WE CARE ABOUT FOOTBALL

The European Club Footballing Landscape

CLUB LICENSING BENCHMARKING REPORT FINANCIAL YEAR 2008

Foreword

The concept of financial fair play that recently received the backing of the UEFA Executive Committee is at the top of UEFA priorities. This club licensing benchmarking report illustrates the reasons why the major football stakeholders have agreed there is a need for action, by highlighting that amid the record broadcast deals and revenues there are some increasingly clear warning signs.

The many clubs across Europe that continue to operate on a sustainable basis, and there are many as proved by this report, are finding it increasingly hard to coexist and compete with clubs that incur costs and transfer fees beyond their means and report losses year-after-year. While clubs' revenues have continued to rise, these have been entirely absorbed by the growth in costs undermining profitability and pushing many clubs to rely on debt or shareholder's contributions to finance operating activities. For the health of European club football, those many clubs that operate with financial discipline and sustainable business plans must be encouraged and this is why the entire football family requested and expressed full and unanimous support for the principles of financial fair play.

Club licensing, which covers an unprecedented 1300 top and lower division clubs across Europe is the perfect tool to drive this major reform into practice. In this context the promotion of benchmarking and transparency has become of key importance. This report aims at providing the widest and most accurate information available on club football from both a financial as well as a sporting perspective and we hope you will find it informative and useful.

Michel Platini
President of UEFA

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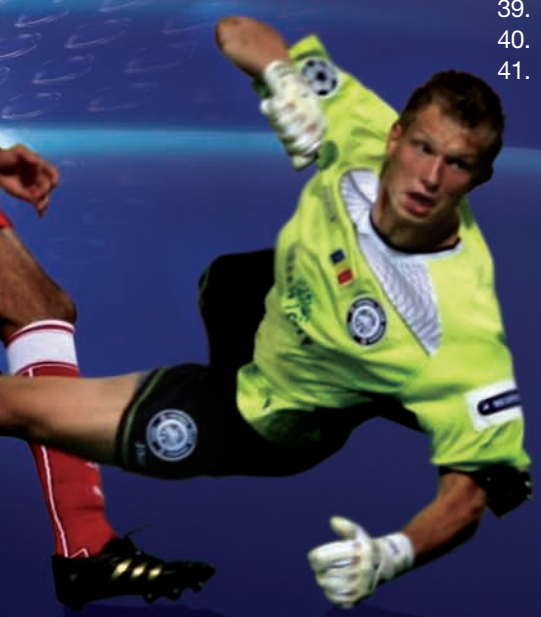

Executive Committee
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EFA Club Licensing
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UEFA Club Licensing
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prove the long term
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with the revenues they
facilities and activities
clubs (investment in
nt activities) rather than
, and to ensure clubs
sis.

These objectives reflect UEFA's view that it has a duty to acknowledge and consider the systemic environment of European club football in which individual clubs compete, in particular in respect of recent levels of inflation in the level of players' salaries and transfer fees. As this benchmarking study points out only a few clubs own their own infrastructure (stadium and training facilities) and in some notable recent cases stadiums are being sold to fund short term speculative spending on players. Many clubs reported repeated, and worsening, financial losses in their most recent financial statements and auditors expressed concern for the ability of 10% of top division clubs to continue as going concerns. The wider economic situation has created difficult market conditions for clubs in Europe. In particular, this has the potential to negatively impact revenue generation and create additional challenges for clubs in respect of the availability of financing, assets' investments and the assessment of going concern.

Taking all of the above into consideration, UEFA believes that action now is required to safeguard the future sustainability of European club football.

UEFA recognises that the development and implementation of financial fair play criteria presents a challenging task and that new rules need to be implemented over a certain time in order to provide national associations and clubs with the necessary time to learn and adapt to them. As such full implementation is foreseen only as from 2012/13.

Transparency

Objectives of benchmarking project*

Provide contextual information to enable better informed interaction between national/ international stakeholders (e.g. clubs, leagues, players, media, supporters, government or municipal authorities, UEFA etc.).

- Demonstrate transparency in European club licensing and encourage transparency in the wider world of football.
- Underline the positive contributions of club licensing, beyond its basic regulatory nature.
- Help national bodies to understand or confirm inherent differences and similarities that exist between member associations and their club football.
- Allow governing bodies and leagues to place the financial and structural development of their club football in the context of general football trends, in particular those countries with similar profiles.
- Provide information in benchmark categories that may help in identifying areas of relative weakness or underperformance.

Footnotes: * Benchmarking of club data is specified as one of the objectives of the UEFA club licensing system - Article 2 (g) of the UEFA club licensing regulations;

e club licensing benchmarking
ot profile individual clubs but
ropean club football providing
es and clubs with information
on contained in this report,
, is sourced directly from clubs
nancial information to their
part of the club licensing

ures from financial statements
f all top division clubs. Its
ble by the strong input and
nsing managers to whom we

The report is structured in five chapters that follow a brief section illustrating main highlights:

Chapter 1 - Club licensing profile and report scope: it explains the scope of the report and the recent club licensing results.

Chapter 2 - Sporting profile of European club football: it presents information on the size and structure of domestic championships; an overview of club legal forms; stadium ownership, and; average attendances and attendance trends across Europe.

Chapter 3 - Financial profile of European club football - 2008 income: income split (broadcasting, advertising & sponsorship, gate receipts, and other income) and trends, the use and relevance of peer groups and; the link between financial resources and on-pitch success.

Chapter 4 - Financial profile of European club football - 2008 costs and profitability: employee costs and other operating costs and trends; the impact of transfer accounting and activity on club financial results; the impact of financing and other non operating activities on club financial result and; operating and bottom-line net profitability.

Chapter 5 - Financial profile of European club football - 2008 assets, debts and liabilities: it finishes the financial profile by looking at the balance sheets of European football clubs: type of assets, debts and other liabilities are screened. It provides information on how clubs are financed and on the level of capitalisation.

Highlights


8
14

nsing

lubs undergoing club licensing in Europe in 2009

of national associations (43 of 53) which have refused
s a UEFA club licence between 2004-2009

lubs (from 5 separate countries) who qualified on a sporting
rs UEFA Europa League but were not granted licences

Domestic championship structures

The number of top divisions that have changed the number of participating clubs in the last 3 years. **17**

The number of top divisions with two or more relegation places – a fundamental aspect of European sports model. **47**

The number of top divisions clubs, from 13 countries, playing their domestic championship in summer months **157**

Popularity - Attendances

105 Million Reported attendances at top division European domestic championship matches in 2008/09 season

196 Clubs in top division that reported average league attendances over 10’000 per match

58% Top divisions that reported falling attendances in 2008/09(2008s) compared to 66% that reported increasing attendances the previous year

Stadium ownership

Proportion of European top divisions clubs renting their stadiums from municipal or state authorities

65%

The number of top division clubs (83%) that do not directly own their stadium

608

Europe-wide financial results

he number of financial statements on which the club-by-club financial
nalysis is based, covering an estimated 96% of all top division club revenues
The widest financial study ever undertaken

he reported income of the 732 European top division clubs in 2008

he like-for-like increase in European top division club income
ported from 2007 to 2008

he reported costs of the 732 European top division clubs in 2008

he like-for-like increase in European top division club costs
ported from 2007 to 2008

he aggregate losses of the 732 European top division clubs in 2008,
creased from €515m the previous year

n the one side the percentage of clubs 53% reporting break-even in 2008,
n the other side the percentage 22% reporting significant losses [>20% income]

22%

Competitive balance

The spending advantage on wages & transfers that the 10 highest spending clubs had over the next 10 clubs

99%

The proportion of total Europe-wide broadcasting money generated by the 5 largest leagues

88%

The typical multiple of income enjoyed by the four largest clubs in each country compared to the other clubs in their domestic championship

3.9x

The domestic champions reported either the highest income and/or highest wages in half of the European leagues

1/2

Salaries

The reported employee costs (mostly playing staff) of the 732 European top division clubs in 2008

€7.1 Billion

The huge like-for-like increase in European top division club employee costs reported from 2007 to 2008

18.1%

The number of clubs spending above 100% of their revenue on wages

57

Europe-wide financial position

he reported assets of the 732 European top division clubs in 2008

he reported liabilities of the 732 European top division clubs in 2008

he reported level of bank debt and commercial loans of European top division clubs, of which

54% Are from just 20 clubs

he reported balance sheet carrying value of stadium & other fixed assets, of which

64% Are from the same 20 clubs. Indicating that bank lending is heavily connected to stadiums

ercentage of clubs reporting negative net equity – Debts larger than reported assets

ercentage of clubs reporting deteriorated net equity position compared
o previous year (even after any new owner or investor funds committed)

Transfer fees

The amount of contracted transfer fees scheduled to be paid in more than a year, 35% of total transfer fees payable — **€550 Million+**

The net amount that 10 clubs have still to pay on transfer fees (after taking away amounts owed to them on transfers) — **€530 Million+**

The aggregate net cost from transfer activity of ENG & ESP clubs in 2008 — **€385 Million+**

The aggregate net income from transfer activity of FRA & NED clubs in 2008 — **€185 Million+**


RESPECT
joma

1

Club Licensing Profile & Report Scope

Raising standards: How widespread across Europe is the licensing of clubs?

y clubs applied and were granted a licence to enter UEFA competitions?

Why were clubs refused licences?

censor ever refuse a licence to a UEFA competition qualified club?

How many clubs does the report cover?

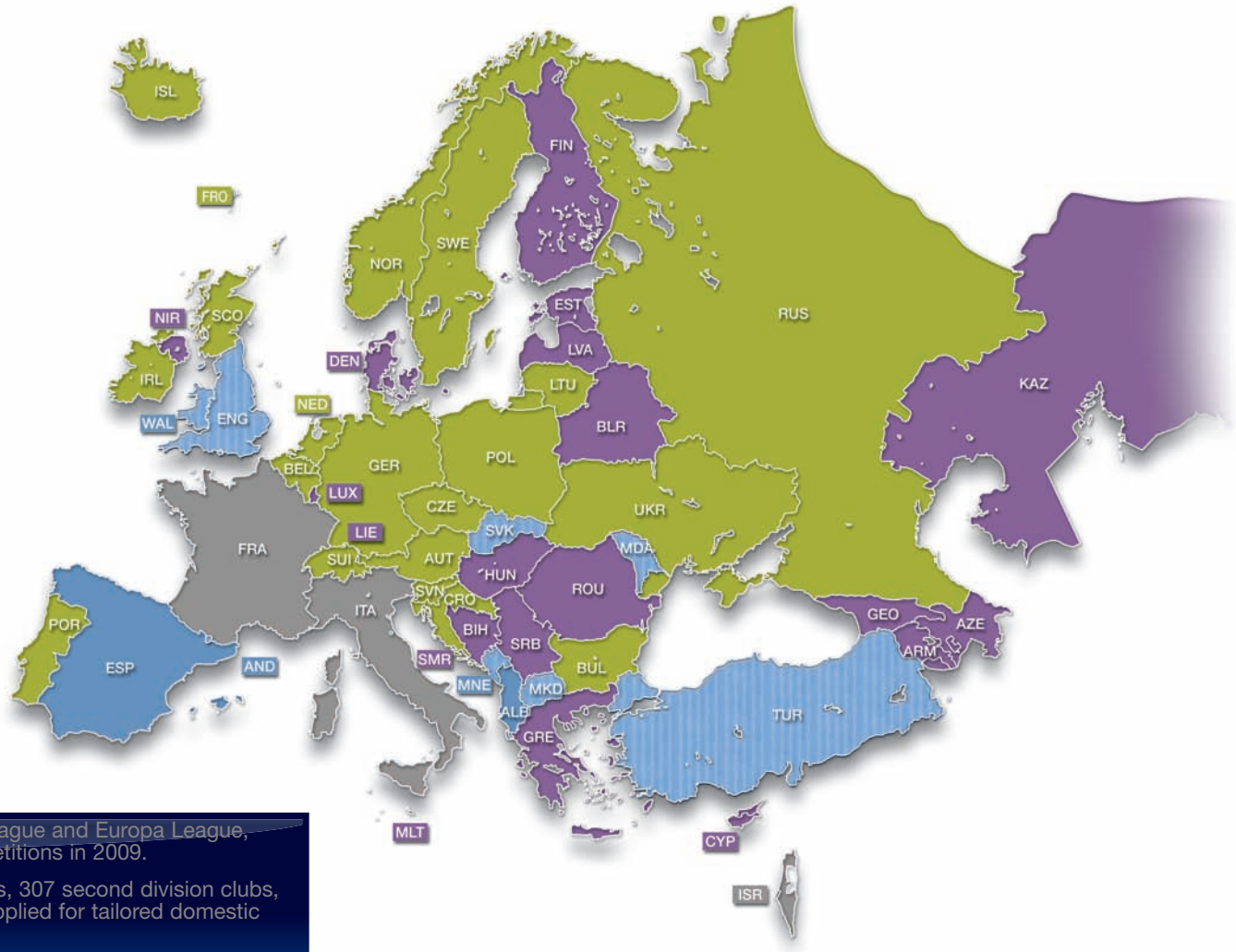
spread across Europe is the licensing of clubs?

Domestic licensing system beyond top division	20x
Domestic licensing for top division	21x
Domestic financial control beyond top division	3x
No domestic licensing system	9x
No domestic system applied to date but planned within next 2 years	

ng system sown by the which flowered with the ntrance to the 2004/05 grow and branch out licence is used by 'only' mpetitions (UCL & UEL) ergoing licensing, either or domestic licensing, , more than 700 clubs nsing rules and this will will implement licensing 2 years.

he licensing philosophy

e standards across the otball in many important reporting; budgeting; astructure quality and mployee settlements; qualifications, further taken for the elite clubs the form of developing t can therefore be said he branches of the club ngthened.



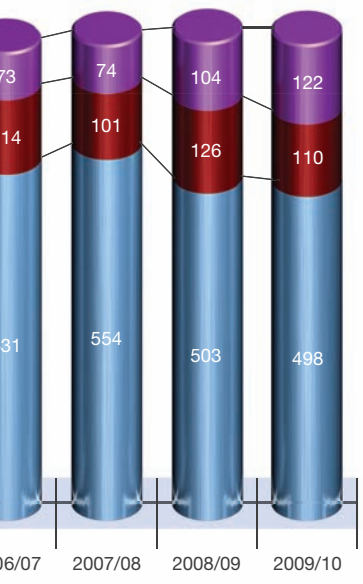
g the UEFA Champions League and Europa League, ense to enter UEFA competitions in 2009.

rther 101 top division clubs, 307 second division clubs, and 72 women's clubs applied for tailored domestic les*.

oush and pull of licensing, undoubtedly helping to otball.

Footnotes: * The number of clubs undergoing licensing by country included in Appendix 1.

hany clubs applied & were granted a licence to enter UEFA competitions?



License not applied for

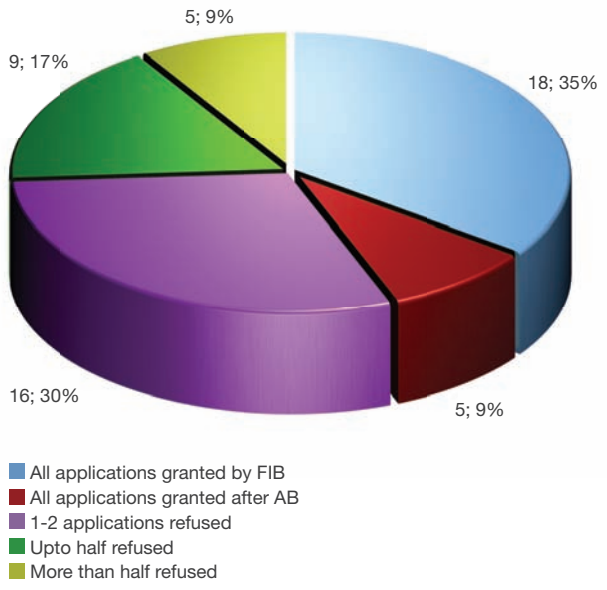
The number of clubs not applying for a license for UEFA competitions continued to increase to 122. This however is a positive statistic as it directly reflects the increase in stand-alone domestic licensing with lower ranked clubs applying for a domestic and not UEFA qualifying license.

Licenses refused

The fact that 110 clubs were refused licenses continues to underline the challenging nature of the requirements and this refusals figure remains above the 2007/08 level despite improvements by clubs, due to the harder licensing criteria requirements introduced in the previous cycle 2008/09.

When all 6 cycles are taken into consideration, a licence has now been refused by the vast majority of licensors (43 of 53). In the most recent cycle, the pie chart indicates that 30 countries refused a licence to one of its clubs with 14 (gold and green segments) countries refusing more than 2 clubs.

Licenses granted



ear round cycle, with communication and assessment of certain criteria performed throughout
ent takes place between March and May in respect of the UEFA competitions that start in
of licensed clubs were submitted to UEFA on 2 June 2009, 83% (608) of the 730 clubs playing
national associations had applied for a license for entering UEFA competitions in the 2009/10
nt clubs, 82% (498) had been granted a license.

lties in meeting the stricter financial criteria implemented for the first time last season.

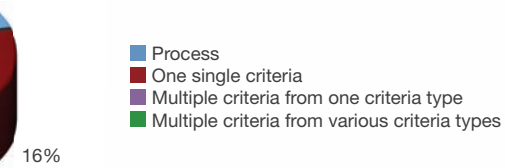
clubs refused licences?

results of the licensing
ng to build trust in the
nd refinement of the
portant that the reasons
ces is known.

single criteria failed and
n this alone leads to a
in 16% of cases (deep

In most cases in 2009/10 clubs which were refused a licence have failed multiple criteria (purple or green in pie chart). The club licensing criteria can be divided into different categories: financial, infrastructure, sporting, personnel & administrative, legal, and process related. In 41% of cases (green), the refusal was due to failing criteria across different categories (e.g. Financial and sporting), whilst 22% of cases (purple) was due to more than one criteria but of the same type (e.g. multiple financial criteria). The remaining (light blue) 21% of refusals were due to process grounds, for example missing essential submission deadlines or simply not completing the licensing process.

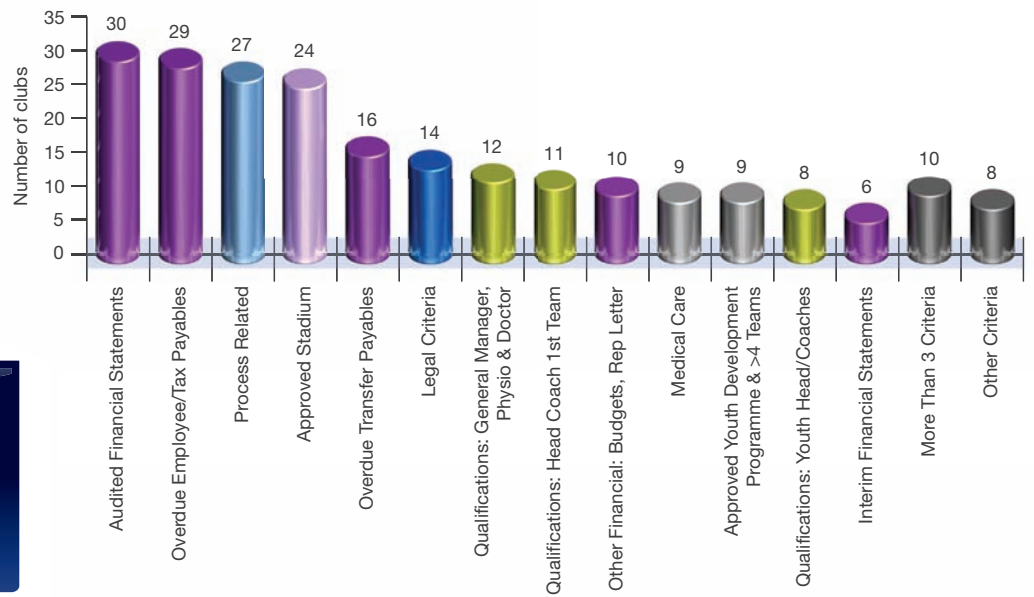
In recent years UEFA has collected and analysed the reasons why clubs have been refused licences. Whilst the financial criteria (purple in column chart) have and will continue to have a high profile, particularly with the introduction of financial fair play criteria, it is clearly evident from the number of non financial reasons for licence refusal, that licensing is much more than just a set of financial rules. Hence UEFA refers to its club licensing system and not its financial control system.



ences were refused for a wide variety of reasons
the 223 reasons* given for failure, 40% were financial
l) and 60% other reasons. The provision of annual
tory quality, detail and audit opinion required (30) and
s (29) were the two most common reasons but each
otal reasons for refusal.

e for one criteria or criteria type alone, financial criteria
refusals with Stadium responsible alone for 8 refusals.

Overview of reasons provided for 2009/10 season FINAL refusals

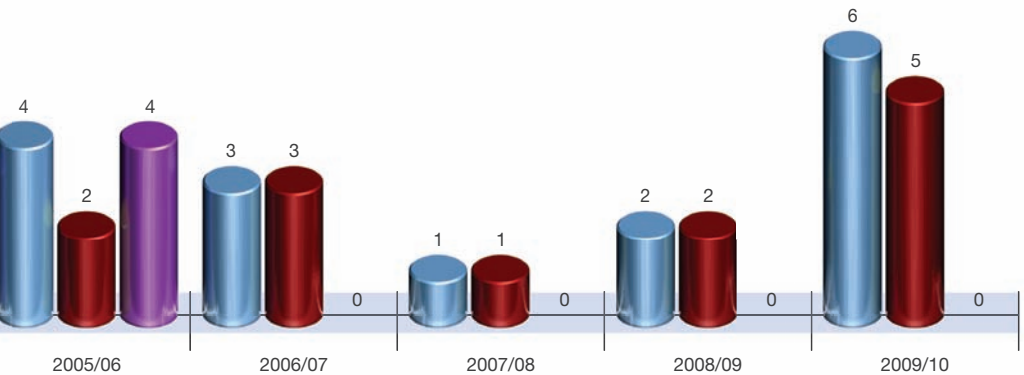


Footnotes: * When the 53 licensing departments submit their list of licensed clubs to UEFA each year, they indicate the reasons for license refusal. The responses either list up to 3 reasons for refusal or indicate that more than 3 criteria were failed.

a licensor ever refuse a licence to a UEFA competition qualified club?

te that many clubs each year are refused a licence by their licensor, their national association ed criticism of the UEFA Club licensing system is that the national bodies are unlikely to refuse s, in other words it is fine refusing a license to a club which in the end doesn't qualify for the r UEFA Europa League, but political pressures would make it difficult to refuse a license to a his perception can be refuted simply by looking at the evidence, the long list of UEFA refused a licence when they need it.

npetition places foregone by clubs directly sportingly qualified but refused/not applied for license



gly qualified clubs but not licensed (refused or not applied)
UP/UEL Sportingly qualified clubs but not licensed
associations

clubs which have qualified on sporting merit have not been able to participate because e. In total 21 clubs directly* qualifying for either the UCL or UEL on sporting merit were on to a further 28 clubs which directly qualified for the UIC between 2005-2009 and were

ycle saw a record number of 6 clubs from 5 countries refused access to competitions due

s clubs that qualified due to ranking or cup performance. This excludes other clubs ('indirectly qualified') that could have competed if they n due to a directly qualifying club not receiving a license. In 2009/10 there were also 2 of these indirectly qualifying clubs refused licenses.

FK SLOBODA
BIH 2009/10 UEL

FC DAUGAVA
LVA 2009/10 UEL

FC ARARAT
ARM 2009/10 UEL

FC KAISAR
KAZ 2009/10 UEL

FC LOKOMOTIV
KAZ 2009/10 UEL

BEITAR JERUSALEM
ISR 2009/10 UEL

FC CSKA SOFIA
BUL 2008/09 UCL

FC COLERAINE
IRL 2008/09 UCUP

SHELBOURNE FC
NIR2007/08 UCL

PAOK SALONIKI
GRE 2006/07 UCUP

FC ASTANA
KAZ 2006/07 UCUP

FC VOZDOVOC
SRB 2006/07 UCUP

FK ZELJEZNICAR
BIH 2005/06 UCUP

FK SARAJEVO
BIH 2005/06 UCUP

FC IRTYSH
KAZ 2005/06 UCUP

FC TARAZ
KAZ 2005/06 UCUP

FC OLIMPIJA
SVN 2004/05 UCUP

FC KOPER
SVN 2004/05 UCUP

FC IRTYSH
KAZ 2004/05 UCL

FC TOBOL
KAZ 2004/05 UCUP

FC EKIBASTUZETS
KAZ 2004/05 UCUP

PLUS a further 28 clubs sportingly qualified for UIC

IN TOTAL 49 CLUBS FROM 25 COUNTRIES

clubs does the report cover?

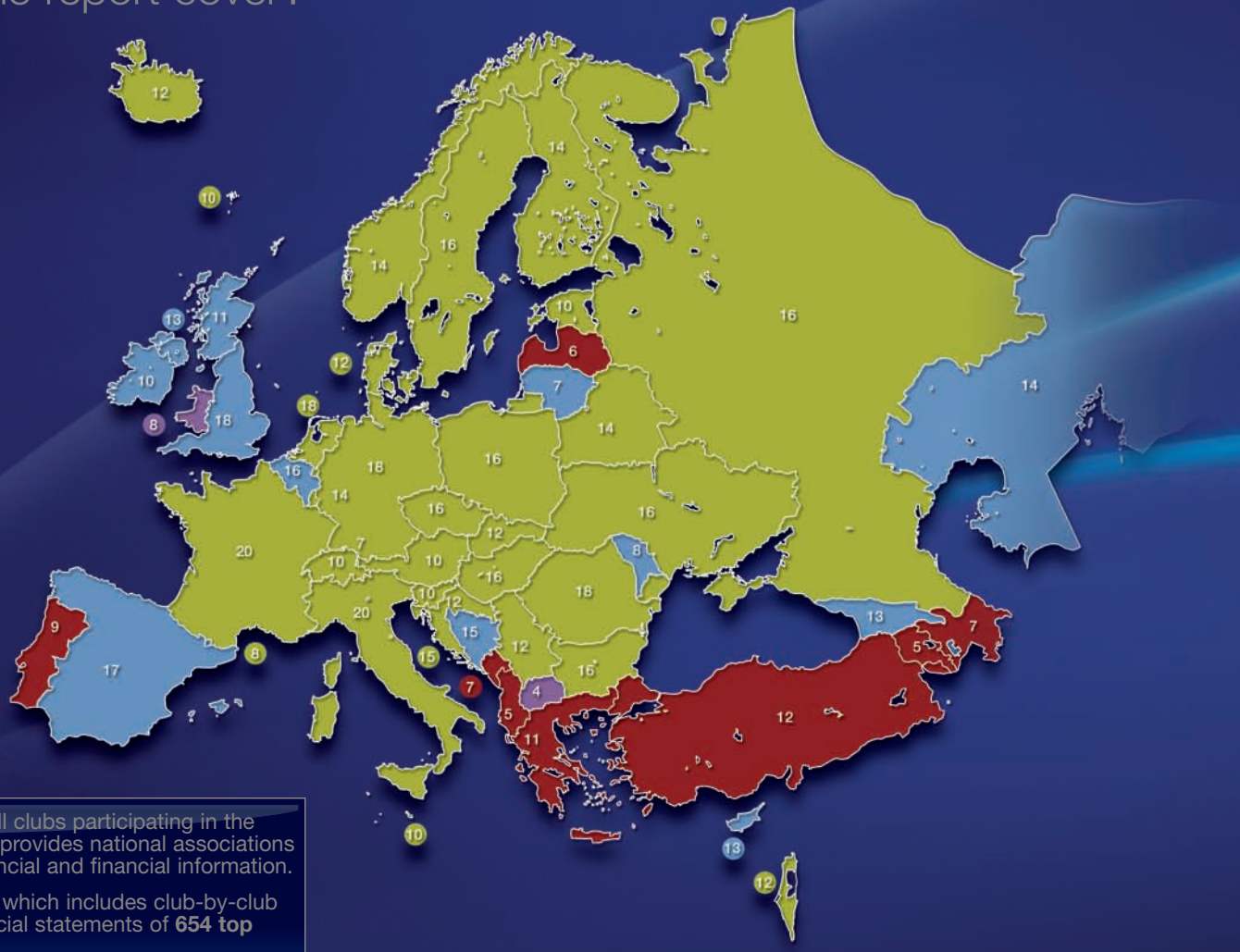
ancial analyses:

31x

licensing system (94% of all clubs participating in the EFA and/or National license) provides national associations t a huge amount of non-financial and financial information.

unique extent of this report which includes club-by-club rmation from the 2008 financial statements of **654 top associations.**

eased transparency the length and breadth of Europe, obally recognised clubs to smaller amateur clubs playing



Footnotes: *For some analyses such as the estimated Europe-wide financial results, UEFA has performed a further tailored extrapolation to obtain best estimate of all 730 clubs.


Carlsberg

2

Sporting profile of European club football

What is the most common size of domestic top divisions and recent trends?

e domestic championships structured?

How is promotion & relegation structured across Europe?

he most common legal forms for clubs?

Which is the most common ownership profile of clubs?

rtion of clubs own their stadium?

Where is municipal/state stadium ownership common?

fans attend domestic championship matches across Europe?

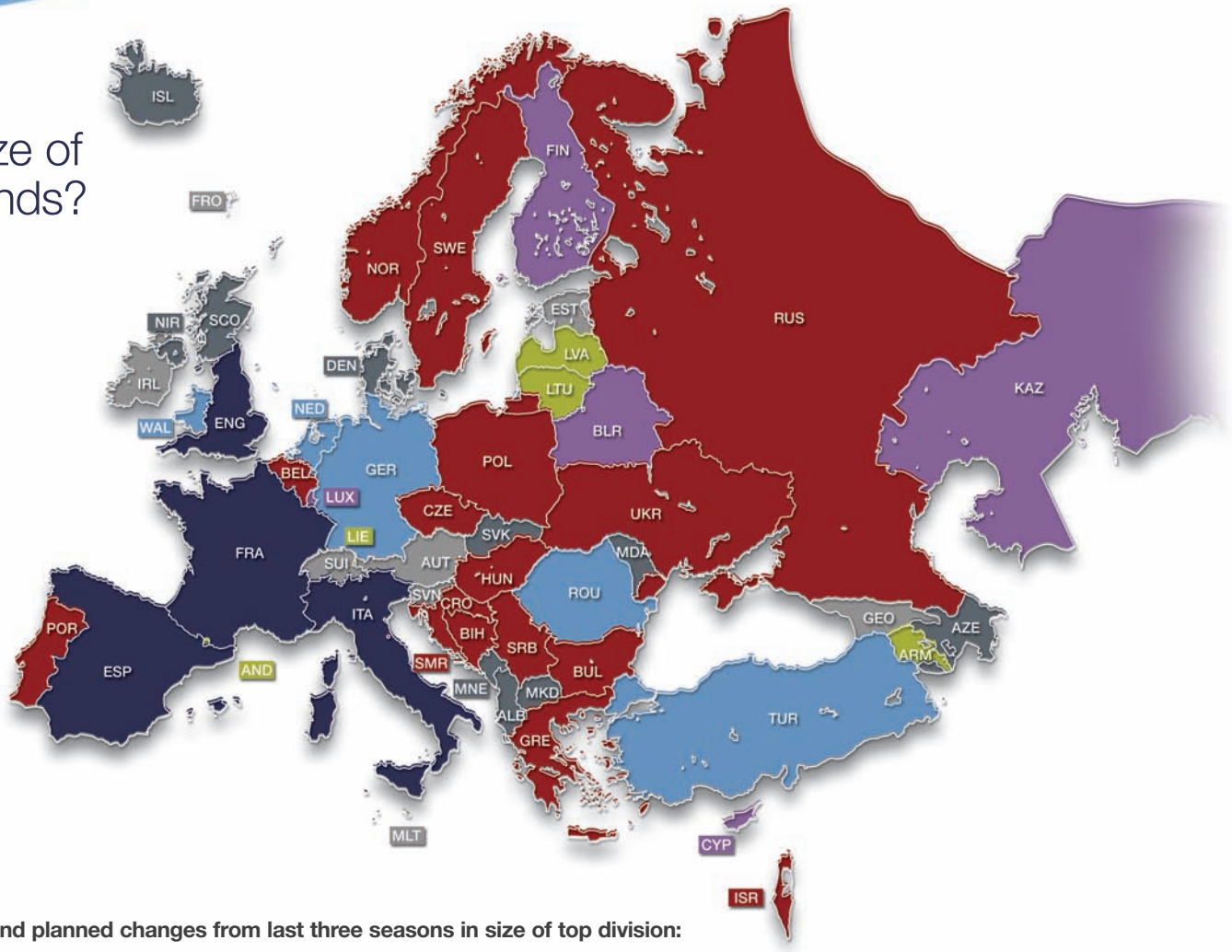
Are attendances going up or down across Europe?


UEFA
asics
24
asics

e most common size of ions and recent trends?

r those with summer se with winter ions range from 8 to **most frequent** SRB & SWE have all division. Size of factor in determining an support. In addition story of top divisions

the number of teams s risen from 707 to ns (see separate box). has mainly been in the championships' e western European me cases have



Recent and planned changes from last three seasons in size of top division:

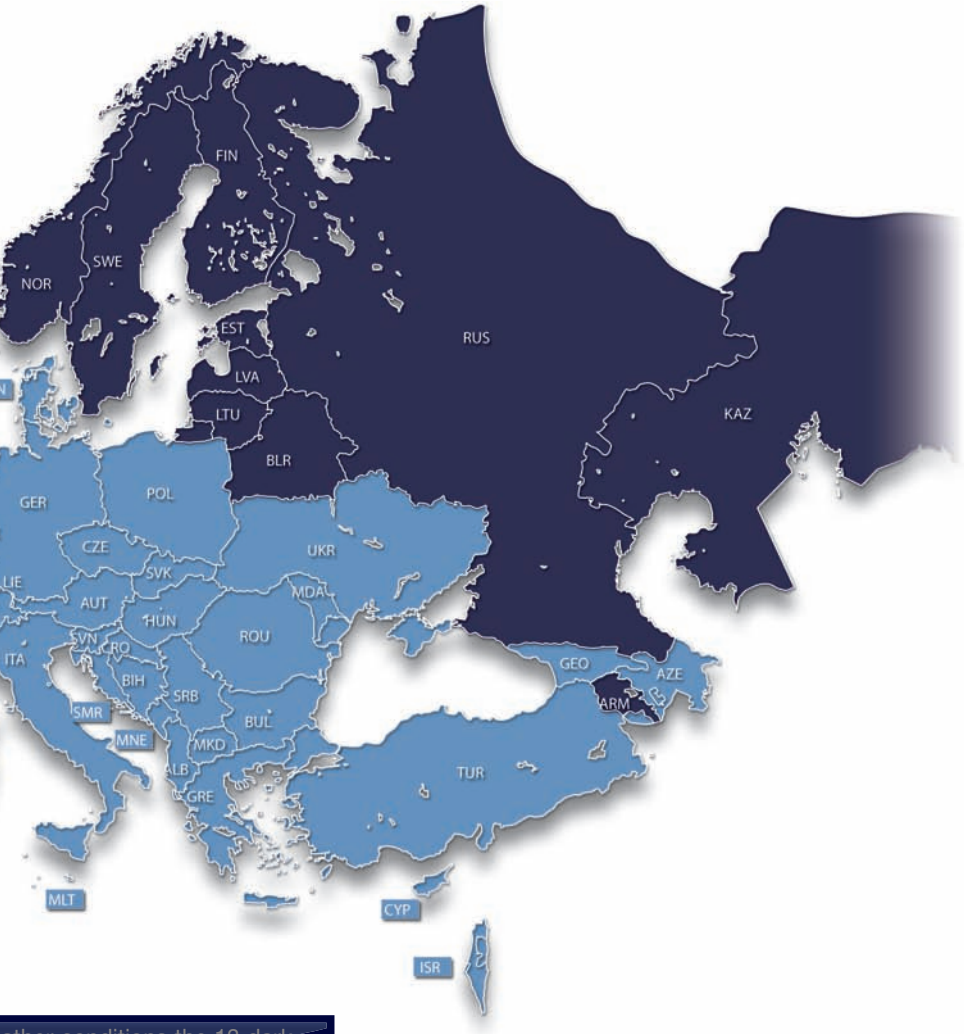
CRO: Increased from 12 (2008/09) to 16 (2009/10)
ISL: Increased from 10 (2007) to 12 (2008)
ISR: Increased from 12 (2008/09) to 16 (2009/10)
NOR: Increased from 14 (2008) to 16 (2009)
SRB: Increased from 12 (2008/09) to 16 (2009/10)
SWE: Increased from 14 (2007) to 16 (2008)
LVA: Increased from 8 (2007) to 10 (2008) and returned to 8 (2009)
BLR: Increased from 14 (2007) to 16 (2008) and returned to 14 (2009)
MDA & MKD: Increased from 11 (2008/09) to 12 (2009/10)

AZE: Decreased from 14 (2008/09) to 12 (2009/10)
BEL: Decreased from 18 (2008/09) to 16 (2009/10)
IRL: Decreased from 12 (2008) to 10 (2009)
LTU: Decreased from 10 (2007) to 8 (2008)
KAZ: Decreased from 16 (2008) to 14 (2009) & plan to decrease further to 12 (2010)
NIR: Decreased from 16 (2007/08) to 12 (2008/09)
GEO: Changes regularly (10x since 1991 formation) but decreased from 14 (2007/08) to 11 (2008/09) to 10 (2009/10)
WAL: Plan to decrease from 18 (2009/10) to 12 (2010/11)

As highlighted in last year's report, in addition to the countries above, the following also increased size between 2004-2007: ALB; HUN; ITA; LUX; ROU; POL; SVK whilst SVN and POR decreased the size of top division domestic championship. In addition some fluctuated +/-1 due to mainly licensing issues.

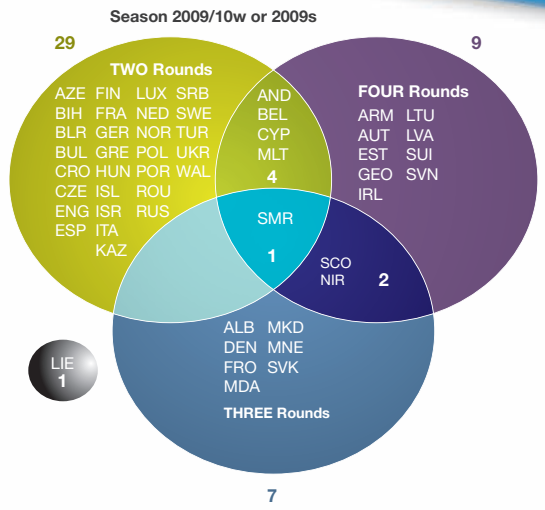
Footnotes: * Liechtenstein is shaded orange although a domestic championship is not run. The national cup determines the UCUP qualifying places.

re the domestic championships structured?



ather conditions the 13 dark
nap, 157 top division clubs,
nship during the summer
aditional winter championship.

Championship staged during WINTER	40x
Championship staged during SUMMER	13x



Answer: 07

Championship Structures have developed in recent years. However **the conventional 2 rounds played home and away is still the most common structure used for 29 top divisions** in the current (2009/10w) or most recent (2009s) season. A similar traditional structure where each team plays each team 3 times is used in 7 divisions and where each team plays each team 4 times in another 9 cases, typically where there are 10 or less teams. Apart from LIE which has no domestic championship, the chart indicates that there are a further 7 top divisions that play an alternative from the conventional every team plays every team structure.

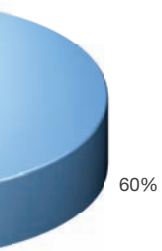
In SMR the teams are split into 2 groups at the start of the season and the top3 from each group enter playoffs after 3 rounds. In SCO & NIR there are 3 full rounds before the teams in the top and bottom half separate and play a final round against these clubs. The same idea is applied in AND, BEL, CYP, & MLT where instead there are 2 full rounds before the clubs are again separated according to position before 2 additional rounds. In the case of AND the split is top and bottom half, MLT the split is top 6 and bottom 4, CYP the teams will be split into three groups of 4 and in BEL half the points will be carried forward before the teams are split into the 'championship playoff' of top 6 teams and 2 further groups of 4 teams for the 'Europa League playoff'.

omotion & relegation structured across Europe?

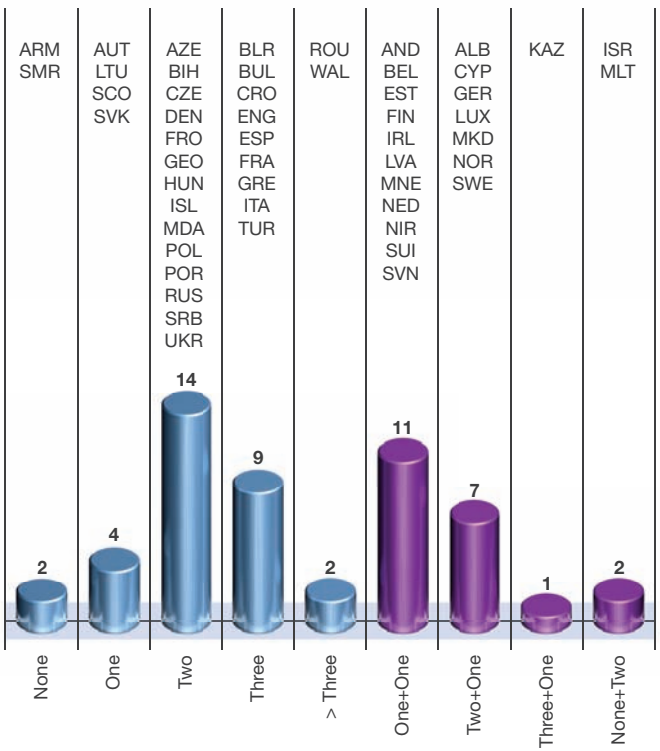
and timing of the top
s also variation in the
ated in 2009/10 (2009s)
e clubs will be relegated
final ranking table alone
ed. The Pie chart to the
) domestic top divisions
either between 2 lower
ainst a club from the

The chart below further indicates whether or not the domestic championship (top division) will utilise a play-out in 2009/10 (2009s) and also how many teams will potentially be relegated. The word 'potentially' is used because in several cases the play-out is not between two top division clubs but between a club from the top division and a club from the second division. The pie chart further indicates that 27 (51%) of the championships' will have potentially 2 clubs relegated this season whilst a further 16 (31%) of championships' will have potentially 3 teams relegated.

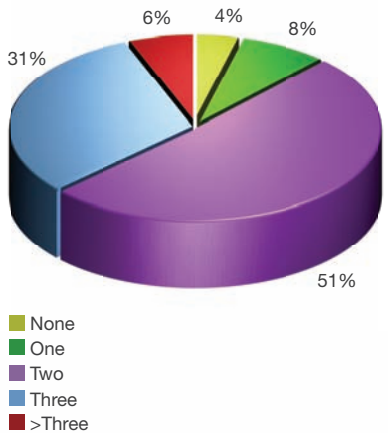
ation



Relegation structure top divisions & use of play-outs



Maximum number of relegated teams

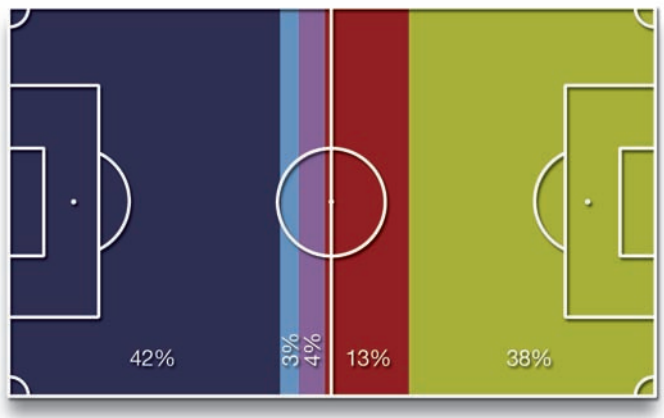


are the most common legal forms for clubs?

egal form adopted by football bs are organized differently ding on statutory regulations, ecific business opportunities.

os are part of a bigger group activities. In this respect the structure becomes key for a s financial situation.

common that clubs are multi other national popular sporting yball, hockey, etc.) alongside



Answer: 09

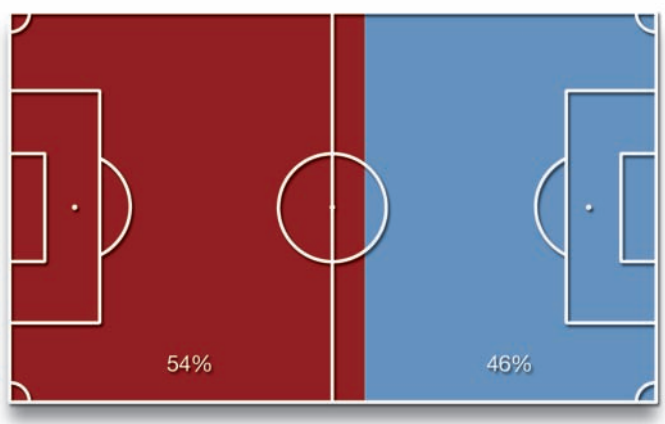
The legal forms and structures of clubs are becoming increasingly diverse although the chart below covering over 700 clubs summarises the types in use*. **Clubs are most commonly organized under the form of associations (42%), frequently as incorporated companies (38%)** and in some cases as stock exchange listed (4%), state owned (3%) or as specifically defined sporting incorporated companies (13%).

Clubs legal types

- Associations
- State funded entities
- Stock exchange listed
- Sporting incorporated entity
- Other company-based entity

is the most common ownership profile of clubs?

rarely out of the news and in ncy. It is however important for the club licensing regulations r group structure and disclose ty to licensors.



Answer: 10

The majority 54% of top division clubs in Europe have an owner with majority control. This is further split as 24% with a single full owner, 30% with majority control but not full ownership, 31% with one or more significant shareholders (5-50%) and finally 15% with widespread control (all shareholdings < 5%). Further investigation indicates that the ownership structure was not strongly linked to regions (e.g. west/east/south/north Europe) but that majority control is more common in larger leagues than in smaller leagues.

Clubs control

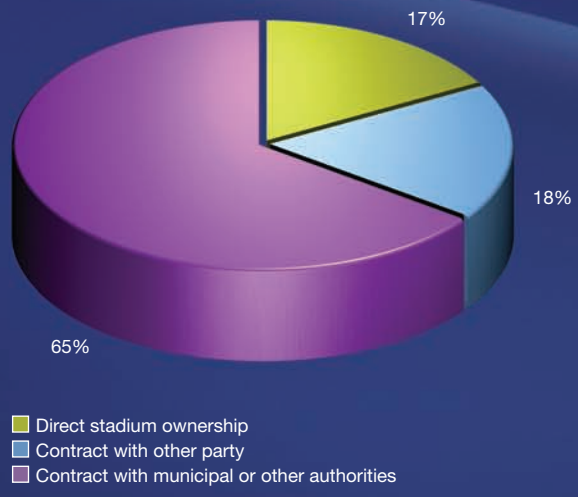
- Majority control
- No majority control

se included in last years report. As an re associations with/without a supervisory te limited companies GmbH; Hybrids with t stock company GmbH & KgaA, including;

ortion of clubs own their stadium?

five categories of criteria in the club licensing system. The ownership or lease of a significant impact when analysing club football on a financial level and also at the tate authorities are able to exert more influence in club football in cases where they

dium is typically one of the two major assets of a football club and any loans taken to are often the major liability. For the profit and loss account, on the revenue side the bs to fully exploit commercial opportunities at the stadium, be it retaining all matchday ertising or sponsorship or developing other event based income streams such as ost side, the difference between stadium ownership (depreciation over typically 30-50 financing of stadium) and stadium leasing (lease charges) depends on the lease



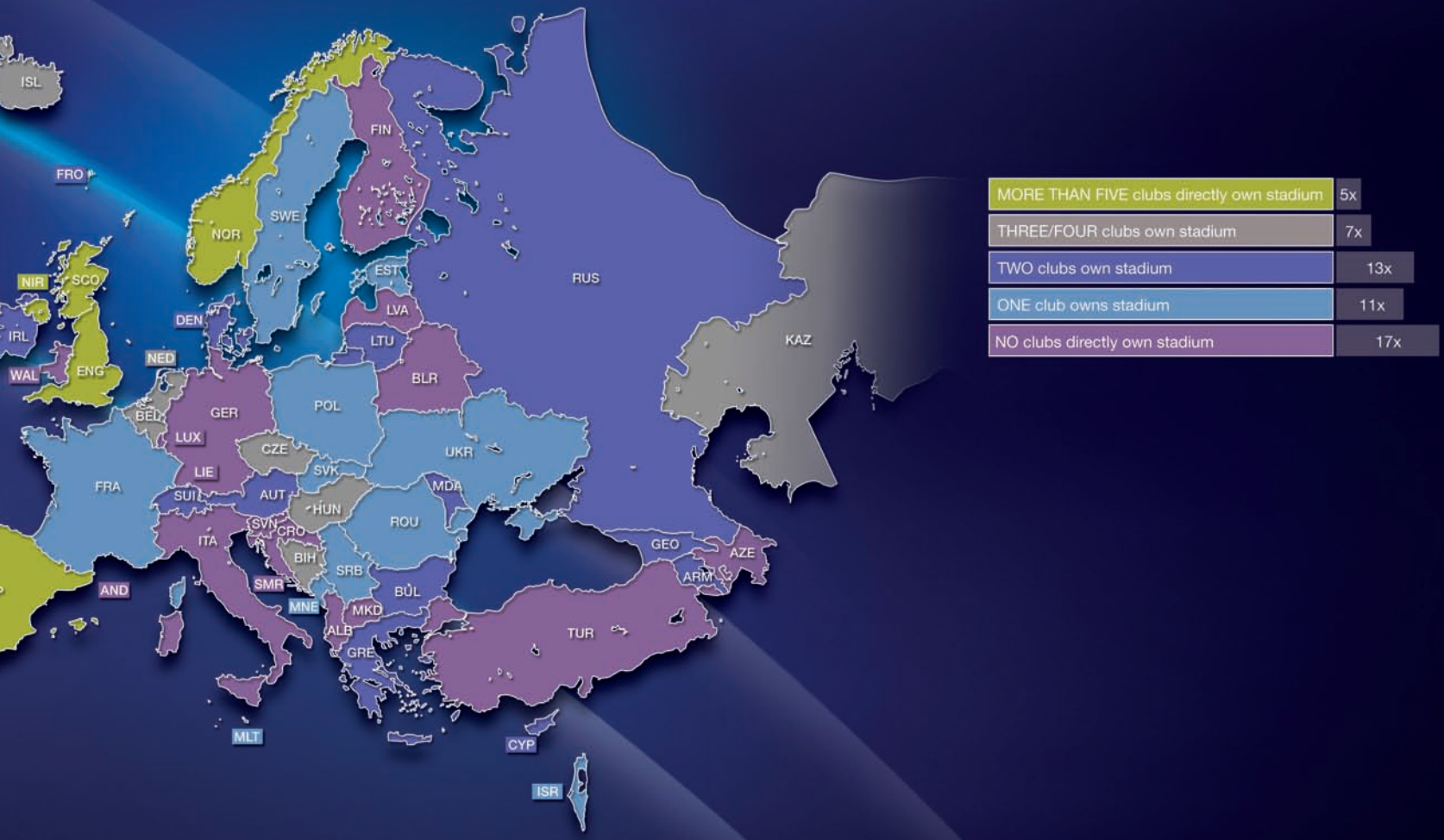
swer: 11

than 1 in 5 top division clubs (17%*) directly own their stadium with ownership alent only in ENG, ESP, NIR, NOR & SCO.

chart illustrates that direct stadium ownership is nonetheless widespread with een one and four top division clubs in each country typically owning their stadium.

does not quite tell the full picture however, with some clubs either having partial rship through direct investments in the stadium holding or operating company or ct relationship through a related entity. These cases taken together with separate mercial entity ownership represent 18% of stadiums that are owned neither directly e club nor by the authorities. These contracts with other parties are particularly mon in CYP, GEO, GER, LIE, MLT, NED, NOR, SVK & POR.

* 'Contract with other party' refers in most cases to a commercial entity that operates the stadium ll and other activities. There may be cases where the commercial entity is a related entity of the club.


ISL
FRO
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BLR
KAZ
LUX
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SVK
FRA
SUI
AUT
MDA
HUN
ROU
SVN
CRO
ITA
BIH
GEO
AZE
SRB
ARM
SMR
BUL
AND
MNE
MKD
ALB
TUR
GRE
MLT
CYP
ISR
MORE THAN FIVE clubs directly own stadium 5x
THREE/FOUR clubs own stadium 7x
TWO clubs own stadium 13x
ONE club owns stadium 11x
NO clubs directly own stadium 17x

municipal/state stadium ownership common?

e and particularly in
otal either all, or the
by municipal or state
l associations.

division club stadiums
ate authorities with this
alkans.

ave the majority of their
by the authorities.

31x

4x

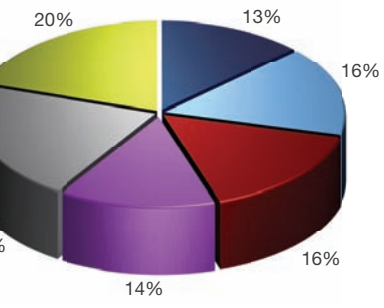
IRL 5/10; SVK 6/12

y fans attend domestic championship matches across Europe?

ghest aggregate) once more led the viously the number of spectators is ity of stadiums, the match day e tradition of attending matches.

t average club attendance against vision. This is a basic and rough spread is the interest and stadium illustrating that SCO & POR have day attendance (highest club ttendance) and RUS, GER, NOR & measure. The majority of leagues

try are examined in more detail in p comparisons) but the pie chart e of the top division clubs** across 8 clubs (13%) which averaged a nd a further 108 clubs (16%) which 000 per home match.



ne 11'460 top division club
g just over 9'000* fans per match.

NA	2008s (2008/09w)* Average league attendances	Total estimated league attendance	Largest club average attendance	Highest v average club attendance
GER	42'565	13'024'890	74'830	1.8
ENG	35'630	13'539'400	75'304	2.1
ESP	28'276	10'744'880	71'947	2.5
ITA	25'045	9'517'100	59'731	2.4
FRA	21'049	7'998'620	52'276	2.5
NED	19'789	6'055'434	49'014	2.5
SCO	15'545	3'544'260	57'761	3.7
TUR*	14'058	4'301'748	39'542	2.8
RUS	13'334	3'200'160	21'700	1.6
BEL	11'039	3'377'934	26'085	2.4
POR	10'390	2'493'600	38'763	3.7
NOR	9'812	1'785'784	18'957	1.9
AUT	9'013	1'622'340	15'777	1.8
SUI	8'967	1'614'060	21'044	2.3
DEN	8'814	1'745'172	20'038	2.3
SWE	7'787	1'868'880	15'535	2.0
GRE	7'622	1'829'280	25'371	3.3
UKR	7'574	1'817'760	15'387	2.0
POL	7'351	1'764'240	16'300	2.2
ROU	6'044	1'849'464	13'956	2.3
ISR	5'305	1'050'390	10'647	2.0
CZE	4'668	1'120'320	11'971	2.6
ALB	3'463	685'674	4'950	1.4
KAZ	3'310	794'400	6'387	1.9
CRO	3'074	608'652	9'471	3.1
SVK	3'009	595'782	5'547	1.8
BUL	2'862	686'880	5'967	2.1

NA	2008s (2008/09w)* Average league attendances	Total estimated league attendance	Largest club average attendance	Highest v average club attendance
SRB	2'851	564'498	6'500	2.3
HUN	2'826	678'240	6'067	2.1
CYP*	2'738	596'884	7'239	2.6
FIN	2'636	479'752	4'516	1.7
BIH*	2'237	536'880	5'443	2.4
IRL	1'796	355'608	3'267	1.8
BLR	1'715	411'600	3'700	2.2
AZE*	1'564	284'648	6'948	4.4
MKD*	1'418	233'970	3'968	2.8
MLT*	1'418	187'176	n/a	n/a
SVN	1'199	215'820	3'694	3.1
ISL	1'107	146'124	1'931	1.7
LTU	919	102'928	1'768	1.9
MNE*	912	180'576	3'735	4.1
MDA	813	134'145	1'693	2.1
NIR	813	195'120	2'218	2.7
LVA	533	76'752	1'327	2.5
ARM	466	52'192	1'468	3.2
LUX	445	80'990	1'112	2.5
GEO	406	66'990	793	2.0
AND	400	32'000	n/a	n/a
WAL	290	88'740	742	2.6
EST	184	33'120	329	1.8
FRO	n/a	n/a	n/a	n/a
LIE	n/a	n/a	n/a	n/a
SMR	n/a	n/a	n/a	n/a
TOTAL	7'302	104'971'857	17'765	2.4

Footnote: * This Europe-wide top division match average of 9'152 is much higher than the figure in the table which indicates a much lower unweighted average of league average match attendance of 7'302. This is because more games are played by more clubs in high attendance leagues, for example there are 306 matches in ENG/ESP/FRA//ITA but less than half this number of matches in ARM/AND/ISL/LTU/LVA/MLT. ** Crowd data available for 681 clubs, in some cases the data is from previous season where no latest data is available.

Source: http://www.european-football-statistics.co.uk/attn.htm & National licensing managers. Figures cover 2008/09 for winter season and 2008 for summer season apart from CYP & MNE 2007/08 and TUR, MLT, MKD, BIH & AZE 2006/07. No reliable figures were available for FRO, LIE & SMR.

endances going up or down across Europe?

Average match attendance in top division (2008)

>20,000	5x
10,000 - 20,000	6x
5,000 - 10,000	10x
3,000 - 5,000	5x
2,000 - 3,000	6x
1,000 - 2,000	7x
<1,000	14x

Answer: 14

In last years report a map illustrated the trend in attendances compared to the previous year and a positive trend in more than 2/3 of the top divisions. Although the total number of fans attending matches increased in 2008/09w (2008s) the positive trend across Europe did not continue. Indeed only 16 of the 38 top divisions with comparable data witnessed further growth in attendances, in other words 58% of top divisions experienced lower average crowds. Anecdotal evidence from discussions with clubs suggest that average crowds in many but not all countries across Europe will be down again in 2009/10 (2009s). Compared to the previous year SWE & NOR fell below 10'000*, BLR fell below 2'000 and MNE, MDA & NIR decreased below 1'000.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3

Financial profile of European club football: Income

is Financial Transparency important for European football?

What are clubs' financial reporting dates?

vant comparisons be made given clubs financial size differences?

How much income did European clubs report last year?

en the trend in income from year to year?

How do income levels vary across European top divisions?

argest clubs spread across Europe?

In which country is the income most balanced between clubs?

d are the player spending resources of the largest clubs?

How closely are financial resources linked to on-pitch domestic and European success?

how is Financial Transparency important for European football?

ort was the most ambitious attempt yet to present the European club football landscape.
e report together with the analysis presented in the report itself, plays a key role in the
ncial Fair Play in European club football. Whereas previously the income, salary levels
ole on an ad hoc basis, the club licensing benchmarking project was able to provide an
ancial state of club football. It was revealed that despite half the leagues reporting annual
nd despite favourable economic conditions in 2007, a significant 47% of clubs were not
even. Perhaps more worryingly 23% of all top division clubs reported 'significant' losses
ome, in other words for every €5'000 of income there was at least €6'000 of costs.
finances between countries and clubs was further highlighted with the largest 10%
l revenue and paying 70% of all wages. Another important finding that influenced the
, national associations and UEFA, was that every one of the 53 top divisions had a club
nearly all (49 from 53) had at least one club report 'significant' losses – In other words
specific, there are clubs living within their means and clubs failing to do this almost

been extremely important as it has contributed to constructive and reasoned
than individual experience and speculation. There is little doubt that the increase
ed solidify the prevalent view amongst key stakeholders of the club game that
e current situation, which led to the leagues, represented by the EPFL, the clubs
rs represented by FIFPRO (Division Europe) and UEFA unanimously approving the
h August 2009.

This year the report continues this work by providing more detailed and more in depth analyses of the financial year 2008. Club licensing is 6 years old and 6 years of financial data is available but in particular it is the standardised year on year, 2007 to 2008, club by club data that enables better transparency in this year's report. The approach taken in the non financial section of raising, and attempting to best answer, fundamental questions of interest is continued. Some of the new questions raised and answered this year include:

- How balanced are the spending resources of clubs?
- How closely are off-pitch resources linked to on-pitch domestic success?
- How and how consistently do clubs' account for player transfers in their books?
- How relevant are common profit measures for football clubs?
- What operating profits are clubs' generating?
- How do long-term assets and net debt compare across Europe?
- How large are transfer debts across Europe?
- Did club balance sheets strengthen or weaken?

are clubs' financial reporting dates?

ugh assessment of financial across Europe has been tion of 4 clubs that changed during 2008 (and reported for nth period) clubs' financial n period. As the charts indicate ays match the timing of the e for various reasons: historic ng dates; timed to avoid the m financial statements, or; to group companies of the club rs the date of financial closing he aggregate financial results, season to the next, sporting er transfers can make a

Answer: 16

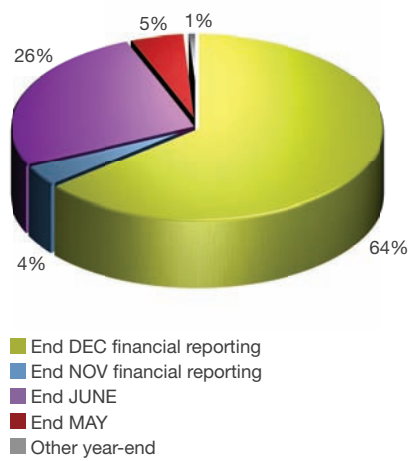
December 31st is the most common financial year-end used by 64% of top division clubs, including all ex-CIS and Baltic clubs, **followed by June 30th used by 26% of clubs.**

The financial year-end is consistent for all the clubs in the top division in 38 of the countries. Different year ends occur in: BEL, CYP, CZE, DEN, ENG, FIN, ITA, LIE, NIR, SCO, SUI, SVK, TUR, WAL.

The end effect is that 44% of clubs do not have their sporting and financial seasons aligned, in other words the financial figures reflect part of 2 sporting seasons.

Amongst the TOP clubs with revenue > €50m, 7 clubs had December financial year-end.

Financial year-ends



Q: 17. How can relevant comparisons be made given clubs financial size differences?

in the long run have
ial and regulatory
o this varies, as do
this. There are clearly
op division finances.
e divisions and the
many cases we
data but a split of

This year the financial analysis includes Europe-wide trends, country by country data and a split of clubs within each country across a range of important financial measures. At times, peer groups of clubs and leagues are also referenced.

Using these peer groups firstly enables differences to be identified and highlighted throughout the report and secondly allows more relevant comparisons to be made between countries with similar sized clubs. UEFA licensing and financial experts typically use these type of more tailored peer group comparisons when meeting with clubs, leagues and national associations across Europe.

For this purpose five comparisons peer groups [Top, Large, Medium, Small & Micro] have been created and refer either to divisions or to clubs as presented in the chart to the right.

Peer groups divisions** refer to all the reporting clubs of a specific national association. Classification is based on the average income*** of all the clubs.

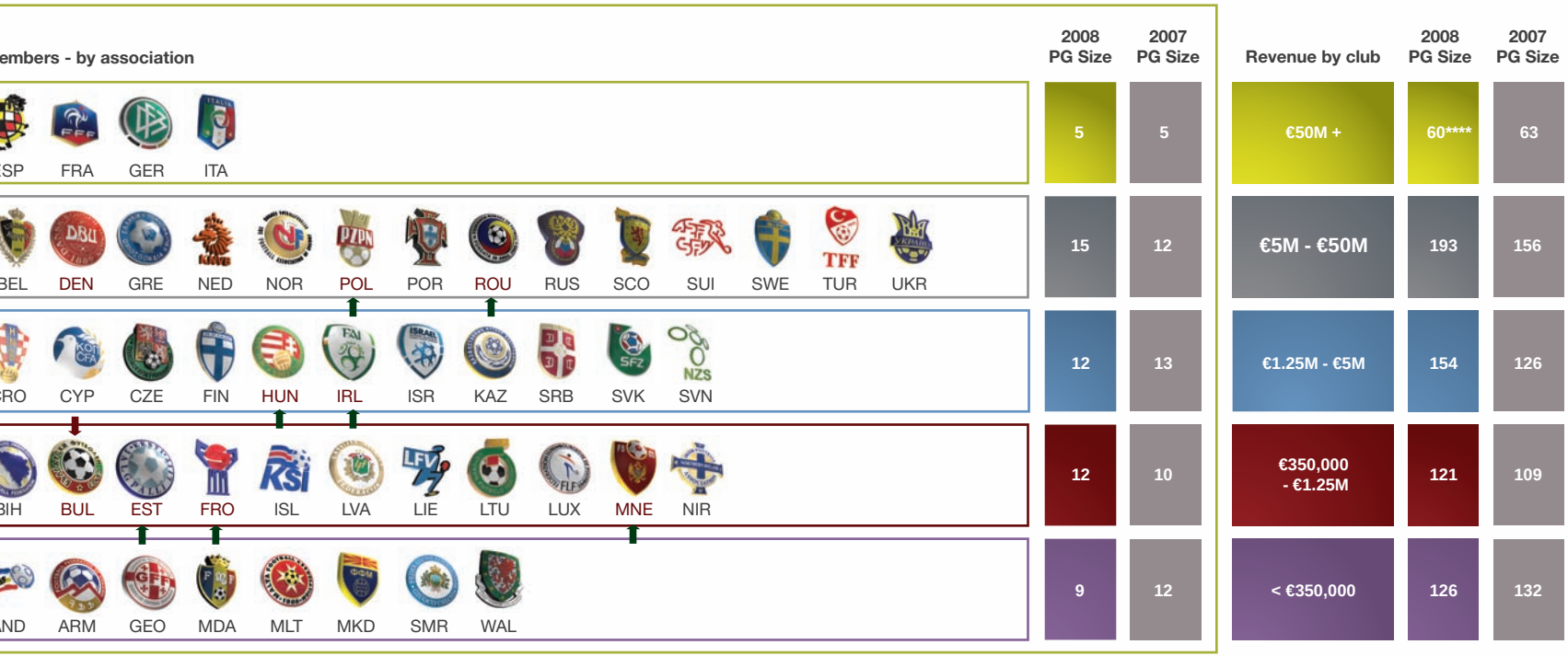
Peer group clubs**** is based on individual club's income regardless of the division they compete in.

The basis of the financial analysis

The financial information included in this report derives directly from third party audited financial statements from the financial year 2008 which provides considerable comfort as to the accuracy and completeness of the data*. For most analyses it has been possible to collect information covering the full sample of 654 clubs and 53 top divisions, In other cases, the full detail may not be available or considered robust and reliable enough to include in the analysis, in which case a slightly smaller sample of divisions and clubs is used and communicated.

the specified financial disclosures required for UEFA licensing, accounting frameworks still differ between countries. For football
e recognition from competition participation or commercial contracts and the recording of signing-on bonuses and non salary
s can occur. Work on identifying the different application of these main areas continues, but for now no adjustments have been
for ease of explanation rather than 'member association clubs' or 'average income of clubs in the top division'. For the peer group
en used to cover any missing clubs. ***Average income for clubs belonging to TOP, LARGE, MEDIUM, SMALL and MICRO division
-€1.25m and <€350K ****Although the selection is based on income rather than sporting performance, in effect most of the clubs
62 clubs that comprise the TOP club peer group, (60 actual figures and 2 estimated) whilst most of the clubs competing in the UEL
E club peer group.

o changes compared to previous year



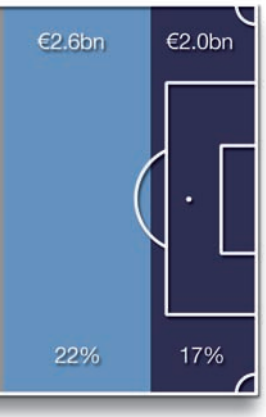
nsistent approach to last year and to allow year by year development to be tracked, the of the five comparison peer groups have been kept the same***. Not surprisingly the 5 the TOP peer group remain the same but there are some changes elsewhere. Firstly ich figures were not provided in 2007, is included in the LARGE PG and they are joined OU whose clubs average over €5m revenue for the first time in 2008. Given that ROU been performing extremely strongly on the pitch in recent UEFA competitions as last years on-to-off pitch comparison, the reported increase in ROU club financial perhaps expected. The 'LARGE' PG has therefore expanded from 12 to 15 countries. OL & ROU in the MEDIUM PG are HUN & IRL whose clubs reported revenue increases st BUL drop down to the SMALL PG and are joined by MNE, EST & FRO leaving just 9 the MICRO PG.

The Peer Group Clubs have also changed with the additional 68 clubs compared to 2007 mainly included within the LARGE, MEDIUM & SMALL peer groups. A major part of the LARGE CLUBS increase is due to the addition of RUS clubs and likewise the KAZ clubs have increased the MEDIUM peer group size.

Q: 18. How much income did European clubs report last year?

n each NA are
er €11.5bn income in
om second and third
ndergo UEFA licensing
eport) are estimated,
tements and
a further €2.5-€3bn.

Firstly, as 'income' is used for many of the financial analyses, we should clarify what we mean by total income. What we are actually referring to is 'revenue', sometimes referred to as 'income from operating activities' or 'turnover'*. For the purposes of this report we refer to turnover and income interchangeably. Profits/income from transfers is usually a large and fluctuating figure and is not included but analysed separately as net transfer activity within the profitability analysis. Financial income, divestment and tax income is also excluded and included within the profitability analysis. 'Income/Revenue' should also not be confused with the term 'budget' common in Eastern Europe which looks at the financial resources available to the club including any non-committed owners contributions.



ipts
al & Other Income

Revenue streams

The introduction two years ago of the second version of club licensing has allowed UEFA to introduce certain minimum disclosure standards in financial reporting to be met by all clubs seeking a licence. This has increased the potential to make better and more reliable comparisons between clubs within a country and also between countries. In particular clubs are required to split revenue into different 'revenue streams' providing an indication of the importance of different income types. Most clubs were not required to do so previously under standard financial reporting requirements which allow all revenue to be disclosed as one figure. Although revenue splits do not go as far as the commercial contract level and the distinction between sponsorship and commercial revenue in particular is not always clear***, we nonetheless believe the income stream requirement is an important step to increased transparency of football clubs.

In 2008 broadcasting income contributed 36% of the €11,500 million total Europe-wide top division income, with advertising & sponsorship 25%, gate receipts 22% and commercial & other income 17%***.

The importance of different revenue streams differs significantly between countries and this is analysed by country in section 3 of the report. The table below however clearly demonstrates this fact with the clubs of the TOP5 countries contributing 89% of total Europe-wide broadcasting revenue, 71% of gate receipt revenues compared to 69% of total revenue.

llowing investing and financing
r income on the sale of other
ts; financial interest; tax income or
d together with costs and losses
omparability reasons, revenue is
ious benchmarking reports.
% of top division clubs not in
or UEFA licence). Estimate accurate
d data. Extrapolations based on
nd manual adjustments where

handising whilst other income
ptional income and unclassified
ip is not always clearly defined in
hould be considered indicative only.

DIVISION PEER GROUP SHARE OF REVENUE STREAMS

	BROADCASTING	SPONSORSHIP & ADVERTISING	GATE RECEIPTS	COMMERCIAL & OTHER	PEER GROUP TOTAL REVENUE SHARE	PEER GROUP SHARE OF CLUBS
TOP	88.1%	61.5%	70.4%	35.0%	68.5%	13.4%
LARGE	11.3%	32.5%	27.6%	51.6%	27.1%	31.0%
MED	0.5%	4.7%	1.7%	10.1%	3.5%	21.5%
SMALL	0.1%	1.1%	0.3%	2.6%	0.8%	19.9%
MICRO	0.0%	0.2%	0.1%	0.7%	0.2%	14.2%

as been the trend in income from year to year?

& "€ growth rate" explained:

ing 2007 comparison figures
rrency rate – this provides a
h country's trend and also the
wth rate" uses the original
period which can fluctuate,
es between 2007-09 – this
on of how relative spending
untries, as their cross border
ed by the exchange rate at

ghest income leagues (ESP,
D) report in €, club financial
luential leagues suffered from

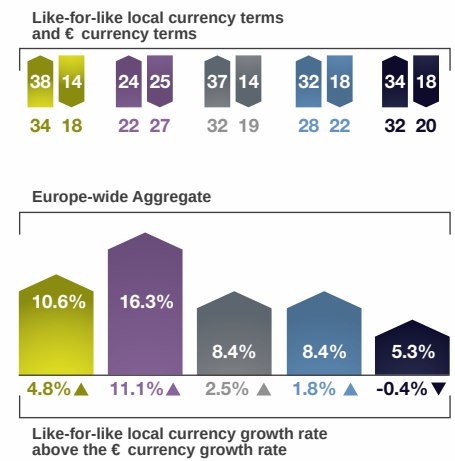
15%		▼
TUR	20%	▼
NOR	19%	▼
POL	13%	▼
SRB	10%	▼
SUI	11%	▲
KAZ	7%	▲

Answer: 19

Total Europe-wide top division club income continued its strong annual growth by increasing an estimated* 4.8% from €11bn in 2007 to €11.5bn in 2008 again outpacing general inflation (Eurozone 1.6%). Although the headline growth appears less than the previous year growth of 9.0%, this is due to the weakening of many of the reporting currencies of clubs, particularly the Sterling (£) to Euro exchange rate which lost 15% of its value. In local currency terms underlying year on year income growth in local currency was actually 10.6% fuelled principally by the upgraded ENG & ITA broadcast deals. The other main revenue streams also grew in local terms, particularly Advertising & sponsorship and gate receipt revenues. In 2009 the strong growth of recent years is expected to slow due in part the economic turmoil but also because no major new broadcast deals will be upgraded In the TOP countries between the 2008 and 2009 financial years until ITA & GER the following financial year.

The reported financial figures for two of the TOP5 countries, ENG & ITA, included in full for the first time upgraded Broadcast contracts (55% & 26% increases). Broadcast income tends to move in large steps every 3-4 years rather than fluctuate like the other revenue streams.

Total like-for-like revenue increased by 10.6%, going up in 38 top divisions' and down in 14. The largest increase came from ENG & ITA broadcasting which alone contributed a 5.8% increase to total revenue.



Total revenue
Broadcasting
Advertising & Sponsorship
Gate Receipts
Commercial & Other Income

Advertising & sponsorship revenues increased in 37 and decreased in 14 top divisions'. Strong growth of more than 10% was reported in 27 countries with ENG, GER, ITA & GRE contributing the biggest absolute growth. Overall Europe-wide growth was 8.4% or just 2.5% in € currency terms.

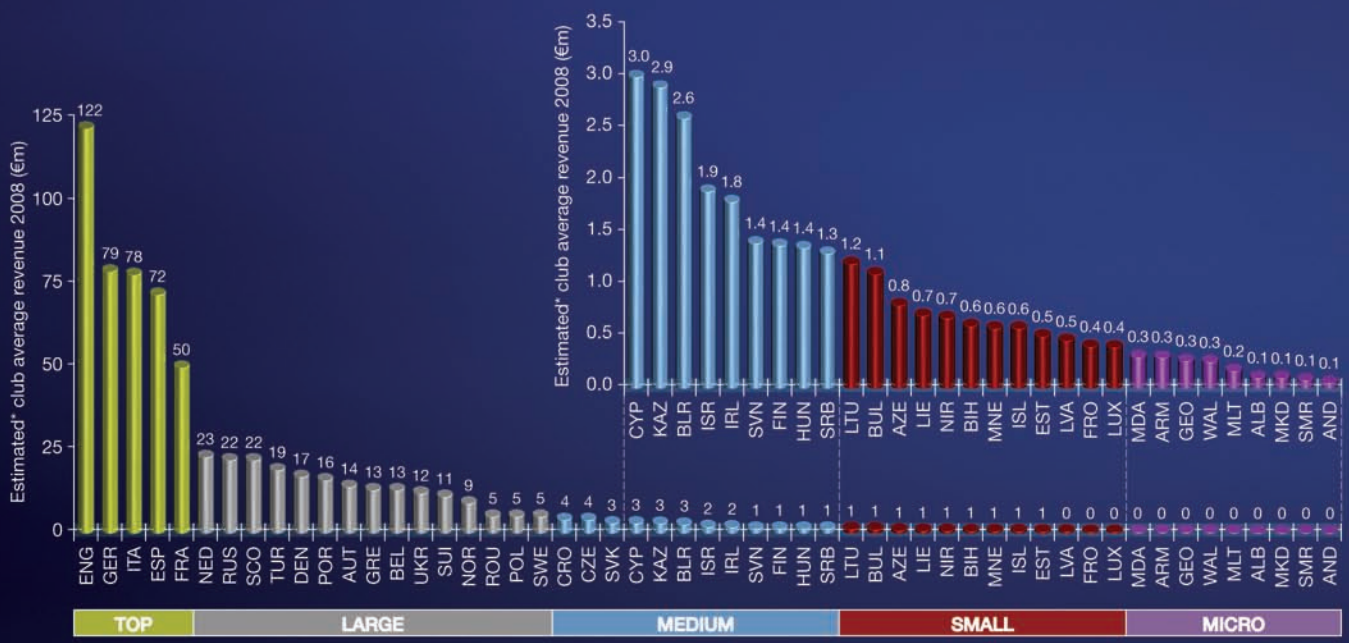
European gate receipts increased by 8.4% with again a mixed picture. Indeed gate receipts decreased in 18 of the top divisions reflecting the pressure on attendances illustrated earlier in section 1 of the report. The largest absolute revenue increases were reported in GER, NED & POR.

Commercial and other revenues**increased at the smallest rate of 5.3% in like-for-like terms and actually decreased by 0.4% in € terms in 2008. This may reflect the fact that much of the other income is in short-term discretionary donations, although these types of revenue were still up in 32 top divisions. Decreases in ITA, RUS & POR outweighed increases in ENG*** & UKR.

Footnotes: * 'Estimated' because extrapolations used for the 10% of top division clubs not in survey (always lower ranked clubs who did not apply for UEFA licence). Estimate accurate to +/-1% as contains 96% actual and 4% extrapolated data. Extrapolations based on average club income outside largest 4 income clubs and manual adjustments where deemed necessary.
** Commercial revenues includes conferencing & merchandising whilst other income includes donations, grants, solidarity payments, exceptional income and unclassified income. The split between commercial and sponsorship is not always clearly defined in some ENG, ESP & ITA clubs. ENG clubs typically allocate all revenue to match day (gate), broadcasting or sponsorship. The increase referred to is in property related income.
***Although disclosure generally consistent year to year there may have been some improvements in reporting that have influenced the results. The income stream analysis should be considered indicative only.

Q: 20. How do income levels vary across European top divisions?

A number of factors dictate a club's ability to generate income. For clubs from the TOP & LARGE divisions the split of central revenues (broadcast, sponsorship), participation in European competitions, ownership of stadium, and ability to connect with fan base are key factors. For SMALL & MICRO divisions, other factors are often more relevant including whether the main sponsor supports the club financially through sponsorship contracts or by injecting capital in club. The end result is the same (e.g. wages are covered) but sponsorship contracts are included as income whilst capital injections are not. Differing spending power (national economy) also influences commercial and gate incomes.



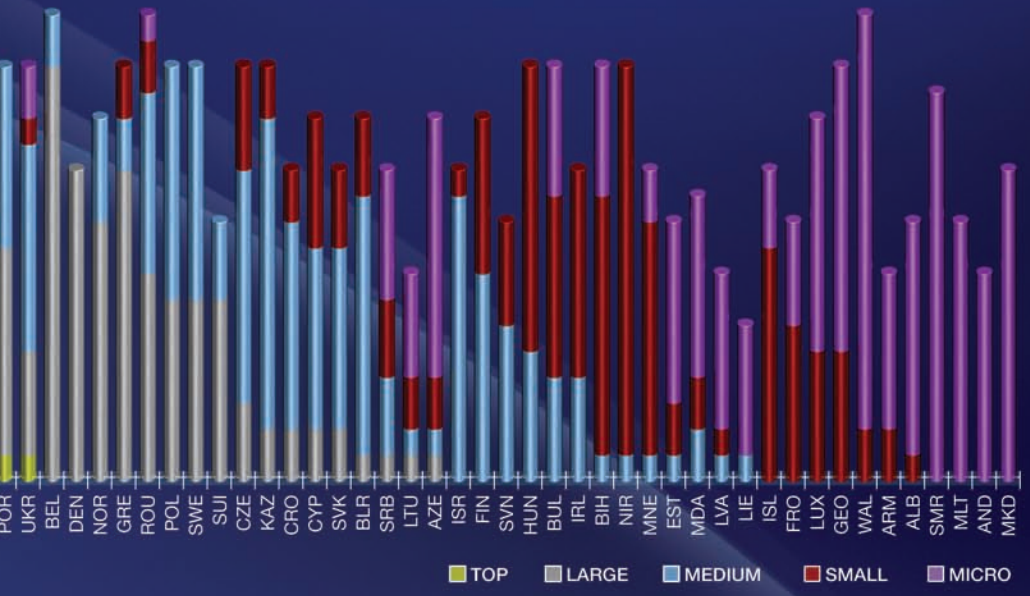
*'Estimated' because extrapolations used for clubs not in survey. Extrapolations based on average club income outside largest 4 income clubs and manual adjustments where deemed necessary. Note: ISR club figures were provided for 7 month interim period due to new financial reporting system and figures have been grossed up by 12/7 to provide a comparable 12 month period.

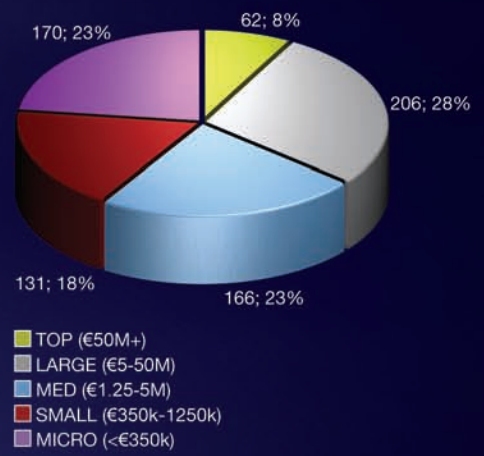
across the different
argest income
the 732 European
9% of the €11.5bn
2007).

age ENG club revenue
ghest LARGE peer
generated 5x the
DIUM peer group

some financial peer
s report and colour
ke analysis.

e the largest clubs spread across Europe?





e remain concentrated in the TOP5 leagues with 53 of the 62 clubs classified as TOP coming from ENG (20), GER (11), nonetheless a further 9 other clubs from 7 different countries that reported revenues in excess of €50m during 2008. For 2 years, there is some clear consistency as to the make-up of this TOP group with 54 clubs reporting TOP revenues hat reported revenues +/-10% either side of the TOP threshold in 2008.

from 24 countries across Europe reporting revenues of less than €350k in 2008. This peer group represents 23% of all n this peer group are usually semi-professional although some from less developed economies are fully professional. ajority of top division clubs were MICRO.

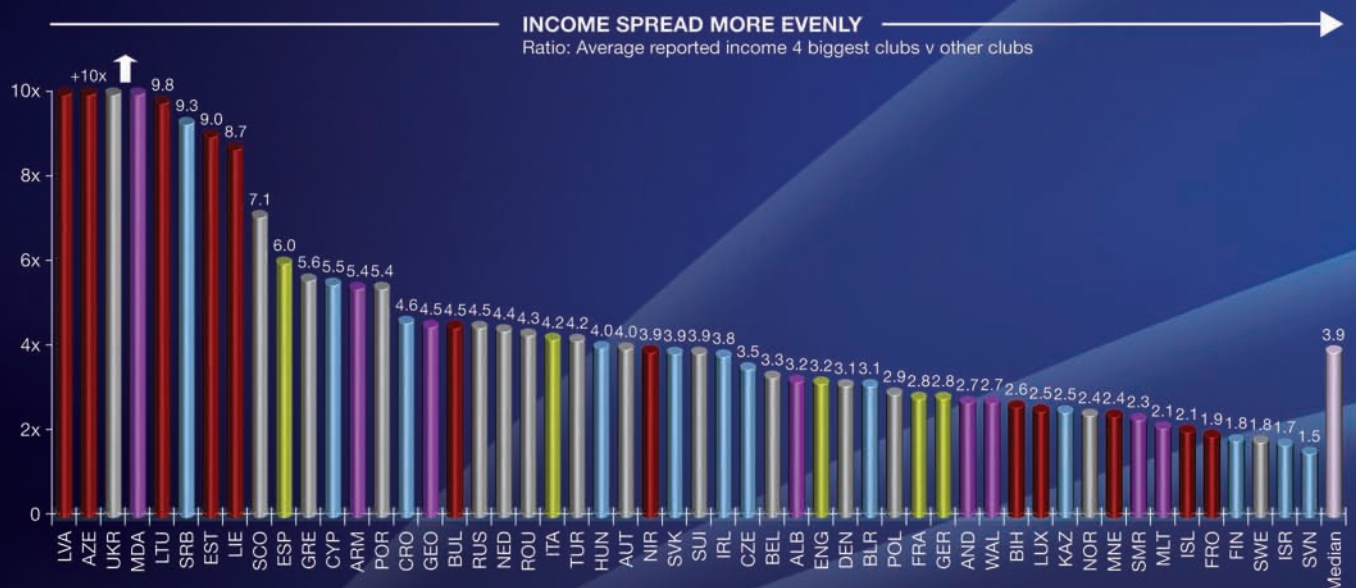
ries (24 in 2007) across Europe reporting revenues of between €5m and €50m in 2008. This group represents 28% of all the new TV deal and the relatively wide distribution of this money between clubs, for the first time ENG had no clubs in e TOP peer group.

bs are those that finished low down the domestic ranking and were relegated, the charts above are a UEFA best estimate indicating a full ups.

Q: 22. In which country is the income most balanced between clubs?

The next chart further presents income spread within the divisions by comparing the average income of the 4 largest income clubs to the average income of other clubs in each division. The colour of country code indicates their division peer group.

Comparing top 4 clubs income to other clubs income is just one of many measures that can be used to analyse financial balance. A similar measure using personnel costs and transfer activity rather than income can be more relevant where these expenses are covered more by their owner than by generated income. For our purposes income is the most simple base and provides the widest sample of 52 leagues*.



e most income
e top4 club reporting
age of other clubs in
as 3.9x. At the other
was more than 10x in
d of each colour
overall financial size
tor.

f broadcast rights
actor with income in
s sell there broadcast
lanced than ENG, FRA

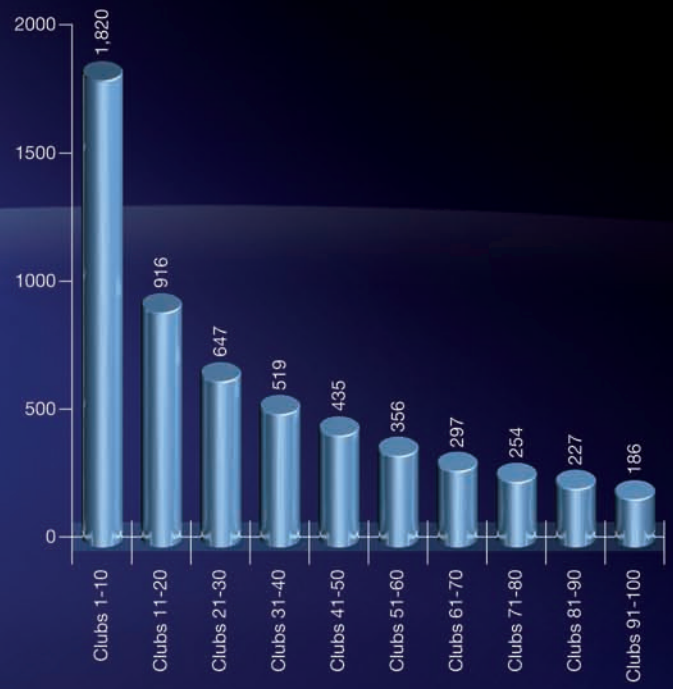
ountries - Excluded is MKD as data
figure in a list from top to bottom.

Q: 23. How balanced are the player spending resources of the largest clubs?

Answer: 23

The 10 clubs with largest spending power spent double the next 10 largest clubs on wages & net transfer costs. The difference between clubs narrows the further down the rank order with clubs 11-20 spending 42% more than clubs 21-30 who spent 25% more than clubs 31-40 who spent 19% more than clubs 41-50 and so on.

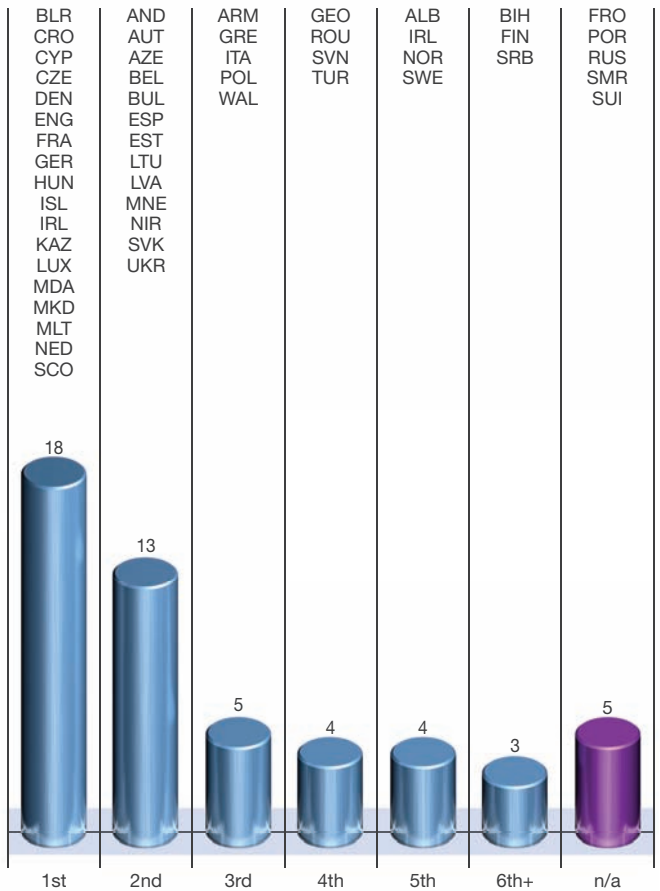
Reported employee wage & net transfer cost spread 2008 (€m)



Q: 24. How closely are financial resources linked to on-pitch domestic and European success?

In last years report a chart was presented indicating the strong link between on-pitch European competition success of a national associations' clubs and off-pitch financial strength. This has been updated and supplemented by analysis of on-pitch domestic league success and club financial strength. The chart to the left indicates where the highest earning (income) club finished in their domestic league whilst the chart to the right shows in rank order (e.g. between 1 & 53) the performance of each national association's clubs in UEFA competitions (UEFA 5 year country coefficient**) compared to the average income of the 4 largest clubs. A full scale study on this link between financial resources and results could be performed separately.

League position 2008 of highest income club



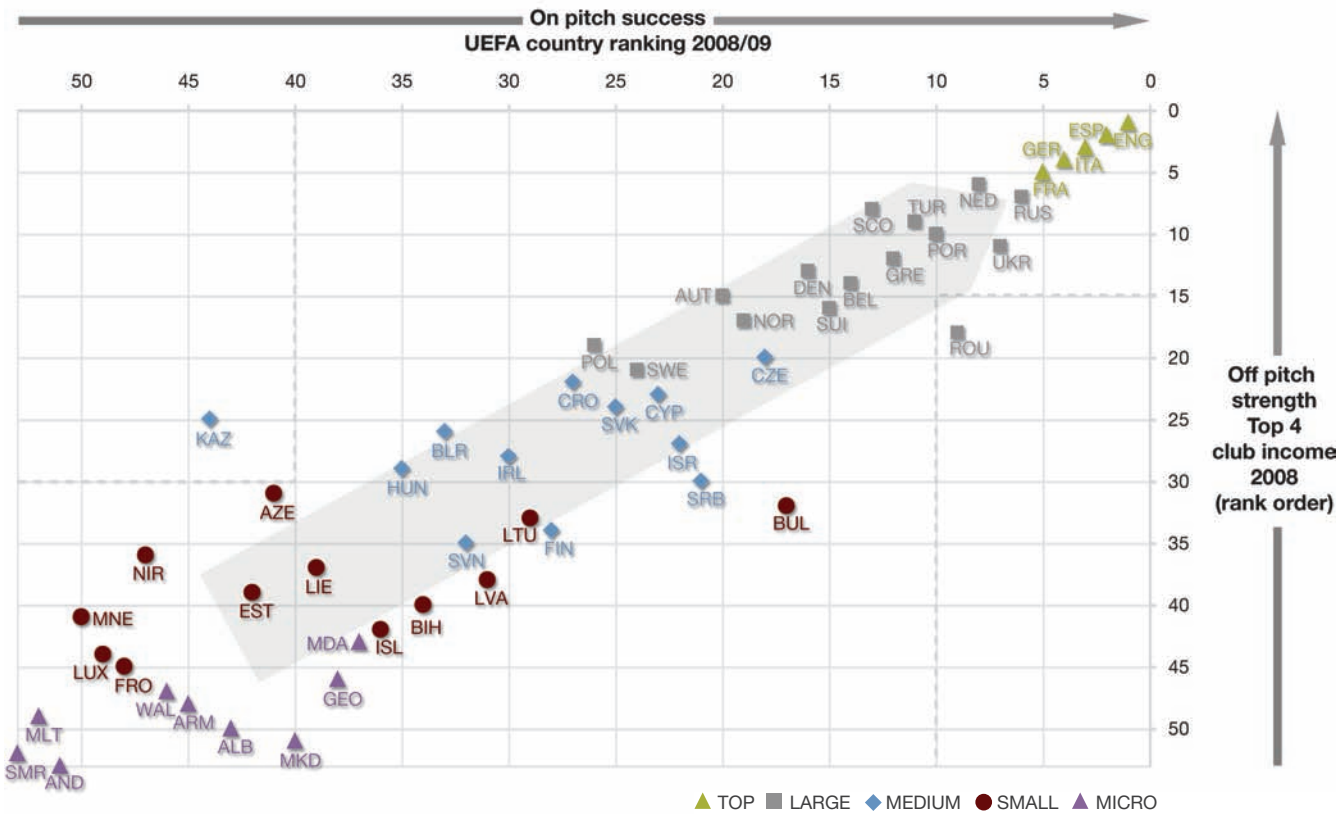
Footnotes: * The most relevant domestic championship year (2007/08; 2008; 2008/09) was taken for comparisons taking into account the timing of the season and the timing of the majority of clubs financial year ends in each country. For some countries with large central incomes distributed on the basis of domestic ranking the link may be two way, however the relative size of overall club income differences and central payments mean that the conclusions are still valid. **UEFA 5 year country coefficient 04/05 to 08/09. The R2 correlation coefficient based on the rank orders is 0.83.

ks each NA for on-pitch
ength in rank order (e.g.
h success is ranked on the
nal association's clubs in
5 year country coefficient*)
s ranked using the average
**.

**is that financial
ed to on-pitch success**.

onal grey arrow showing
the 2 rank orders***.

have performed better
A ranking of 9 and
8. KAZ on the other hand
gh 02/03 was the first
peted in Europe and there
iod'.



strates the extremely strong link between financial resources and on-pitch success.

indicates that the club reporting the highest income in their domestic league finished in the top 2
es analysed*, winning the championships in 18 countries and finishing runners-up in a further 13
other end, the domestic champions reported either the highest income or the highest employee

en performance in European club competitions and the financial resources of clubs from a
ident as indicated by the grey arrow in the scatter chart.

Footnotes: * UEFA 5 year country coefficient 2004/05-08/09. **The optimal fit would be to compare the income or personnel costs of clubs competing in UEFA competitions, however rank order of clubs linked to financial results was not provided for all the leagues – therefore the 4 largest income clubs have been taken – 4 being the average number of clubs competing in UEFA competitions. *** The R2 correlation coefficient based on the rank orders is 0.87.

4

Financial profile of European club football: Costs & profitability

What did clubs spend their money on and how much did this increase?

money did clubs spend in wages?

How consistently do clubs account for transfers in their books?

nsfers impact on profits across Europe?

How do financing, non-operating items & tax impact on profits across Europe?

t, Operating profit with and without transfers, EBITDA, EBIT, Profit before tax, Net profits - nt are profit measures for football clubs?

What operating profits are clubs generating?

able are Europe's TOP clubs?

What proportion of clubs are loss making?


NEW HOLLAND
FIAT GROUP
28

clubs spend their money on and how much did this increase?

l that the club licensing
d transparency in the
ome by introducing a
fferent types of income.
onal financial reporting
much visibility on clubs'
used club licensing to
are for some clubs
e separation of transfer
er operating activities.
erating expenses varies
ntries and legal forms,

In addition it is often up to the clubs to choose how to split operating expenses (sales & marketing, youth football, fixed stadium, variable match day and training costs etc) and whether to split personnel costs by type (e.g. fixed salary, bonus, benefits in kind) and between categories of employee (e.g. player, coaches, administrative staff, directors).

The analysis in this report therefore concentrates on the more comparable high level split between employee costs, other operating expenses, specific non operating costs and net transfer activity, that is available for all clubs.

Answer: 25

The 732 clubs of the top tier division in each NA are estimated* to have incurred €12.1bn of expenses in 2008 which was 105% of the €11.5bn income and represents a 11.1% increase on restated 2007 spending levels. In summary once again all the increased revenue generated by clubs was spent plus some more. **The particular significance of employee costs for European club football is highlighted, absorbing 61% of all club revenues plus another 3% in net transfer costs. Indeed like-for-like employee costs rose by an incredible 18% in the year,** with double digit growth in most of the major countries, outpacing the 10.6% like-for-like revenue increase. Elsewhere like-for-like operating costs rose by 11.8%, again exceeding revenue growth. Net non operating costs decreased with some large reported gains on fixed asset sales in ESP netted against costs. A reduction in the net transfer cost also helped limit the effect of the employee cost rise as seen later when we analyze profits.

of payments (salaries,
d cover all employees

irements to not require
Given their significance
seful. From those countries
as 85% player to 15% other
er costs the ratio was 19%

tion on past transfers (14.5%
4%); less, Net profits/losses
.9% profit).

'Operating expenses' €4'397m are not split down further in a consistent way between countries or in most cases between clubs in those countries.

These expenses include cost of materials; match day expenses; sales & marketing; administration; Write-down of goodwill; depreciation & rent of facilities; youth football.

A Europe-wide detailed breakdown can not be given with much certainty since a split of more than half of operating costs is not disclosed. A best and rough estimate where costs have been split is that direct allocated youth football represented 3% of revenue and fixed assets, property and rent was equivalent to 6% of revenue.

'Non operating expenses' €327m include net finance costs (3.1% revenue); Net tax expense (1.0%); 11.1% increase on restated 2007 spending levels. In summary once again all the increased revenue generated by clubs was spent plus some more, less net profit on sale of non-player assets (1.6%).

uch money did clubs spend in wages?

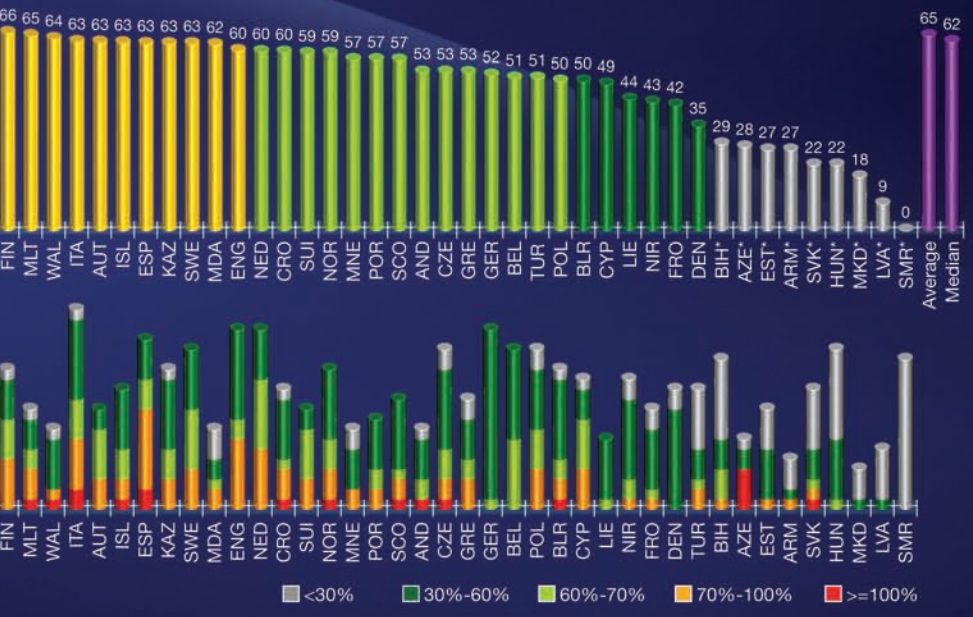
% of reported revenues paid out as employee costs, in total for each division (column chart), art below) and club-by-club across Europe (pie chart). Due to the significance of employee articular player salaries, the ratio is regularly used as a key performance indicator by clubs. in salaries is rarely directly available and hence tables presented in the media from time to ' are speculative estimates and to be taken with a pinch of salt. Generally all direct costs to both player, technical and administrative staff are disclosed together and this is the value

nalysis, at the bottom end SMR clubs (0%) are run on an amateur basis but for some of the here are still questions as to whether all employee costs are reported as such*, these clubs ey in the charts.

Answer: 26

Although there are only **10 divisions where the total ratio is more than 70%, there were 198 individual clubs (32%) that reported an employee cost to income ratio above 70%. Indeed among countries where we are confident of full employee cost disclosure, only BEL, DEN, GER & LIE had all their clubs reporting below 70%.**

Almost half countries had a club report a clearly unsustainable employee cost ratio above 100%, 57 clubs in total.



ey in top chart) some or all clubs report a share of employee costs within operating costs. Usually this is 'signing bonuses' which g costs' and on which social taxes are not paid. As the ratio is purely an indicator and not an exact science, there is no standard atio is, for the club-by-club we have taken 70%+ as a high ratio. ** UKR figures include net transfer activity which is part of

stently do clubs account for transfers in their books?

layer registrations) can have a significant impact on the finances of all but the smallest that transfer activity had on leagues and individual clubs in 2008, we present below the rs through the financial statements and explain in practice how this effects the financial t style is mainly chart based and keeps text to a minimum, here we make an exception such an important and technical area and there are some surprising findings in the first erformed.

r fees paid

n

- The majority of clubs in all TOP & LARGE leagues capitalise player transfer costs apart from RUS. 61% of European top division clubs capitalised their player registration costs in 2008.
- All TOP clubs over €50m revenue with the exception of the 1 RUS club capitalise player transfer costs.
- However, perhaps surprisingly, a total of 34 LARGE clubs expensed directly their player transfer costs from 14 different countries. These clubs come from the west and north as well as the east and south. The value of transfer incomes and costs recognised in this way totalled over €300m in 2008.
- Just over half MEDIUM, SMALL & MICRO clubs expense immediately their player registration costs.
- A small majority (55%) of TOP & LARGE clubs capitalised signing on bonuses whilst a smaller proportion 33% of MEDIUM, SMALL & MICRO clubs did likewise.

A majority (58%) of TOP & LARGE clubs capitalised transfer related agent fees whilst only 20% of MEDIUM, SMALL & MICRO clubs that disclosed their policy did likewise.

Accounting for transfer fees

The question of how to account for player values is the major item of contention regarding the financial statements of football clubs. The first question is whether to treat players as assets, in which case the transfer value is added to the balance sheet and the cost spread over the period of the players contract, or to treat players as an expense, in which case the player is not recorded as an asset but treated immediately as a cost. The first pie chart shows that **in Europe as a whole 61% of clubs treat players purchased in the transfer market as assets, whilst 39% do not and take the whole transfer fee as an immediate cost.** Some countries set out clear requirements whilst others allow different methods to be used and UEFA club licensing allows both methods whilst restricting the variations, for example players developed but not transferred-in cannot be valued and any player recorded as an asset must be taken to costs consistently over the period of the contract. This reflects the preferred method under International Financial Reporting Standards but leads to some obvious contradictions, for example this means that a home grown player like Steven Gerrard has no value within his clubs financial statements and also means that a year into his contract any player on a 4 year contract has already lost 25% of his asset value. We explore this further in the next chapter.

accounting

for €80m on a four year contract. At the end of his third year, a bit older but still a good player, 2. The left shows the impact on the financial statements if 'capitalise and amortise', the right ectly.

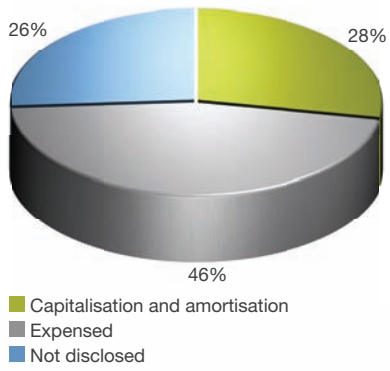
Y0	Y1	Y2	Y3
80	60	40	20
	(20)	(20)	(20)
	-	-	+30
	(20)	(20)	+10

Club 1 €m	Y0	Y1	Y2	Y3
Asset value	-	-	-	-
Cost		(80)	-	-
Profit on sale		-	-	+50
Net activity		(80)	-	+50

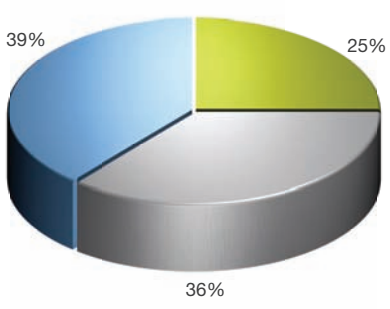
s and signing bonuses

a surprising variation within countries of how the player transfer fee is recognised, the variation agent fees and signing-on bonuses is even greater. Whilst all clubs (with one exception) from ed the base transfer fees in the same way in 2008, signing bonuses and agent fees were treated always disclosed. In total 28% of clubs disclosed that they capitalised direct transfer related g in turn 40% of those 300+ top division clubs across Europe that disclosed their policy. ain 40% of those 400+ clubs that disclosed their policy, capitalised signing-on bonuses.

Agent fees paid

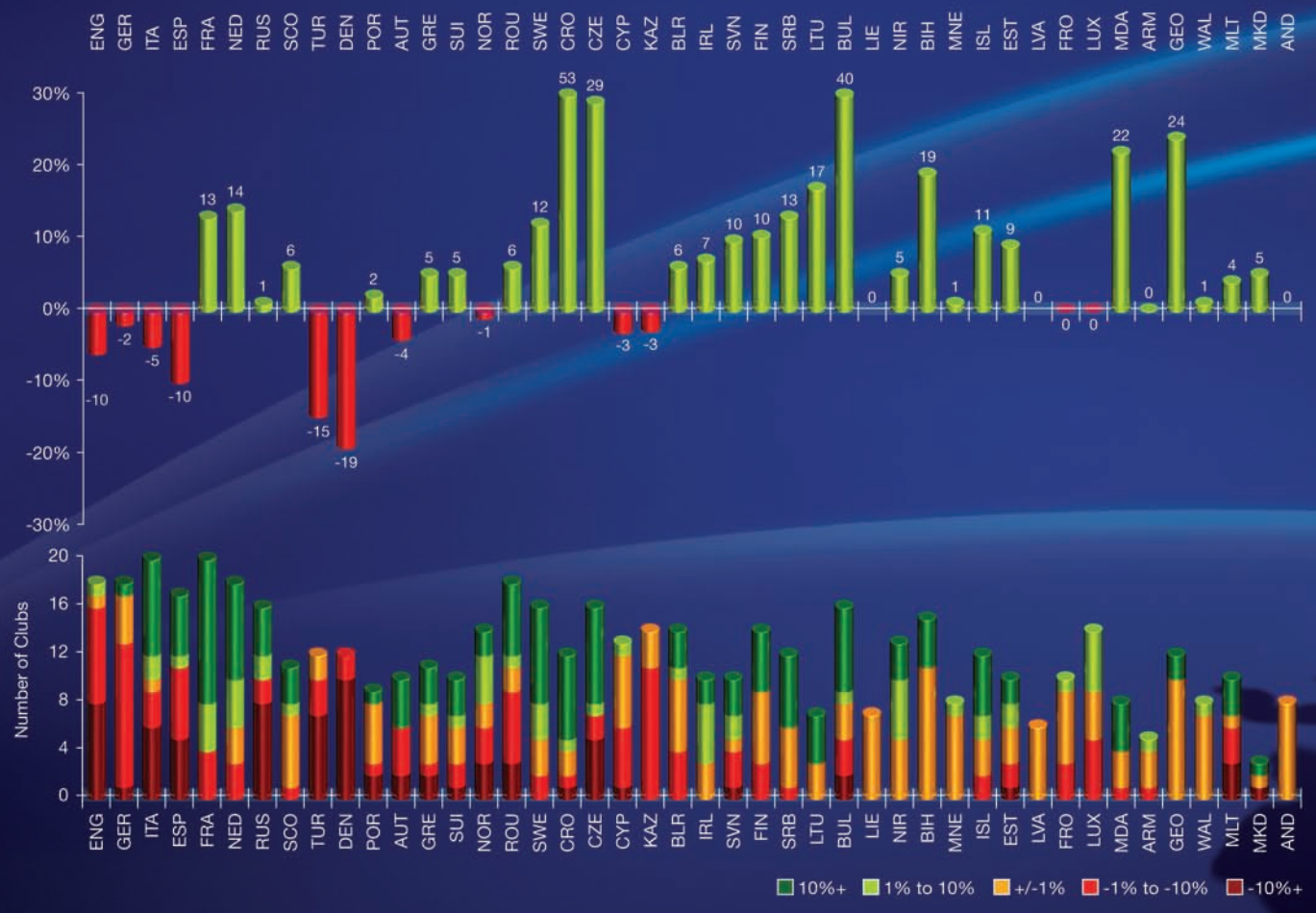


Signing bonuses paid



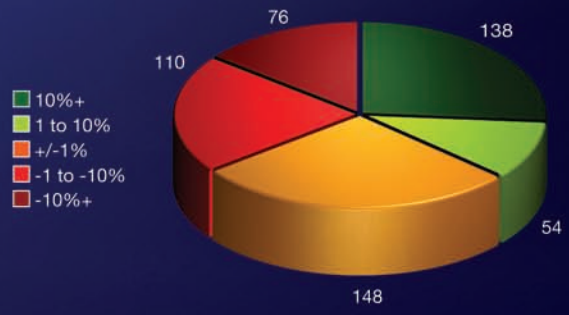
ansfers impact on profits across Europe?

how the net impact of on reported results for country and secondly y. The pie charts to the cture by club grouped transfer activity and et transfer activity and . This second measure the Financial Fair Play an provide a good idea



hed most of the clubs in the higher ees and therefore transfer fees paid e we refer to 'past and present'. ss in reporting, the transfer analysis & UKR.

Net transfer activity as % of income

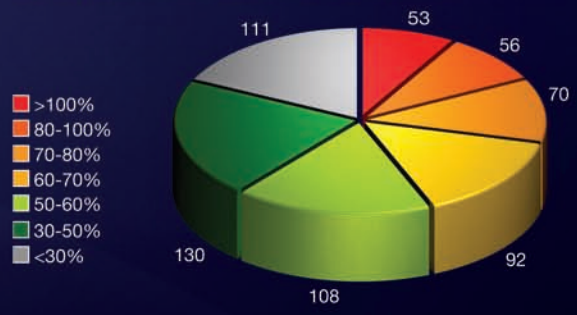


Answer: 28

The transfer system clearly acts as an important financial solidarity mechanism towards clubs in many mid and nearly all small income divisions. Transfers improved the bottom line profit margin by over 10% for 138 individual clubs and 14 aggregate divisions across Europe in 2008. Among larger leagues, transfers had a net positive effect on profitability for the majority of clubs in CRO, FRA, NED & SWE.

Once wages and transfers are combined below, 179 clubs (29%) reported costs in excess of 70% of revenue.

Employee and net transfer cost to income %



ancing, non-operating items & tax impact on profits across Europe?

show the net impact of activities on reported aggregate by country by club by country. the Europe wide picture olds, for financing/non revenue. For all these receivable and payable ial assets and liabilities) sses from sale of any or incomes and other ems.

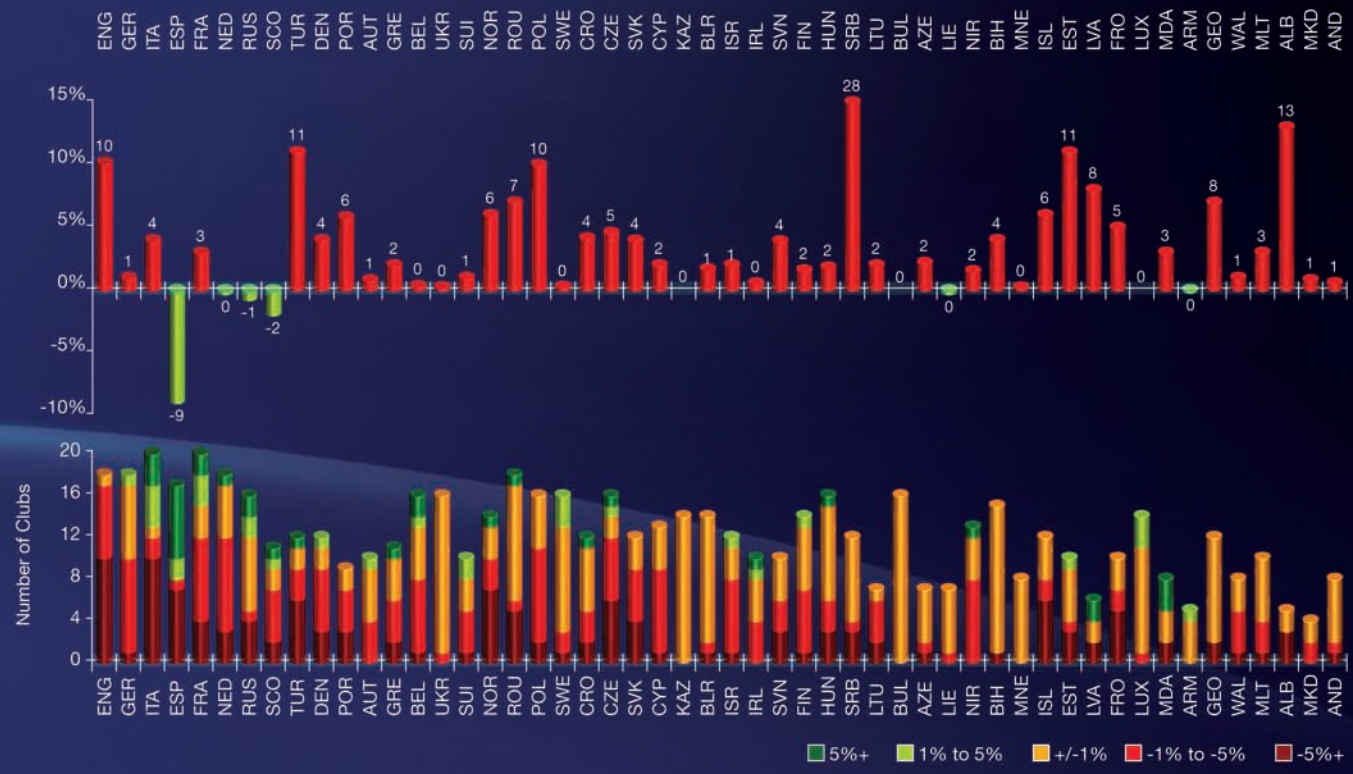
y had a significant 25% of the clubs in es that any attempt to bs should look at all ver.

o greens in all the the netting of n financing and cost that had to be

d by ESP is mainly m sale of some assets loss from these items net finance costs, cent leveraged

incomes/gains et disposal, finance, es, the significant net cing costs (65% of ases). Finance costs analyse European


and tax as % of income
38
33
284


ENG GER ITA ESP FRA NED RUS SCO TUR DEN POR AUT GRE BEL UKR SUI NOR ROU POL SWE CRO CZE SVK CYP KAZ BLR ISR IRL SVN FIN HUN SRB LTU BUL AZE LIE NIR BIH MNE ISL EST LVA FRO LUX MDA ARM GEO WAL MLT ALB MKD AND
15%
10%
5%
0%
-5%
-10%
10 1 4 -9 3 0 -1 -2 11 4 6 1 2 0 0 1 6 7 10 0 4 5 4 2 0 1 1 0 4 2 2 28 2 0 2 0 2 4 0 6 11 8 5 0 3 0 8 1 3 13 1 1
Number of Clubs
20
16
12
8
4
0
5%+
1% to 5%
+/-1%
-1% to -5%
-5%+

it, Operating profit with and without transfers, EBITDA, EBIT, let profits – how relevant are profit measures for football clubs?

Despite football clubs often taking the form of a company or group of companies including a small and decreasing number being quoted on stock markets, the maximisation of direct financial returns (profits), is apart from a few notable exceptions, rarely the main objective of clubs and their owners. Whether owners are seeking political legitimacy, increased status, indirect financial benefits, or simply philanthropic pleasure, the strategy generally translates to "Being as successful on the pitch as possible whilst ensuring the continued existence of the club." This is important to bear in mind when analysing club costs and when looking at profitability, since break-even may be considered a positive financial result for a football club as opposed to a poor waste of resources in a 'normal' business. This however does not stop a bewildering array of profit measures and key performance indicators being used by football clubs, as measures extracted from the annual reports of 4 clubs and quoted below illustrates.

Answer: 30

Bottom-line net profit or profit before tax measured over a period of time are the most relevant measures for assessing the underlying financial performance of a club, in other words whether a club operates on a sustainable basis within its long term means. Whilst disclosure of incomes and costs and hence profits varies between countries, the net profit is available for all clubs. **Further assessment of 'operating profit before player trading', excluding transfer activity and before investing, financing and tax can indicate the profits made available by the clubs core football activities for transfer activity and financing. This measure is very popular in the financial statements of football clubs. Finally profitability or cash-flow measures commonly used by analysts in the wider world, such as EBITDA* or free cash-flow, are of use principally as a benchmark for assessing the potential price of a club.**

Footnotes: * Transfer activity includes depreciation or impairment on players as well as profits or loss on sale of those players. Where transfer fees expensed in year of acquisition then result is simply income less costs. ** In some cases we suspect that certain types of employee cost (e.g. signing on bonuses) have been reported as other types of expense, hence some of the low club and division ratios (<40%) but high 'other operating costs..

"Total income"

an include financial income and transfer income/profits In common use but difficult to compare with clubs that report net profit rather than income.

"Revenue"

Income from ordinary operations but excluding profits or losses on player or other asset sales, non operational incomes and financial income. Main income measure used in this report.

"Gross Profit"

Revenue less sports materials and merchandising goods - Relevant for a manufacturing company but of no use for football clubs.

"EBIT"

profits) before Interest and ncomes and costs exept ct of different financing s for comparison purposes.

"Profit on ordinary activities"

Same as Operating profit

"Operating Profit"

Similar to EBIT, excluding financing and tax, but also excludes non-operating income/costs and profits/losses on sale of players and other assets.

"AR"

excludes (one-off) and same drawback DA.

"EBITDA"

Short for 'Earnings (profits) before Interest, Tax, Depreciation & Amortisation - Removes the effect of different financing structures, tax rates and accounting items, indicating the ability of a club to service its debts - can be misleading for football clubs as amortisation on player spend excluded but profits on player sales included.

"Operating Profit before player trading"

For clubs the accounting amortisation on bought players is often a large amount, and is considered more an investment than a cost. Hence many clubs report operating profits excluding player transfer costs (as well as financing costs, non-operating costs, divesting gains/losses and tax.

"PBT"

ort for Profit Before Tax - can be useful for comparisons as removes different profit tax rates and different proaches to deferred taxes. However not a true non-tax mparison as taxes on players and products/services are often larger for football clubs and are included within mployee or operating costs and hence not adjusted for.

"PAT: Profit after tax"

This is the 'bottom-line' after all incomes and costs. It does not represent the net cash that has come in and does not include money invested/raised or paid out to the club owner(s) - these are reflected in balance sheet and cash flow statements.

operating profit before player mark for football clubs than profit and EBITDA. Top division €1.7bn of statutory operating value appears disastrous but is nce and disclosure of transfer ncial statements. Statutory ffectively half the picture with the costs on inbound transfers included (spread out over contract period) but profits/losses on outbound transfers reported after the statutory operating profit line. EBITDA effectively does the opposite, showing the better half of the picture, including the profit side from player sales but excluding the amortisation (cost) from player acquisitions. Due to the aggressive nature of straight line amortisation and the zero value attributed to players brought up at the club, nearly all clubs report income statement profits rather than losses on outbound players, our analysis shows this was the case for 56 of the 59 TOP clubs that capitalise players. So whilst €1.6bn of costs associated with inbound transfers are taken into account for statutory operating profit, €1.3bn of profits on outbound transfers are excluded. We therefore analyse operating profit before (excluding) player transfers and net profits.

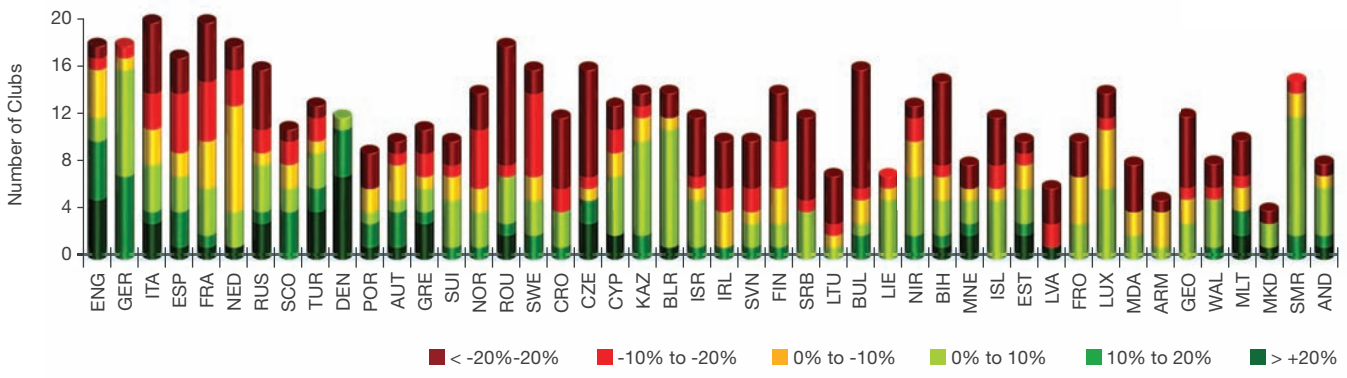
Q: 31. What operating profits are clubs generating?

The charts below present the most complete Europe-wide analysis of football club operating profits yet undertaken. To some extent the level of a club's operating profits dictates how much transfer activity and financing costs can be absorbed. We say 'to some extent', because the operating profit is for a 12 month period only, whilst club strategy covers a longer period, and also because a club can sometimes source additional money if club owners or other finance providers commit money.

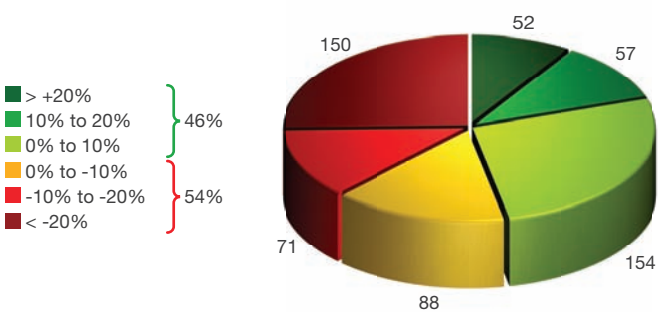
ted* operating profits
ximately €100m

bs* reported
ase from 51% in 2007.
of club does have an
sses with a lower
(revenue > €50m)
ue €5m-€50m) clubs
€5m revenue).
20 of the TOP clubs
€344m indicates
clubs underlying
e operating profits in
s. The profitability of
on the next page.

result, analysed next,
rticular reported
the larger countries
rated significant
dark red) compared
clubs.



Operating profit before player trading as % of income

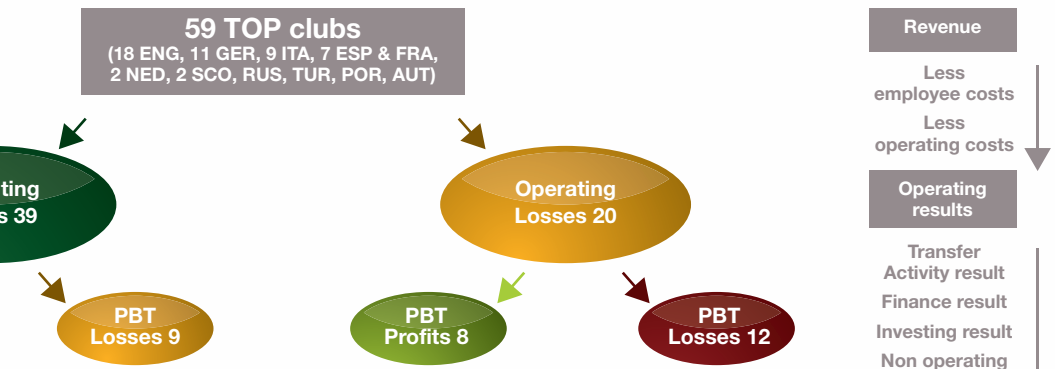


The pie chart indicates that the most common operating performance is an operating profit margin of between 0% and +10% of income, this was reported by 154 clubs. Last year we highlighted that all countries, with few exceptions, included both clubs reporting bottom line profits and significant losses. The column chart on this page confirms that this is also the case at the operating profit level with green (operating profit) and dark red (significant operating losses) common to the majority of countries.

Footnotes: * Due to inconsistency/incompleteness in reporting of transfer activity, the operating profit analysis excludes: ALB,, BEL, HUN, POL, SVK & UKR clubs. The sample in pie chart and column chart is therefore 572 clubs from 47 top division leagues. The 'Europe-wide' aggregate estimate of just under €100m operating profits reflects both this sample (€127m operating profit) and a total estimated figure generated by modeling each missing league knowing PBT and clubs misisng from data survey.

rofitable are Europe's TOP clubs?

roper and full assessment of the results of an individual club's longer term review over a period of time. However the income as to the financial performance over 12 months, and underneath arised the financial performance in 2008 of all* the TOP clubs with



> 3 (2 ITA, TUR) reported operating profits but net losses due to transfer activity, net losses all under 10%

> 4 ENG reported operating profits but net losses due to combination of transfer activity and financing costs

> 1 ITA reported operating profit but net losses due to combination of tax charges and transfer activity

> 3 ESP able to balance books but through one-off stadium profits

> 5 (2 FRA, GER, NED & POR) able to balance books through net profit on transfer activity

> 1 FRA able to report reduced losses through transfers

> The other 11 (6 ENG, 3 ITA, FRA, GER) all reported increased losses before tax, with 10 increasing losses through transfer activity

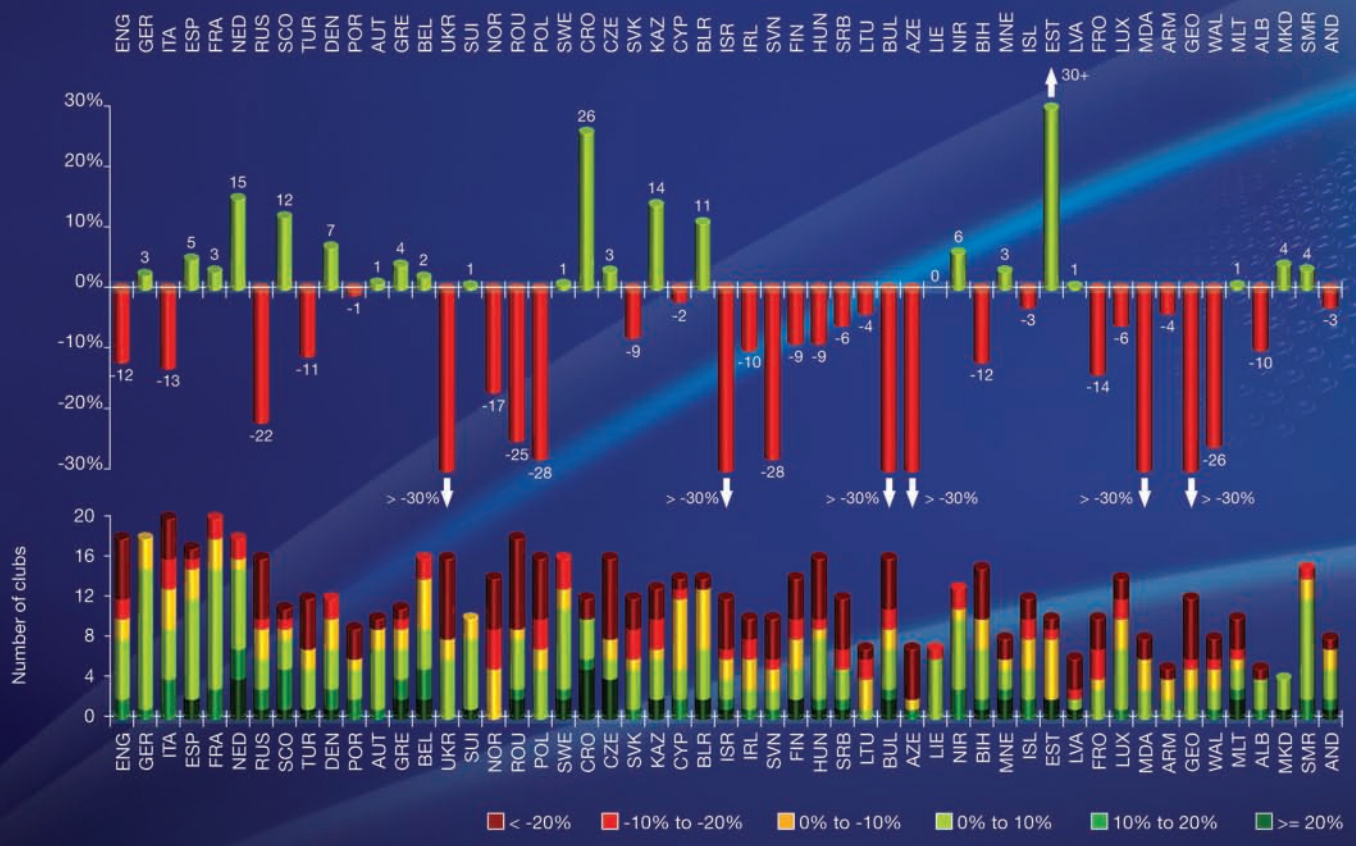
Footnotes: *From the 62 clubs reporting revenue of more than €50m in 2008, the 2008 flow chart analyses 59 clubs with one UKR club excluded as operating profit split not complete and 2 ENG clubs which were not in the survey because of late filing of accounts.

ortion of clubs are loss making?

rted 2008 Net profit for rope. In aggregate top sses of €578m in 2008.

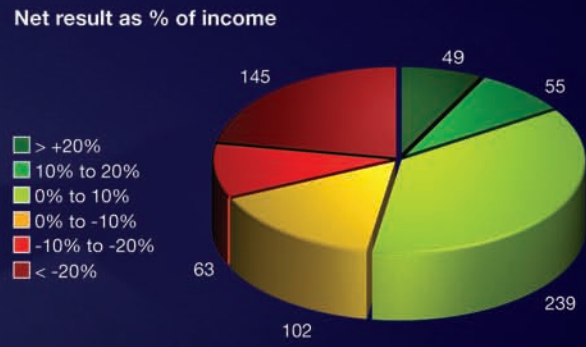
sion clubs, 47%, of larger clubs (TOP & MEDIUM, SMALL &

d losses, 22% were significant, me. Smaller clubs port significant losses



Footnotes: * Profit/loss analyses presented relative to income, in absolute terms the size of losses and profits would be higher for larger clubs. The figures for the 654 clubs represent 90% of all European top division clubs – Most of the missing data is for clubs who did not apply for licenses, often as a result of finishing low down the domestic rankings – The actual proportion of loss making clubs may actually be higher once these clubs are included given their poor sporting performance.

The 10 most profitable clubs reported €323m in 2008. At the other end of the scale 20 Clubs reported net losses of €735m.




7
6

5

Financial profile of European club football:
Assets, debts & other liabilities

Debt....in debt....net debt....secured debt....liabilities...going concern - what does it all mean?

pe of assets and liabilities have clubs reported?

How do the amounts of long term assets and net debt compare across Europe?

sset values: under or over valued?

How are clubs financed: spotlight on transfers?

clubs financed: spotlight on tax & social liabilities?

How many clubs reported negative equity?

om line - Did club balance sheets strengthen or suffer in 2008?

Q: 34. Debt….in debt….net debt….secured debt….liabilities…going concern - what does it all mean?

The discussion of 'debt' in football clubs has never been as prominent as it has been in the last 2 years. Whether it is talk of "premier league clubs having net debt of €3.1bn*" or one third** of European top division clubs being "in debt" or clubs being in debt***, it can be very difficult to decipher what the wider situation actually is and what the main issues are with 'debt' for football and individual football clubs. We first try and differentiate between these phrases and then set out a more concrete picture of European football clubs' finances through analysing their balance sheet and cash flow statements.

Answer: 34

In practice, the term 'football club debts' has been used in many different ways with a great deal of flexibility, references range from the very broad, totalling all liabilities that a club has, to the narrow definition of debt financing either including or excluding interest free owner loans. For our purposes we use the following definitions:

'Debt' – "Amounts owed to people or organisations for funds borrowed." Within this definition we include interest free owner or related party loans, sometimes called 'soft loans'. This is estimated to total €7.7bn.

'Net debt' - takes the debt figure and removes any cash balances or liquid assets and is estimated to total €6.3bn

'Liabilities' – "All financial obligations, debts, claims, and potential losses.**" Company balance sheets include Assets on one side and Liabilities on the other side with the difference equalling Net Equity ('positive net equity' if recorded assets exceed recorded liabilities and 'negative net equity' if assets are less than liabilities). Liabilities include: 'Payables', amounts outstanding on bills for products and services received (e.g. invoices for rent); 'Accrued expenses', the same but where no bill has yet been received (e.g. wages earned by staff to be paid at end of month); 'Provisions', estimate of probable losses arising from previous actions (e.g. ongoing legal case against club), 'Deferred income', payments received for work not yet done (e.g season ticket revenue for future matches). Total liabilities are estimated at €18.2bn for top division clubs.**

Liabilities are referred to as short or long-term with short-term being 12 months from the financial year-end.

'Going Concern' - "The ability and intention of a company to continue trading at least 12 months". Of nearly 500 reviewed year-end and interim club audit reports, one in ten had an emphasis of matter or qualified audit opinion regarding going concern.

l/2009/jun/03/english-premier-
08 .
all/news-and-comment/football-
tml **** IFRS International Financial
nt obligation of the entity arising
to result in an outflow from the
*** Source: Kop Football (Holdings)

e of a club's liabilities, it is
ly the amount of liabilities but
see the non-exhaustive list of
eral and some football specific,
y notes and commentary to a
ents include a lot of detail:

learly season ticket money
itself a bad thing and yet is it
accountants consider the cash
fully earned until the matches
but not a debt that will have to

lub: A financial loan on its own
asset or set of assets, so
considering the assets is not
nerally for the lender a debt
less risky leading to better
club. The clubs with the most
e able to attract finance from

Maturity of debt: As a general rule long term debts should be matched to long term assets and vice-versa with short term items. The full picture of the timing of debt repayment and payments due on other liabilities together with the financial resources available for the clubs is needed to assess the risk of debt default or overdue liabilities. This is why club licensing requires the submission of budgets.

Differing accounting treatments: As we demonstrated earlier in the report when recognising player signings, different accounting treatments may be applied. For example some clubs record significant deferred tax assets in their balance sheet to reflect the theoretical future benefit from previous losses (which can be set off against future profits to be tax free), whilst other accounting jurisdictions only allow these assets if it can be proved that future profits are likely. Recently a large European club recognised a €60m equity increase when less than €2m had been raised, under its accounting jurisdiction the €58m would be reversed only when the subscription term officially ends.

Unrecognised assets and liabilities: The Net equity/Net assets should not be confused with value of a club. Part of the reason is that as a general rule accountants do not allow assets to be included unless their value can be accurately estimated. Some of the principle assets of a club such as: a loyal supporter base; reputation/brand, membership/access rights to lucrative competitions; home grown players, are not included within balance sheet assets, since they are extremely difficult to value despite them unquestionably having a value. These unvalued 'assets' tend to be greater for larger clubs. As an example***** when Liverpool changed ownership in 2007, the balance sheet net equity of €53m was estimated to have a fair value of €197m and in addition the new owners were prepared to pay an extra €73m ('goodwill').

Q: 35. What type of assets and liabilities have clubs reported?

The pie charts broadly group the reported assets and liabilities of European top division football clubs. This grouping is possible because UEFA club licensing requires certain minimum disclosures, particularly concerning players on both transfer amounts payable and receivable and capitalised player values. As part of licensing these items are verified to detailed player by player tables for every club.

Net bank and third party commercial debt totalled just over €4bn (bank loans €5.5bn less cash balances €1.4bn). Bank and commercial debt of some level was reported by 69% of clubs,** although the 20 clubs with largest external net debt accounted for the vast majority €3'370m. These 20 clubs came from 9 countries with ENG (7 clubs) and ESP (5 clubs) both prominent.

The broad split of liabilities reveals that owner or related party loans exceeded €2.2bn but this represented only 13% of overall liabilities. The net amount owed to owner or related parties was just under €2bn and 42% of clubs reported balances with owners and related parties.

€20'000m of balance
of liabilities netting to
800m*.

orted by clubs differ
% of assets were
in nature.

s, over €5.2bn most of
ilities. This probably
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estments in the company
facilities have been
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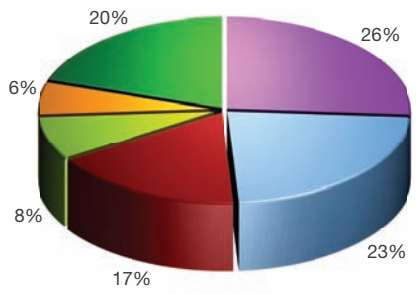
dium outright, it is not
centrated with 20 clubs
ubs also reported €2'996
n long term assets and debt

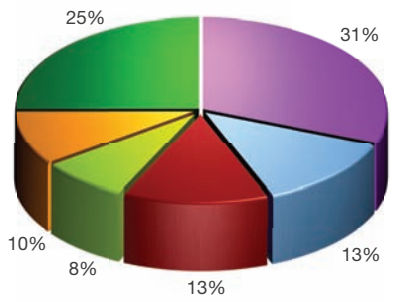
ting clubs. Reported assets of
sion assets of €20'015, reported
de top division liabilities of €18'155.
did not present a full split of
receivable for numerous reasons: (1)
Brazil & Argentina (2) Net transfers
4) Amounts payable to non club
In some cases the split of liabilities
RUS, SCO & UKR clubs.

Assets By Type



Fixed assets	€5.2bn
Players	€4.4bn
Other LT assets	€3.2bn
Cash	€1.4bn
Transfers	€1.1bn
Other ST assets	€3.7bn
Assets: estimate clubs not in sample	€1.0bn
Total reported assets	€20.0bn

Liabilities By Type



Bank & commercial loans	€5.5bn
Group & related parties	€2.2bn
Other LT liabilities	€2.2bn
Taxes & social charges	€1.4bn
Transfers	€1.6bn
Other ST* liabilities	€4.3bn
Liabilities: estimate clubs not in sample	€1.0bn
Total reported liabilities	€18.2bn

Outstanding amounts payable on transfers totalled more than €1.6bn*** and these are analysed in more detail on the next pages.

Tax & social charge liabilities totalled €1.4bn and these are analysed in more detail on the next pages.

o the amounts of long term assets ompare across Europe?

ast differences in scale of club revenues between ies was illustrated. We can see from the analysis of ebt that the differences are even greater when it comes

e size of a club's liabilities or debt is just one of many en assessing risk. The immediate reaction that 'debt' pered with some perspective. In certain high profile ot has been placed in the club because the club is risk and hence can support interest payments on

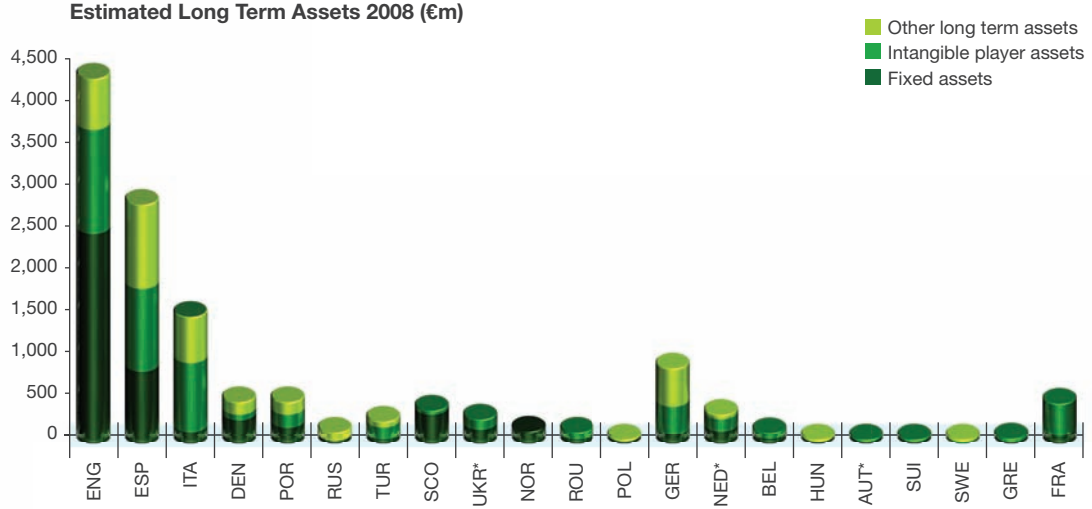
of bank and commercial debt is strongly connected to e, with long-term debt typically linked to stadium his is because new debt is used as the most efficient ing for a new stadium development (e.g. Arsenal), but already built assets provide security for commercial nancing without this long term asset.

ns are also common, sometimes with no or nominal hese are transformed into equity sometimes depends any minimum equity rules in force in a country.

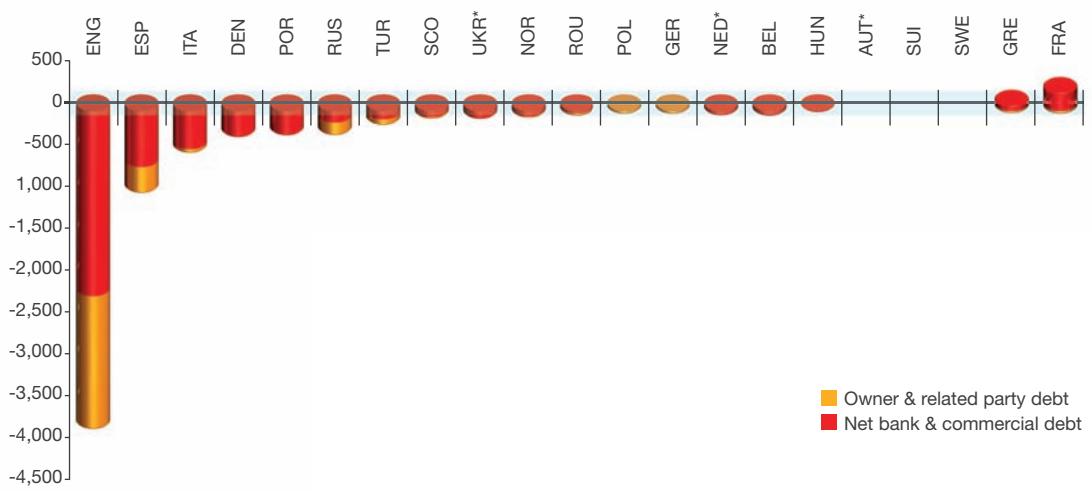
sed about the growing level of debt, it is therefore tween debt allocated to resources (investments) and t term spending advantage.

bt are highly concentrated in certain clubs and stadium ownership is the norm, contain on their 48% share of the total value of European balance of Europe-wide net commercial debt. Just over half of en placed into the club (or at a holding company level) ged buy-outs, so far acting principally as a burden rather r spending.

Estimated Long Term Assets 2008 (€m)



Estimated Net Debt 2008 (€m)

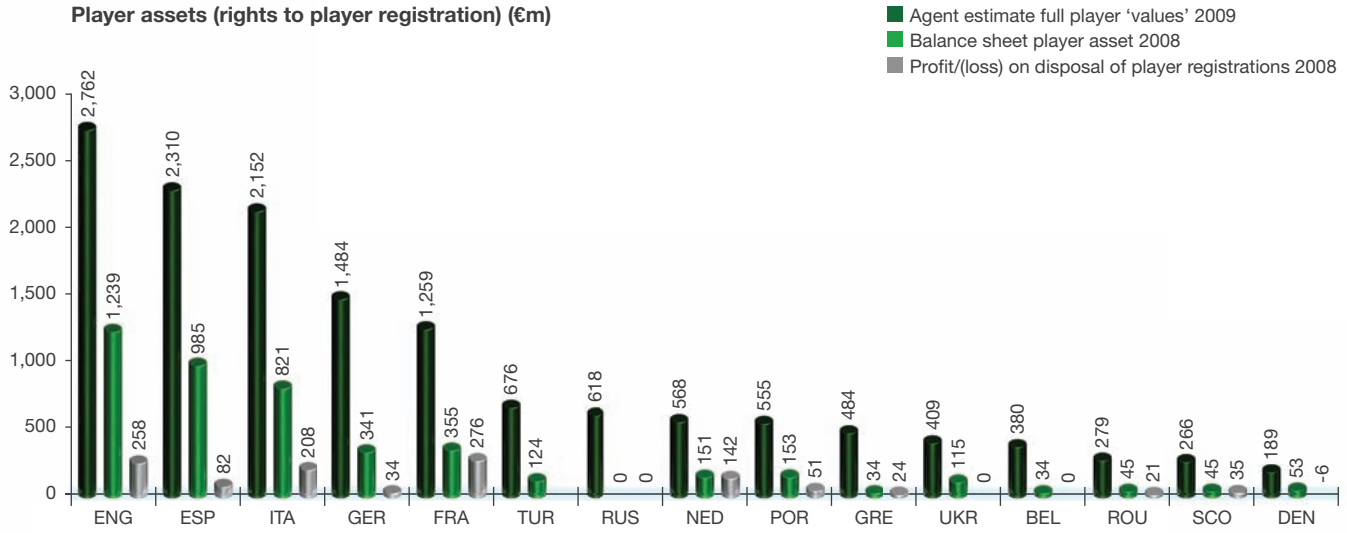


et values: under or over valued?

e accounting for players
rofit & loss account of
tly expensing the costs.
this subject since it has
et of football clubs and
scussing a club's asset
The total values in the
ision clubs and just the
er) relating to player
e. This is the first time a
en attempted and there

ements confirm what
nderstanding of the
counting rules, that
are understated
f the 58 TOP clubs for
transfer fees in excess
f sale of their player(s),
ss. In total these clubs
m. **The**
for smaller clubs
e home grown players
players on the balance
or net income
t value compared to
s taken together also
(profit/loss on sale
airment charge) whilst
orted a net gain on

Player assets (rights to player registration) (€m)

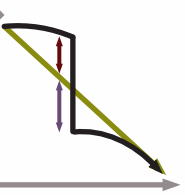


Whilst downwards revaluation (impairment) is required, upwards revaluation of players is not permitted. Nor is the valuation of home grown players. Finally the capitalisation on balance sheets of new increased remuneration terms to secure player contract extensions is also not permitted. These are all major factors in why the 'market value' of players is in general underestimated in club balance sheets.

So if players as a whole are undervalued compared to their market price then by how much? Due to the series of complex interlinking factors that dictate a transfer 'market' price (see box), any figure provided is extremely subjective. Certain agent web sites (e.g. www.transfermarkt.de) provide a comprehensive set of subjective player by player estimates which total €16.2bn for top division clubs*** rather than the €4.4bn reported in club balance sheets although this assumes there is a willing buyer and seller at 'market price' for all players. If we use some broad brush assumptions that the average contract of both transferable & home-grown players is 3.5-4 years and that the 2008 balance sheet and net profit are repeated over the course of this cycle, then this produces an estimate of total 'player (registration rights) value' mid way between the 2 columns in the column chart.

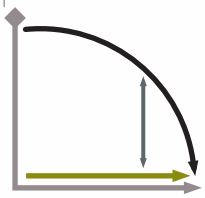
Simplified representation transfer value of player with serious injury:

Same basis but 'Market value' decreases below book value as player suffers serious injury or loss in market value, impairment charge booked.



Simplified representation home grown player from start of employee contract.

No book value or depreciation charges and any transfer fee agreed when sold yields a profit.



	TOP clubs	OTHER clubs	ALL clubs	TOP % of ALL
	3'301	1'060	4'361	76%
	1'191	374	1'565	76%
	32	13	45	71%
	712	663	1'375	52%
	2.77x	2.83x	2.79x	
	0.22x	0.63x	0.32x	
	0.58x	1.71x	0.85x	

'Market value' depends on a number of factors, concrete and soft, measurable and non-measurable, some relating to a player's characteristics, some to his contractual characteristics and some to the club characteristics of the clubs involved. This makes it extremely difficult to model accurately. A non-exhaustive list of contributing factors include:

Player characteristics: Age, experience, Injury record, playing position(s), 'reputation', desire to represent new/current club,

Contractual factors: Time remaining time on contract, buy-out clauses, expected/current remuneration & signing bonus, agent fee structure, start/end of transfer window, significant legal cases (e.g. Bosman/ Webster)

Club factors: Number & type interested clubs, buying power, 'need' to sign, 'need' to sell, other activity in transfer window, availability of alternative players, promises made & loan/buy preferences

Player impairment charges totalling €45m were disclosed by 44 clubs including 9 of the TOP 60 clubs. Impairment therefore had a far less significant impact on financial results than depreciation.

Footnote: *Player asset nbv (net book value) is purchase price less accumulated depreciation (amortization) and any impairment charges. ** Profit/(loss) on sale includes for the analysis above the difference between transfer income and costs where clubs do not capitalize players in their balance sheet. Figures in table are for sample of 600+ clubs which is estimated to cover more than 95% of top division transfer activity. ***Transfermarkt estimate is taken from website Dec 2009 whilst financial figures are for financial year 2008 although timing difference not believed to make significant difference to accuracy.

Q: 38. How are clubs financed: spotlight on transfers?

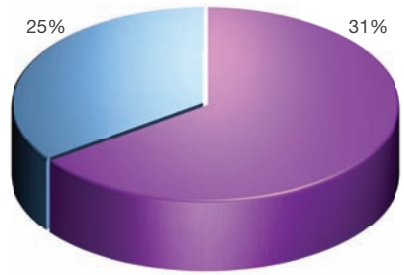
ng is tested each year
he settlement of these
mportance since non or
ms agreed can have a
clubs directly involved
ed cash may have to in
sing requires separate
eceivable and payable
s been included in the
UEFA*. In addition the
reported in financial
e timing of the financial
transfers, in particular
ed but not paid shortly
be noted that transfer
rdue but in line with the
the respective clubs.

s countries where the
more than 5% relative
receivable for MKD and
indicate the potential
debt settlement for
owed to MKD and CRO
and 57% of annual

or all clubs, generally those clubs
s but provide them in separate
S, SCO, most UKR, some ENG,

G, 3 ESP, 1 ROU & 1 ISR club.

Transfer Payables



ST (payable within 12 months)	€870m
LT (payable 12 months +)	€460m
Payables: not split ST/LT	€320m
Total reported transfer payables	€1,650bn

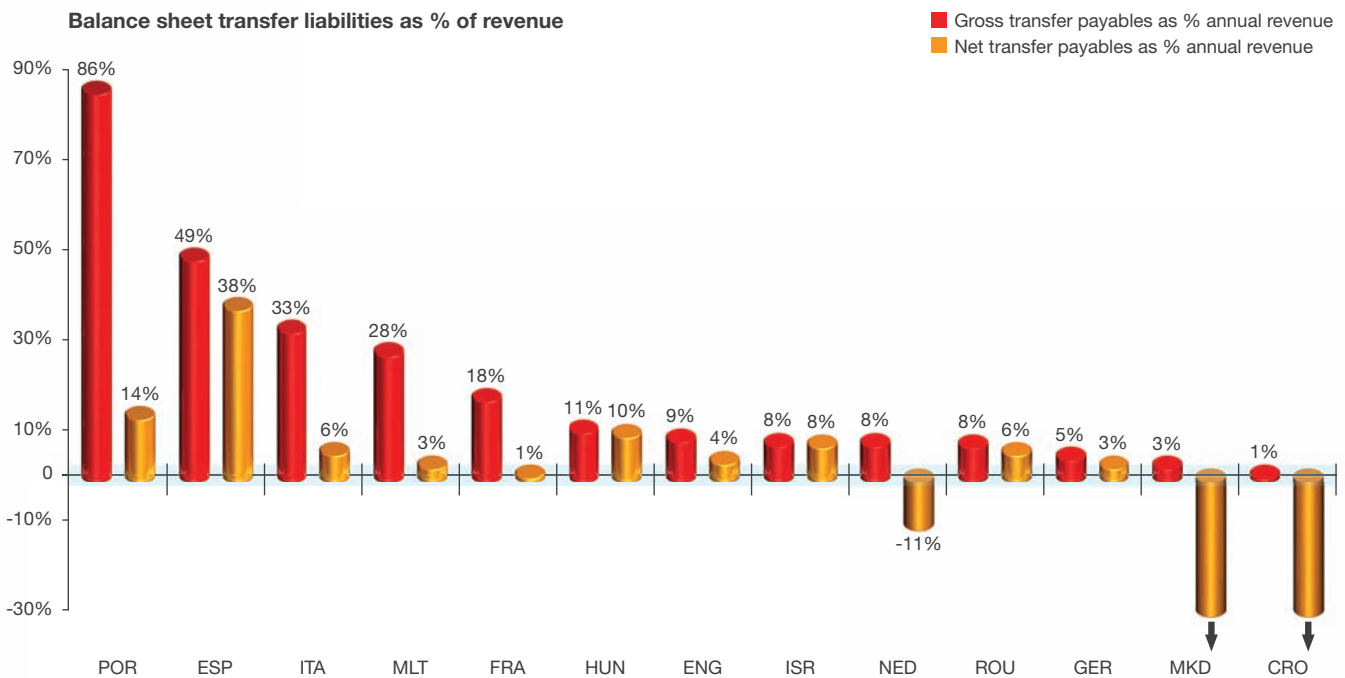
Answer: 38

The pie chart indicates that 35% of the reported outstanding transfer liabilities are long term, scheduled to be settled beyond 12 months. This ranges from 28% POR to 45% ESP clubs. In total we estimate that more than €550m of transfer fees are scheduled to be paid in over a year.

In general ITA & ESP clubs most commonly use extended transfer payment terms with 7 each of the 20 Highest reported* transfer debts. Although the ability to assess the risk of future non payment is only possible with a full forward looking review performed at national level, there were at least 6 clubs** whose net transfer payables balance was equivalent to more than 6 months total revenue.

Half of all reported* transfer debts were from 13 individual clubs although this concentration would be less if all clubs were included. In total 10 clubs had €530m outstanding to pay on transfer fees (after taking away amounts owed to them on transfers).

Balance sheet transfer liabilities as % of revenue



re clubs financed: spotlight on tax & social liabilities?

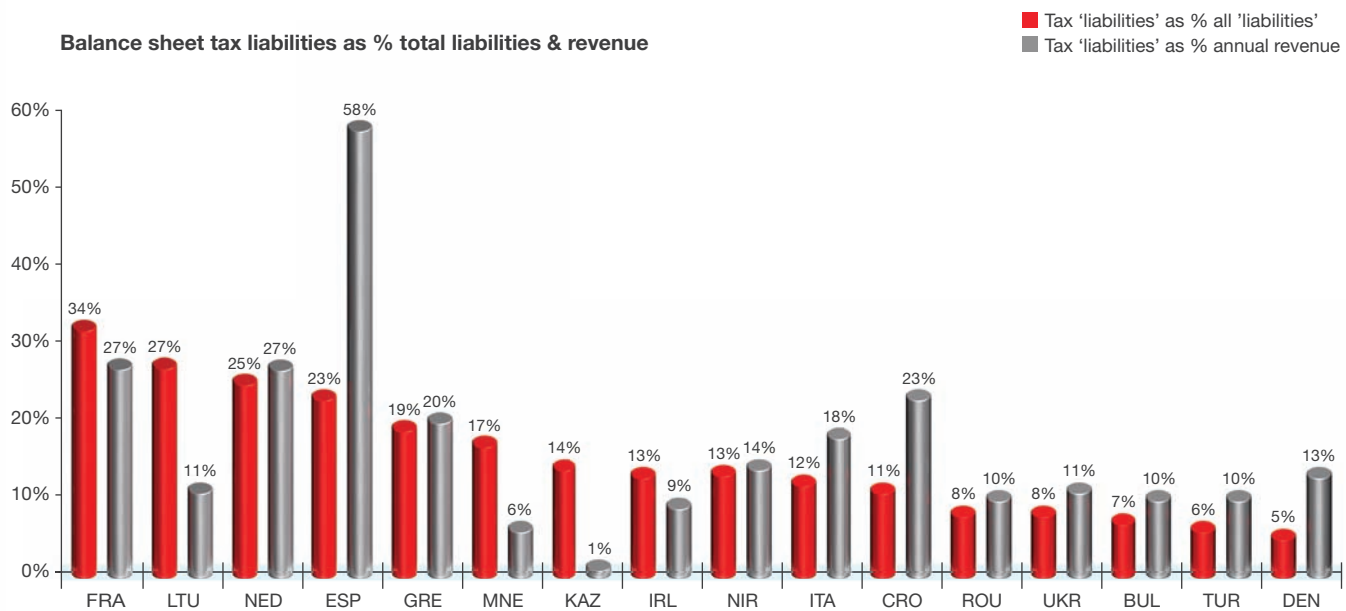
all the countries where the
ilities due to tax authorities
liabilities or 10% of revenue.
tly due to the existence of high
d by timing differences, these
the future rather than current

ies is of particular relevance
e debts (compared to ordinary
an lead to problems building
rules on tax payables
other authority debts such
not appear to be any strong
ue and reliance on this debt

han 10% of overall debts in

re more than 10% of overall
nd equivalent to more than
lubs including 11 TOP or

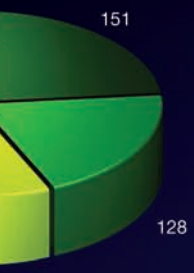
Balance sheet tax liabilities as % total liabilities & revenue

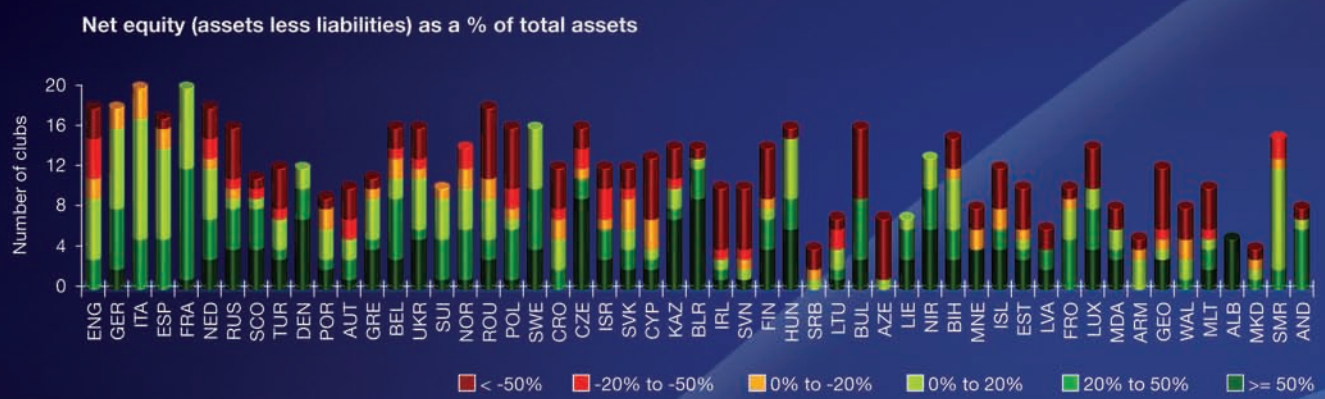


analysed for 631 top division clubs from
nclude tax bills and deferred tax
iture tax liabilities resulting from
assets or liabilities in balance sheet and
n the recognition of gains and losses in

clubs reported negative equity?

ssets





Answer: 40

The simple answer is that 224 or 35% of clubs reported negative equity (assets less than liabilities) in their balance sheet in 2008. This included top division clubs from 47 different countries and also included 15* of the 60 TOP clubs. As illustrated previously the underlying value of some of these clubs may be higher than the net equity reported due to the conservative and prudent nature of accounting valuations. Nevertheless weak balance sheets when combined with ongoing losses and/or negative cash flows can be dangerous. Of the 224 clubs reporting negative equity, 155 also reported losses in the year.

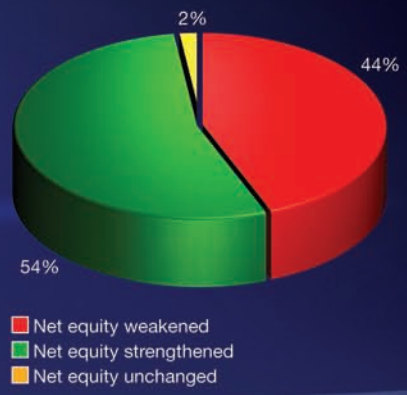
Footnote: Net equity was analysed for 644 top division clubs from all 53 countries.

ttom line – Did club balance sheets strengthen or suffer in 2008?

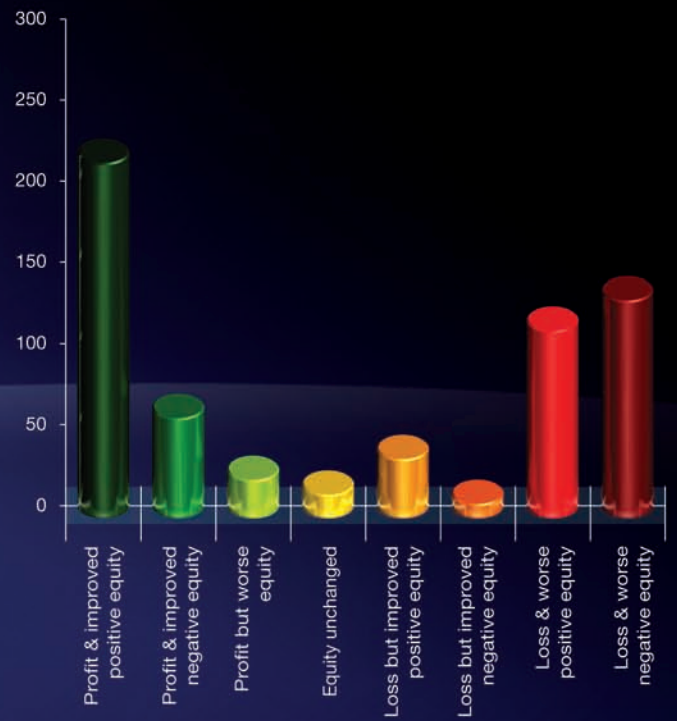
bs in less developed
r owner(s) to keep the club
cases this may be through
n many cases this will be in
ections, to cover losses and
ment in net equity of a club
ss of the year plus any capital
s.

4% of clubs had their balance
ring 2008.

Change in net equity 2007-2008



Net equity position & movement



ed for 621 clubs from all countries except DEN & POL. Due to absence of prior year figures the number of clubs analysed here in the 2 year
n the previous one year net equity analysis.

Appendices

APPENDIX 1: Club Licensing 2009/10 season

APPENDIX 2: Average attendance profile by country

APPENDIX 3: Sources, terms, objectives, disclaimer


UEFA
NEW HOLLAND
RESPECT

season.

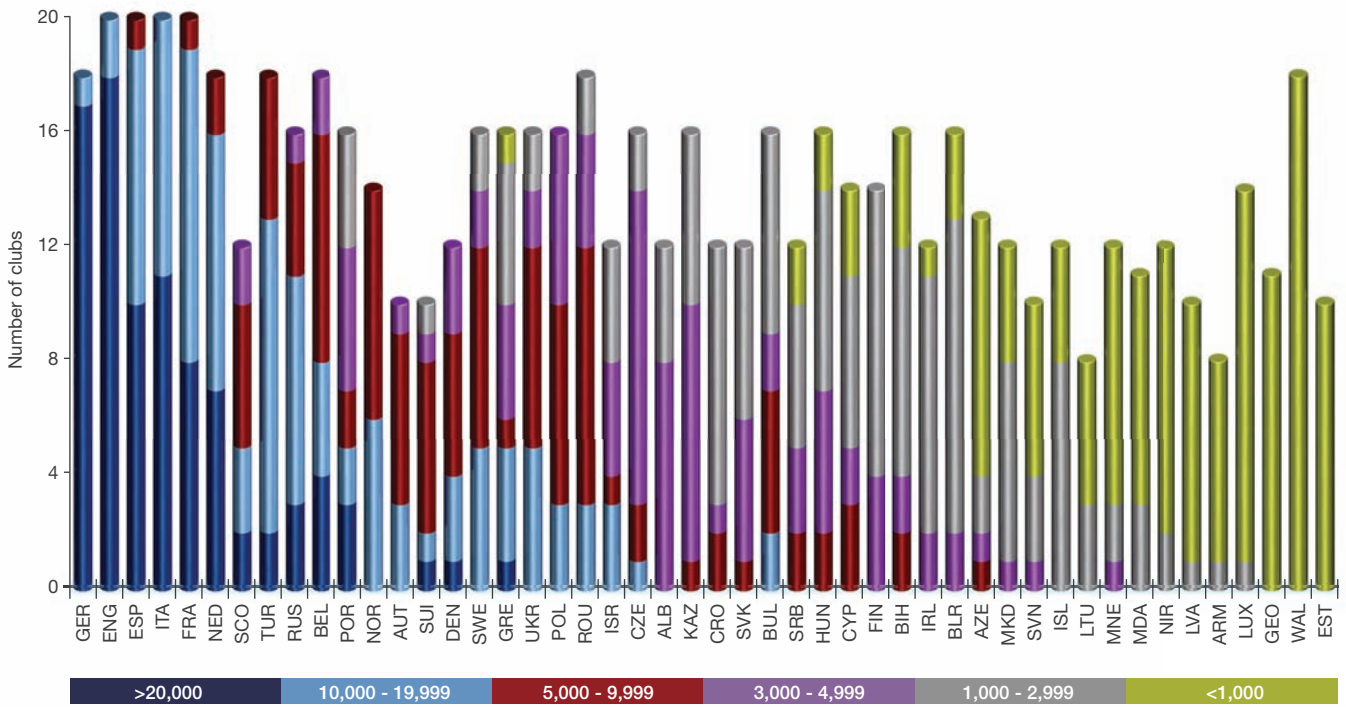
to Q&A's 1&2 by
ntry and level of the
t club licensing
2009/10 season".

Licences for 2009/10 season	UEFA	Additional clubs applying for DOMESTIC license					UEFA and/or DOMESTIC
National Association	1st div. UEFA	1st div.	2nd div.	3rd div.	4th div.	female	Total
ALB	6	6					12
AND	8						8
ARM	5	3					8
AUT	10		11	8			29
AZE	9	5					14
BEL	15	3	19	12			49
BIH	16						16
BLR	13						13
BUL	6	10	30				46
CRO	11	1	15	15			42
CYP	11	3					14
CZE	16		16				32
DEN	12						12
ENG	15						15
ESP	18						18
EST	5	5					10
FIN	4	10					14
FRA	20						20
FRO	10		6				16
GEO	4	7					11
GER	18		18	17	54	48	155
GRE	16						16
HUN	11	5					16
IRL	4	8	12	5			29
ISL	12		12				24
ISR	10	2					12
ITA	20						20
KAZ	13	1					14
LIE	7						7
LTU	9		10				19
LUX	14						14
LVA	4	6					10
MDA	11						11
MKD	10						10
MLT	7	3					10
MNE	12						12
NED	15	3	20				38
NIR	10	2					12
NOR	7	7	16			12	42
POL	16		18	32			66
POR	10	6	16				32
ROU	17						17
RUS	16		20				36
SCO	12		10	10	10		42
SMR	15						15
SRB	9	3					12
SUI	8	2	16	16			42
SVK	12						12
SVN	10		9	27	6		52
SWE	13		16	16		12	57
TUR	18						18
UKR	16		17	28			61
WAL	12						12
TOTAL	**608**	**101**	**307**	**186**	**70**	**72**	**1344**

Average attendance profile by country

detail to Q&A 13 by indicating
by top division."

Average attendance profile european clubs 2008/09W & 2008S



Source: http://www.european-football-statistics.co.uk/attn.htm & National licensing managers. Figures cover 2008/09 for winter season and 2008 for summer season apart from CYP & MNE 2007/08 and TUR, MLT, MKD, BIH & AZE 2006/07. No reliable figures were available for FRO, LIE & SMR.

rces, terms, objectives, disclaimer

e report footnotes or elaborated further underneath in this appendix, the view have been taken directly from figures submitted by clubs within the club UEFA club competition season 2009/10. These figures refer to the financial cases 31 December 2008. The figures have been extracted from Financial using national accounting practices or International Financial Reporting rding to International Auditing Standards. The licensor in each country has mitted financial statements and completed a standardised template issued it.

g the fundamental soundness of the information, UEFA has not sought to y the licensors to the source financial statements or get more detailed onses.

res and accounting policies and interpretations of these policies differ ween countries. This makes the comparison of financial data extremely e of a standardised template to improve comparisons. The definition of items ount the following: (a) A minimum level of financial disclosure is specifically regulations and hence should be available for all clubs, this forms the base is added some additional financial disclosures, beyond the UEFA defined in some but not all cases, which are considered relevant and able to increase sonnel costs between playing staff and other staff and also between social on; split of income source between UEFA and national competitions; split of player transfer payments/receipts and longer term fixed asset investments or mplate changes are kept to a minimum as licensors get used to the template year comparisons; (d) A limit is placed on the level of detail included in the becoming too time consuming for licensors.

	Explanation of sources
Coverage of financial data	In some cases the national licensor has not received financial statements from all their top division clubs. As explained in the body of the report when answering questions 1-3 this is because certain clubs did not undergo club licensing during the year. In general the number of clubs included is set out in the report body question 5 map. However UEFA has sought to use the most accurate and meaningful figures available so for certain analyses the sample may be smaller, for example if a club provided an audited income figure but did not include data on income streams. Although many clubs outside the top division also undergo domestic licensing and submit audited financial statements, this benchmarking report restricts itself to top division clubs.
Club-by-club financial data	In all cases club-by-club figures were provided. In some cases these were provided on an anonymous basis. Disregarding whether the figures were provided anonymously or by name, UEFA does not include any club names in the report – the purpose of the report is to review European club football rather than to assess individual football clubs.
Europe - wide analysis & peer group selection [analyses 12-15, 20]	The submitted data covering 655 clubs was used to make extrapolations for the remaining 75 European top division clubs. The general approach was to use the average income of smaller clubs from each division (excluding the 4 largest income clubs) to calculate the estimated Europe-wide total and the peer groups. This best but not perfect approach reflects the fact that the missing clubs not included in data submission are always the lower ranked clubs and usually these also have lower finances, an assumption validated by many countries which submitted financial figures in conjunction with finishing league position. Some author adjustments were applied to MKD (only 4 clubs in sample and 3rd largest deemed to be most representative and used for extrapolation). Although in some cases the actual average income may differ, the Europe-wide total is unlikely to differ by more than +/-1% as the estimations are on smaller clubs. In addition the composition of the division peer groups should also be accurate.

as used in report

ge' club (e.g. average club revenue) is the aggregate figure of the division divided by Where analysis is in percentage terms, this is therefore the weighted average (average average of each clubs %).

s to collaborative benchmarking using information (i) directly prepared or supplied by es of obtaining a club licence (ii) obtained from utilising the knowledge held within the licensing managers and their staff at each of the 53 national associations (iii) held by sing unit or elsewhere within the UEFA administration.

narrow context of this report does not refer to the ranking of countries or target setting ing basic transparency and knowledge of club football in financial and other licensing s as set out in the report introduction. In the general club licensing context the UEFA ct also has the wider objectives of the sharing of best practice between national nsing matters and the enabling of better informed decision making by national and stakeholders. It complements the benchmarking of national associations themselves (UEFA TEP Top Executive Programme & KISS Knowledge and Information Sharing e).

ystem, based on the observance of minimum criteria set out in the club licensing ds to the granting or refusal of licences to clubs. The holding of a licence is a ss to UEFA competitions (competition regulations).

a UEFA member association. All member associations operate their own league with chtenstein whose clubs compete in the Swiss leagues. The member associations of untries as defined by the United Nations. Some such as England, Northern Ireland, are constituent countries of United Kingdom. One other, the Faroe Islands is an of the kingdom of Denmark. The three letter codes used are the UEFA codes which to the IOC or ISO code (Latvia, Romania & Slovenia).

ed to and received from licensors included a column for translation to Euro currency. xchange translation was not prepared by the licensor, UEFA applied exchange rates e (most common financial year end mid rate exchange rate used for balance sheet and account). Where clubs have varying financial year end dates, the most common date

ge or total) as presented throughout the report excludes income from player transfers separately) and excludes gains on sale of investments and other assets, interest hange gains, tax credits and other unusual or irregular non-operating income. There where the last type of income has not been disclosed as such and hence included come figure. On occasions references are made to revenue but for the purposes of this e same.

down revenue (income) into smaller components. This report refers to Broadcast aper and internet rights from national & UEFA matches. In some cases this may also ize money).

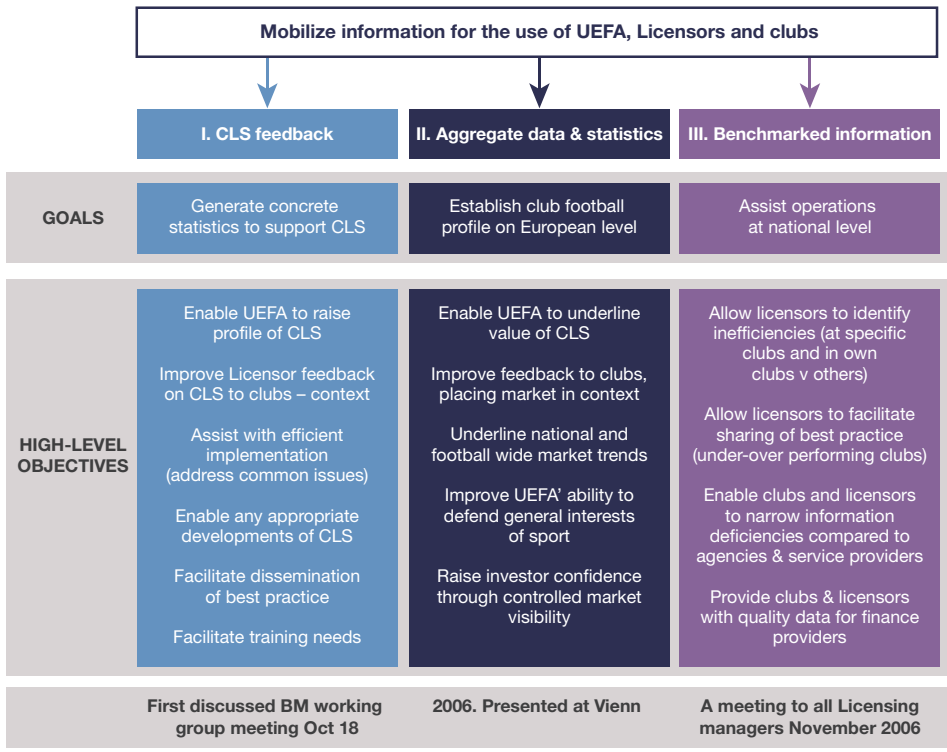
UEFA member associations through which the club licensing system is structured. text include the three member associations who have delegated or part delegated the nsing on a national level to the league (AUT, GER, SUI). In the peer group slide the logo r to reflect this.

son. For this report two peer group analyses have been used: Club and 'division' peer ion peer group the average club in the division is taken for comparisons.

ical term for median figure. It represents the middle figure from a group (eg peer group dian will be the figure from the 5th highest league)

EFA rankings is the performance of teams in the European Cups during a five year period each team gets two points for a win and one point for a draw. From 1999 on ved for qualification matches. Reaching the group stage of the Champions League oints (from 1996-2004: 1 point). As of the 2004/05 season teams qualifying for the first he Champions League are awarded with an extra bonus point. The UEFA coefficients king an average, based on the total number of points divided by the total number of ry.

Objectives of club licensing benchmarking



Author's note: This version of the report includes a small number of updates from the original English language printed and pdf report. The adjustments are all purely typographical by nature, with neither figures nor text meanings changed.

Disclaimer

This review has been based on figures supplied to UEFA by licensors (national associations or leagues). This data has not been verified or checked to the source financial statements by UEFA for its accuracy. The document has been written in general terms, to provide context only and therefore should not be relied upon to cover specific situations. The report sets out some of the difficulties in comparing data and information extracted from financial statements but the difficulties' are not set out as an exhaustive list. The report is addressed to national associations (or leagues where the league is the licensor) and is not intended to be utilised or relied upon by any other parties. No rights or claims towards UEFA can be derived from this document and its contents.

Impressum

Production
UEFA

Responsible
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Acknowledgements and special thanks
The club licensing network, in particular the members of the benchmarking working group

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