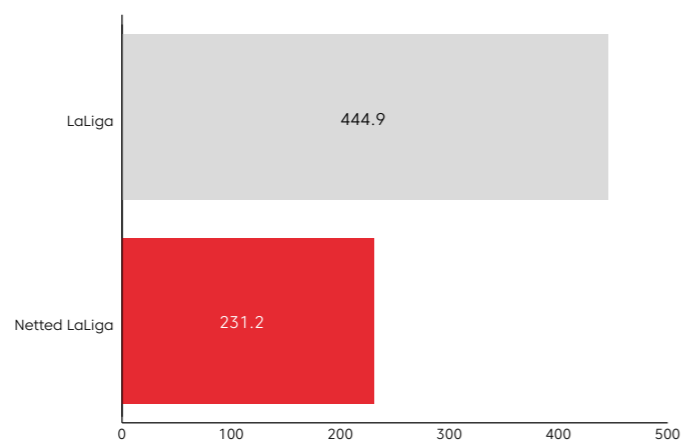
It can be seen that the variation in the competition excluding the impact of the two largest clubs is even more positive in relative terms than that of the competition as a whole. Revenues and earnings grow at a faster rate in *Netted LaLiga* both during the last season and since the beginning of the time series. Similar conclusions can be drawn for operating margins and business profitability indices, which are greater than those of *LaLiga*. Furthermore, the indebtedness and solvency levels of the two classifications are now very similar. The above considerations lead to very significant conclusions:

- *Netted LaLiga* makes a steadily growing contribution to *LaLiga* as a whole: its weighting over the total is above 60% for the main earnings and equity figures, whereas it barely exceeded the 50% mark five seasons ago. Moreover, at the beginning of the time series under analysis, in 2011-12, *Netted LaLiga* reported operating deficits and losses in general. In other words, it made a negative contribution to earnings
- *Netted LaLiga* constantly adds more and more value to *LaLiga* as a whole: in 2016-17 it contributed 82% of the total created value (in spite of having a higher WACC) although the contribution in terms of EVA has fallen to 52% in the course of the last 5 seasons.

In short, an extremely satisfactory conclusion can be drawn: *LaLiga* as a competition is getting bigger, more solvent and more profitable all the time, but is also achieving this growth with a more balanced distribution of financial results. Ultimately, this track record lays the foundations for a solid future and general enhancement of the attractiveness of the business not only financially, but also on the sports field thanks to the increasing overall competitiveness of the clubs that comprise it.

Given the importance of this internal grouping for the traceability of the financial development of the competition, all the graphs from this section are included - but applied exclusively to *Netted LaLiga* - in Annex II of this Report.

**Graph 20. Economic Value Added (EVA) accumulated in the time series for LaLiga vs. Netted LaLiga:**



## LaLiga, abbreviated financial statements

The financial statements (*FS*) of *LaLiga* constitute the most faithful image of the foregoing financial analysis of the competition. *LaLiga's* FS are composed of:

- **Income Statement:** income and expenditure for each period in accordance with current accounting regulations. It is submitted in a layout that facilitates financial analysis. Some magnitudes have been restated to improve said analysis. For example, earnings from transfers are shown in non-aggregated form: on the one hand as revenue (sale price) and on the other as expenditure (cost of sale, i.e. decrease in net book value) without altering the intermediate or final result.
- **Balance Sheet:** asset and liability balances at the end of each period. Ordered by aggregated volume taking into account the financial or non-financial (i.e. operating) nature of the different items, in the short and long term.
- **Cash Flow Statement (Cash Flow)** of cash flows for each item, restated according to the nature and order of priority of each head in accordance with the criteria of the Association to facilitate financial analysis and improve the traceability of the issues examined.

**Table 7. Income Statement, LaLiga**

€M	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Δ y-o-y %	CAGR %	Abs.
Revenue from broadcasting	728.7	826.7	844.2	854.5	1,121.6	1,454.6	29.7%	14.8%	2.0x
Revenue from match day	599.3	594.2	623.3	625.7	769.7	746.6	-3.0%	4.5%	1.2x
Revenue from merchandising	407.1	387.9	392.0	506.3	561.2	622.3	10.9%	8.9%	1.5x
Revenue from advertising	84.5	83.2	83.9	83.5	100.4	117.4	16.9%	6.8%	1.4x
<b>Net Turnover (NTO)</b>	<b>1,819.6</b>	<b>1,892.1</b>	<b>1,943.4</b>	<b>2,070.1</b>	<b>2,552.9</b>	<b>2,940.9</b>	<b>15.2%</b>	<b>10.1%</b>	<b>1.6x</b>
Sale price for transfer of players	271.4	412.8	480.3	492.1	412.4	475.5	15.3%	11.9%	1.8x
Other operating revenues	111.7	104.4	115.2	132.1	157.1	177.1	12.7%	9.7%	1.6x
<b>Regular operating revenues (ROR)</b>	<b>2,202.7</b>	<b>2,409.3</b>	<b>2,538.9</b>	<b>2,694.3</b>	<b>3,122.5</b>	<b>3,593.5</b>	<b>15.1%</b>	<b>10.3%</b>	<b>1.6x</b>
Provisions	(66.2)	(59.3)	(63.6)	(74.7)	(81.4)	(97.8)	20.1%	8.1%	1.5x
Sports personnel expenses	(1,107.9)	(1,079.3)	(1,123.0)	(1,230.4)	(1,411.6)	(1,671.8)	18.4%	8.6%	1.5x
Non-sports personnel expenses	(132.1)	(129.3)	(137.8)	(161.1)	(187.7)	(208.3)	11.0%	9.5%	1.6x
Other operating expenses	(423.3)	(412.8)	(453.6)	(487.6)	(542.8)	(697.8)	28.5%	10.5%	1.6x
Cost of sale for transfers of players	(131.8)	(189.4)	(212.1)	(143.3)	(134.1)	(139.8)	4.2%	1.2%	1.1x
<b>Gross operating earnings (adjusted EBITDA)</b>	<b>341.4</b>	<b>539.1</b>	<b>548.9</b>	<b>597.2</b>	<b>764.9</b>	<b>778.1</b>	<b>1.7%</b>	<b>17.9%</b>	<b>2.3x</b>
Depreciations and amortizations	(399.7)	(336.1)	(318.6)	(377.0)	(404.5)	(459.2)	13.5%	2.8%	1.1x
Other operating results	(2.5)	10.1	10.8	(24.7)	(90.7)	(27.4)	-69.8%	61.0%	10.8x
<b>Net operating earnings (EBIT)</b>	<b>(60.8)</b>	<b>213.1</b>	<b>241.0</b>	<b>195.6</b>	<b>269.7</b>	<b>291.5</b>	<b>8.1%</b>	-	-
Financial revenues	126.9	12.6	54.1	94.6	22.8	44.8	96.5%	-18.8%	0.4x
Financial expenses	(92.6)	(78.9)	(70.8)	(89.0)	(90.1)	(90.6)	0.6%	-0.4%	1.0x
Other financial results	(0.5)	(1.3)	(2.1)	(1.8)	(0.8)	(2.8)	237.9%	39.3%	5.3x
<b>Earnings before taxes (EBT)</b>	<b>(27.0)</b>	<b>145.5</b>	<b>222.2</b>	<b>199.4</b>	<b>201.6</b>	<b>242.8</b>	<b>20.5%</b>	-	-
Corporate tax	10.1	(24.7)	(39.1)	(39.4)	(34.8)	(65.6)	88.1%	-245.5%	-6.5x
<b>Earnings after taxes or Net Earnings (NE)</b>	<b>(16.9)</b>	<b>120.8</b>	<b>183.1</b>	<b>160.0</b>	<b>166.7</b>	<b>177.2</b>	<b>6.3%</b>	-	-
<b>Total Revenues</b>	<b>2,228.8</b>	<b>2,425.2</b>	<b>2,555.7</b>	<b>2,760.6</b>	<b>3,167.7</b>	<b>3,662.3</b>	<b>15.6%</b>	<b>10.4%</b>	<b>1.6x</b>
Impact of debt relief (ongoing insolvency proceedings)	(108.3)	(21.1)	(66.6)	(19.2)	-	(9.2)	-	-	-
<b>EBT net of debt relief</b>	<b>(135.3)</b>	<b>124.4</b>	<b>155.5</b>	<b>180.2</b>	<b>201.6</b>	<b>233.6</b>	-	-	-

*LaLiga's Total Revenues* has grown by +15.6% over the past year. In the course of the seasons under analysis this magnitude has multiplied by 1.6x (CAGR: +10.4%). The *Net Turnover (NTO)* is equally satisfactory although growth is slightly more moderate (1.6x in the period under analysis, equivalent to a CAGR of +10.1%). Broadcasting revenues stand out within the *NTO*, having risen by +29.7% in the period, which means that the amount invoiced by the competition under this item has doubled during the time series (2.0x, CAGR of +14.8%).

Moreover, it can be observed that in the long term all cost items (**Operating Expenses**) grow at a rate lower than revenues. This remains true in spite of the considerable increase of +18.4% and +31.8% in *Sports Personnel Expenses* and *Other Operating Expenses* respectively during the past season. The reasons for these increases in 2016-17 have been examined above and at least partially (especially with regard to personnel expenses) can be considered non-recurring.

*LaLiga's* capacity to grow revenues faster than *Operating Expenses* in the long-term explains, in the last analysis, both the strong growth in operating earnings (*EBITDA* and *EBIT*) and the underlying operating margins which have increased by a total of around 11 percentage points on average since the 2011-12 season.

Consequently, the *Net Earnings (NE)* for the year, a negative magnitude at the beginning of the time series, reached the historical maximum of € 177.2 M, a year-on-year increase of +6.3%. It must be taken into account that corporation tax has practically doubled with respect to the previous season. If the tax impact - symptomatic of the rise in profitability and enhanced visible impact of the competition's benefits - is not taken into account, the outcome (*EBT*) would have increased by +20.5% per year. Both these items were in the red (i.e. net losses) at the beginning of the series.

**Table 8. Balance Sheet, LaLiga**

Assets LaLiga									
€M	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Δ y-o-y %	CAGR	Abs.
<b>Long-term assets</b>	<b>3,029.0</b>	<b>2,869.5</b>	<b>2,955.5</b>	<b>3,235.8</b>	<b>3,133.6</b>	<b>3,725.1</b>	<b>18.9%</b>	<b>4.2%</b>	<b>1.2x</b>
Operating	2,341.0	2,219.8	2,267.1	2,499.1	2,688.7	3,267.5	21.5%	6.9%	1.4x
Financial	400.7	383.9	406.4	451.8	178.7	214.6	20.1%	-11.7%	0.5x
Deferred tax assets	287.3	265.8	282.0	284.9	266.2	243.1	-8.7%	-3.3%	0.8x
<b>Short-term assets</b>	<b>1,054.6</b>	<b>1,064.9</b>	<b>1,013.6</b>	<b>938.3</b>	<b>1,297.5</b>	<b>1,637.8</b>	<b>26.2%</b>	<b>9.2%</b>	<b>1.6x</b>
Operating	658.2	617.3	527.2	555.9	634.0	727.9	14.8%	2.0%	1.1x
Financial	174.6	127.4	116.5	43.7	250.3	249.7	-0.3%	7.4%	1.4x
Cash and equivalents	221.9	320.3	369.8	338.6	413.2	660.2	59.8%	24.4%	3.0x
<b>Total Assets</b>	<b>4,083.7</b>	<b>3,934.4</b>	<b>3,969.1</b>	<b>4,174.0</b>	<b>4,431.1</b>	<b>5,362.9</b>	<b>21.0%</b>	<b>5.6%</b>	<b>1.3x</b>
Liabilities LaLiga									
€M	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Δ y-o-y %	CAGR	Abs.
<b>Net Equity</b>	<b>297.0</b>	<b>345.2</b>	<b>557.4</b>	<b>708.9</b>	<b>1,050.1</b>	<b>1,262.8</b>	<b>20.3%</b>	<b>33.6%</b>	<b>4.3x</b>
<b>Long-term liabilities</b>	<b>1,509.0</b>	<b>1,449.3</b>	<b>1,415.4</b>	<b>1,602.4</b>	<b>1,378.5</b>	<b>1,451.7</b>	<b>5.3%</b>	<b>-0.8%</b>	<b>1.0x</b>
Operating	138.2	136.1	145.5	191.3	206.6	175.6	-15.0%	4.9%	1.3x
Financial	1,260.8	1,204.9	1,140.0	1,288.8	1,068.1	1,161.7	8.8%	-1.6%	0.9x
Deferred tax liabilities	110.1	108.3	129.9	122.2	103.8	114.5	10.2%	0.8%	1.0x
<b>Short-term liabilities</b>	<b>2,277.6</b>	<b>2,139.9</b>	<b>1,996.4</b>	<b>1,862.7</b>	<b>2,002.4</b>	<b>2,648.4</b>	<b>32.3%</b>	<b>3.1%</b>	<b>1.2x</b>
Operating	1,477.6	1,478.6	1,375.6	1,388.6	1,449.0	1,991.9	37.5%	6.2%	1.3x
Financial	800.1	661.2	620.8	474.2	553.4	656.5	18.6%	-3.9%	0.8x
<b>Total Liabilities</b>	<b>4,083.7</b>	<b>3,934.4</b>	<b>3,969.1</b>	<b>4,174.0</b>	<b>4,431.1</b>	<b>5,362.9</b>	<b>21.0%</b>	<b>5.6%</b>	<b>1.3x</b>

The *aggregated Balance Sheet* also shows very satisfactory evolution. The equity position of *LaLiga* has improved markedly. The compound annual growth rate (CAGR) since the beginning of the time series under analysis is +5.6%. This is an extremely significant data since the *Balance Sheet* is growing at a rate well below that of the *Income Statement*. As noted in previous sections, in the last analysis this explains the rise in the profitability indices (*ROIC* and *ROE*) and the competition's capacity to generate value.

It is worth noting the significant growth of *LaLiga's Net Equity*, which reached +20.3% last season. In cumulative terms, the competition's capitalisation index has multiplied by 4.3x (CAGR of +33.6%) in recent years. This is due to the capital increases carried out in previous seasons and the accumulation of undistributed profits by the clubs.

*LaLiga's* short and long-term *Financial Liabilities* (basically composed of debts of various kinds) are even lower, in absolute terms, than they were in the 2011-12 season. This is true in spite of growth in the size of the business and the general increase in the volume of the *Balance Sheet*. All the above emphasises once again the growing solvency of a competition that is already financially sound from the aggregated point of view.

At the same time, *LaLiga's* long-term and short-term *Operating Assets* (i.e. sports and non-sports assets) increased by 20.2% during the year (x1.3 in the period, equivalent to a CAGR of +5.9%). This fact enables us arrive at several important conclusions:

- *LaLiga* continues to invest decisively in operating assets (players and infrastructures), an aspect of vital importance to consolidate its sporting predominance in the future.
- In spite of this, the growth rate of said investment is lower than that of earnings, which means that the profitability indexes (basically the *ROIC*) are rising. In other words, the competition increasingly uses its investments more efficiently, obtaining a better yield from the same.
- This investment is largely self-financed, which means that it is not necessary to increase our indebtedness in order to grow.



**Table 9. Cash Flow, LaLiga**

€M	2013-14	2014-15	2015-16	2016-17
A. Net earnings for the financial year (NE)	183.1	160.0	166.7	177.2
B. Restatements (non-cash) to net earnings	120.8	168.6	267.0	272.0
<b>A. + B. Gross operating cash flow (CGO)</b>	<b>303.8</b>	<b>328.6</b>	<b>433.7</b>	<b>449.2</b>
C. Working capital investments (WK)	(68.6)	194.8	0.1	459.9
A. + B. + C. Net operating cash flow (OCF)	235.2	523.4	433.8	909.2
D. Operating investments (Capex)	(72.7)	(296.5)	(392.1)	(647.6)
Net investment in infrastructure and others	(119.4)	(83.4)	(126.0)	(382.2)
Net investment in players	46.7	(213.2)	(266.1)	(265.4)
<b>A. + B. + C. + D. Free cash flow (total FCF)</b>	<b>162.5</b>	<b>226.9</b>	<b>41.8</b>	<b>261.6</b>
E. Cash flows derived from debt (CFDS)	(113.1)	(281.2)	(160.5)	(14.0)
Financial expenses	(71.3)	(89.9)	(90.9)	(87.6)
Net variation in financial debt with financial entities	(72.4)	(33.0)	8.5	80.5
Net variation in other financial debt (*)	22.6	(226.5)	(162.1)	69.3
Financial revenues	52.2	94.6	22.8	42.7
Net investment in financial and other non-operating assets	(44.1)	(26.4)	61.4	(118.9)
<b>A. + B. + C. + D. + E. Equity cash flow (ECF)</b>	<b>49.4</b>	<b>(54.3)</b>	<b>(118.7)</b>	<b>247.6</b>
F. Cash flow derived from equity variations	5.0	35.0	193.5	2.2
<b>A. + B. + C. + D. + E + F. Net annual variation in cash</b>	<b>54.4</b>	<b>(19.4)</b>	<b>74.8</b>	<b>249.9</b>
<b>Initial balance, cash and cash equivalents (**)</b>	<b>315.5</b>	<b>358.0</b>	<b>338.4</b>	<b>410.3</b>
+/- Impact of exchange rates on initial cash balance	-	-	-	-
+/- Net year-on-year variation in cash	54.4	(19.4)	74.8	249.9
<b>Final balance, cash and cash equivalents (**)</b>	<b>369.8</b>	<b>338.6</b>	<b>413.2</b>	<b>660.2</b>

(\*) Net variation in debt includes variation in the debtors' and creditors' balance for transfer of players.

(\*\*) The cash and cash equivalents balances at the end of each financial year and the beginning of the next are not exactly identical due to the change in the perimeter (i.e. different clubs that comprise the grouping due to the promotion/relegation process).

This year, *LaLiga* includes for the first time an integral analysis of the cash flows in its financial examination of the competition. The format selected enables display of how the clubs, in aggregated terms, have the capacity to generate returns at various levels over time regardless of conventional accounting considerations. Put another way, it enables us to verify where, how, why and by how much *LaLiga* creates or destroys liquidity. This is done by following the indirect method, which entails starting with the official yearly *Net Earnings (NE)* for the year and calculating the different *Cash Flow* levels by the addition or subtraction of the appropriate adjustments and variations, on the basis of the *Income Statement* and the *Balance Sheet* respectively. The analysis has only been performed for the last four seasons due to the difficulty in calculating certain cash movements prior to this period because of the reporting method of the available financial information. The final cash balance of this financial statement coincides with the clubs' *Cash and Cash Equivalents* item, so that the cash-flow movements within the grouping are clearly and totally explained.

Thus, *Gross Operating Cash Flow (CGO)* in the 2016-17 season amounted to € 449.2 M, the highest amount in the history of Spanish professional football. This magnitude represents the conversion of *EBIT* into effective returns, regardless of accounting conventions. Moreover, this has been achieved in spite of the significant increase in operating expenses in the period which, however, has been lower in absolute terms than the increase in turnover, as shown by the year-on-year growth of *CGO*.

If we add or subtract the variation in working capital (*WC*) (net disinvestment of +€ 459.9 M in 2016-17) to this magnitude for the reasons already explained, we obtain the effective conversion of the net operating profit for the year - governed by accounting criteria (i.e. income and expenditure) inherent in the *Income Statement* - into effective operating cash flow (i.e. collections and payments). This item, which we call *Net Operating Cash Flow (OCF)*, amounted to € 909.2 M for the past season, almost three times higher than the average of the three immediately preceding years.

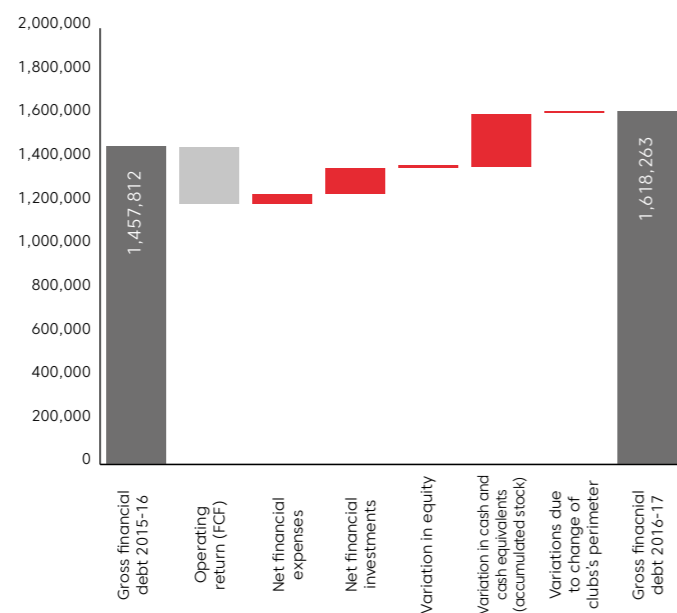
We can add the net investment in operating capital; players and infrastructures, (*Capex*) - which peaked at a record € -647.6 M last season - to the *OCF*. As noted above, almost 60% (€ -382.2 M) of this investment in operating assets was associated with stadiums, facilities and equipment, so that in large part it cannot be considered to constitute a recurrent item. The rest (40% or € -265.4 M) is related to investment in players, also substantially above the average of the three preceding years and which, therefore, should not be considered entirely as a structural expenditure level. At all events, the amount of *Capex* expenditure is symptomatic of the enhanced capacity to invest in growth of the Spanish professional football clubs thanks to the thoroughgoing financial reengineering process carried out.

The sum of *CFO* and investment in *Capex* is called *Free Cash Flow (FCF)*, and is probably the most important financial magnitude in any company, since it represents the effective yield (i.e. *cash flow*) after investment in working capital and operating and capital expenditures (*Capex*), something that no item from the *Income Statement* is able to address so clearly. It represents, in short, pure business performance before meeting obligations with financial creditors and shareholders. It is significant to note that this item amounted to € 261.6 M in the 2016-17 season and did so in spite of the considerable *Capex* in said financial year. Just one year earlier, in the best season of Spanish professional football to date, *FCF* stood at only € 41.8 M. *LaLiga* could potentially service its debt (i.e. pay the interest and principal) against this cash surplus and, if deemed necessary, remunerate its shareholders.

On this occasion, however, basically the entire effective business performance (*FCF*) has been devoted to increasing the clubs' cash surplus (i.e. *Cash and Cash Equivalents*).

It is worth noting that last season, in spite of the positive *FCF* of € 261.6 M which, a priori, would enable the competition to pay off its debt, *LaLiga's* gross indebtedness has risen in absolute terms by € 160.5 M (not in relative terms or *GFD/Ebitda*, which has remained stable). The main reason for this is the increase in *Cash and Cash Equivalents*. In other words, the professional football clubs have decided to increase the stock of surplus cash available, which has increased by almost € 250 M in a single year (from € 413.2 M at the end of the 2015-16 season to € 660.2 M at the end of 2016-17). This has been achieved despite the fact that part of the positive *FCF* generated has been used to pay interest on the debt (€ -87.6 M, the lowest amount in recent years) and to meet certain financial investments (€ -118.9 M). This last amount includes not only application of the cash surplus to profitable financial investments (balances not recognised under *Cash and Cash Equivalents*), but the decrease in long-term accruals (mainly collection rights minus trade obligations with clubs).

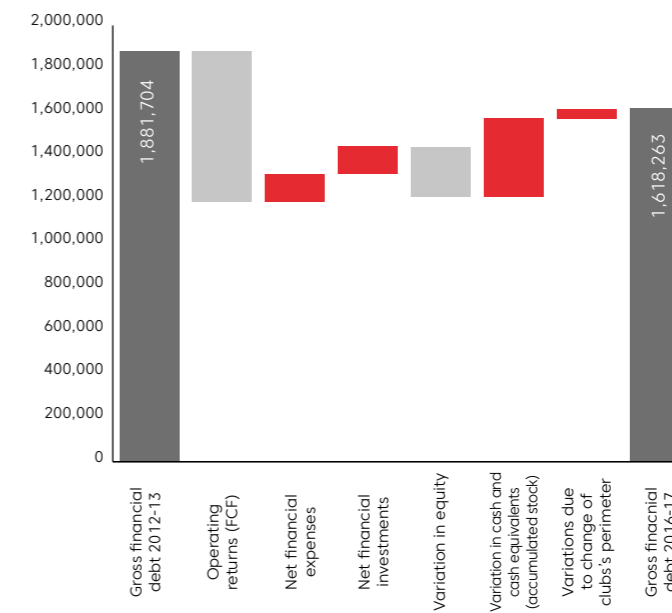
**Graph 21. Explanation of the variation in adjusted gross indebtedness of LaLiga in the 2016-17 season**



In the long term, *LaLiga's* adjusted gross indebtedness (including the before mentioned change in the clubs' perimeter) has been reduced by € 263.4 M over the last five seasons. This means that since total gross debt has decreased while the size of business (*Income Statement* and *Balance Sheet*) has increased considerably, the relative indebtedness of the competition must have been significantly reduced. And indeed, it has: the *adjusted GFD/Ebitda* ratio decreased from 3.3x to 2.1x between 2012-13 and 2016-17. It should be noted that only one year earlier, in 2011-22, this ratio was 5.6x. Taking into account the *Cash and Cash Equivalents* and other liquid financial investment balances, the *adjusted NFD/Ebitda* ratio would have been reduced to as little as 1.0x last season. This ratio stood at 4.7x in the 2011-12 season.

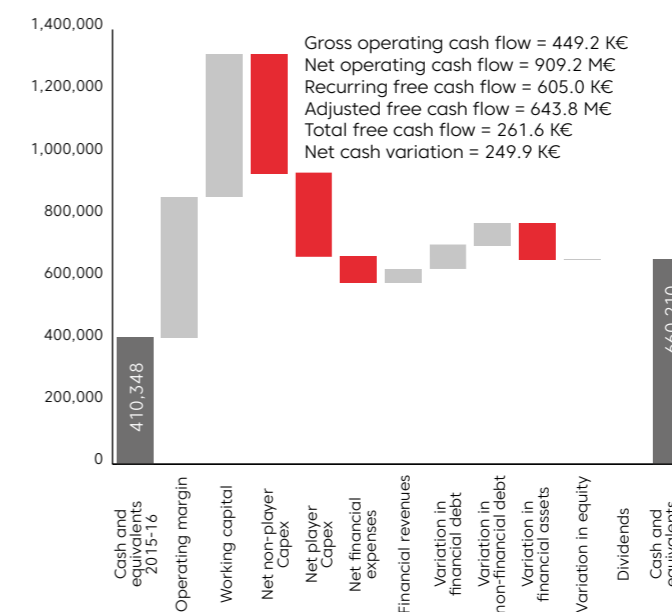
This degree of relative indebtedness, substantially below three times (3.0x) *Ebitda* from both the gross and net points of view, can be considered appropriate for an investment-intensive activity such as professional football. At the aggregate level, increasing the degree of deleveraging could lead to certain constraints on the profitable growth of *LaLiga* and at the same time - taking into account the current favourable position of the financial markets and the enhanced attractiveness of football as a profitable business - would increase the weighted average cost of capital (*WACC*), which fell to a record low of 4.4% in the 2016-17 season. It can therefore be concluded that the competition is currently in a position close to its optimal capital structure, the degree of financial leverage that maximises its economic value. However, even development at the individual level is positive in all cases, it should be remembered that some clubs must nevertheless continue to work on this aspect in coming seasons.

**Graph 22. Explanation of the variation in adjusted gross indebtedness of LaLiga in the time series**



Finally, we would emphasise that the summary of total variation in the *Cash Flow* of *LaLiga* in 2016-17 is the best expression of a healthy, profitable and sustainable competition. The sum of *CGO* and *WC*, which results in *OCF*, amounted to € 909.2 M. After the effort in *Capex* this figure, the basis of *FCF*, stood at € 261.6 M. This item constitutes the net surplus generated by the competition's business at aggregate level last season. The expenses and financial investments for the period were comfortably addressed from this balance. Even so, it was decided to contract further debt. *LaLiga's Cash and Cash Equivalents* position improved substantially last season to post a surplus of € 660.2 M, up € 249.9 M from the previous season's € 410.3 M. This represents a growth rate of +59.8% and strengthens the short-term liquidity and solvency of the competition.

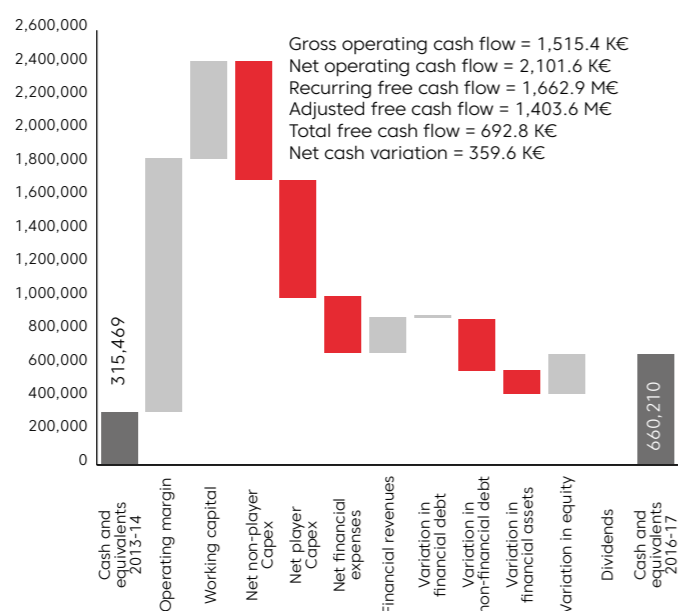
**Graph 23. Cash Flow variation in 2016-17, LaLiga**



The evolution has also been extremely satisfactory from a more long-term point of view taking the last five seasons into account.

Accumulated OCF amounted to € 2,110.6 M. If Capex (€ -1,408.9 M) for the same period is added, the resulting FCF stands at € 692.7 M. LaLiga was easily able to service its financial debt (and other financial investments) from this cash surplus balance from operations with an outlay of € -568.8 M. Added to the systematic capital increases (net amount of € 235.7 M), this position has led to a substantial increase in the final Cash and Cash Equivalents balance. The cash surplus has doubled over the course of these five years from € 315.5 M to € 660.2 M.

Graph 24. Cash Flow variation over the time series, LaLiga



To sum up, the conclusion drawn from the analysis is that LaLiga is currently in a very sound financial position. At the aggregate level, Spanish professional football is now a profitable, solvent, cash flow-generating and value-creating activity.

LaLiga, main milestones of the season

01-07-2016

- JUL**  
 July  
 LaLiga breaks the record for attendance at stadiums
- AUG**  
 August  
 LaLiga 2016-17 begins
- SEP**  
 September  
 Effective entry into force of the new audio-visual rights framework (RDL 5-2015)
- OCT**  
 October  
 Javier Tebas renews his mandate as President of LaLiga until 2020
- NOV**  
 November  
 LaLiga and Microsoft sign a global alliance to transform football fans' digital experience
- DEC**  
 December  
 Historical reduction of player complaints for non-payment
- JAN**  
 January  
 LaLiga4Sports wins the Stadium Prize at the National Sports Awards
- FEB**  
 February  
 LaLiga arrives in Mexico thanks to Global W
- MAR**  
 March  
 The Global Network LaLiga starts
- APR**  
 April  
 LaLiga takes "El Clásico" to the Thessalonica refugee camp in Greece
- MAY**  
 May  
 Presentation of LaLiga Genuine
- JUN**  
 June  
 The Spanish National League Championship ends  
 The sporting predominance of Spanish clubs is consolidated in the number of official championships won
- JUL**  
 July  
 Organisation of "El Clásico" in Miami, USA

30-06-2017

## Strategic lines of LaLiga

At the strategic level, the **first term** of the current administration (April 2013 - June 2016) focused mainly on improving the domestic and international image of the competition in order to basically consolidate a sustainable entertainment product that would be marketable worldwide and to all spectators.

The following strategic lines were declared top priority to achieve this objective:

The **second term** of the current administration, from July 2016 to the present, is focussing - once the financial (financial control) and social (eradication of violence and fight against match-fixing) bases of the competition have been established - on improvement of the product and enhancing its relevance and brand awareness with the ultimate goal of increasing the value of audio-visual rights in particular and football as a business in general.

Although work continues on the lines already established in the first term, the priority strategic lines are now the following:

### 1 Economic control

- Implementation of “a priori” financial control
- Worldwide pioneer initiative in sports. This is the first time a regulation applicable to the entire competition has been established to draw up budgets that act as tools for financial control of clubs

### 2 Combatting intellectual property theft and fraud

- Taking a proactive position on both the domestic and international fronts to defend *LaLiga*'s image and its analogical and - as a top priority - digital assets
- Collaboration with public agencies for help and training in the fight against audio-visual piracy
- Important judicial successes in this respect

### 1 Enhancement of the audio-visual product

- Increasing investment in broadcasting technology
- Improving the positioning of the competition in the forefront of international events and competitions in terms of the resources devoted to transmission

### 2 Communication

- Transmitting the image of *LaLiga* in all its facets, surpassing the purely sports aspects

### 3 Internationalisation

- Opening offices in strategic areas: Middle East, Asia, Africa and the USA

### 4 Fight against violence

- Leadership of the national and international organisations charged with eradicating violence from sport

### 3 High profile on social networks

- Microsoft Project
- Development of a specific area to boost our presence on digital platforms as a key requirement for increasing the value of the clubs' audio-visual rights

### 5 Combatting match-fixing

- Technological and institutional leadership (domestic and international) in the detection and reporting of fixed matches and illegal gambling

### 6 Transparency

- Implementation of the “Compliance” function in *LaLiga*
- Leadership in extending transparency and good corporate governance to all member clubs of the competition through the requirement, as a prerequisite for said membership, of implementing the Compliance function at club level.

### 4 Internationalisation

- Transforming *LaLiga* into a competition with global influence
- Increasing the value of audio-visual rights in the international arena
- *LaLiga* Global Network: selection of 60 new top professionals from among 12,600 candidates to represent the interests of *LaLiga* in a series of strategic markets (40 cities) worldwide

### 5 Business Intelligence and Analytics

- This initiative aims to centralise, organise, draw up and provide all the required information to enable data-based decision-making
- The goal is to gain in-depth knowledge of current consumer groups and the addition of new groups

### 7 Enhancement of the audio-visual product

- Increase in attendance and improvement of the image of the stadiums (e.g. turf, lighting, facilities, equipment uniformity, etc.)
- Drafting of the regulation governing television broadcasting that establishes the template for production of audio-visual recordings of official professional competitions. This initiative fosters consolidation of a common style that promotes the integration of the competition, compliance with current regulations on holding matches and the value of the product to become a tool to enhance *LaLiga*'s brand image and increase the value of its assets

### 6 LaLiga's brand image

- This key strategic line aims to make *LaLiga* into a leading brand in the entertainment industry, competing with other competitions (Premier League, NBA, etc.) and other
- Objective of increasing two key brand indicators: memory and perception, as a requirement of registration for implementation of the Compliance function



## Socio-economic dimension of LaLiga

Football has a strong influence on the world economy through the direct and indirect generation of economic activity and aspects as important as the creation of employment or tax collection.

According to a 2016 study by the multinational consultancy Deloitte called "Football Money League", professional football in itself could be considered the seventeenth most important economy in the world and the main leisure industry in Spain.

In this context, the claim that football is the number one sport in our country should not come as a surprise. It is interesting to note, however, the differences between the economic and social dimensions of football in Spain. It is precisely the symbiosis between these two spheres (closely related to each other) that has led *LaLiga* to become not only a major competition but also an authentic industry with a high degree of capitalisation, professionalisation, specialisation and social impact that promises attractive growth prospects in the short, medium and long terms.

### Social dimension of football in Spain

The importance of football in Spanish public life originates in the overexposure to the spectacle imposed during the 50s and 60s of the last century in a certain socio-political context. Paradoxically, the importance of football in Spanish society has continued to escalate until today it far exceeds the already high levels reached at that time.

In the last twenty or thirty years football has occupied areas previously devoted to other cultural expressions such as investigative journalism or political debate, among others. In fact, according to a survey by the Centro de Investigaciones Sociológicas (Sociological Research Centre) (CIS) conducted in 2016, around 90% of Spanish citizens admit to being football fans.

Football is also a transversal pastime in the sense that it is shared by people of very different professional, social and ideological backgrounds, thereby reinforcing civic cohesion. In fact, according to the CIS study, there are only 4% less football fans among people in the top socio-economic stratum than among the most underprivileged layers.

Therefore, beyond the purely economic dimension, football is capable of generating a powerful impact on other social functions. According to a survey conducted by a prestigious international consultancy, *KPMG*, 54% of the Spanish population believes that promotion of the "Spain Brand" constitutes the greatest social contribution of professional football (it is second only to tourism as a favourable influence on the brand) and 33% that it disseminates healthy lifestyles (79% of respondents consider that professional football fosters participation in sports in general). In addition, football instils the values and attitudes of physical training and team competition in those who play the game or simply enjoy it as spectators.

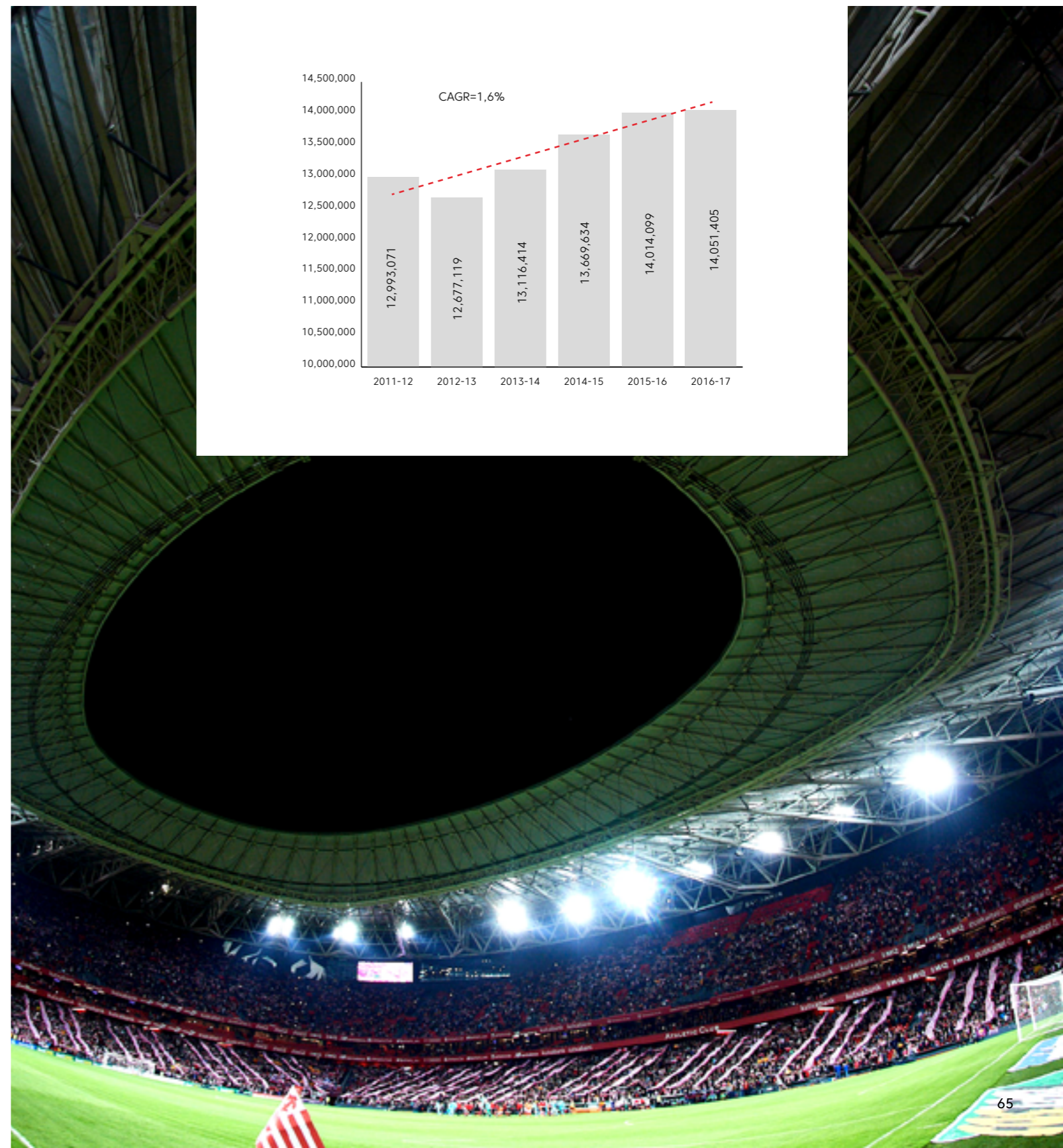
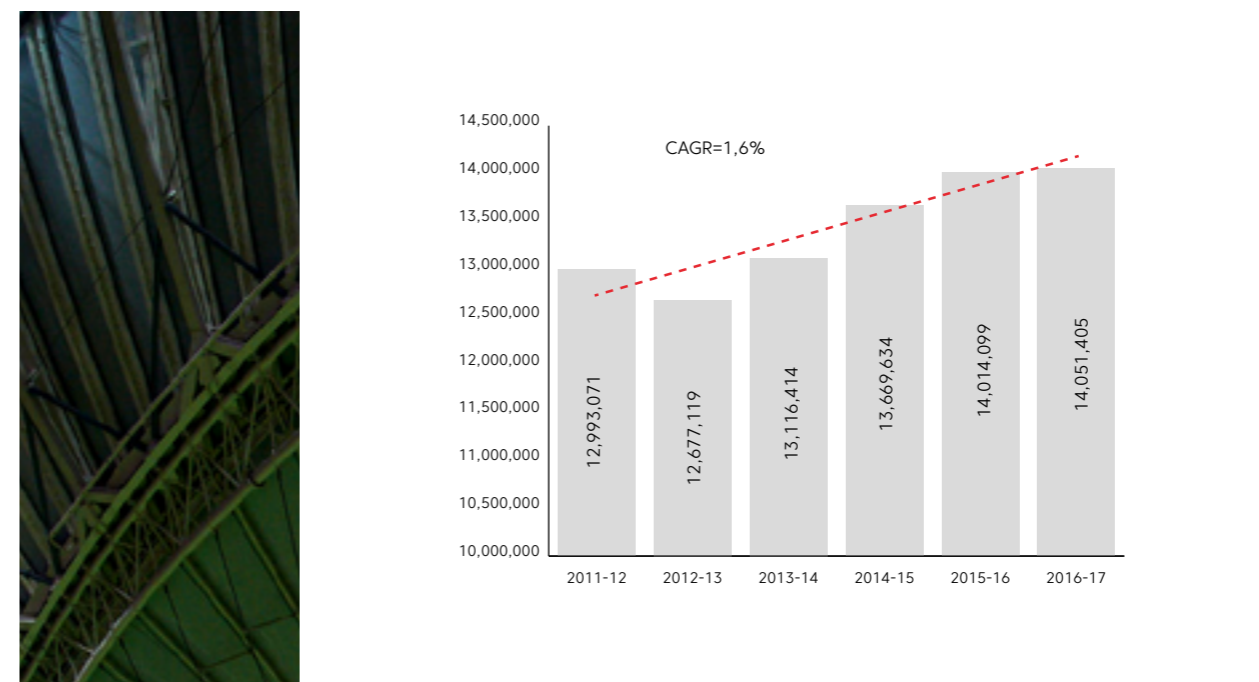
To sum up, professional football, besides making an important contribution to the Spanish economy and providing employment for the country, contributes decisively to additional essential functions for the balanced development of society.

### The stadium experience and attractiveness of professional football

14.05 million people attended a football match in a stadium during the 2016-17 season, a slight increase of +0.3% compared to the previous season. It is interesting to note that in general terms, the number of spectators who attend sporting events and the average occupation of the stadiums continue the upward,

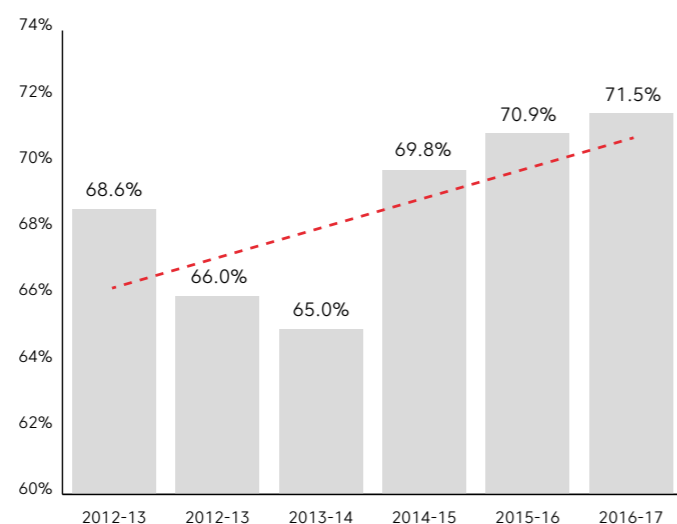
or at least steady, trend in recent years in spite of having lived through worst economic crisis in recent history. Since the beginning of the long recession in the 2008-09 season, the level of occupation of the stadiums (which was then 65.2%) has remained stable or even grown during the years that followed.

Graph 25. Attendance at stadiums



In recent financial years, since the beginning of the time series analysed in this Report, the growth of attendance at stadiums has been sustained and reached an average occupancy of 71.5% in 2016-17, almost point six of a percentage point higher than in the previous season. It must be kept in mind that the installed capacity has increased with respect to the beginning of the recession so that the attendance ratio has not yet exceeded the historical maximums (which have not been equalled for many years) in percentage terms.

**Graph 26. Average occupancy of the stadiums**



In conclusion, football continues to be a social and mass phenomenon of a markedly non-cyclic nature in economic terms (i.e. it is a “defensive” activity in the financial sense), the importance of which is expected to continue rising in coming years.

**Contribution to the Spanish economy**

The growing importance of *LaLiga* in the Spanish economy as a whole was pointed out in the first section of this Report. This reality can be verified, as noted above, by the accumulated year-on-year growth (CAGR) of the revenues generated by *LaLiga* (+10.4%) compared to the Spanish gross domestic product (GDP at market prices) (+2.3%) over the last six years. Thus, the growth differential has increased by around eight percentage points since the beginning of the series under analysis (2011-12 season).

*LaLiga* has commissioned an independent expert of recognised prestige for an updated assessment of the direct, indirect and induced contribution of Spanish professional football to the Spanish economy. The conclusions of this study will be announced to coincide with publication of the 2016-17 Financial Report.

The study, now in the draft stage, will also assess the impact of Spanish professional football on the Nation’s aggregate tax revenues.





**Fiscal position**

**I. Debt with the National Tax Agency and Regional Tax Authorities**

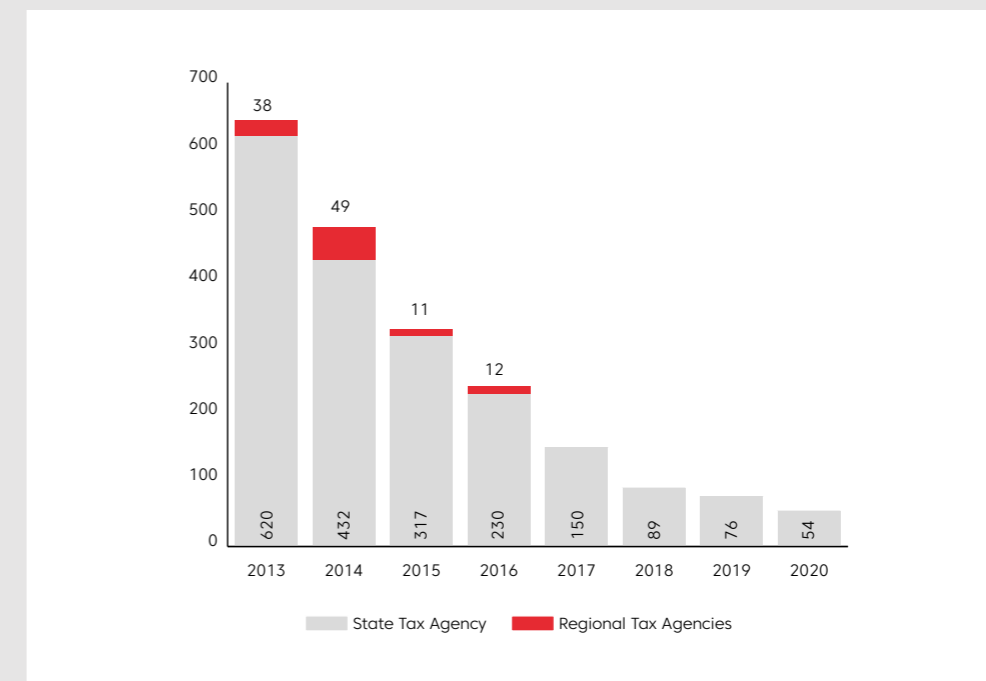
The debt with the National Tax Agency (AEAT) and the Regional Tax Agencies continues to shrink systematically.

As can be seen below, it has been reduced to less than one third over a period of five years. Specifically, the debt has dropped by almost 77% between June 2013 and June 2017.

Existing debt with the National and Regional Tax Agencies is currently supported by deferments and agreements with both authorities. As of December 2016, all maturities of these deferments and individual agreements have been fully serviced.

It is estimated that a residual debt will remain pending with the AEAT in the 2019-2020 season for an amount not exceeding € 54 M, which represents that included as subordinated debt in the bankruptcy proceedings and will be paid in accordance with the terms and conditions of the agreements with the creditors associated with the respective processes.

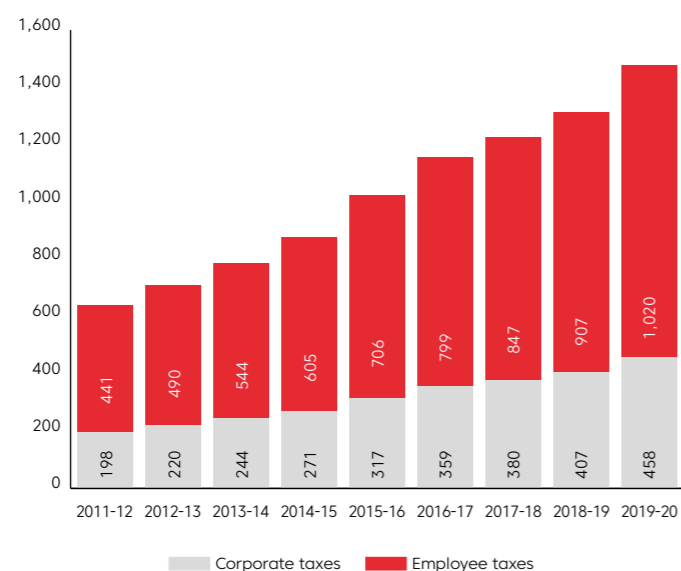
**Graph 27. Debt with AEAT and Regional Tax Agencies.**



**II. Annual tax payments to the AEAT, Regional Tax Agencies and other institutions**

The professional football clubs have directly generated current taxes for more than € 1,150 M to be paid to the AEAT, Regional Tax Agencies and other institutions during the 2016-17 season, in addition to amortising the tax debt explained in the previous point.

**Graph 28. Tax payments**



Some of these amounts are borne by the clubs (tax) and others by employees (personal income tax) but they are all generated directly due to the existence and activity of professional football in Spain.

**Scope of the social function and corporate social responsibility**

**I. Youth football**

In addition to the financial and business aspects that we have analysed, *LaLiga* plays an important social role through its investment in supporting dependent teams in 16 categories ranging from *Under 8* to *Under 23*, herein referred to collectively as “youth football”.

As already noted throughout this Report, Spanish football is a talent-generating competition thanks basically to the grassroots structures maintained by the clubs, especially the professional teams. These football schools or academies teach future professionals not only the technical aspects of the sport but also provide training in competitive and personal values and attitudes that ensure that football players who take part in Spanish football’s youth categories are in demand by teams all over the world.

In this respect, investment in youth football totalled 87.6 M € during the 2016-17 season which enabled support for 600 teams distributed in the aforesaid 16 categories in which the 10,467 players who participated were attended by 1,594 trainers.

**II. Jobs created**

Professional football is also an important generator of employment. In particular, during the 2016-17 season the clubs and sports corporations that comprise *LaLiga* ended the financial year with more than 7,600 workers (+12.2%) and an average for the season of 7,450 employees. 58.2% of the workforce is composed of 4,445 sports and qualified technical personnel (+6.6% year-on-year growth) including athletes with professional contracts, the coaching staff and medical services, among others. The rest (41.8%) is made up of administrative personnel including all positions from the maintenance area to communications and finances. These positions employ a total of 3,195 people (+20.6%).

But the direct, indirect and induced impact of Spanish professional football on the country’s the employment is even greater than this would suggest. This important dimension will be analysed in detail in a forthcoming report to be published by *LaLiga* that is currently in the draft stage.



### III. Social initiatives and Corporate Social Responsibility

In 2016-17 *LaLiga* was the driving force behind the initiative that caused 18 clubs, including 11 from the First Division, to form part of “LaLiga Genuine”. This is a new competition that aims to normalise the participation of intellectually disabled people in football matches. The tournament will be played in the 8V8 format in matches with four ten-minute periods between six groups of three teams.

There will be four phases: from 6 to 8 October in Villarreal, 19 to 21 January in Tarragona, 13 to 15 April in Mallorca and from 8 to 10 June in Vigo. Not only the scores but also the positive attitudes shown during the matches will count towards classification for the successive phases. This means that on each match day the teams will have a series of points to be allocated as a reward for fair play and good behaviour on the part of their players, coaches and supporters.

The competition is conceived as an integrating social responsibility initiative that aims to normalise participation football matches by one of the most disadvantaged social groups and is a global pioneer in the field. Spanish professional football is committed to ensuring that all *LaLiga* clubs have their “Genuine” team in the near future.

But beyond *LaLiga Genuine* there are various initiatives that entail significant commitment and investment in the Corporate Social Responsibility (CSR) field

CSR INITIATIVES 2016-17	Investment € M
I. Aid coordination agreement for grassroots football with the Royal Spanish Football Federation (RFEF)	€ 6.7 M
II. Promotion of sport in general in accordance with RDL 5-2015	€ 41.6 M
Amateur football	€ 13.9 M
2nd Div. B Social Security Aid	€ 5.9 M
Women's football Social Security aid	€ 1.0 M
AFE (Spanish Footballers' Association)	€ 6.9 M
CSD (Sports Council of Spain) provision to elite athletes	€ 13.9 M
Aid for international athletes	
III. LaLiga CSR Programs	€ 13.7 M
LaLiga 4 Sports	€ 3.0 M
Women's Football Association	€ 1.6 M
AFE (Spanish Footballers' Association)	€ 2.6 M
LaLiga Foundation	€ 1.1 M
Genuine League	€ 1.2 M
HR initiatives, training and scholarships	€ 0.5 M
International project competitions	€ 3.7 M
<b>TOTAL INVESTMENT IN CSR INITIATIVES (I +II +III)</b>	<b>€ 62.0 M</b>



## EXTERNAL

- Solidarity contribution for development of amateur football
- Contribution to social security in amateur football
- Aid for the promotion of the associative movement
- Contribution to social security for elite athletes
- Contribution to participation of athletes in international competitions.

## INTERNAL

- Continuous training programmes for *LaLiga* employees

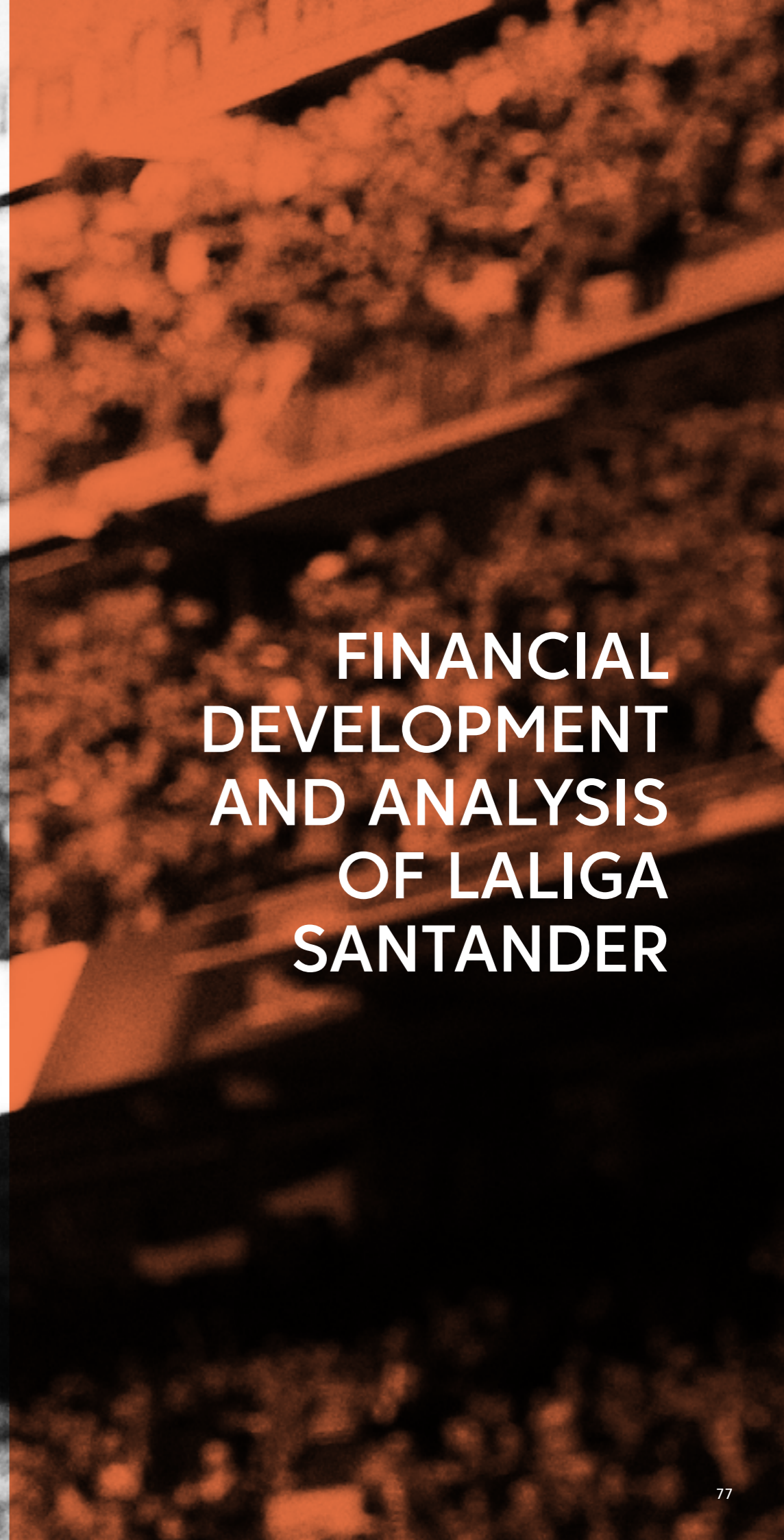
- LaLiga 4 Sport
- Footballers' professional development
- Development and occupational integration of former professional players
- *LaLiga* Foundation
- *LaLiga Genuine*
- International schools

## Social Projects Matrix

#### **IV. Compliance**

Professional football is becoming a bigger, more important, high-profile industry. In this context, the search for excellence cannot be confined to a formal framework or left as a declaration of good intentions. It is also a question of ethics and good governance - in other words, Social Responsibility.

That is why *LaLiga* has implemented a credible regulatory compliance policy applicable to both the Association itself and the clubs and introduces changes that require corporate practices to meet to certain standards. This policy has important implications at the legal (compliance with the law), regulatory (compliance with sectoral regulations and procedures, security in stadiums, etc.) and social responsibility (compliance with the code of good practices, implementation of authorisation, supervision, execution, information and control procedures, issuance of reports, etc.) levels. The action criteria have been unified, the training organised, control systems put in place and all coordinated with the legal counsel departments of *LaLiga* and the clubs.



**FINANCIAL  
DEVELOPMENT  
AND ANALYSIS  
OF LALIGA  
SANTANDER**

## FINANCIAL DEVELOPMENT AND ANALYSIS OF LALIGA SANTANDER

*LaLiga Santander* continues to represent a very important part of *LaLiga* as a whole, even though its relative contribution has been gradually declining since the 2011-12 season. At the end of the 2016-17 season the weighting of *LaLiga Santander* over the competition was as follows:

**Table 10. Contribution of LaLiga Santander to LaLiga**

Contribution LaLiga Santander to the total	2016-17 (%)
Total Revenues	91.8%
NTO	93.3%
EBITDA	94.7%
EBIT	95.2%
Net Earnings	94.7%
Total Assets	89.6%
Net Equity	94.5%
CGO	94.1%
FCF	65.5%

These percentages show that even today *LaLiga's* economic and financial reality is still fundamentally marked by what happens in the First Division of Spanish professional football.



## INCOME STATEMENT, LALIGA SANTANDER

Variation in the *Income Statement* of this grouping is very similar to that of *LaLiga* analysed above, although it should be noted that the growth rates over the last year and the CAGR since the beginning of the series are somewhat lower than those of Spanish professional football as a whole. This shows that although *LaLiga Santander* continues to dominate the entire competition, the convergence of the Second Division with respect to the First Division of Spanish professional football continues to accelerate. This aspect will be considered in more detail below.

**Table 11. Income Statement, LaLiga Santander**

€M	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Δy-o-y %	CAGR %	Abs.
Revenue from broadcasting	687.4	775.4	784.1	785.9	1,021.9	1,319.3	29.1%	13.9%	1.9x
Revenue from match day	570.2	566.7	591.0	587.3	739.0	716.2	-3.1%	4.7%	1.3x
Revenue from merchandising	396.4	380.7	381.9	492.8	548.8	608.2	10.8%	8.9%	1.5x
Revenue from advertising	70.3	70.7	72.3	72.3	83.7	100.2	19.7%	7.3%	1.4x
<b>Net Turnover (NTO)</b>	<b>1,724.4</b>	<b>1,793.6</b>	<b>1,829.3</b>	<b>1,938.2</b>	<b>2,393.5</b>	<b>2,744.0</b>	<b>14.6%</b>	<b>9.7%</b>	<b>1.6x</b>
Sale price for transfer of players	255.5	360.1	454.8	474.6	394.8	439.7	11.4%	11.5%	1.7x
Other operating revenues	88.2	81.2	92.7	104.6	118.2	127.8	8.1%	7.7%	1.4x
<b>Regular operating revenues (ROR)</b>	<b>2,068.1</b>	<b>2,234.8</b>	<b>2,376.8</b>	<b>2,517.5</b>	<b>2,906.5</b>	<b>3,311.5</b>	<b>13.9%</b>	<b>9.9%</b>	<b>1.6x</b>
Provisions	(63.1)	(53.9)	(57.6)	(66.4)	(73.9)	(88.2)	19.3%	6.9%	1.4x
Sports personnel expenses	(1,012.9)	(972.7)	(1,036.9)	(1,141.7)	(1,311.7)	(1,535.6)	17.1%	8.7%	1.5x
Non-sports personnel expenses	(119.8)	(113.8)	(120.6)	(138.9)	(164.2)	(180.6)	10.0%	8.6%	1.5x
Other operating expenses	(379.2)	(364.9)	(403.3)	(433.9)	(479.2)	(617.6)	28.9%	10.2%	1.6x
Cost of sale for transfers of players	(130.4)	(162.7)	(210.1)	(137.2)	(132.9)	(137.5)	3.4%	1.1%	1.1x
<b>Gross operating earnings (adjusted EBITDA)</b>	<b>362.6</b>	<b>566.8</b>	<b>548.4</b>	<b>599.3</b>	<b>744.6</b>	<b>751.9</b>	<b>1.0%</b>	<b>15.7%</b>	<b>2.1x</b>
Depreciations and amortizations	(382.5)	(312.2)	(304.8)	(358.9)	(392.3)	(442.8)	12.9%	3.0%	1.2x
Other operating results	4.7	(10.1)	16.3	(43.7)	(100.6)	(31.8)	-68.4%	-246.4%	-6.7x
<b>Net operating earnings (EBIT)</b>	<b>(15.2)</b>	<b>244.6</b>	<b>259.9</b>	<b>196.7</b>	<b>251.8</b>	<b>277.3</b>	<b>10.2%</b>	<b>-</b>	<b>-</b>
Financial revenues	126.7	12.1	14.1	68.2	22.2	33.2	49.5%	-23.5%	0.3x
Financial expenses	(83.7)	(73.2)	(65.2)	(80.0)	(85.9)	(81.6)	-5.0%	-0.5%	1.0x
Other financial results	(0.7)	(1.3)	(1.8)	(0.8)	(1.3)	0.9	-170.1%	-	-
<b>Earnings before taxes (EBT)</b>	<b>27.0</b>	<b>182.2</b>	<b>207.1</b>	<b>184.1</b>	<b>186.7</b>	<b>229.8</b>	<b>23.1%</b>	<b>53.4%</b>	<b>8.5x</b>
Corporate tax	(2.4)	(33.9)	(30.0)	(38.8)	(33.8)	(61.9)	83.3%	91.2%	25.5x
<b>Earnings after taxes or Net Earnings (NE)</b>	<b>24.6</b>	<b>148.3</b>	<b>177.1</b>	<b>145.4</b>	<b>153.0</b>	<b>167.9</b>	<b>9.8%</b>	<b>46.8%</b>	<b>6.8x</b>
<b>Total Revenues</b>	<b>2,098.6</b>	<b>2,245.9</b>	<b>2,395.9</b>	<b>2,556.1</b>	<b>2,939.0</b>	<b>3,362.6</b>	<b>14.4%</b>	<b>9.9%</b>	<b>1.6x</b>
Impact of debt relief (ongoing insolvency proceedings)	(108.3)	-	(28.7)	-	-	-	-	-	-
EBT net of debt relief	(81.3)	182.2	178.4	184.1	186.7	229.8	-	-	-

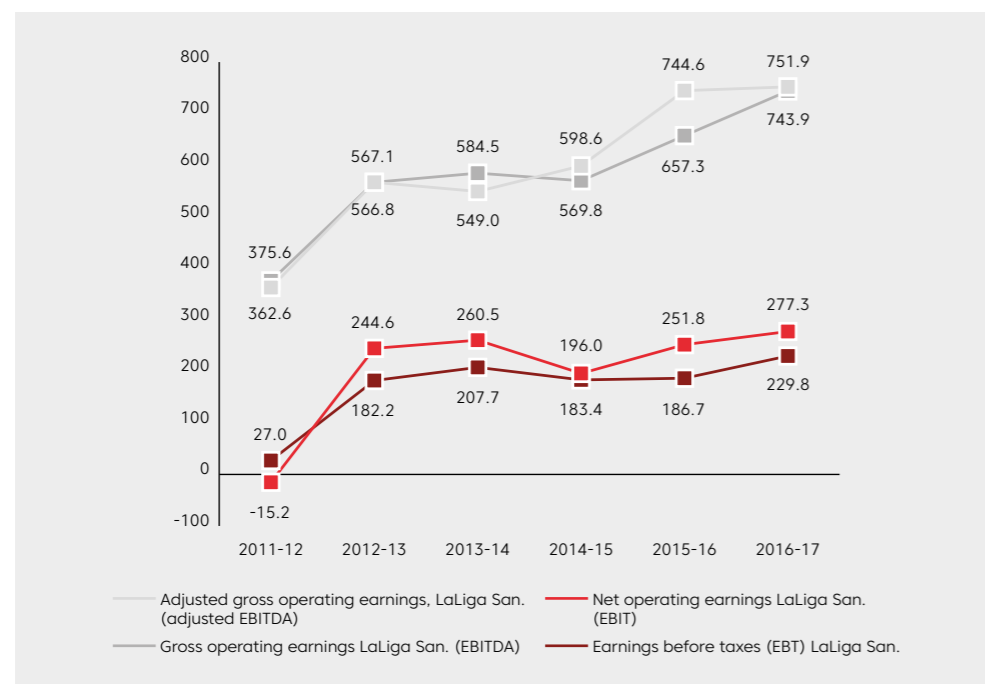


In general, all the *Income Statement* balances are growing at or close to double digit rates both in year-on-year terms and from a *CAGR* point of view taking the 2011-12 season as the base year.

Moreover, the growth of *Total Revenues* of *LaLiga Santander* in the long term (*CAGR*: +9.9%) is higher than that of the expenditure items (*Total Expenses*, *CAGR* of +7.5%), which means that operating margins are increasing in addition to the upturn in turnover. It is worth noting that this satisfactory trend has been partially interrupted in the 2016-17 season as a result of the occurrence of two specific events already been discussed in this Report:

- Due to non-recurring factors the *Sports Personnel Expenses* item, which represents almost 50% of the grouping's operating expenses, grew by +17.1% last season. This exceptional payroll increase is due to certain unprecedented sporting successes, especially in the international arena, a non-recurring factor or at least one unlikely to be repeated in the short term. Without this extraordinary occurrence the year-on-year increase would not have exceeded +13.3%
- The *Other Operating Expenses* item, which represents around 18% of the operating expenses of the competition, increased by +32.7% last season as a result of the entry into force of RDL-5/2015. Among other impacts, this legal provision obliges the clubs to allocate up to 7.5% of the gross proceeds from *Broadcasting* rights for the promotion of Spanish sport (€ 93.7 M in 2016-17), an expense that did not exist until then. The year-on-year increase in expenses incurred under this head in *LaLiga Santander* was € 141.3 million. Without the effect of RDL-5/2015, the year-on-year increase in the item would have amounted to € 47.6 M (+11.0%)

Graph 29. Earnings, LaLiga Santander



Similar satisfactory conclusions can be drawn with respect to total earnings after taxes (*NE*) of *LaLiga Santander* for the financial year.

## BALANCE SHEET, LALIGA SANTANDER

As noted above regarding the *Income Statement*, variation in *LaLiga Santander's* balance position was very similar to that of *LaLiga*.

In general, the *Balance Sheet* of the grouping (*CAGR* of +5.9%) is growing at a rate significantly lower than the turnover and earnings in the long term. This aspect is symptomatic of profitable growth in *LaLiga Santander*. This satisfactory trend, however, was partially interrupted last season as a result of the occurrence of two simultaneous events:

- A slowdown in the growth rate of earnings (*Income Statement*) for reasons explained above due to non-recurrent factors (i.e. exceptional wage incentives of significant amount) or which had not occurred until this season (i.e. new expenses for clubs derived from RDL-5/2015).
- Strong growth of the operating assets of *LaLiga Santander* as a result of the investment effort, already explained throughout this Report, carried out especially in stadiums and facilities.

Moreover, the *Balance Sheet* items with the highest long-term growth rates (*CAGR*) are *Net Equity* and *Cash and Cash Equivalents*, which shows that growth is based on solid foundations. On the other hand, the balance of financial liabilities (basically debts) remain stable in absolute terms across all the seasons under analysis, an indication of the deleveraging effect of the financial reengineering process carried out over the time series. As will be seen below, this factor is making the competition more creditworthy.

Table 12. Balance Sheet, LaLiga Santander

Assets LaLiga Santander									
€M	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Δ y-o-y %	CAGR	Abs.
<b>Long-term assets</b>	<b>2,669.5</b>	<b>2,583.9</b>	<b>2,584.3</b>	<b>2,822.5</b>	<b>2,802.1</b>	<b>3,295.4</b>	<b>17.6%</b>	<b>4.3%</b>	<b>1.2x</b>
Operating	2,071.1	1,994.1	2,013.2	2,178.3	2,438.6	2,980.1	22.2%	7.5%	1.4x
Financial	369.8	348.2	359.2	427.7	145.1	149.4	3.0%	-16.6%	0.4x
Deferred tax assets	228.6	241.6	211.9	216.5	218.4	165.9	-24.1%	-6.2%	0.7x
<b>Short-term assets</b>	<b>934.9</b>	<b>968.8</b>	<b>948.0</b>	<b>883.3</b>	<b>1,217.9</b>	<b>1,511.1</b>	<b>24.1%</b>	<b>24.1%</b>	<b>1.6x</b>
Operating	560.6	543.3	484.1	520.7	594.4	659.3	10.9%	3.3%	1.2x
Financial	160.6	118.8	107.3	34.1	230.1	231.6	0.7%	7.6%	1.4x
Cash and equivalents	213.7	306.6	356.6	328.6	393.5	620.2	57.6%	23.8%	2.9x
<b>Total Assets</b>	<b>3,604.4</b>	<b>3,552.7</b>	<b>3,532.3</b>	<b>3,705.8</b>	<b>4,019.9</b>	<b>4,806.5</b>	<b>19.6%</b>	<b>5.9%</b>	<b>1.3x</b>
Liabilities LaLiga Santander									
€M	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Δ y-o-y %	CAGR	Abs.
<b>Net Equity</b>	<b>322.2</b>	<b>318.2</b>	<b>667.6</b>	<b>695.5</b>	<b>1,016.2</b>	<b>1,193.8</b>	<b>17.5%</b>	<b>29.9%</b>	<b>3.7x</b>
<b>Long-term liabilities</b>	<b>1,215.5</b>	<b>1,255.1</b>	<b>1,047.1</b>	<b>1,315.3</b>	<b>1,115.9</b>	<b>1,163.8</b>	<b>4.3%</b>	<b>-0.9%</b>	<b>1.0x</b>
Operating	128.7	132.6	137.8	185.6	197.2	125.4	-36.4%	-0.5%	1.0x
Financial	1,009.4	1,040.0	835.3	1,041.5	844.1	953.5	13.0%	-1.1%	0.9x
Deferred tax liabilities	77.3	82.6	73.9	88.2	74.6	84.9	13.8%	1.9%	1.1x
<b>Short-term liabilities</b>	<b>2,066.7</b>	<b>1,979.4</b>	<b>1,817.6</b>	<b>1,694.9</b>	<b>1,887.9</b>	<b>2,448.9</b>	<b>29.7%</b>	<b>3.5%</b>	<b>1.2x</b>
Operating	1,316.2	1,350.1	1,228.3	1,259.3	1,358.8	1,845.5	35.8%	7.0%	1.4x
Financial	750.5	629.3	589.4	435.7	529.1	603.4	14.1%	-4.3%	0.8x
<b>Total Liabilities</b>	<b>3,604.4</b>	<b>3,552.7</b>	<b>3,532.3</b>	<b>3,705.8</b>	<b>4,019.9</b>	<b>4,806.5</b>	<b>19.6%</b>	<b>5.9%</b>	<b>1.3x</b>

## CASH FLOW, LALIGA SANTANDER

The analysis of variation in *Cash Flow* performed for *LaLiga* can also be carried out for *LaLiga Santander*.

**Table 13. Cash Flow, LaLiga Santander**

€M	2013-14	2014-15	2015-16	2016-17
A. Net earnings for the financial year (NE)	177.1	145.4	153.0	167.9
B. Restatements (non-cash) to net earnings	159.4	140.3	272.0	254.8
<b>A. + B. Gross operating cash flow (CGO)</b>	<b>336.6</b>	<b>285.6</b>	<b>425.0</b>	<b>422.7</b>
C. Working capital investments (WK)	(139.5)	164.6	3.0	397.2
A. + B. + C. Net operating cash flow (OCF)	197.0	450.2	428.0	819.9
D. Operating investments (Capex)	(99.6)	(290.1)	(400.6)	(648.5)
Net investment in infrastructure and others	(127.7)	(131.4)	(121.8)	(352.6)
Net investment in players	28.1	(158.8)	(278.8)	(295.9)
<b>A. + B. + C. + D. Free cash flow (total FCF)</b>	<b>97.5</b>	<b>160.1</b>	<b>27.4</b>	<b>171.4</b>
E. Cash flows derived from debt (CFDS)	(37.2)	(232.8)	(130.8)	53.8
Financial expenses	(66.9)	(80.9)	(87.2)	(78.6)
Net variation in financial debt with financial entities	(67.2)	(29.5)	9.0	89.6
Net variation in other financial debt (*)	123.1	(128.4)	(145.3)	141.4
Financial revenues	14.1	68.3	22.2	31.1
Net investment in financial and other non-operating assets	(40.4)	(62.3)	70.6	(129.6)
<b>A. + B. + C. + D. + E. Equity cash flow (ECF)</b>	<b>60.3</b>	<b>(72.7)</b>	<b>(103.4)</b>	<b>225.2</b>
F. Cash flow derived from equity variations	2.6	64.9	169.4	0.8
<b>A. + B. + C. + D. + E + F. Net annual variation in cash</b>	<b>62.9</b>	<b>(7.7)</b>	<b>66.0</b>	<b>226.0</b>
Initial balance, cash and cash equivalents (**)	293.8	336.3	327.5	394.3
+/- Impact of exchange rates on initial cash balance	-	-	-	-
+/- Net year-on-year variation in cash	62.9	(7.7)	66.0	226.0
<b>Final balance, cash and cash equivalents (**)</b>	<b>356.6</b>	<b>328.6</b>	<b>393.5</b>	<b>620.2</b>

(\*) Net variation in debt includes variation in the debtors' and creditors' balance for transfer of players.

(\*\*) The cash and cash equivalents balances at the end of each financial year and the beginning of the next are not exactly identical due to the change in the perimeter (i.e. different clubs that comprise the grouping due to the promotion/relegation process)

The conclusions are basically the same as those drawn for *LaLiga*, which will come as no surprise in view of the relative weighting of *LaLiga Santander* in Spanish professional football as a whole.

In general, the growth in business and higher earnings are gradually being transformed into more effective and visible returns in terms of liquidity-generating capacity of all the major magnitudes in this area.



## INDEBTEDNESS AND SOLVENCY, LALIGA SANTANDER

The variation in *LaLiga Santander's* adjusted financial debt is extremely positive.

In spite of the fact that the size of the grouping's *Balance Sheet* increased by € 1,202.1 M (+33.4%) and *Ebitda* by € 368.3 M (+98.1%) during the same period, adjusted gross debt has fallen by € 278.7 million (-17.0%) since the beginning of the time series under analysis. These data are an indication of the deleveraging effect of the financial reengineering process and enhancement of the competition's credit rating.

Indeed, the *GFD'/Ebitda* ratio was 1.8x at the end of the season and the *NFD'/Ebitda* ratio was 0.9x, the lowest levels in the series. These ratios stood at 4.4x and 3.6x respectively at the beginning of the series.

This has been achieved even taking into account that the level of indebtedness grew in absolute terms by € 181.0 M (+15.3%) last season. This behaviour is a logical consequence of the financial reengineering of the competition. Continued decline of the absolute indebtedness level of *LaLiga Santander* while the rest of the *Balance Sheet* volumes and earnings increase at such a significant rate would not only be senseless but would also be counterproductive from the point of view of financing growth and optimising the WACC.

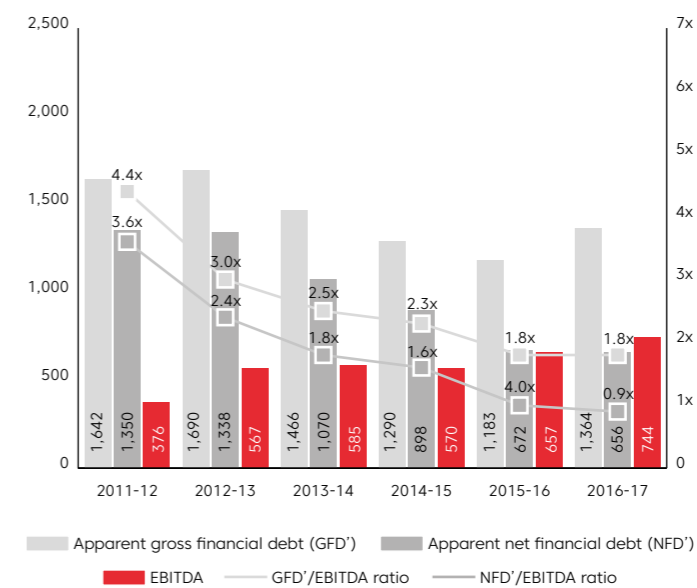
**GFD' / EBITDA**  
**1.8x**

**NFD' / EBITDA**  
**0.9x**



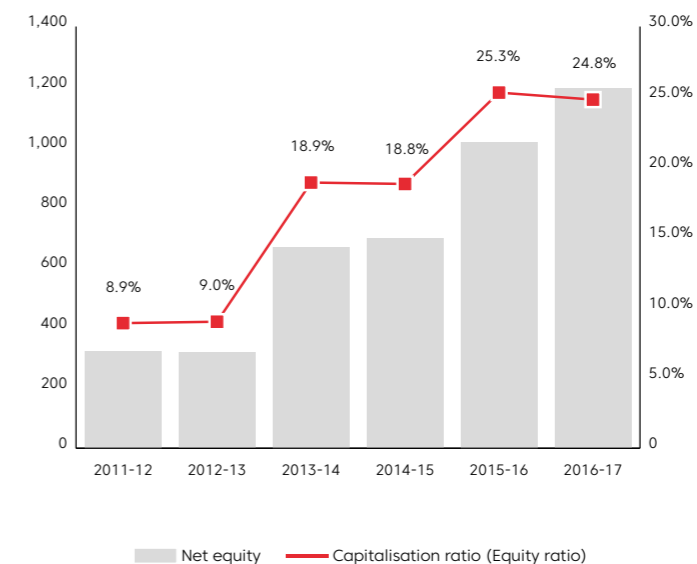
The following section explains the reason for the year-on-year growth of indebtedness from the point of view of the *Cash Flow* analysis.

Graph 30. Adjusted financial debt and credit ratios, LaLiga Santander



Parallel to improvement of the credit profile of the competition, *LaLiga Santander* has continued to increase its *Net Equity*. It has increased by 3.7x since the 2011-12 season, reaching € 1,193.8 M at the end of last season, an increase of € 177.6 M (+17.5%) compared to the previous year. This represents an *Equity Ratio* of 24.8%, in line with the previous year's ratio. This is due to the fact that the rest of the *Balance Sheet* has grown at a similar pace to *Net Equity*.

Graph 31. Net Equity of LaLiga Santander



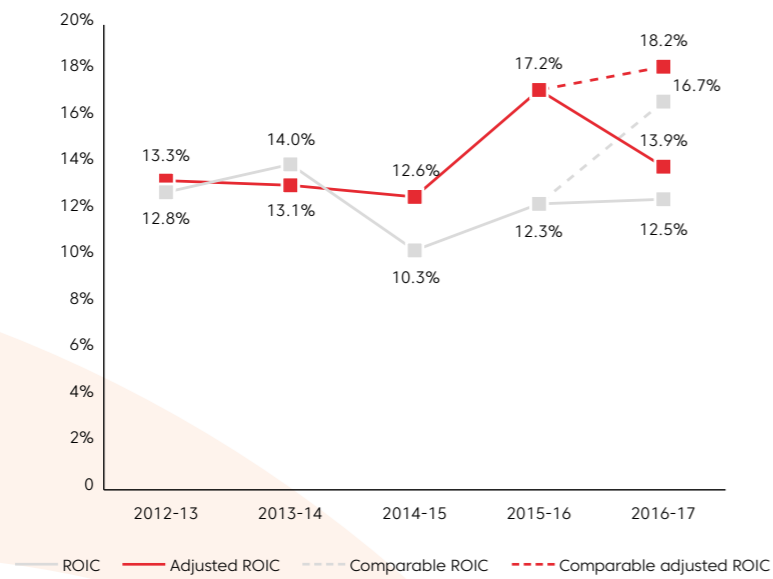


## PROFITABILITY AND VALUE CREATION OF LALIGA SANTANDER

As expected, the operating profitability index (*ROIC*) of *LaLiga Santander* has behaved satisfactorily.

Although the apparent *ROIC* has remained stable throughout last season, increasing only by point two percent (up from 12.3% to 12.5%), in adjusted (i.e. obviating certain accounting conventions) and comparable terms (without considering the entry into force of *RDL-5/2015*) the profitability index would have continued on its strong growth path.

Graph 32. Operating or business profitability (*ROIC*), *LaLiga Santander*

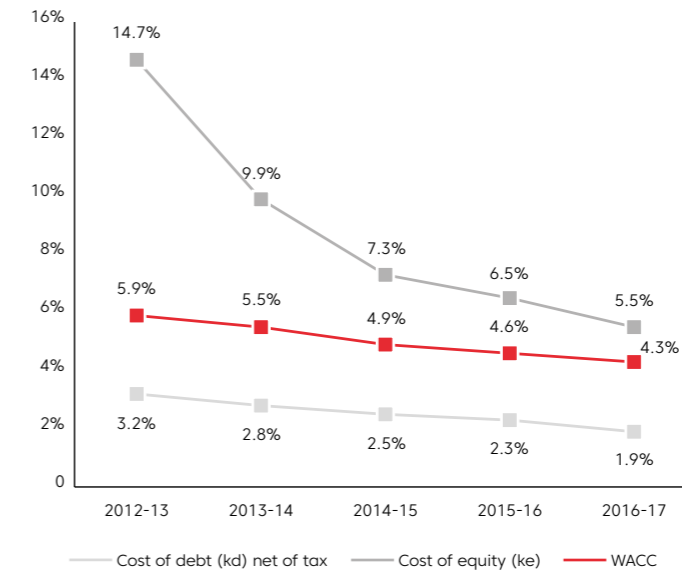


(\* ) The reason the 2015-16 adjusted *ROIC* is so high (17.2%) is that the non-recurring "Other earnings" item in said season, which posted a loss of 86.5 M €, was cancelled

At the same time *LaLiga Santander's* *WACC* has continued to fall, reaching the record low of 4.3% (3 decimal points below that of the previous season). This is due to:

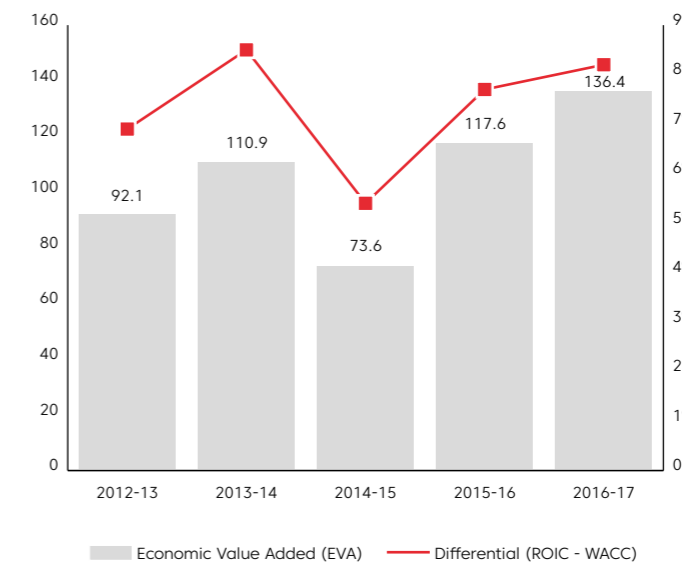
- Favourable behaviour of the credit markets and improvement of the risk premium of First Division clubs perceived by financial creditors. These factors result in a reduction in the average annual effective cost of debt (*kd*) to 2.5% (i.e. 1.9% net of taxes)
- Moreover, following the CAPM method the cost of equity (*ke*) has declined due to the lower the risk profile (leveraged Beta index) of the shareholders

Graph 33. Weighted average cost of capital (*WACC*), *LaLiga Santander*



Taking all these factors into account, the differential between the profitability of the business or the return from its operating assets (*ROIC*) and the average cost of the financing sources that sustain said assets (*WACC*) has remained steady in 2016-17 compared to the previous season. This differential is applied over a wider base due to the fact that the *Net Operating Assets (NOANO)* of the competition have increased by € 39.3 M. The effect of this is to augment the economic value added (*EVA*) of *LaLiga Santander*, which reached its historic maximum of € 136.4 million last season.

Graph 34. Economic Value Added (*EVA*), *LaLiga Santander*





## NETTED LALIGA SANTANDER

Until a few seasons ago the financial success of the Spanish professional football First Division could be restricted to the two largest clubs. Apart from these two, the clubs reported operating losses and negative net earnings.

Apart from this, *Netted LaLiga Santander* reported a worrying position of financial insolvency and undercapitalisation with a galloping indebtedness level. It was an untenable position that put the very survival of the competition at risk.

This position has completely reversed as of the end of the 2016-17 season. From the aggregate point of view, *Netted LaLiga Santander* is a solid, profitable and solvent grouping at the economic and financial level. Moreover, although the two main clubs still represent a very important part of the First Division, the eighteen other teams contribute between 60% and 80% of the main *Income Statement* figures (at the beginning of the series, in 2011-12, they only contributed between 25% and 50% or their contribution to the whole was negative).

What is more, the aggregate operating margins and the operating profitability index (ROIC) are even higher than those of the *LaLiga Santander* as a whole. These variations reflect a gradual convergence process and better distribution of the business as well as better economic efficiency in relative terms than that of the two largest clubs. In fact, the EVA of *Netted LaLiga Santander* accounted for 82% of the total for *LaLiga Santander* in 2016-17.

This satisfactory position is not incompatible with the fact that some clubs in particular still need to make more progress towards deleveraging and enhancing their financial solvency.

**Table 14. LaLiga Santander vs. Netted LaLiga Santander**

COMPARISON M€ and %	LaLiga Santander			LaLiga Santander Net		
	2016-17	Δ y-o-y (%)	5-yr CAGR (%)	2016-17	Δ y-o-y (%)	5-yr CAGR (%)
<b>REVENUES</b>						
Total Revenues (TR)	3,362.6	14.4%	9.9%	1,943.8	20.5%	12.8%
Net Turnover (NTO)	2,744.0	14.6%	9.7%	1,494.9	22.8%	14.1%
Disaggregation, TR:						
Match Day	21.3%	-	-	16.6%	-	-
Broadcasting	39.2%	-	-	50.2%	-	-
Merchandising and advertising	21.1%	-	-	10.1%	-	-
Sale price for transfer of players	13.1%	-	-	17.8%	-	-
Other operating revenues	5.3%	-	-	5.3%	-	-
<b>EARNINGS; PROFIT (LOSS)</b>						
Adjusted EBITDA	751.9	1.0%	15.7%	494.8	12.8%	40.3%
EBITDA	743.9	13.2%	14.6%	491.5	31.9%	39.6%
Adjusted EBIT	309.1	-12.3%	-	242.4	0.2%	-
EBIT	277.3	10.2%	-	218.7	33.4%	-
EBT	229.8	23.1%	53.4%	172.2	60.1%	-
NE	167.9	9.8%	46.8%	128.4	36.7%	-
<b>OPERATING MARGINS (ON NTO)</b>						
Adjusted EBITDA	27.4%	-	-	33.1%	-	-
EBITDA	27.1%	-	-	32.9%	-	-
Adjusted EBIT	11.3%	-	-	16.2%	-	-
EBIT	10.1%	-	-	14.6%	-	-
EBT	8.4%	-	-	11.5%	-	-
NE	6.1%	-	-	8.6%	-	-
<b>CASH FLOW (+ sign: inflow / - sign: outflow)</b>						
Gross operating cash flow (CGO):	422.7	-	-	280.2	-	-
Working capital	397.2	-	-	150.8	-	-
Capex on players	-295.9	-	-	-138.3	-	-
Adjusted Free Cash Flow (aFCF)	523.9	-	-	292.6	-	-
Infrastructure and other operating assets CapEx	-352.6	-	-	-278.7	-	-
Total Free Cash Flow (FCF)	171.4	-	-	13.9	-	-
<b>OPERATING EFFICIENCY AND PROFITABILITY INDICES</b>						
Payroll costs	1,716.3	-	-	906.1	-	-
Payroll costs / TR	51.0%	-	-	46.6%	-	-
Net operating assets (NOA)	1,682.8	-	-	1,242.2	-	-
NOA / TR	0.50x	-	-	0.64x	-	-
Capex	648.5	-	-	417.0	-	-
Capex / TR	0.19x	-	-	0.21x	-	-
Operating profitability index (ROIC)	12.5%	-	-	14.2%	-	-
<b>FINANCIAL SOLVENCY</b>						
GFD/EBITDA	2.1x	-	-	2.6x	-	-
NFD/EBITDA	1.1x	-	-	1.8x	-	-
Adjusted GFD/EBITDA	1.8x	-	-	2.3x	-	-
Adjusted NFD/EBITDA	0.9x	-	-	1.4x	-	-
GTD/EBITDA	4.7x	-	-	4.7x	-	-
NTD/EBITDA	3.4x	-	-	3.3x	-	-
Interest coverage (EBITDA / financial expenses)	9.1x	-	-	6.7x	-	-
Average annual cost of debt (kd)	2.5%	-	-	3.0%	-	-
Net equity	1,193.8	-	-	615.0	-	-
Equity ratio (Net equity / Total liabilities)	24.8%	-	-	20.7%	-	-
<b>VALUE CREATION</b>						
ROIC vs WACC (p.p. differential)	8.2%	-	-	9.7%	-	-
Aggregated year-on-year value creation (EVA)	136.4	-	-	112.2	-	-
<b>WEIGHTING OF NETTED ON TOTAL LALIGA</b>						
	2016-17	VS.		2011-12		
TR	58%			51%		
NTO	54%			45%		
Adjusted EBITDA	66%			25%		
EBITDA	66%			25%		
Adjusted EBIT	78%			0%		
EBIT	79%			0%		
EBT	75%			0%		
NE	76%			0%		
NOA	74%			63%		
Net equity	52%			21%		
GFD	83%			75%		



**FINANCIAL  
DEVELOPMENT  
AND ANALYSIS OF  
LALIGA 1|2|3**

## FINANCIAL DEVELOPMENT AND ANALYSIS OF LALIGA 1|2|3

LaLiga 1|2|3 still represents a small proportion of the financial structure of LaLiga although its contribution has been growing steadily since the 2011-21 season. At the end of the 2016-17 season the weighting of the Second Division on the Spanish professional football team was as follows:

**Table 15. Contribution of LaLiga 1|2|3 to LaLiga**

Contribution LaLiga 1 2 3 to the total	2016-17 (%)
Total Revenues	8.2%
NTO	6.7%
EBITDA	5.3%
EBIT	4.8%
Net Earnings	5.3%
Total Assets	10.4%
Net Equity	5.5%
CGO	5.9%
FCF	34.5%

However, it is important to note that at the beginning of the time series, in 2011-12, the contribution of LaLiga 1|2|3 was considerably smaller, even negative. The major financial magnitudes of the Second Division have grown strongly over the last five seasons and are clear evidence of a tendency to converge with LaLiga Santander. This process can by no means be considered to have finished.



## INCOME STATEMENT, LALIGA 1|2|3

LaLiga 1|2|3's Total Revenue has undergone remarkable growth, having more than doubled (cumulative increase of 2.3x, equivalent to a CAGR of +18.1%) in recent years. Moreover, this year-on-year increase intensified, reaching +31.1%, last season. The competition's NTO has followed a similar line albeit with slightly smaller increases in the long term and last season (although always substantially above those posted by LaLiga Santander).



**Table 16. Income Statement, LaLiga 1|2|3**

€M	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Δ y-o-y %	CAGR %	Abs.
Revenue from broadcasting	41.2	51.3	60.1	68.6	99.7	135.3	35.7%	26.8%	3.3x
Revenue from match day	29.1	27.5	32.3	38.4	30.7	30.4	-0.8%	0.9%	1.0x
Revenue from merchandising	10.7	7.2	10.1	13.5	12.4	14.1	13.6%	5.6%	1.3x
Revenue from advertising	14.2	12.5	11.6	11.2	16.7	17.2	3.1%	3.9%	1.2x
<b>Net Turnover (NTO)</b>	<b>95.3</b>	<b>98.4</b>	<b>114.1</b>	<b>131.8</b>	<b>159.4</b>	<b>197.0</b>	<b>23.6%</b>	<b>15.6%</b>	<b>2.1x</b>
Sale price for transfer of players	15.9	52.7	25.6	17.5	17.6	35.8	102.8%	17.6%	2.3x
Other operating revenues	23.5	23.3	22.4	27.5	38.9	49.3	26.5%	16.0%	2.1x
<b>Regular operating revenues (ROR)</b>	<b>134.6</b>	<b>174.4</b>	<b>162.1</b>	<b>176.8</b>	<b>216.0</b>	<b>282.0</b>	<b>30.6%</b>	<b>15.9%</b>	<b>2.1x</b>
Provisions	(3.1)	(5.4)	(6.0)	(8.3)	(7.5)	(9.6)	28.5%	25.1%	3.1x
Sports personnel expenses	(94.9)	(106.6)	(86.1)	(88.7)	(99.9)	(136.2)	36.4%	7.5%	1.4x
Non-sports personnel expenses	(12.3)	(15.5)	(17.2)	(22.1)	(23.5)	(27.6)	17.6%	17.6%	2.2x
Other operating expenses	(44.0)	(47.9)	(50.3)	(53.7)	(63.7)	(80.1)	25.9%	12.7%	1.8x
Cost of sale for transfers of players	(1.4)	(26.7)	(2.0)	(6.1)	(1.2)	(2.3)	92.1%	10.3%	1.6x
<b>Gross operating earnings (adjusted EBITDA)</b>	<b>(21.2)</b>	<b>(27.7)</b>	<b>0.5</b>	<b>(2.1)</b>	<b>20.3</b>	<b>26.1</b>	<b>28.6%</b>	-	-
Depreciations and amortizations	(17.1)	(24.0)	(13.9)	(18.1)	(12.3)	(16.4)	33.8%	-0.9%	1.0x
Other operating results	(7.3)	20.2	(5.5)	19.0	9.9	4.4	-55.6%	-	-
<b>Net operating earnings (EBIT)</b>	<b>(45.6)</b>	<b>(31.5)</b>	<b>(18.9)</b>	<b>(1.2)</b>	<b>17.9</b>	<b>14.1</b>	<b>-21.2%</b>	-	-
Financial revenues	0.2	0.5	40.0	26.3	0.6	11.6	1768.5%	124.2%	56.7x
Financial expenses	(8.8)	(5.7)	(5.7)	(8.9)	(4.2)	(9.0)	113.2%	0.4%	1.0x
Other financial results	0.2	(0.0)	(0.4)	(1.0)	0.5	(3.7)	-879.2%	-283.3%	-20.7x
<b>Earnings before taxes (EBT)</b>	<b>(54.0)</b>	<b>(36.7)</b>	<b>15.1</b>	<b>15.3</b>	<b>14.8</b>	<b>13.0</b>	<b>-12.3%</b>	-	-
Corporate tax	12.5	9.2	(9.1)	(0.6)	(1.1)	(3.7)	236.6%	-178.3%	-0.3x
<b>Earnings after taxes or Net Earnings (NE)</b>	<b>(41.5)</b>	<b>(27.5)</b>	<b>5.9</b>	<b>14.6</b>	<b>13.7</b>	<b>9.3</b>	<b>-32.1%</b>	-	-
<b>Total Revenues</b>	<b>130.2</b>	<b>179.3</b>	<b>159.8</b>	<b>204.5</b>	<b>228.6</b>	<b>299.7</b>	<b>31.1%</b>	<b>18.1%</b>	<b>2.3x</b>
Impact of debt relief (ongoing insolvency proceedings)	-	(21.1)	(37.9)	(19.2)	-	(9.2)	-	-	-
EBT net of debt relief	(54.0)	(57.8)	(22.8)	(3.9)	14.8	3.8	-	-	-



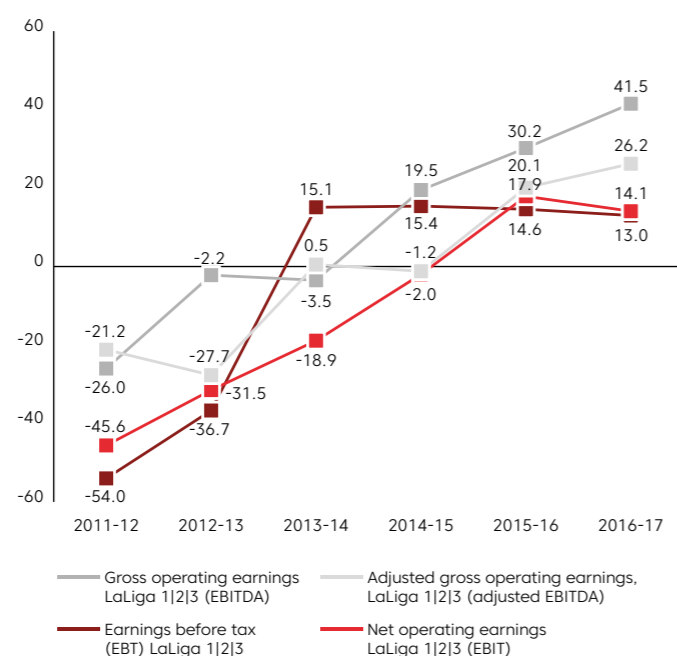
At the same time, the items that comprise *Total Expenses* have progressed in consonance throughout the period although at a slower rate. Taking the entire time series into account, these indicators have risen by a cumulative total of 1.6x to post a CAGR of +9.9%. 2016-17 was an exceptional year since the indicator posted a rise of +38.1%. A large part of this increase is due to growth of *Other Operating Expenses* because of entry into force of *RDL-5/2015* (€ 10.4 M in 2016-17), a measure that has made a significant contribution of € 14.1 M (+25.4%) for *LaLiga 1|2|3* to the items under this head. Without this effect, the year-on-year increase under this head would have been +6.7%, and *Total Expenses* would have risen by +33.2%.

Taking these factors into account, the variation in operating margins (*EBITDA*, *Adjusted EBITDA* and *EBIT*) and net earnings before and after taxes (*EBT* and *NE*) of *LaLiga 1|2|3* has been truly exceptional, and even more so since in 2011-12 all these figures were in the red.

The earnings growth rate has been maintained during the 2016-17 season despite the increase in expenses but is not comparable with the previous year due to entry into force of *RDL-5/2015*.

It should also be remembered that *LaLiga 1|2|3*, due to its smaller size, is much more sensitive to variations in the consolidation perimeter as a result of the promotions/relegations between First and Second Division. Therefore, their earnings performance is more erratic than that of any other grouping of clubs.

Graph 35. Earnings, LaLiga 1|2|3



## BALANCE SHEET, LALIGA 1|2|3

The *Balance Sheet* volumes of the Second Division of Spanish professional football are following an equally satisfactory trend.

In general, the different balances of the grouping are growing at well below the earnings (*Income Statement*) growth rate in the long term (CAGR of +3.0%). This indicates that *LaLiga 1|2|3* is undergoing a profitable growth process. This positive trend, however, was interrupted last season when the *Balance Sheet* (+35.3%) grew substantially while net earnings *Net Earnings (NE)* of the *Income Statement* plummeted (-32.1%) due to several simultaneous factors:

- Negative impact of the increase in expenses due to entry into force of *RDL-5/2015* on *EBITDA*
- Additional negative impact on *EBIT* due to a substantial increase in depreciation of fixed assets
- Negative repercussions on *EBIT* of a fall in the positive impact of *Other Earnings*
- Significant growth of the grouping's operating assets (*NOA*) over the last year, mainly due to growth of working capital (there was practically no growth in terms of *Capex*)

Finally, it should be noted that *Net Equity*, which had been in the red and therefore pointed to a worrying solvency position for many years, recovered to reach € 69.0 M. The same applies to the surplus cash balance, *Cash and Cash Equivalents*, which reached a peak for the time series at € 40.0 M (more than double that of the previous season and more than four times the balance available at the beginning of said series).

As with the *Income Statement*, the *Balance Sheet* of *LaLiga 1|2|3* is more erratic than that of *LaLiga Santander* due to its smaller volume. For this reason, the variations in the consolidation perimeter of the grouping cause sharp equity oscillations from one year to another as a consequence of the dynamics of promotions/relegations of the Division.

Table 17. Balance Sheet, LaLiga 1|2|3

Assets LaLiga 1 2 3									
€M	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Δ y-o-y %	CAGR	Abs.
<b>Long-term assets</b>	<b>359.5</b>	<b>285.6</b>	<b>371.3</b>	<b>413.3</b>	<b>331.5</b>	<b>429.8</b>	<b>29.6%</b>	<b>3.6%</b>	<b>1.2x</b>
Operating	269.9	225.7	253.9	320.8	250.1	287.3	14.9%	1.3%	1.1x
Financial	30.9	35.7	47.2	24.1	33.7	65.2	93.5%	16.1%	2.1x
Deferred tax assets	58.7	24.2	70.1	68.4	47.7	77.2	61.8%	5.6%	1.3x
<b>Short-term assets</b>	<b>119.8</b>	<b>96.2</b>	<b>65.6</b>	<b>55.0</b>	<b>79.6</b>	<b>126.7</b>	<b>59.1%</b>	<b>1.1%</b>	<b>1.1x</b>
Operating	97.6	74.0	43.1	35.3	39.6	68.6	73.2%	-6.8%	0.7x
Financial	14.0	8.6	9.3	9.7	20.3	18.0	-11.1%	5.2%	1.3x
Cash and equivalents	8.2	13.6	13.2	10.1	19.7	40.0	103.0%	37.4%	4.9x
<b>Total Assets</b>	<b>479.3</b>	<b>381.7</b>	<b>436.8</b>	<b>468.3</b>	<b>411.1</b>	<b>556.4</b>	<b>35.3%</b>	<b>3.0%</b>	<b>1.2x</b>
Liabilities LaLiga 1 2 3									
€M	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Δ y-o-y %	CAGR	Abs.
<b>Net Equity</b>	<b>-25.2</b>	<b>27.0</b>	<b>-110.2</b>	<b>13.4</b>	<b>34.0</b>	<b>69.0</b>	-	-	-
<b>Long-term liabilities</b>	<b>293.6</b>	<b>194.2</b>	<b>368.3</b>	<b>287.0</b>	<b>262.6</b>	<b>287.9</b>	<b>479.3</b>	<b>-0.4%</b>	<b>1.0x</b>
Operating	9.5	3.6	7.7	5.7	9.4	50.1	-36.4%	39.6%	5.3x
Financial	251.4	164.9	304.6	247.3	224.1	208.2	13.0%	-3.7%	0.8x
Deferred tax liabilities	32.8	25.8	56.0	34.0	29.2	29.5	13.8%	-2.1%	0.9x
<b>Short-term liabilities</b>	<b>210.9</b>	<b>160.4</b>	<b>178.7</b>	<b>167.8</b>	<b>114.5</b>	<b>199.5</b>	<b>9.6%</b>	<b>-1.1%</b>	<b>0.9x</b>
Operating	161.4	128.5	147.3	129.3	90.2	146.4	432.9%	-1.9%	0.9x
Financial	49.5	31.9	31.5	38.5	24.3	53.1	-7.1%	1.4%	1.1x
<b>Total Liabilities</b>	<b>479.3</b>	<b>381.7</b>	<b>436.8</b>	<b>468.3</b>	<b>411.1</b>	<b>556.4</b>	<b>1.2%</b>	<b>3.0%</b>	<b>1.2x</b>



## CASH FLOW LALIGA 1|2|3

From a cash flow point of view the 2016-17 season has been the best in the time series for the grouping. All the major *Cash Flow* balances have been positive for the first time.

The effective operating performance (*FCF*) reached € 90.2 M, the highest value ever. Visible impact of operating performance has increased by at least € 75.9 M in a single season (in 2016-17 it represented 34.5% of *LaLiga*'s total). This is due to the positive variation in the investment portfolio both in terms of working capital (*WC*) and operating investments (*Capex*). Both items contributed positively (i.e. net divestment) to *LaLiga 1|2|3*'s cash flow generation in 2016-17. It is worth noting that the net operating performance has always been positive in recent seasons. This is the best possible indicator of satisfactory performance of the Division in terms of solvency and sustainability.

The grouping has used the surplus to pay interest and amortise net debt, an aspect of the financial structure of the Second Division that, as will be analysed below, still requires rectification. The amount allocated for this purpose is exactly the same - but with the opposite sign - as the surplus generated by operations (*FCF*): € -90.1 M. Financial revenues and financial divestments have also enabled generation of a greater cash surplus.

All in all, the net treasury surplus was allocated to increasing the available liquid assets or *Cash and Cash Equivalents*, which rose by € 19.7 M to € 40.0 M.

In short, for the first time *LaLiga 1|2|3*'s *Cash Flow* variation is in a balanced position and has generated aggregate yield. This positive trend must be maintained and deepened even though the absolute volume of the grouping is still relatively small.

Table 18. Cash Flow, LaLiga 1|2|3

€M	2013-14	2014-15	2015-16	2016-17
A. Net earnings for the financial year (NE)	5.9	14.6	13.7	9.3
B. Restatements (non-cash) to net earnings	(38.7)	28.4	(5.0)	17.2
A. + B. Gross operating cash flow (CGO)	(32.7)	43.0	8.7	26.5
C. Working capital investments (WK)	82.9	33.3	(2.9)	62.8
A. + B. + C. Net operating cash flow (OCF)	50.2	76.3	5.8	89.3
D. Operating investments (Capex)	26.9	(6.4)	8.6	0.9
Net investment in infrastructure and others	8.3	48.0	(4.2)	(29.6)
Net investment in players	18.5	(54.4)	12.7	30.5
A. + B. + C. + D. Free cash flow (total FCF)	77.0	69.9	14.4	90.2
E. Cash flows derived from debt (CFDS)	(87.9)	(51.5)	(29.6)	(67.8)
Financial expenses	(4.4)	(9.0)	(3.7)	(9.0)
Net variation in financial debt with financial entities	(5.3)	(3.5)	(0.5)	(9.1)
Net variation in other financial debt (*)	(112.6)	(101.2)	(16.8)	(72.0)
Financial revenues	38.1	26.3	0.6	11.6
Net investment in financial and other non-operating assets	(3.8)	35.9	(9.2)	10.7
A. + B. + C. + D. + E. Equity cash flow (ECF)	(10.9)	18.3	(15.3)	22.4
F. Cash flow derived from equity variations	2.4	(30.0)	24.1	1.5
A. + B. + C. + D. + E + F. Net annual variation in cash	(8.5)	(11.7)	8.8	23.9
Initial balance, cash and cash equivalents (**)	21.7	21.7	10.9	16.1
+/- Impact of exchange rates on initial cash balance	-	-	-	-
+/- Net year-on-year variation in cash	(8.5)	(11.7)	8.8	23.9
Final balance, cash and cash equivalents (**)	13.2	10.1	19.7	40.0

(\*) Net variation in debt includes variation in the debtors' and creditors' balance for transfer of players.

(\*\*) The cash and cash equivalents balances at the end of each financial year and the beginning of the next are not exactly identical due to the change in the perimeter (i.e. different clubs that comprise the grouping due to the promotion/relegation process).

## INDEBTEDNESS AND SOLVENCY, LALIGA 1|2|3

The variation in *LaLiga 1|2|3*'s financial debt level has followed an extremely meritorious path in recent years.

It was not even possible to calculate the debt level until the 2014-15 season because the *Ebitda* was in the red. The *GFD'/Ebitda* ratio had risen to 15.9x and that of *NFD/Ebitda* to 14.5x. In contrast, as of the end of the 2016-17 season these ratios have dropped to 6.1x and 3.7x respectively. These levels are still too high and a continued effort of relative financial deleveraging by the Second Division clubs during the next few years would be beneficial. This task will be easier if the upturn in *NTO* and *EBITDA* is maintained.

It should also be mentioned that the level of gross indebtedness in absolute terms continued to fall in 2016-17, unlike in *LaLiga Santander*, and the aggregate debt liability has been reduced by € 20.6 M.

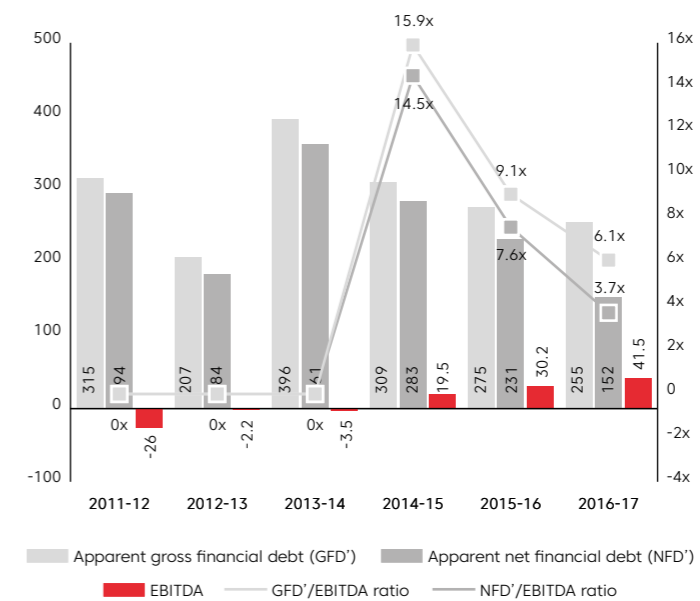
**DFB' / EBITDA**  
**6.1x**

**DFN' / EBITDA**  
**3.7x**





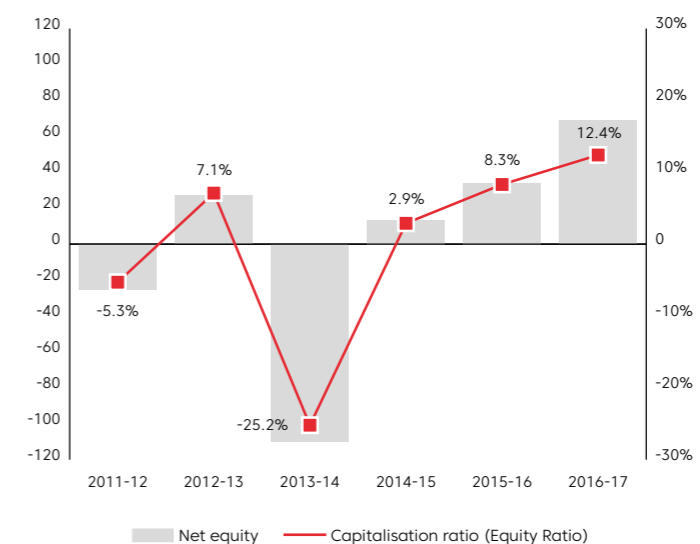
Graph 36. Adjusted financial debt and credit ratios, LaLiga 1|2|3



LaLiga 1|2|3 has increased its solvency level while achieving this improved credit rating. The competition's *Net Equity* was in the red in 2011-12. Six years later it amounted to € 69.0 M, a year-on-year growth of € 35.1 M, doubling its absolute total in a single season.

Moreover, the *Equity Ratio* has continued to increase, reaching 12.4%. This is a very satisfactory variation, although efforts to enhance capitalisation should continue. This objective can be reasonably achieved in a few years if the current rate of growth in operations and earnings are maintained.

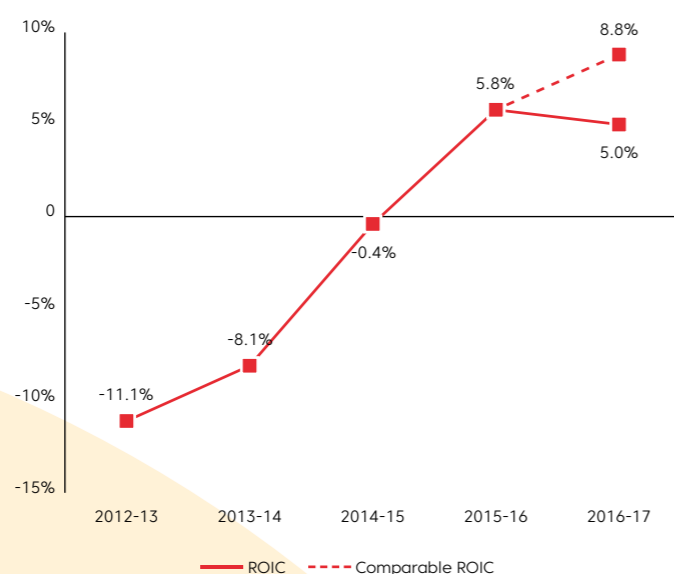
Graph 37. Net Equity, LaLiga 1|2|3



## PROFITABILITY AND VALUE CREATION IN LALIGA 1|2|3

The operating profitability index of *LaLiga 1|2|3* have undergone a remarkable improvement from the negative levels that characterised the grouping a few seasons ago. However, it is still several percentage points below that achieved by *LaLiga Santander*. The strong upturn has been held in check during the 2016-17 financial year as a result of a significant increase in operating expenses (some of them in non-comparable terms, as explained above).

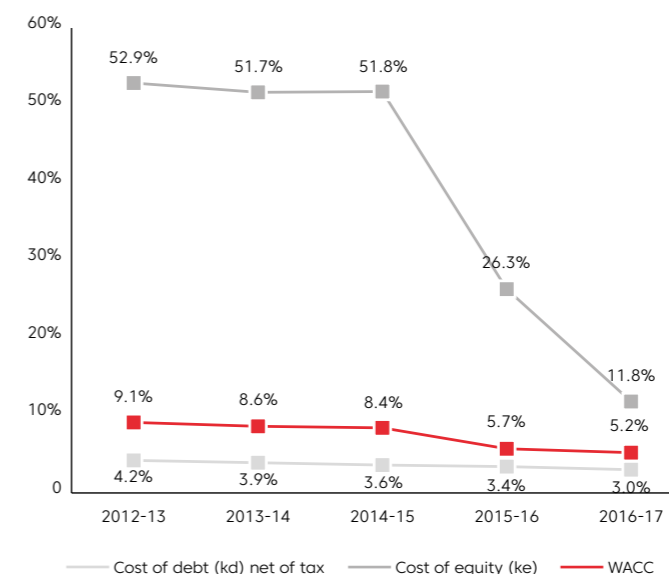
Graph 38. Business or operating profitability index (ROIC) of LaLiga 1|2|3



For this reason, even though the *NOA* has remained practically constant, the *ROIC* has fallen from 5.8% to only 5.0% in the 2016-17 season. This is the first downturn in the index in recent years. However, in comparable terms, if the expenses incurred as a result of entry into force of *RDL-5/2015* were ignored, the *ROIC* would have continued its rise and today would stand at 8.8%.

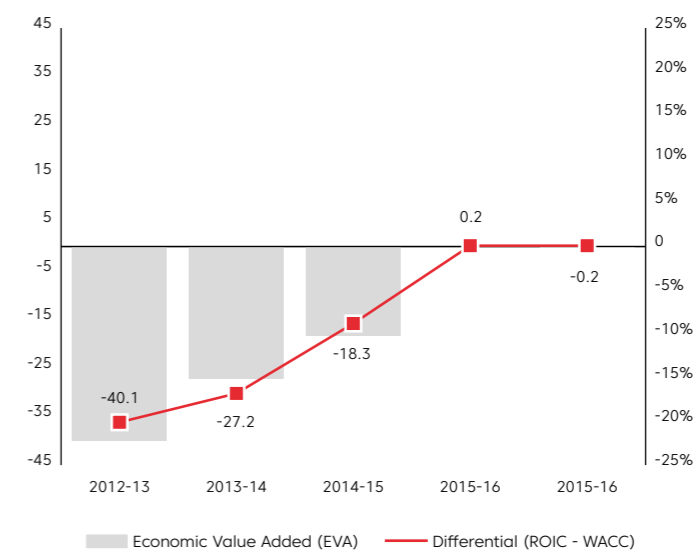
Moreover, the variation in the weighted average cost of capital (*WACC*) of *LaLiga 1|2|3* has continued its downward tendency. At 5.2%, the *WACC* has reached a record low.

Graph 39. Weighted average cost of capital (WACC), LaLiga 1|2|3



The continued improvement of the cost of the financial resources (debt and equity) that sustain the activity has not prevented *LaLiga 1|2|3* from taking off in terms of the creation of added economic value (*EVA*). It has been at the break-even point for the entire 2016-17 season for the second year in succession.

Graph 40. Economic Value Added (EVA), LaLiga 1|2|3



*LaLiga 1|2|3* will have to simultaneously achieve the following objectives if it wants to increase its capacity to generate *EVA* in the coming seasons:

- I. Maintain the *ROIC* growth rate, which in turn depends on maintaining the growth of *NTO*, operating margins and earnings
- II. Continue to drive financial deleveraging (since the debt ratio is still somewhat high) to enable a reduction in the cost of debt (*kd*) and equity (*ke*) to obtain a further decline of the *WACC*



**GUIDANCE FOR  
THE CURRENT  
SEASON  
(2017-2018)**



## GUIDANCE FOR THE CURRENT SEASON

At the mid-point of the 2017-18 season the outlook for positive financial variation in *LaLiga* for the current year are very positive. The forecasts predict that at the end of this financial year the competition will maintain the upward trend of this season in terms of strong revenue growth, increased earnings, higher profitability and rising value creation.

The Association estimates that the *Total Revenues of LaLiga* will end the season above € 4,000 M, maintaining a double-digit growth rate. It will be the first time that Spanish professional football exceeds the psychological barrier of € 4,000 M. *NTO* will be close to € 3,250 M. The collective negotiation and sale of broadcasting rights for the 2019-20 to 2021-22 period will take place during this season (the current financial year 2017-18 is the midpoint of the current triennium) and the impact of the same will take a couple of seasons to assess.

Earnings will increase significantly. *EBITDA* will be close to € 900 M (margin on *NTO* above 27.0%). Moreover, *EBIT* will be around € 350 M (margin on *NTO* of around 10.5%). Both magnitudes will grow at a rate above that of turnover, thus extending the operating margins.

We can expect an aggregate *Net Earnings (NE)* for *LaLiga* of approximately € 220 M, the highest profit ever achieved by the competition in its history.

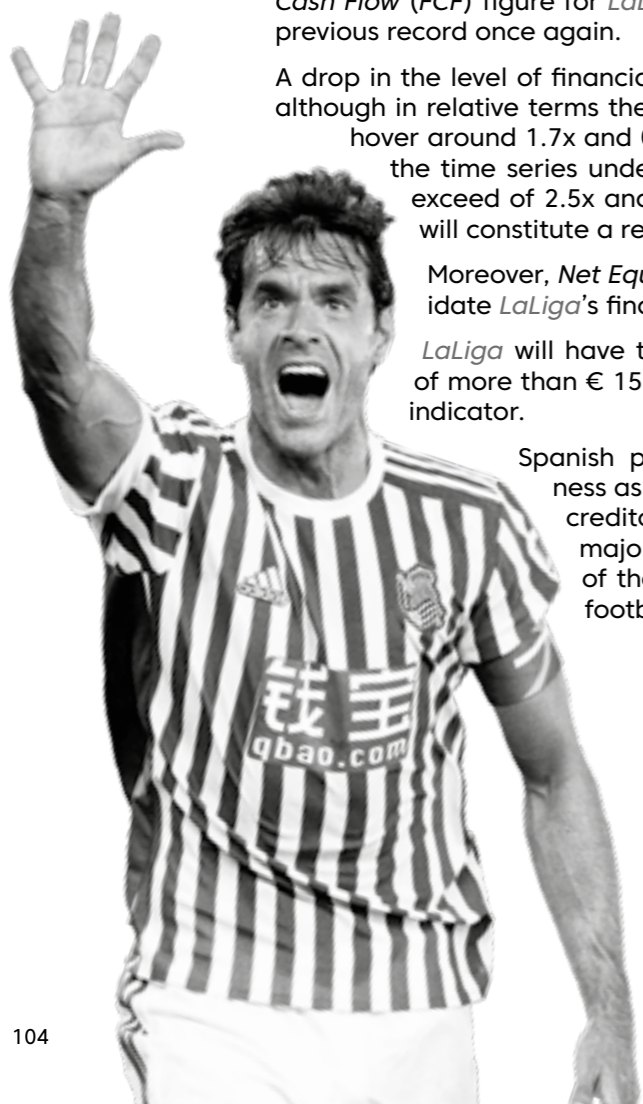
Furthermore, taking the end of works carried out in many stadiums into account, we consider that the variation in the *Capex* (including players) will decline, with total net operating investments that should be substantially below the 647.6 M € invested last season. At the same time, working capital needs (*WC*) will weaken somewhat with respect to the previous season, so that we expect the final *Free Cash Flow (FCF)* figure for *LaLiga* to exceed € 300 M, at all events beating the previous record once again.

A drop in the level of financial leverage in absolute terms is not on the cards, although in relative terms the gross and net adjusted financial debt levels will hover around 1.7x and 0.9x *EBITDA*. If so, they will be the lowest levels of the time series under analysis. At all events, any level that does not exceed of 2.5x and 1.5x *EBITDA* in gross and net terms respectively will constitute a reasonable outcome.

Moreover, *Net Equity* will pass the € 1,500 M mark to finally consolidate *LaLiga's* financial solvency.

*LaLiga* will have the capacity to generate value (*EVA*) in 2017-18 of more than € 150 M, also the largest amount in its history for this indicator.

Spanish professional football will enhance its attractiveness as a business for its stakeholders: players, suppliers, creditors, investors and shareholders. We expect more major corporate transactions in the clubs as a result of the evident improvement of the financial profile of football as a business.





# ANNEXES I and II

### Balance Sheet - LaLiga

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
<b>ASSETS</b>						
<b>NON-CURRENT ASSETS</b>	<b>3,029.0</b>	<b>2,869.5</b>	<b>2,955.5</b>	<b>3,235.8</b>	<b>3,133.6</b>	<b>3,725.1</b>
Intangible sports assets	957.6	806.9	831.0	1,067.5	1,187.5	1,380.5
Intangible non-sports assets	217.0	202.0	205.0	260.9	237.4	292.5
Tangible fixed assets	1,096.6	1,132.1	1,165.3	1,104.0	1,202.2	1,438.0
Investments in real property	68.1	77.3	64.3	44.9	40.4	47.8
Investments in group and associated companies	0.0	37.1	61.3	65.3	59.8	61.3
Long-term financial investments	400.7	346.7	345.1	386.5	118.9	153.3
Long-term accruals and deferrals	1.6	1.5	1.4	21.8	21.1	108.7
Tax credits	287.3	265.8	282.0	284.9	266.2	243.1
<b>CURRENT ASSETS</b>	<b>1,054.6</b>	<b>1,064.9</b>	<b>1,013.6</b>	<b>938.3</b>	<b>1,297.5</b>	<b>1,637.8</b>
Non-current assets held for sale	-	-	4.9	9.3	155.2	166.1
Inventory	19.4	15.3	10.5	11.2	13.1	35.1
Debtors	623.9	585.4	500.9	526.9	606.4	667.0
Investments in group and associated companies	0.4	6.8	4.8	2.8	5.0	9.4
Short-term financial investments	174.1	120.6	106.8	31.6	90.1	74.2
Short-term accruals and deferrals	14.8	16.6	15.8	17.8	14.5	25.8
Cash and cash equivalents	221.9	320.3	369.8	338.6	413.2	660.2
<b>Total Assets</b>	<b>4,083.7</b>	<b>3,934.4</b>	<b>3,969.1</b>	<b>4,174.0</b>	<b>4,431.1</b>	<b>5,362.9</b>
<b>LIABILITIES</b>						
<b>NET EQUITY</b>	<b>297.0</b>	<b>345.2</b>	<b>557.4</b>	<b>708.9</b>	<b>1,050.1</b>	<b>1,262.8</b>
Capital and reserves	145.0	192.9	383.8	487.9	860.5	1,028.6
Adjustments for changes of value	(12.0)	(12.0)	(12.0)	(6.7)	(7.1)	(12.0)
Subsidies, donations and legacies received	164.0	164.3	185.6	227.7	196.7	246.2
<b>NON-CURRENT LIABILITIES</b>	<b>1,509.0</b>	<b>1,449.3</b>	<b>1,415.4</b>	<b>1,602.4</b>	<b>1,378.5</b>	<b>1,451.7</b>
Long-term provisions	63.4	64.9	90.9	123.6	160.8	131.4
Long-term debts	1,217.6	1,168.5	1,106.0	1,210.8	968.4	984.7
Investments in group and associated companies	43.2	36.3	34.0	78.1	99.7	177.0
Deferred tax liabilities	110.1	108.3	129.9	122.2	103.8	114.5
Long-term accruals and deferrals	74.7	71.2	54.6	67.7	45.8	44.1
<b>CURRENT LIABILITIES</b>	<b>2,277.6</b>	<b>2,139.9</b>	<b>1,996.4</b>	<b>1,862.7</b>	<b>2,002.4</b>	<b>2,648.4</b>
Short-term provisions	6.2	19.2	11.4	8.4	45.2	45.5
Short-term debts	712.3	654.8	619.2	467.6	538.7	645.8
Debts with group and associated companies	87.7	6.4	1.7	6.6	14.7	10.7
Trade creditors	1,243.1	1,219.1	1,138.3	1,159.9	1,218.7	1,474.3
Short-term accruals and deferrals	228.3	240.4	225.8	220.3	185.1	472.1
<b>Total Liabilities</b>	<b>4,083.7</b>	<b>3,934.4</b>	<b>3,969.1</b>	<b>4,174.0</b>	<b>4,431.1</b>	<b>5,362.9</b>

### Income Statement - LaLiga

ME	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
<b>INCOME STATEMENT</b>						
Revenue from competition	1,819.6	1,892.1	1,943.4	2,070.1	2,552.9	2,940.9
Revenue from season tickets and members	227.2	246.3	366.6	378.1	515.4	477.7
Revenue from broadcasting	372.1	347.9	256.7	247.6	254.4	268.9
Revenue from merchandising	728.7	826.7	844.2	854.5	1,121.6	1,454.6
Revenue from advertising	407.1	387.9	392.0	506.3	561.2	622.3
Provisions and variation of inventory	84.5	83.2	83.9	83.5	100.4	117.4
Other operating revenues	(66.2)	(59.3)	(63.6)	(74.7)	(81.4)	(97.8)
Non-sports personnel expenses	111.7	104.4	115.2	132.1	157.1	177.1
Sports personnel expenses	(132.1)	(129.3)	(137.8)	(161.1)	(187.7)	(208.3)
Expenses of sports personnel eligible for LaLiga	(1,107.9)	(1,079.3)	(1,123.0)	(1,230.4)	(1,411.6)	(1,671.8)
Expenses of sports personnel not eligible for LaLiga	(995.0)	(959.1)	(980.4)	(1,070.9)	(1,237.8)	(1,487.4)
Other operating expenses	(112.9)	(120.2)	(142.6)	(159.5)	(173.8)	(184.4)
Depreciation and amortisation	(434.0)	(428.4)	(474.4)	(505.0)	(556.3)	(732.4)
Amortisation of acquisition rights of LaLiga-eligible players	(399.7)	(336.1)	(318.6)	(377.0)	(404.5)	(459.2)
Amortisation of acquisition rights of LaLiga-not eligible players	(341.1)	(277.7)	(254.5)	(310.3)	(318.8)	(374.6)
Other amortisation	(3.5)	(7.5)	(8.2)	(4.4)	(11.6)	(11.8)
Imputation of non-financial fixed asset subsidies and others	(55.1)	(50.9)	(55.9)	(62.3)	(74.2)	(72.8)
Excess provisions	10.1	10.5	11.2	15.6	17.7	19.2
Impairment and outcome from disposals	8.0	2.8	0.8	1.7	0.6	33.0
Profit from transfer of players	114.0	237.3	239.8	317.5	266.2	303.2
Losses from transfer of players	174.4	253.9	313.7	388.0	319.3	391.4
Profit from fixed assets and extraordinary revenues	(34.9)	(30.5)	(45.4)	(39.2)	(40.9)	(55.7)
Losses from fixed assets and extraordinary expenses	42.0	38.5	50.8	12.6	2.1	1.9
Other outcomes	(67.5)	(24.6)	(79.2)	(43.9)	(14.3)	(34.4)
<b>Operating earnings</b>	<b>15.6</b>	<b>(1.5)</b>	<b>48.0</b>	<b>6.7</b>	<b>(83.3)</b>	<b>(12.4)</b>
Financial revenues	(60.8)	213.1	241.0	195.6	269.7	291.5
Financial expenses	126.9	12.6	54.1	94.6	22.8	44.8
Impairment and profit (loss) for disposal of financial instruments	(92.6)	(78.9)	(70.8)	(89.0)	(90.1)	(90.6)
Financial earnings	(0.5)	(1.3)	(2.1)	(1.8)	(0.8)	(2.8)
<b>Earnings before taxes</b>	<b>33.8</b>	<b>(67.6)</b>	<b>(18.9)</b>	<b>3.8</b>	<b>(68.1)</b>	<b>(48.7)</b>
Corporate tax	(27.0)	145.5	222.2	199.4	201.6	242.8
Net earnings	10.1	(24.7)	(39.1)	(39.4)	(34.8)	(65.6)
<b>Outcome after taxes</b>	<b>(16.9)</b>	<b>120.8</b>	<b>183.1</b>	<b>160.0</b>	<b>166.7</b>	<b>177.2</b>

**Cash Flow Statement - LaLiga**

€M	2013-14	2014-15	2015-16	2016-17
A. Net earnings for the financial year (NE)	183.1	160.0	166.7	177.2
B. Restatements (non-cash) to net earnings	120.8	168.6	267.0	272.0
<b>A. + B. Gross operating cash flow (CGO)</b>	<b>303.8</b>	<b>328.6</b>	<b>433.7</b>	<b>449.2</b>
C. Working capital (WK)	(68.6)	194.8	0.1	459.9
<b>A. + B. + C. Net operating cash flow (OCF)</b>	<b>235.2</b>	<b>523.4</b>	<b>433.8</b>	<b>909.2</b>
D. Operating investments (Capex)	(72.7)	(296.5)	(392.1)	(647.6)
Net investment in infrastructure and others	(119.4)	(83.4)	(126.0)	(382.2)
Net investment in players	46.7	(213.2)	(266.1)	(265.4)
<b>A. + B. + C. + D. Free cash flow (total FCF)</b>	<b>162.5</b>	<b>226.9</b>	<b>41.8</b>	<b>261.6</b>
E. Cash flow derived from debt (CFDS)	(113.1)	(281.2)	(160.5)	(14.0)
Financial expenses	(71.3)	(89.9)	(90.9)	(87.6)
Net variation in financial debt with financial entities	(72.4)	(33.0)	8.5	80.5
Net variation in other financial debt (*)	22.6	(226.5)	(162.1)	69.3
Financial revenues	52.2	94.6	22.8	42.7
Net investment in financial and other non-operating assets	(44.1)	(26.4)	61.4	(118.9)
<b>A. + B. + C. + D. + E. Equity cash flow (ECF)</b>	<b>49.4</b>	<b>(54.3)</b>	<b>(118.7)</b>	<b>247.6</b>
F. Cash flows derived from equity	5.0	35.0	193.5	2.2
<b>A. + B. + C. + D. + E + F. Net annual variation in cash</b>	<b>54.4</b>	<b>(19.4)</b>	<b>74.8</b>	<b>249.9</b>
<b>Initial balance, cash and cash equivalents (**)</b>	<b>315.5</b>	<b>358.0</b>	<b>338.4</b>	<b>410.3</b>
+/- Impact of exchange rates on initial cash balance	-	-	-	-
+/- Net year-on-year variation in cash	54.4	(19.4)	74.8	249.9
<b>Final balance, cash and cash equivalents (**)</b>	<b>369.8</b>	<b>338.6</b>	<b>413.2</b>	<b>660.2</b>

(\*) Net variation in debt includes variation in the debtors' and creditors' balance for transfer of players.

(\*\*) The cash and cash equivalents balances at the end of each financial year and the beginning of the next are not exactly identical due to the change in the perimeter (i.e. different clubs that comprise the grouping due to the promotion/relegation process).



### Balance Sheet - LaLiga Santander

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
<b>ASSETS</b>						
<b>NON-CURRENT ASSETS</b>	<b>2,669.5</b>	<b>2,584.2</b>	<b>2,584.3</b>	<b>2,822.5</b>	<b>2,801.9</b>	<b>3,295.4</b>
Intangible sports assets	867.6	743.5	798.1	1,000.3	1,158.3	1,345.6
Intangible non-sports assets	122.2	163.0	74.7	84.8	86.4	158.0
Tangible fixed assets	1,023.2	1,028.8	1,090.8	1,045.8	1,152.0	1,336.6
Investments in real property	56.6	57.3	48.2	25.6	20.9	31.3
Investments in group and associated companies	0.0	33.9	57.1	64.6	48.6	52.0
Long-term financial investments	369.8	314.3	302.1	363.1	96.5	97.4
Long-term accruals and deferrals	1.6	1.5	1.4	21.8	21.0	108.7
Tax credits	228.6	241.6	211.9	216.5	218.4	165.9
<b>CURRENT ASSETS</b>	<b>934.9</b>	<b>968.8</b>	<b>948.0</b>	<b>883.3</b>	<b>1,217.9</b>	<b>1,511.1</b>
Non-current assets held for sale	-	-	4.9	8.7	155.2	166.1
Inventory	18.6	13.1	8.3	10.1	11.6	32.8
Debtors	527.7	515.1	462.8	493.3	568.9	602.8
Investments in group and associated companies	0.1	4.1	3.1	1.5	1.2	7.6
Short-term financial investments	160.5	114.7	99.2	23.9	73.7	57.9
Short-term accruals and deferrals	14.4	15.2	13.0	17.2	13.9	23.6
Cash and cash equivalents	213.7	306.6	356.6	328.6	393.5	620.2
<b>Total Assets</b>	<b>3,604.4</b>	<b>3,553.0</b>	<b>3,532.3</b>	<b>3,705.8</b>	<b>4,019.7</b>	<b>4,806.5</b>
<b>LIABILITIES</b>						
<b>NET EQUITY</b>	<b>322.2</b>	<b>318.2</b>	<b>667.6</b>	<b>695.5</b>	<b>1,016.2</b>	<b>1,193.8</b>
Capital and reserves	257.8	233.5	609.2	592.3	913.3	1,029.4
Adjustments for changes of value	(12.0)	(12.0)	(12.0)	(12.0)	(12.0)	-
Subsidies, donations and legacies received	76.4	96.7	70.4	115.2	114.9	164.4
<b>NON-CURRENT LIABILITIES</b>	<b>1,215.5</b>	<b>1,255.1</b>	<b>1,047.1</b>	<b>1,315.3</b>	<b>1,115.9</b>	<b>1,163.8</b>
Long-term provisions	62.3	62.7	84.6	119.2	153.4	83.4
Long-term debts	982.6	1,013.1	815.0	977.9	757.0	801.7
Investments in group and associated companies	26.9	26.9	20.3	63.6	87.1	151.8
Deferred tax liabilities	77.3	82.6	73.9	88.2	74.6	84.9
Long-term accruals and deferrals	66.4	69.9	53.3	66.4	43.8	42.0
<b>CURRENT LIABILITIES</b>	<b>2,066.7</b>	<b>1,979.7</b>	<b>1,817.6</b>	<b>1,694.9</b>	<b>1,887.7</b>	<b>2,448.9</b>
Short-term provisions	4.3	18.3	9.3	8.0	43.6	41.1
Short-term debts	665.3	625.5	589.4	431.7	519.0	598.1
Debts with group and associated companies	85.3	3.8	-	4.0	10.1	5.4
Trade creditors	1,093.0	1,098.4	997.1	1,038.5	1,136.2	1,363.6
Short-term accruals and deferrals	218.8	233.7	221.9	212.7	178.8	440.8
<b>Total Liabilities</b>	<b>3,604.3</b>	<b>3,553.0</b>	<b>3,532.3</b>	<b>3,705.8</b>	<b>4,019.7</b>	<b>4,806.5</b>

### Income Statement - LaLiga Santander

ME	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
<b>INCOME STATEMENT</b>						
Revenue from competition	1,724.4	1,793.6	1,829.3	1,938.2	2,393.5	2,744.0
Revenue from season tickets and members	219.9	239.2	357.7	369.5	508.8	470.8
Revenue from broadcasting	350.3	327.5	233.4	217.8	230.3	245.4
Revenue from merchandising	687.4	775.4	784.1	785.9	1,021.9	1,319.3
Revenue from advertising	396.4	380.7	381.9	492.8	548.8	608.2
Provisions and variation of inventory	70.3	70.7	72.3	72.3	83.7	100.2
Other operating revenues	(63.1)	(53.9)	(57.6)	(66.4)	(73.9)	(88.2)
Non-sports personnel expenses	88.2	81.2	92.7	104.6	118.2	127.8
Sports personnel expenses	(119.8)	(113.8)	(120.6)	(138.9)	(164.2)	(180.6)
Expenses of sports personnel eligible for LaLiga	(1,012.9)	(972.7)	(1,036.3)	(1,141.7)	(1,311.7)	(1,535.6)
Expenses of sports personnel not eligible for LaLiga	(904.7)	(863.1)	(903.2)	(995.4)	(1,151.9)	(1,364.0)
Other operating expenses	(108.2)	(109.6)	(133.7)	(146.2)	(159.8)	(171.6)
Depreciation and amortisation	(387.5)	(375.3)	(422.5)	(448.9)	(492.4)	(641.3)
Amortisation of acquisition rights of LaLiga-eligible players	(382.5)	(312.2)	(304.8)	(358.9)	(392.3)	(442.8)
Amortisation of acquisition rights of LaLiga-not eligible players	(330.6)	(263.0)	(249.6)	(305.4)	(316.6)	(370.4)
Other amortisation	(3.5)	(6.2)	(8.1)	(4.4)	(11.5)	(11.5)
Imputation of non-financial fixed asset subsidies and others	(48.4)	(43.0)	(47.1)	(49.1)	(64.1)	(60.8)
Excess provisions	6.4	6.4	5.3	8.7	11.2	11.9
Impairment and outcome from disposals	3.9	2.6	0.4	0.7	0.5	32.9
Profit from transfer of players	116.5	193.9	218.3	295.8	249.6	271.0
Losses from transfer of players	159.3	226.1	286.3	374.2	302.0	355.4
Profit from fixed assets and extraordinary revenues	(34.2)	(28.8)	(41.6)	(36.8)	(40.2)	(53.2)
Losses from fixed assets and extraordinary expenses	28.2	11.6	47.2	1.2	1.0	1.6
Other outcomes	(36.8)	(14.9)	(73.6)	(42.9)	(13.4)	(32.7)
<b>Operating earnings</b>	<b>11.2</b>	<b>(5.5)</b>	<b>56.2</b>	<b>3.7</b>	<b>(86.5)</b>	<b>(21.6)</b>
Financial revenues	(15.2)	244.6	260.5	196.0	251.8	277.3
Financial expenses	126.7	12.1	14.1	68.2	22.2	33.2
Impairment and profit (loss) for disposal of financial instruments	(83.7)	(73.2)	(65.2)	(80.0)	(85.9)	(81.6)
Financial earnings	(0.7)	(1.3)	(1.8)	(0.8)	(1.3)	0.9
<b>Earnings before taxes</b>	<b>42.2</b>	<b>(62.4)</b>	<b>(52.8)</b>	<b>(12.6)</b>	<b>(65.0)</b>	<b>(47.5)</b>
Corporate tax	27.0	182.2	207.7	183.4	186.7	229.8
Net earnings	(2.4)	(33.9)	(30.0)	(38.8)	(33.8)	(61.9)
<b>Outcome after taxes</b>	<b>24.6</b>	<b>148.3</b>	<b>177.8</b>	<b>144.6</b>	<b>153.0</b>	<b>167.9</b>

**Cash Flow Statement - LaLiga Santander**

€M	2013-14	2014-15	2015-16	2016-17
A. Net earnings for the financial year (NE)	177.1	145.4	153.0	167.9
B. Restatements (non-cash) to net earnings	159.4	140.3	272.0	254.8
<b>A. + B. Gross operating cash flow (CGO)</b>	<b>336.6</b>	<b>285.6</b>	<b>425.0</b>	<b>422.7</b>
C. Working capital (WK)	(139.5)	164.6	3.0	397.2
<b>A. + B. + C. Net operating cash flow (OCF)</b>	<b>197.0</b>	<b>450.2</b>	<b>428.0</b>	<b>819.9</b>
D. Operating investments (Capex)	(99.6)	(290.1)	(400.6)	(648.5)
Net investment in infrastructure and others	(127.7)	(131.4)	(121.8)	(352.6)
Net investment in players	28.1	(158.8)	(278.8)	(295.9)
<b>A. + B. + C. + D. Free cash flow (total FCF)</b>	<b>97.5</b>	<b>160.1</b>	<b>27.4</b>	<b>171.4</b>
E. Cash flow derived from debt (CFDS)	(37.2)	(232.8)	(130.8)	53.8
Financial expenses	(66.9)	(80.9)	(87.2)	(78.6)
Net variation in financial debt with financial entities	(67.2)	(29.5)	9.0	89.6
Net variation in other financial debt (*)	123.1	(128.4)	(145.3)	141.4
Financial revenues	14.1	68.3	22.2	31.1
Net investment in financial and other non-operating assets	(40.4)	(62.3)	70.6	(129.6)
<b>A. + B. + C. + D. + E. Equity cash flow (ECF)</b>	<b>60.3</b>	<b>(72.7)</b>	<b>(103.4)</b>	<b>225.2</b>
F. Cash flows derived from equity	2.6	64.9	169.4	0.8
<b>A. + B. + C. + D. + E + F. Net annual variation in cash</b>	<b>62.9</b>	<b>(7.7)</b>	<b>66.0</b>	<b>226.0</b>
<b>Initial balance, cash and cash equivalents (**)</b>	<b>293.8</b>	<b>336.3</b>	<b>327.5</b>	<b>394.3</b>
+/- Impact of exchange rates on initial cash balance	-	-	-	-
+/- Net year-on-year variation in cash	62.9	(7.7)	66.0	226.0
<b>Final balance, cash and cash equivalents (**)</b>	<b>356.6</b>	<b>328.6</b>	<b>393.5</b>	<b>620.2</b>

(\*) Net variation in debt includes variation in the debtors' and creditors' balance for transfer of players.

(\*\*) The cash and cash equivalents balances at the end of each financial year and the beginning of the next are not exactly identical due to the change in the perimeter (i.e. different clubs that comprise the grouping due to the promotion/relegation process).

### Balance Sheet - LaLiga 1|2|3

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
<b>ASSETS</b>						
<b>NON-CURRENT ASSETS</b>	<b>359.5</b>	<b>285.6</b>	<b>371.3</b>	<b>413.3</b>	<b>331.5</b>	<b>429.8</b>
Intangible sports assets	90.1	63.4	32.9	67.1	29.2	34.9
Intangible non-sports assets	94.8	39.0	130.3	176.1	151.0	134.5
Tangible fixed assets	73.4	103.3	74.5	58.2	50.2	101.4
Investments in real property	11.6	20.0	16.2	19.3	19.6	16.5
Investments in group and associated companies	-	3.2	4.2	0.8	11.2	9.2
Long-term financial investments	30.9	32.4	43.0	23.4	22.4	55.9
Long-term accruals and deferrals	-	-	-	-	0.1	-
Tax credits	58.7	24.2	70.1	68.4	47.7	77.2
<b>CURRENT ASSETS</b>	<b>119.8</b>	<b>96.2</b>	<b>65.6</b>	<b>55.0</b>	<b>79.6</b>	<b>126.7</b>
Non-current assets held for sale	-	-	-	0.6	-	-
Inventory	0.9	2.2	2.2	1.1	1.5	2.3
Debtors	96.2	70.3	38.1	33.6	37.5	64.2
Investments in group and associated companies	0.4	2.7	1.7	1.4	3.8	1.8
Short-term financial investments	13.6	5.9	7.6	7.7	16.5	16.3
Short-term accruals and deferrals	0.5	1.5	2.8	0.6	0.6	2.2
Cash and cash equivalents	8.2	13.6	13.2	10.1	19.7	40.0
<b>Total Assets</b>	<b>479.3</b>	<b>381.7</b>	<b>436.8</b>	<b>468.3</b>	<b>411.1</b>	<b>556.4</b>
<b>LIABILITIES</b>						
<b>NET EQUITY</b>	<b>(25.2)</b>	<b>27.0</b>	<b>(110.2)</b>	<b>13.4</b>	<b>34.0</b>	<b>69.0</b>
Capital and reserves	(112.8)	(40.6)	(225.4)	(104.4)	(52.8)	(0.7)
Adjustments for changes of value	0.0	-	0.0	5.3	4.9	(12.0)
Subsidies, donations and legacies received	87.6	67.7	115.2	112.5	81.8	81.8
<b>NON-CURRENT LIABILITIES</b>	<b>293.6</b>	<b>194.2</b>	<b>368.3</b>	<b>287.0</b>	<b>262.6</b>	<b>287.9</b>
Long-term provisions	1.2	2.2	6.3	4.4	7.4	48.0
Long-term debts	235.1	155.4	290.9	232.9	211.4	183.0
Investments in group and associated companies	16.3	9.5	13.7	14.5	12.6	25.2
Deferred tax liabilities	32.8	25.8	56.0	34.0	29.2	29.5
Long-term accruals and deferrals	8.3	1.3	1.3	1.3	2.0	2.1
<b>CURRENT LIABILITIES</b>	<b>210.9</b>	<b>160.4</b>	<b>178.7</b>	<b>167.8</b>	<b>114.5</b>	<b>199.5</b>
Short-term provisions	1.9	0.9	2.1	0.4	1.6	4.4
Short-term debts	47.0	29.3	29.8	35.8	19.7	47.7
Debts with group and associated companies	2.5	2.7	1.7	2.7	4.6	5.3
Trade creditors	150.1	120.7	141.3	121.4	82.5	110.7
Short-term accruals and deferrals	9.4	7.0	3.9	7.6	6.1	31.3
<b>Total Liabilities</b>	<b>479.3</b>	<b>381.7</b>	<b>436.8</b>	<b>468.3</b>	<b>411.1</b>	<b>556.4</b>

### Income Statement - LaLiga 1|2|3

M€	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
<b>INCOME STATEMENT</b>						
Revenue from competition	95.3	98.4	114.1	131.8	159.4	197.0
Revenue from season tickets and members	7.3	7.1	8.9	8.6	6.6	6.9
Revenue from broadcasting	21.9	20.4	23.4	29.9	24.1	23.5
Revenue from merchandising	41.2	51.3	60.1	68.6	99.7	135.3
Revenue from advertising	10.7	7.2	10.1	13.5	12.4	14.1
Provisions and variation of inventory	14.2	12.5	11.6	11.2	16.7	17.2
Other operating revenues	(3.1)	(5.4)	(6.0)	(8.3)	(7.5)	(9.6)
Non-sports personnel expenses	23.5	23.3	22.4	27.5	38.9	49.3
Sports personnel expenses	(12.3)	(15.5)	(17.2)	(22.1)	(23.5)	(27.6)
Expenses of sports personnel eligible for LaLiga	(94.9)	(106.6)	(86.1)	(88.7)	(99.9)	(136.2)
Expenses of sports personnel not eligible for LaLiga	(90.3)	(96.1)	(77.2)	(75.4)	(85.9)	(123.5)
Other operating expenses	(4.6)	(10.6)	(8.9)	(13.3)	(14.0)	(12.8)
Depreciation and amortisation	(46.5)	(53.1)	(51.8)	(56.2)	(63.9)	(91.1)
Amortisation of acquisition rights of LaLiga-eligible players	(17.1)	(24.0)	(13.9)	(18.1)	(12.3)	(16.4)
Amortisation of acquisition rights of LaLiga-not eligible players	(10.4)	(14.7)	(4.9)	(4.9)	(2.1)	(4.1)
Other amortisation	-	(1.3)	(0.1)	(0.1)	(0.1)	(0.2)
Imputation of non-financial fixed asset subsidies and others	(6.7)	(7.9)	(8.8)	(13.1)	(10.1)	(12.0)
Excess provisions	3.7	4.0	5.9	7.0	6.4	7.4
Impairment and outcome from disposals	4.1	0.1	0.4	1.0	0.2	0.1
Profit from transfer of players	(2.5)	43.4	21.6	21.8	16.8	32.1
Losses from transfer of players	15.1	27.7	27.3	13.7	17.2	36.0
Profit from fixed assets and extraordinary revenues	(0.7)	(1.7)	(3.7)	(2.3)	(0.8)	(2.4)
Losses from fixed assets and extraordinary expenses	13.8	27.0	3.6	11.4	1.2	0.3
Other outcomes	(30.8)	(9.7)	(5.6)	(1.0)	(0.8)	(1.7)
<b>Operating earnings</b>	<b>4.3</b>	<b>4.0</b>	<b>(8.2)</b>	<b>3.1</b>	<b>3.2</b>	<b>9.2</b>
Financial revenues	(45.6)	(31.5)	(18.9)	(1.2)	17.9	14.1
Financial expenses	0.2	0.5	40.0	26.3	0.6	11.6
Impairment and profit (loss) for disposal of financial instruments	(8.8)	(5.7)	(5.7)	(8.9)	(4.2)	(9.0)
Financial earnings	0.2	(0.0)	(0.4)	(1.0)	0.5	(3.7)
<b>Earnings before taxes</b>	<b>(8.5)</b>	<b>(5.2)</b>	<b>33.9</b>	<b>16.4</b>	<b>(3.1)</b>	<b>(1.1)</b>
Corporate tax	(54.0)	(36.7)	15.1	15.3	14.8	13.0
Net earnings	12.5	9.2	(9.1)	(0.6)	(1.1)	(3.7)
<b>Outcome after taxes</b>	<b>(41.5)</b>	<b>(27.5)</b>	<b>5.9</b>	<b>14.6</b>	<b>13.7</b>	<b>9.3</b>

**Cash Flow Statement - LaLiga 1|2|3**

€M	2013-14	2014-15	2015-16	2016-17
A. Net earnings for the financial year (NE)	5.9	14.6	13.7	9.3
B. Restatements (non-cash) to net earnings	(38.7)	28.4	(5.0)	17.2
<b>A. + B. Gross operating cash flow (CGO)</b>	<b>(32.7)</b>	<b>43.0</b>	<b>8.7</b>	<b>26.5</b>
C. Working capital (WK)	82.9	33.3	(2.9)	62.8
<b>A. + B. + C. Net operating cash flow (OCF)</b>	<b>50.2</b>	<b>76.3</b>	<b>5.8</b>	<b>89.3</b>
D. Operating investments (Capex)	26.9	(6.4)	8.6	0.9
Net investment in infrastructure and others	8.3	48.0	(4.2)	(29.6)
Net investment in players	18.5	(54.4)	12.7	30.5
<b>A. + B. + C. + D. Free cash flow (total FCF)</b>	<b>77.0</b>	<b>69.9</b>	<b>14.4</b>	<b>90.2</b>
E. Cash flow derived from debt (CFDS)	(87.9)	(51.5)	(29.6)	(67.8)
Financial expenses	(4.4)	(9.0)	(3.7)	(9.0)
Net variation in financial debt with financial entities	(5.3)	(3.5)	(0.5)	(9.1)
Net variation in other financial debt (*)	(112.6)	(101.2)	(16.8)	(72.0)
Financial revenues	38.1	26.3	0.6	11.6
Net investment in financial and other non-operating assets	(3.8)	35.9	(9.2)	10.7
<b>A. + B. + C. + D. + E. Equity cash flow (ECF)</b>	<b>(10.9)</b>	<b>18.3</b>	<b>(15.3)</b>	<b>22.4</b>
F. Cash flows derived from equity	2.4	(30.0)	24.1	1.5
<b>A. + B. + C. + D. + E + F. Net annual variation in cash</b>	<b>(8.5)</b>	<b>(11.7)</b>	<b>8.8</b>	<b>23.9</b>
<b>Initial balance, cash and cash equivalents (**)</b>	<b>21.7</b>	<b>21.7</b>	<b>10.9</b>	<b>16.1</b>
+/- Impact of exchange rates on initial cash balance	-	-	-	-
+/- Net year-on-year variation in cash	(8.5)	(11.7)	8.8	23.9
<b>Final balance, cash and cash equivalents (**)</b>	<b>13.2</b>	<b>10.1</b>	<b>19.7</b>	<b>40.0</b>

(\*) Net variation in debt includes variation in the debtors' and creditors' balance for transfer of players.

(\*\*) The cash and cash equivalents balances at the end of each financial year and the beginning of the next are not exactly identical due to the change in the perimeter (i.e. different clubs that comprise the grouping due to the promotion/relegation process).

**Balance Sheet - Netted LaLiga**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
<b>ASSETS</b>						
<b>NON-CURRENT ASSETS</b>	<b>2,060.7</b>	<b>1,898.1</b>	<b>1,890.2</b>	<b>2,003.9</b>	<b>2,015.7</b>	<b>2,417.4</b>
Intangible sports assets	530.5	360.4	339.7	479.3	652.4	778.0
Intangible non-sports assets	207.7	193.9	196.2	238.3	219.8	275.0
Tangible fixed assets	675.0	692.0	705.0	647.3	735.7	959.2
Investments in real property	42.7	53.1	46.1	27.0	24.0	24.0
Investments in group and associated companies	0.0	37.1	44.3	64.5	58.8	61.1
Long-term financial investments	351.2	323.8	310.3	318.6	101.2	107.9
Long-term accruals and deferrals	1.6	1.5	1.4	1.3	1.7	1.3
Tax credits	252.1	236.2	247.3	227.7	222.1	211.1
<b>CURRENT ASSETS</b>	<b>706.9</b>	<b>680.6</b>	<b>612.7</b>	<b>523.2</b>	<b>823.7</b>	<b>1,110.6</b>
Non-current assets held for sale	-	-	4.9	9.3	155.2	166.1
Inventory	18.3	13.2	8.1	8.8	10.5	32.5
Debtors	472.7	434.1	328.9	306.7	382.4	422.6
Investments in group and associated companies	0.4	6.8	4.8	2.8	5.0	9.4
Short-term financial investments	133.0	120.0	106.8	31.5	86.1	72.2
Short-term accruals and deferrals	10.6	12.7	11.9	10.3	10.0	18.4
Cash and cash equivalents	71.8	93.8	147.3	153.7	174.6	389.4
<b>Total Assets</b>	<b>2,767.6</b>	<b>2,578.7</b>	<b>2,502.9</b>	<b>2,527.1</b>	<b>2,839.4</b>	<b>3,528.1</b>
<b>LIABILITIES</b>						
<b>NET EQUITY</b>	<b>41.8</b>	<b>20.8</b>	<b>133.3</b>	<b>228.2</b>	<b>510.6</b>	<b>684.0</b>
Capital and reserves	(102.0)	(123.5)	(32.4)	14.8	328.3	456.9
Adjustments for changes of value	(12.0)	(12.0)	(12.0)	(6.7)	(7.1)	(12.0)
Subsidies, donations and legacies received	155.8	156.4	177.8	220.1	189.4	239.1
<b>NON-CURRENT LIABILITIES</b>	<b>1,133.8</b>	<b>1,153.5</b>	<b>1,112.4</b>	<b>1,252.9</b>	<b>1,159.6</b>	<b>1,232.6</b>
Long-term provisions	30.6	33.3	54.9	81.3	113.7	114.3
Long-term debts	944.1	965.7	892.2	974.1	836.8	819.9
Investments in group and associated companies	43.2	36.3	34.0	78.1	99.7	177.0
Deferred tax liabilities	98.1	96.5	109.1	92.6	87.6	99.5
Long-term accruals and deferrals	17.8	21.7	22.2	26.9	21.8	21.9
<b>CURRENT LIABILITIES</b>	<b>1,592.0</b>	<b>1,404.4</b>	<b>1,257.1</b>	<b>1,046.0</b>	<b>1,169.3</b>	<b>1,611.5</b>
Short-term provisions	3.3	11.2	2.2	1.7	3.2	30.5
Short-term debts	542.4	499.5	460.2	324.7	384.7	545.2
Debts with group and associated companies	87.7	6.4	1.7	6.6	14.7	10.7
Trade creditors	884.0	813.6	738.8	637.3	681.4	792.2
Short-term accruals and deferrals	74.5	73.6	54.3	75.6	85.3	232.8
<b>Total Liabilities</b>	<b>2,767.6</b>	<b>2,578.7</b>	<b>2,502.9</b>	<b>2,527.1</b>	<b>2,839.4</b>	<b>3,528.1</b>

**Income Statement - Netted LaLiga**

ME	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
<b>INCOME STATEMENT</b>						
Revenue from competition	868.6	928.1	960.0	991.1	1,376.5	1,691.9
Revenue from season tickets and members	121.1	129.8	161.0	154.9	242.5	185.6
Revenue from broadcasting	171.8	151.9	133.3	147.4	158.8	168.3
Revenue from merchandising	409.0	502.2	520.6	528.4	785.9	1,111.3
Revenue from advertising	83.2	61.9	61.4	80.3	92.8	111.1
Provisions and variation of inventory	83.5	82.3	83.7	80.0	96.5	115.6
<b>Other operating revenues</b>	<b>(38.1)</b>	<b>(35.5)</b>	<b>(37.2)</b>	<b>(43.6)</b>	<b>(52.3)</b>	<b>(64.5)</b>
<b>Non-sports personnel expenses</b>	<b>69.3</b>	<b>68.2</b>	<b>(67.4)</b>	<b>73.2</b>	<b>94.1</b>	<b>109.6</b>
<b>Sports personnel expenses</b>	<b>(73.4)</b>	<b>(71.3)</b>	<b>(76.7)</b>	<b>(96.4)</b>	<b>(115.8)</b>	<b>(128.7)</b>
<b>Expenses of sports personnel eligible for LaLiga</b>	<b>(664.8)</b>	<b>(615.5)</b>	<b>(628.9)</b>	<b>(617.5)</b>	<b>(764.4)</b>	<b>(941.2)</b>
Expenses of sports personnel not eligible for LaLiga	(623.5)	(567.7)	(571.6)	(555.1)	(693.3)	(867.9)
Other operating expenses	(41.3)	(47.7)	(57.4)	(62.4)	(71.1)	(73.2)
<b>Depreciation and amortisation</b>	<b>(232.4)</b>	<b>(230.5)</b>	<b>(255.9)</b>	<b>(273.4)</b>	<b>(318.0)</b>	<b>(439.1)</b>
<b>Amortisation of acquisition rights of LaLiga-eligible players</b>	<b>(217.6)</b>	<b>(171.1)</b>	<b>(135.4)</b>	<b>(159.0)</b>	<b>(209.1)</b>	<b>(268.8)</b>
Amortisation of acquisition rights of LaLiga-not eligible players	(185.8)	(140.9)	(105.6)	(122.0)	(167.9)	(223.3)
Other amortisation	(0.9)	(3.0)	(1.5)	(1.8)	(3.9)	(3.8)
Imputation of non-financial fixed asset subsidies and others	(31.0)	(27.2)	(28.3)	(35.2)	(37.4)	(41.8)
<b>Excess provisions</b>	<b>9.8</b>	<b>10.2</b>	<b>10.8</b>	<b>15.3</b>	<b>17.0</b>	<b>18.9</b>
<b>Impairment and outcome from disposals</b>	<b>6.7</b>	<b>0.8</b>	<b>0.7</b>	<b>1.0</b>	<b>0.6</b>	<b>2.5</b>
<b>Profit from transfer of players</b>	<b>97.9</b>	<b>226.6</b>	<b>162.6</b>	<b>217.2</b>	<b>223.7</b>	<b>257.9</b>
Losses from transfer of players	158.6	224.8	215.0	268.2	251.3	304.2
Profit from fixed assets and extraordinary revenues	(25.7)	(14.8)	(26.0)	(20.2)	(24.2)	(42.7)
Losses from fixed assets and extraordinary expenses	20.5	38.4	50.8	12.6	2.1	1.9
Other outcomes	(55.6)	(21.8)	(77.2)	(43.5)	(5.5)	(5.5)
<b>Operating earnings</b>	<b>15.6</b>	<b>(0.6)</b>	<b>58.1</b>	<b>(2.8)</b>	<b>(70.2)</b>	<b>(5.7)</b>
<b>Financial revenues</b>	<b>(158.4)</b>	<b>109.5</b>	<b>125.4</b>	<b>105.2</b>	<b>181.8</b>	<b>232.8</b>
Financial expenses	120.1	7.2	48.1	88.2	12.0	38.0
Impairment and profit (loss) for disposal of financial instruments	(69.2)	(61.1)	(53.5)	(66.2)	(70.6)	(82.9)
Financial earnings	(0.5)	(1.3)	(0.8)	(1.8)	(0.8)	(2.8)
<b>Earnings before taxes</b>	<b>50.4</b>	<b>(55.2)</b>	<b>(6.3)</b>	<b>20.3</b>	<b>(59.5)</b>	<b>(47.7)</b>
<b>Corporate tax</b>	<b>(108.0)</b>	<b>54.2</b>	<b>119.1</b>	<b>125.4</b>	<b>122.4</b>	<b>185.1</b>
<b>Net earnings</b>	<b>18.1</b>	<b>(2.8)</b>	<b>(15.7)</b>	<b>(22.6)</b>	<b>(14.7)</b>	<b>(47.4)</b>
<b>Outcome after taxes</b>	<b>(89.9)</b>	<b>51.4</b>	<b>103.4</b>	<b>102.8</b>	<b>107.7</b>	<b>137.7</b>

**Cash Flow Statement - Netted LaLiga**

€M	2013-14	2014-15	2015-16	2016-17
A. Net earnings for the financial year (NE)	103.4	102.8	107.7	137.7
B. Restatements (non-cash) to net earnings	(3.2)	46.8	64.4	169.0
<b>A. + B. Gross operating cash flow (CGO)</b>	<b>100.2</b>	<b>149.6</b>	<b>172.1</b>	<b>306.7</b>
C. Working capital (WK)	(46.5)	180.8	59.5	213.6
<b>A. + B. + C. Net operating cash flow (OCF)</b>	<b>53.7</b>	<b>330.4</b>	<b>231.6</b>	<b>520.3</b>
D. Operating investments (Capex)	52.4	(80.5)	(256.5)	(416.1)
Net investment in infrastructure and others	(64.8)	(13.7)	(76.3)	(308.3)
Net investment in players	117.1	(66.8)	(180.2)	(107.8)
<b>A. + B. + C. + D. Free cash flow (total FCF)</b>	<b>106.0</b>	<b>249.8</b>	<b>(24.9)</b>	<b>104.1</b>
E. Cash flow derived from debt (CFDS)	(33.6)	(275.8)	(147.4)	111.3
Financial expenses	(52.7)	(67.1)	(71.5)	(79.9)
Net variation in financial debt with financial entities	(16.3)	(3.3)	39.4	73.3
Net variation in other financial debt (*)	(25.4)	(303.5)	(137.0)	85.6
Financial revenues	46.2	88.2	12.0	36.0
Net investment in financial and other non-operating assets	14.6	9.8	9.6	(3.6)
<b>A. + B. + C. + D. + E. Equity cash flow (ECF)</b>	<b>72.4</b>	<b>(26.0)</b>	<b>(172.3)</b>	<b>215.4</b>
F. Cash flows derived from equity	(14.1)	35.0	193.5	2.2
<b>A. + B. + C. + D. + E + F. Net annual variation in cash</b>	<b>58.3</b>	<b>9.0</b>	<b>21.2</b>	<b>217.7</b>
<b>Initial balance, cash and cash equivalents (**)</b>	<b>89.0</b>	<b>144.6</b>	<b>153.4</b>	<b>171.8</b>
+/- Impact of exchange rates on initial cash balance	-	-	-	-
+/- Net year-on-year variation in cash	58.3	9.0	21.2	217.7
<b>Final balance, cash and cash equivalents (**)</b>	<b>147.3</b>	<b>153.7</b>	<b>174.6</b>	<b>389.4</b>

(\*) Net variation in debt includes variation in the debtors' and creditors' balance for transfer of players.

(\*\*) The cash and cash equivalents balances at the end of each financial year and the beginning of the next are not exactly identical due to the change in the perimeter (i.e. different clubs that comprise the grouping due to the promotion/relegation process).

**Balance Sheet - Netted LaLiga Santander**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
<b>ASSETS</b>						
<b>NON-CURRENT ASSETS</b>	<b>1,701.2</b>	<b>1,612.5</b>	<b>1,519.0</b>	<b>1,590.7</b>	<b>1,684.2</b>	<b>1,987.7</b>
Intangible sports assets	440.4	297.0	306.8	412.2	623.2	743.1
Intangible non-sports assets	112.9	154.9	65.9	62.1	68.8	140.4
Tangible fixed assets	601.6	588.7	630.4	589.1	685.6	857.8
Investments in real property	31.1	33.1	29.9	7.7	4.4	7.4
Investments in group and associated companies	0.0	33.9	40.1	63.8	47.6	51.8
Long-term financial investments	320.3	291.4	267.2	295.2	78.7	51.9
Long-term accruals and deferrals	1.6	1.5	1.4	1.3	1.5	1.3
Tax credits	193.4	212.0	177.1	159.3	174.4	133.8
<b>CURRENT ASSETS</b>	<b>587.1</b>	<b>584.5</b>	<b>547.1</b>	<b>468.2</b>	<b>744.1</b>	<b>983.9</b>
Non-current assets held for sale	-	-	4.9	8.7	155.2	166.1
Inventory	17.5	11.0	5.9	7.7	9.0	30.3
Debtors	376.5	363.8	290.8	273.1	344.8	358.4
Investments in group and associated companies	0.1	4.1	3.1	1.5	1.2	7.6
Short-term financial investments	119.4	114.1	99.2	23.9	69.6	55.9
Short-term accruals and deferrals	10.1	11.3	9.2	9.7	9.4	16.2
Cash and cash equivalents	63.6	80.1	134.1	143.6	154.9	349.4
<b>Total Assets</b>	<b>2,288.3</b>	<b>2,197.0</b>	<b>2,066.1</b>	<b>2,058.9</b>	<b>2,428.3</b>	<b>2,971.6</b>
<b>LIABILITIES</b>						
<b>NET EQUITY</b>	<b>67.0</b>	<b>(6.2)</b>	<b>243.6</b>	<b>214.8</b>	<b>476.6</b>	<b>615.0</b>
Capital and reserves	10.8	(82.9)	193.0	119.2	381.1	457.7
Adjustments for changes of value	(12.0)	(12.0)	(12.0)	(12.0)	(12.0)	-
Subsidies, donations and legacies received	68.2	88.7	62.6	107.6	107.5	157.3
<b>NON-CURRENT LIABILITIES</b>	<b>840.2</b>	<b>959.2</b>	<b>744.1</b>	<b>965.9</b>	<b>896.9</b>	<b>944.7</b>
Long-term provisions	29.4	31.1	48.5	76.8	106.3	66.3
Long-term debts	709.1	810.2	601.3	741.3	625.3	636.9
Investments in group and associated companies	26.9	26.9	20.3	63.6	87.1	151.8
Deferred tax liabilities	65.3	70.7	53.1	58.6	58.4	70.0
Long-term accruals and deferrals	9.5	20.3	20.8	25.6	19.8	19.8
<b>CURRENT LIABILITIES</b>	<b>1,381.1</b>	<b>1,243.9</b>	<b>1,078.4</b>	<b>878.2</b>	<b>1,054.8</b>	<b>1,412.0</b>
Short-term provisions	1.5	10.3	0.1	1.3	1.6	26.1
Short-term debts	495.4	470.3	430.4	288.9	365.0	497.5
Debts with group and associated companies	85.3	3.8	-	4.0	10.1	5.4
Trade creditors	733.9	692.9	597.5	516.0	598.9	681.6
Short-term accruals and deferrals	65.1	66.7	50.5	68.0	79.2	201.5
<b>Total Liabilities</b>	<b>2,288.3</b>	<b>2,197.0</b>	<b>2,066.1</b>	<b>2,058.9</b>	<b>2,428.3</b>	<b>2,971.6</b>

**Income Statement - Netted LaLiga Santander**

M€	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
<b>INCOME STATEMENT</b>						
Revenue from competition	773.4	829.7	845.9	859.3	1,217.0	1,494.9
Revenue from season tickets and members	113.9	122.7	152.1	146.3	236.0	178.8
Revenue from broadcasting	150.0	131.5	109.9	117.6	134.7	144.7
Revenue from merchandising	367.8	450.9	460.5	459.8	686.2	976.0
Revenue from advertising	72.5	54.7	51.3	66.8	80.4	97.0
Provisions and variation of inventory	69.3	69.8	72.0	68.8	79.8	98.4
Other operating revenues	(34.9)	(30.0)	(31.2)	(35.3)	(44.8)	(54.9)
Non-sports personnel expenses	45.8	45.0	45.0	45.7	55.1	60.4
Sports personnel expenses	(61.1)	(55.8)	(59.5)	(74.3)	(92.4)	(101.1)
Expenses of sports personnel eligible for LaLiga	(569.9)	(508.8)	(542.8)	(528.8)	(664.6)	(805.0)
Expenses of sports personnel not eligible for LaLiga	(533.2)	(471.6)	(494.4)	(479.7)	(607.4)	(744.5)
Other operating expenses	(36.7)	(37.2)	(48.5)	(49.1)	(57.1)	(60.5)
Depreciation and amortisation	(185.9)	(177.4)	(204.0)	(217.2)	(254.1)	(348.0)
Amortisation of acquisition rights of LaLiga-eligible players	(200.5)	(147.1)	(121.6)	(140.9)	(196.9)	(252.4)
Amortisation of acquisition rights of LaLiga-not eligible players	(175.3)	(126.2)	(100.7)	(117.1)	(165.7)	(219.1)
Other amortisation	(0.9)	(1.7)	(1.5)	(1.8)	(3.8)	(3.5)
Imputation of non-financial fixed asset subsidies and others	(24.3)	(19.2)	(19.4)	(22.1)	(27.3)	(29.8)
Excess provisions	6.1	6.1	4.9	8.4	10.5	11.6
Impairment and outcome from disposals	2.5	0.7	0.3	0.0	0.5	2.4
Profit from transfer of players	100.4	183.2	141.0	195.3	206.9	225.8
Losses from transfer of players	143.5	197.1	187.7	254.5	234.0	268.3
Profit from fixed assets and extraordinary revenues	(25.0)	(13.2)	(22.3)	(17.8)	(23.5)	(40.3)
Losses from fixed assets and extraordinary expenses	6.7	11.5	47.2	1.2	1.0	1.6
Other outcomes	(24.8)	(12.2)	(71.6)	(42.5)	(4.6)	(3.8)
<b>Operating earnings</b>	<b>11.2</b>	<b>(4.6)</b>	<b>66.2</b>	<b>(5.9)</b>	<b>(73.4)</b>	<b>(15.0)</b>
Financial revenues	(112.9)	140.9	144.3	106.3	163.9	218.7
Financial expenses	119.9	6.7	8.1	61.9	11.4	26.4
Impairment and profit (loss) for disposal of financial instruments	(60.3)	(55.5)	(47.8)	(57.2)	(66.4)	(73.9)
Financial earnings	(0.7)	(1.3)	(0.5)	(0.8)	(1.3)	0.9
<b>Earnings before taxes</b>	<b>58.8</b>	<b>(50.0)</b>	<b>(40.2)</b>	<b>3.8</b>	<b>(56.3)</b>	<b>(46.6)</b>
Corporate tax	(54.0)	90.9	104.1	110.2	107.6	172.2
Net earnings	5.6	(12.0)	(6.6)	(22.0)	(13.6)	(43.7)
<b>Outcome after taxes</b>	<b>(48.4)</b>	<b>78.9</b>	<b>97.5</b>	<b>88.2</b>	<b>93.9</b>	<b>128.4</b>

**Cash Flow Statement - Netted LaLiga Santander**

€M	2013-14	2014-15	2015-16	2016-17
A. Net earnings for the financial year (NE)	97.5	88.2	93.9	128.4
B. Restatements (non-cash) to net earnings	35.4	18.4	69.5	151.7
<b>A. + B. Gross operating cash flow (CGO)</b>	<b>132.9</b>	<b>106.6</b>	<b>163.5</b>	<b>280.2</b>
C. Working capital (WK)	(130.1)	147.6	62.4	150.8
<b>A. + B. + C. Net operating cash flow (OCF)</b>	<b>2.9</b>	<b>254.2</b>	<b>225.8</b>	<b>431.0</b>
D. Operating investments (Capex)	25.5	(74.1)	(265.1)	(417.0)
Net investment in infrastructure and others	(73.1)	(61.7)	(72.2)	(278.7)
Net investment in players	98.6	(12.4)	(192.9)	(138.3)
<b>A. + B. + C. + D. Free cash flow (total FCF)</b>	<b>28.4</b>	<b>180.1</b>	<b>(39.2)</b>	<b>13.9</b>
E. Cash flow derived from debt (CFDS)	55.0	(224.4)	(117.8)	179.1
Financial expenses	(48.3)	(58.1)	(67.8)	(70.9)
Net variation in financial debt with financial entities	(11.0)	0.2	40.0	82.3
Net variation in other financial debt (*)	87.8	(202.4)	(120.2)	157.6
Financial revenues	8.1	61.9	11.4	24.3
Net investment in financial and other non-operating assets	18.4	(26.0)	18.8	(14.3)
<b>A. + B. + C. + D. + E. Equity cash flow (ECF)</b>	<b>83.3</b>	<b>(44.3)</b>	<b>(157.0)</b>	<b>193.0</b>
F. Cash flows derived from equity	(16.5)	64.9	169.4	0.8
<b>A. + B. + C. + D. + E + F. Net annual variation in cash</b>	<b>66.8</b>	<b>20.7</b>	<b>12.4</b>	<b>193.7</b>
<b>Initial balance, cash and cash equivalents (**)</b>	<b>67.3</b>	<b>122.9</b>	<b>142.5</b>	<b>155.7</b>
+/- Impact of exchange rates on initial cash balance	-	-	-	-
+/- Net year-on-year variation in cash	66.8	20.7	12.4	193.7
<b>Final balance, cash and cash equivalents (**)</b>	<b>134.1</b>	<b>143.6</b>	<b>154.9</b>	<b>349.4</b>

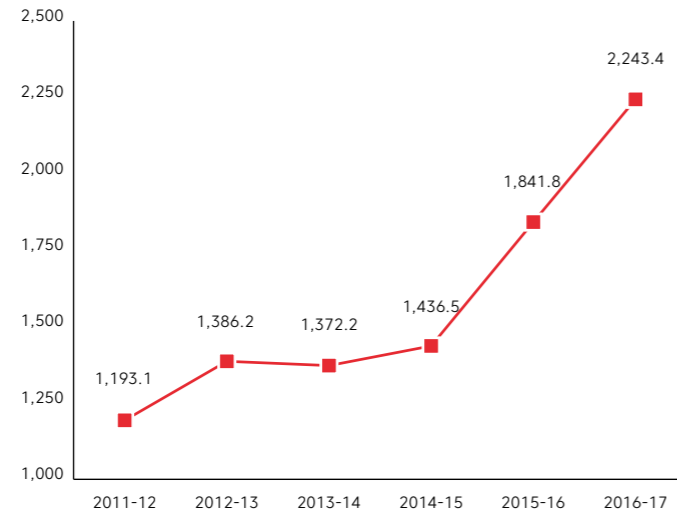
(\*) Net variation in debt includes variation in the debtors' and creditors' balance for transfer of players.

(\*\*) The cash and cash equivalents balances at the end of each financial year and the beginning of the next are not exactly identical due to the change in the perimeter (i.e. different clubs that comprise the grouping due to the promotion/relegation process).

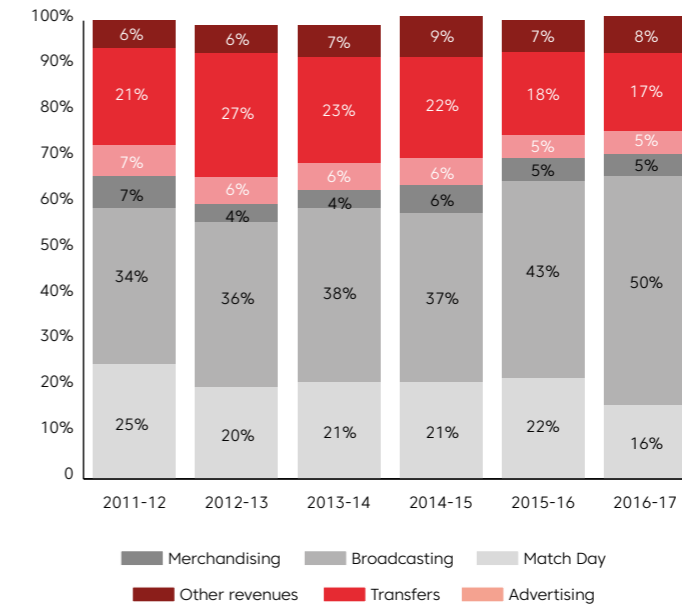




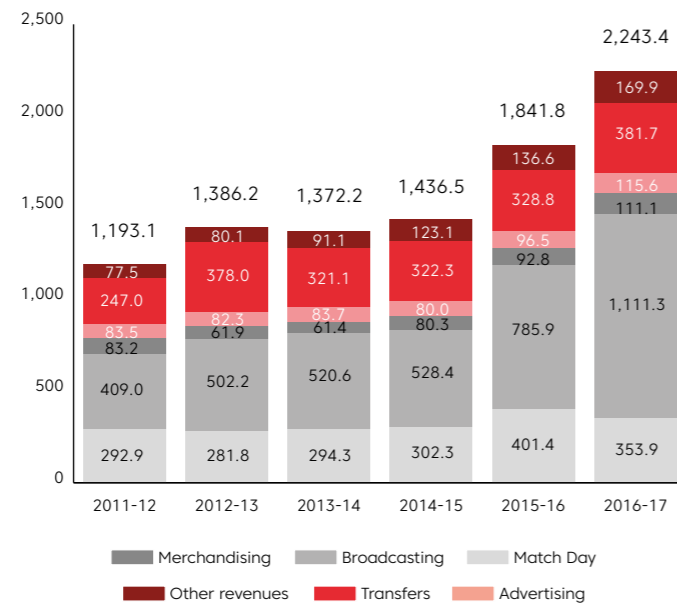
**Graph 41. Total Revenue, Netted LaLiga**



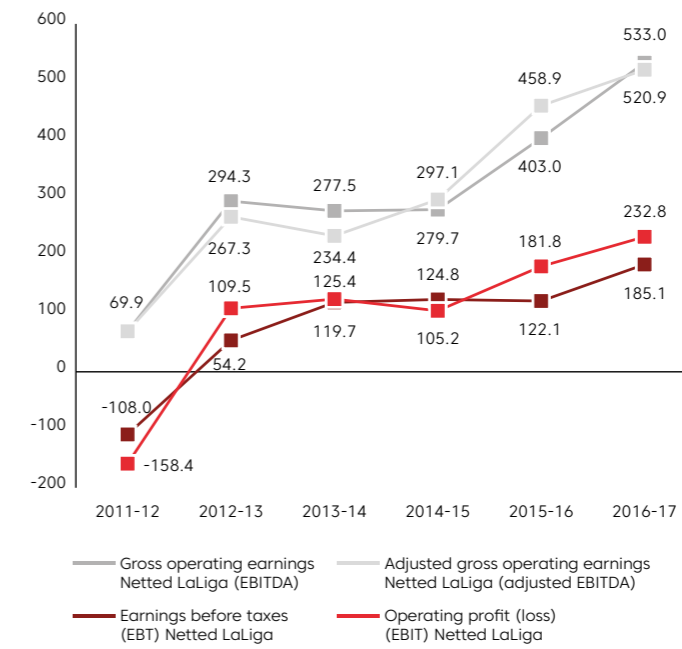
**Graph 43. Contribution to Total Revenue, Netted LaLiga**



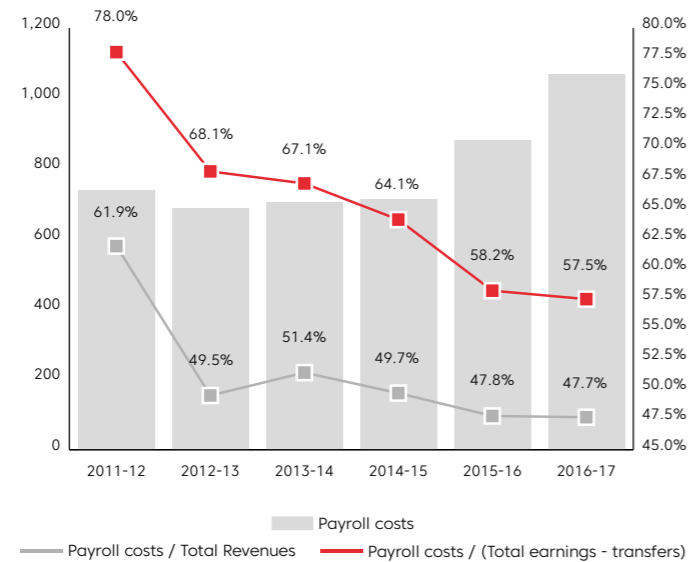
**Graph 42. Distribution of Total Revenue, Netted LaLiga**



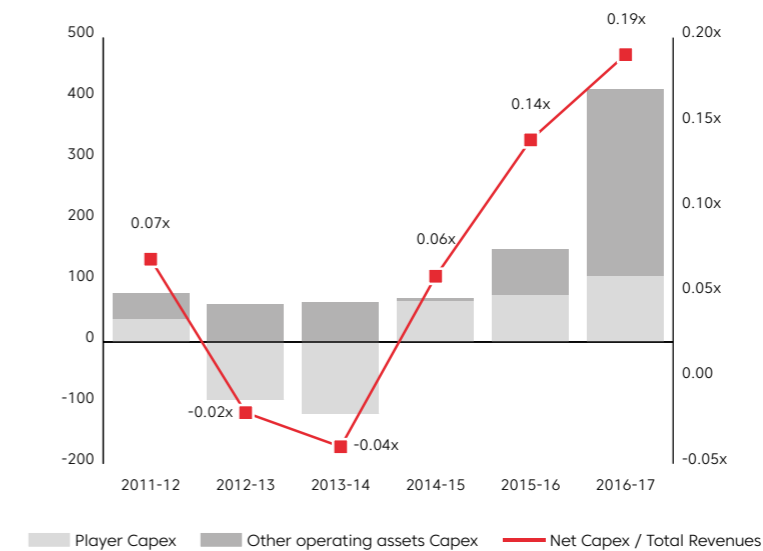
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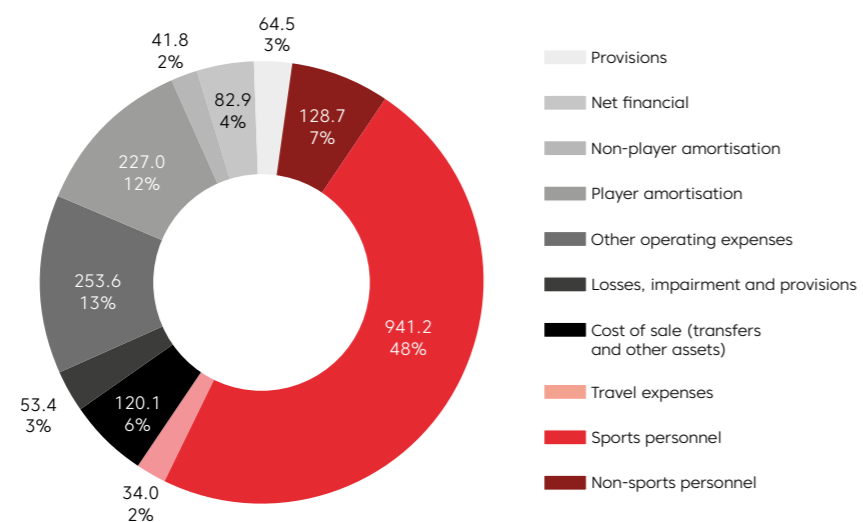
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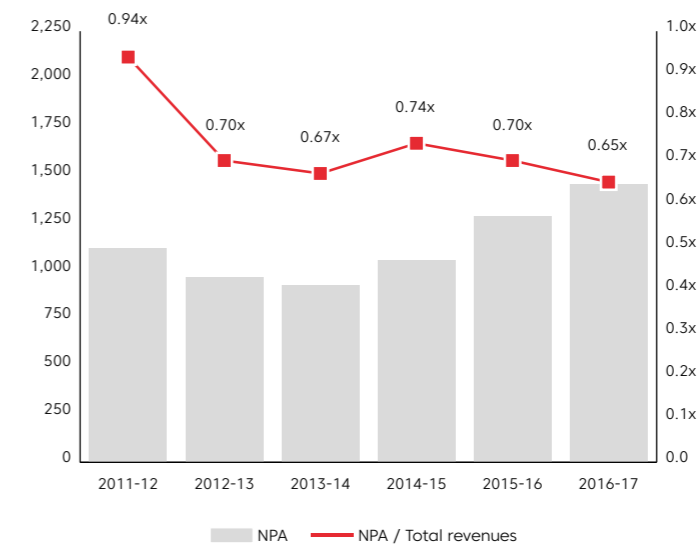
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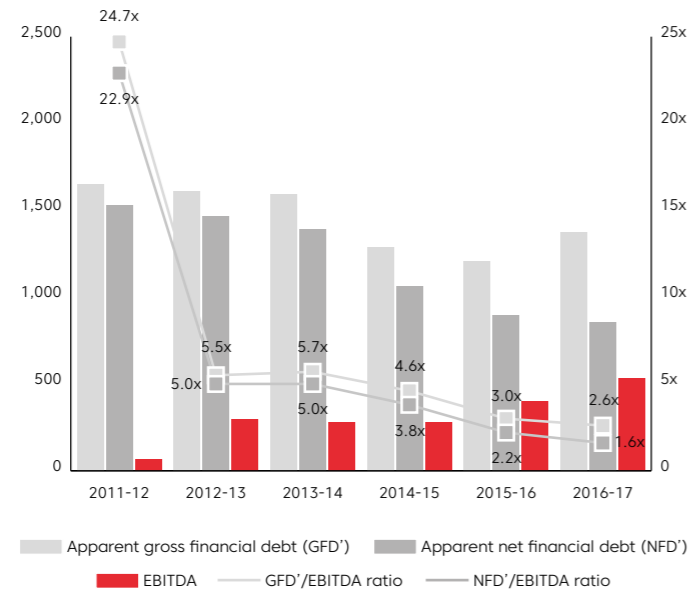
**Graph 46. Distribution of Total Expenses, Netted LaLiga**



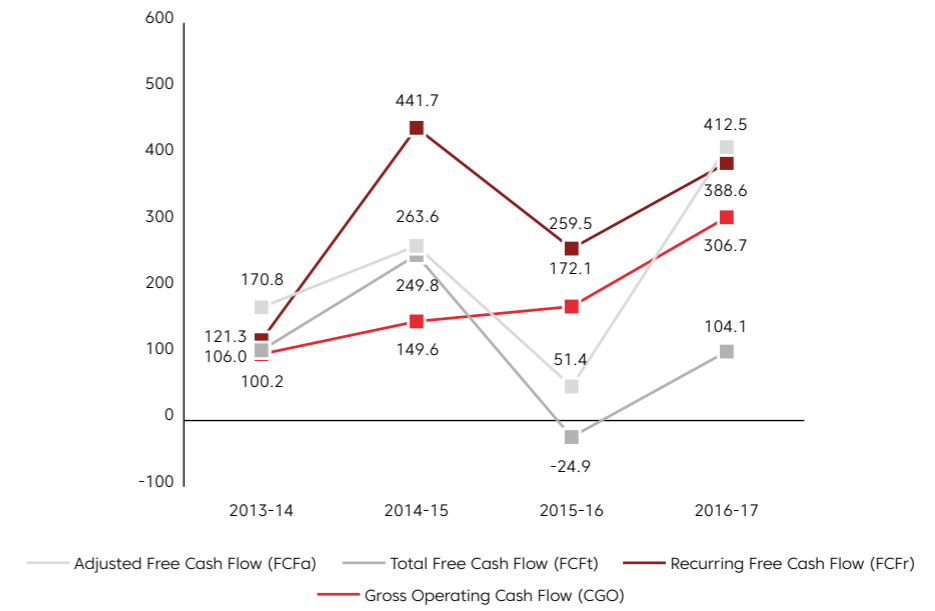
**Graph 48. Installed operating capacity (NOA), Netted LaLiga**



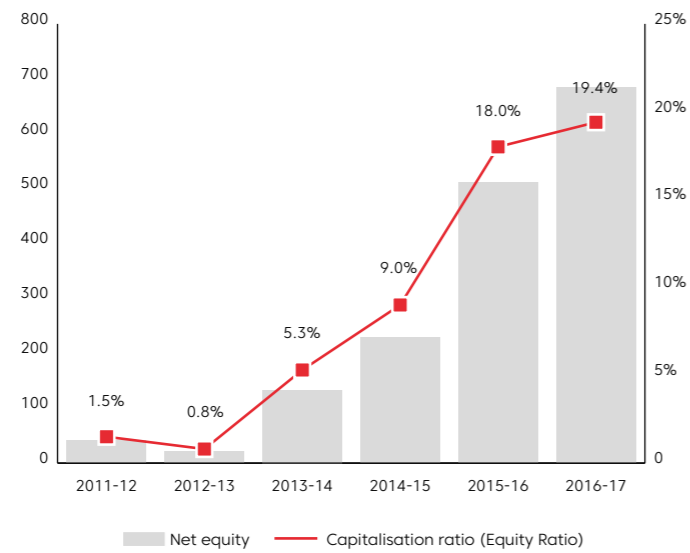
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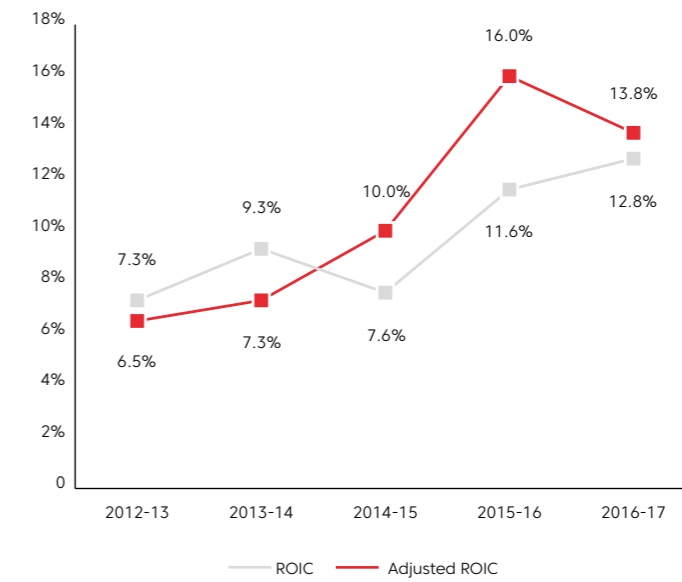
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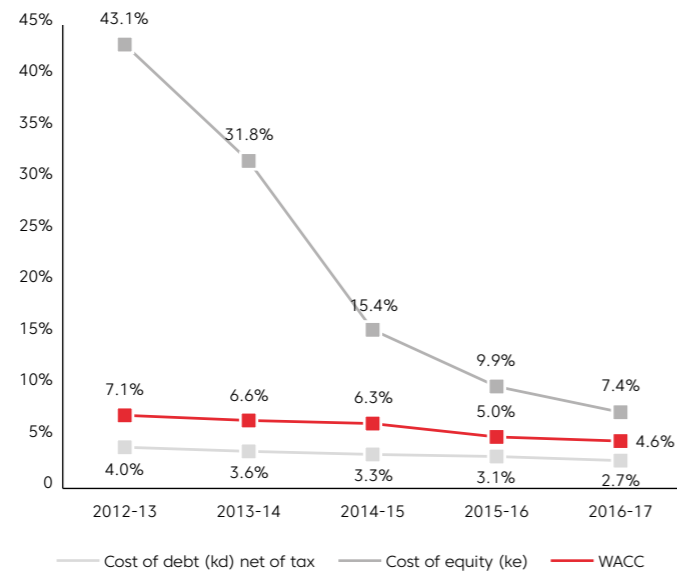
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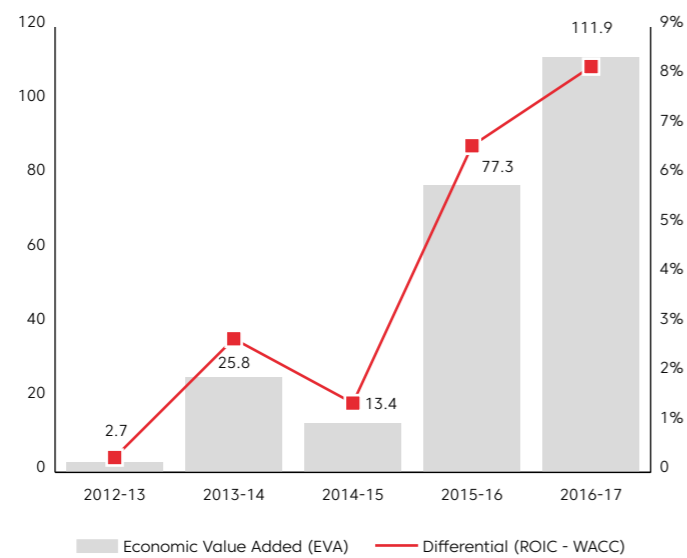
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### 1. TOTAL REVENUES

Broad definition of all collections in the accounting records included in the Income Statement for each grouping of clubs. It includes the following heads:

- Net turnover (NTO)
  - Match day revenues (including invoicing of members, subscribers and competitions)
  - Broadcasting revenues
  - Merchandising revenues (including invoicing for sponsorships)
  - Advertising revenues
- Revenue from player transfers (i.e. sale price of federative rights)
- Other income, mainly:
  - Other operating revenues (not included in the items that comprise the NTO)
  - Recognition (assignment) of capital grants for non-financial and other assets
  - Excess (application) of provisions
  - Revenue (i.e. sale price) for the disposal of other assets (excluding player transfer) or exceptional earnings
  - Financial revenue
  - Impairment and outcome of disposal of financial instruments (with a negative sign: to be subtracted from financial revenues)
  - Debt relief in bankruptcy proceedings (with a negative sign: to be subtracted from financial revenues)

### 2. SEASONS ANALYSED IN THE TIME SERIES

From 2011-12 to 2016-17, which means a total of six seasons, or five annual increments between the past year and the base year.

### 3. ANNUAL COMPOUND GROWTH RATE (CAGR)

The Annual Compound Growth Rate (CAGR) expressed in %, is calculated by the following formula:  $\left(\frac{Value_n}{Value_0}\right)^{\frac{1}{n}} - 1$

In this case, n is equal to 5 (i.e. equivalent to magnitudes corresponding to 6 full financial years).

### 4. GDP GROWTH IN SPAIN

Source: National Institute of Statistics (INE). Gross Domestic Product (GDP) of Spain at market prices at the end of each year in the 6-year reference period (2012-2017).

### 5. REVENUES FROM TRANSFERS

Defined as the price for assignment of the federative rights of football players. In accounting terms, equivalent to the net result / earnings of said transfers plus the net book value of the same. This head is included in the "Total Revenues" section.

The cost of assignment of federative rights are also recognised in the Expenditure section for the amount (write-off) of the net book value.

Thus, the sale price (income) minus the cost of sale (expenditure) of the transfer is equivalent to net earnings from transfers.

### 6. EBITDA (GROSS OPERATING EARNINGS)

LaLiga defines this expression as operating earnings (EBIT), before:

- Amortisation
- Loss, impairment and variation in provisions for trade transactions

The acronym "EBITDA" means "earnings before interests, taxes, depreciation and amortisation".

### 7. ADJUSTED EBITDA (ADJUSTED GROSS OPERATING EARNINGS)

Defined as EBITDA, also ignoring (with the respective + or - sign) the following heads:

- Earnings from disposal of another asset (excluding transfer of players) or exceptional earnings
- Recognition (assignment) of capital grants for non-financial and other assets
- Excess provisions
- Other non-recurring operating earnings

### 8. TOTAL EXPENSES

Includes the following expenditure items:

- Provisions
- Non-sports personnel wages
- Sports personnel wages
- Travel expenses
- Cost of selling players (transfers)
- Loss, impairment and provisions
- Other operating expenses
- Amortisation of players
- Amortisation of other assets
- Financial expenses

Does not include the expense for Corporation Tax (IS).

### 9. NET OPERATING INVESTMENT (CAPEX)

Net investment (i.e., considering divestments) pledged in the financial year. The acronym "Capex" means "Capital expenditures" and refers to the annual net investment in operating capacity (operating assets).

### 10. NET OPERATING ASSETS (NOA)

Balance of assets or stock of installed operating capacity at the end of each year according to the Balance Sheet and which specifically includes:

With a positive sign:

- Intangible sports assets

- Intangible non-sports assets
- Tangible fixed assets
- Real property investments
- Deferred tax assets
- Inventory
- Trade debtors (customers and other current operating assets)
- Short-term asset accruals and deferrals

With a negative sign:

- Trade creditors (suppliers and other current operating liabilities)
- Short-term and long-term provisions
- Short-term liability accruals and deferrals

NOA includes the equity volumes that affect the clubs' normal transactions that derive in the net operating earnings (EBIT) in the Income Statement and excludes all assets and liabilities of a financial nature and all Net Equity.

#### 11. FUNDS REQUIRED FOR OPERATIONS OR WORKING CAPITAL (WC)

Equivalent to net investment in current working capital. It is defined as the net growth (asset - liability) of non-current (i.e. short-term) equity volumes of a non-financial (or operating) nature.

#### 12. OPERATING PROFITABILITY INDEX (ROIC)

Acronym that means "return on invested capital" and refers to the profitability of the business or the accounting performance deriving from the club's core operations.

It is calculated as the quotient between the annual NOPAT and the average NOA of the financial year:

- NOPAT means "Net operating profit after taxes". In other words:  $EBIT \times (1 - \text{tax rate})$
- Average NOA:  $(NOA \text{ in } n-1 + NOA \text{ in } n) / 2$ , where "n" is the end of the current year and "n-1" the end of the previous year

#### 13. ADJUSTED EBIT

Defined as the net operating earnings (EBIT), also ignoring (with the appropriate sign) the following heads:

- Earnings from disposal of another asset (excluding transfer of players) or exceptional earnings
- Recognition (assignment) of capital grants for non-financial and other assets
- Excess provisions
- Other non-recurring operating earnings

#### 14. COMPARABLE EBIT

Defined as net operating earnings (EBIT), ignoring operating expenses arising as a result of entry into force of RDL-5/2015.

#### 15. CASH GENERATED BY OPERATIONS (CGO)

Cash flow generated by club operations before investment/disinvestment in working capital (WC) and total operating capacity (Capex).

#### 16. OPERATING CASH FLOW (OCF)

The CGO after the investment / disinvestment in working capital (WC)

#### 17. FREE CASH FLOW (FCF)

Free cash flow, equivalent to the CGO plus the net investment in working capital (WC) and total operating capacity (Capex). It is the effective operating performance generated by the business for the year.

#### 18. RECURRENT FREE CASH FLOW (RECURRING FCF)

FCF but considering only the Capex outlay of a recurrent nature (not investment in total operating capacity) according to LaLiga's estimates. Can be considered as the potential operating performance generated by the business. For purposes of analysis, non-recurring Capex (in players and other non-financial assets, basically infrastructures) is defined as any amount that exceeds the historical average in the series under analysis.

#### 19. ADJUSTED FREE CASH FLOW (ADJUSTED FCF)

FCF but considering only the Capex expenditure on players (without considering investment in other operating assets such as infrastructures).

#### 20. APPARENT GROSS FINANCIAL DEBT (GFD)

Equity volumes of current and non-current debt according to the Balance Sheet.

#### 21. APPARENT NET FINANCIAL DEBT (NFD)

GFD minus Cash and Cash Equivalents balances and current and non-current Financial Investments according to the Balance Sheet.

#### 22. ADJUSTED GROSS FINANCIAL DEBT (GFD')

GFD +/- adjustments of Balance Sheet items not formally classified in the liability debt items in the Audited Annual Financial Statements but which are relevant in the business of football in general and Spanish professional football in particular. These are:

- Balance of credit and debit accounts with clubs for the transfer of players
- Insolvency debt classified as current liabilities
- Debt with PAs for deferral of payments recognised in current liabilities
- Remunerations pending payment with players at a level that exceeds the standard payment ratio of the sector

#### 23. ADJUSTED NET FINANCIAL DEBT (NFD')

GFD' minus Cash and Cash Equivalents balances and current and non-current Financial Investments according to the Balance Sheet.

#### 24. WEIGHTED AVERAGE COST OF CAPITAL (WACC)

Represents the weighted average annual cost of the financing sources that sustain the Net Operating Assets (NOANO).

$$WACC = kd (1-t) \times D / (D + E) + ke \times E / (D + E)$$

Where:

- kd: Annual cost of debt

- $k_d (1-t)$ : Annual cost of debt net of taxes
- $k_e$ : Cost of own resources (Equity) according to the CAPM
- $D / D + E$ : Proportion of third-party resources in liabilities in accordance with the restatement of the Financial Balance
- $E / E + D$ : Proportion of own resources in liabilities in accordance with the restatement of the Financial Balance

#### 25. TOTAL GROSS DEBT (GTD)

Broader and more conservative definition of the debt item. The sum of total non-current liabilities and current liabilities without considering deferred tax liabilities.

#### 26. NET TOTAL DEBT (NTD)

GTD - the following adjustments:

- Sports entity debtors for transfers / short-term assignments
- Sports entity debtors for transfers / long-term assignments
- Short-term financial investments
- Cash and cash equivalents

#### 27. INTEREST COVERAGE RATIO

Defined as the annual EBITDA / annual financial burden (i.e. gross financial expenses).

#### 28. CAPM (CAPITAL ASSET PRICING MODEL)

Method commonly applied in the financial field to determine the reasonable annual cost of own resources or *Equity* ( $k_e$ ).

$$K_e = RFR + \text{Beta} \times \text{MRP}$$

Where:

- RFR (Risk-Free Rate): Average annual profitability of 10-year government bonds (e.g. Kingdom of Spain)
- Beta (levered): Index that measures the volatility of an asset (leveraged) with risk under analysis with respect to the market (Ibex 35, index of the Spanish Stock Exchange). To calculate it, the mean of the unleveraged Betas observed for the listed European clubs during a representative sample of years is taken and levered with the financing structure of each LaLiga grouping over time.
- MRP (Market Risk Premium): Long-term annual return premium of a diversified portfolio of risky assets (Ibex 35 index) against the RFR

#### 29. EVA (ECONOMIC VALUE ADDED)

Measures the annual differential between the ROIC and the WACC, applied (multiplied by) to the net operating capacity (NOA) installed at any one time (annual mean balances).

$$EVA = (ROIC - WACC) \times NOA$$



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