

FINANCIAL REPORT ON PROFESSIONAL FOOTBALL 2018





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Explanatory note

Throughout this Report, as in previous documents, reference is made to the five classifications (i.e. financial groups) with which the aim is to describe, as transparently and precisely as possible, the performance of Spanish professional football at the end of the 2017-18 season:

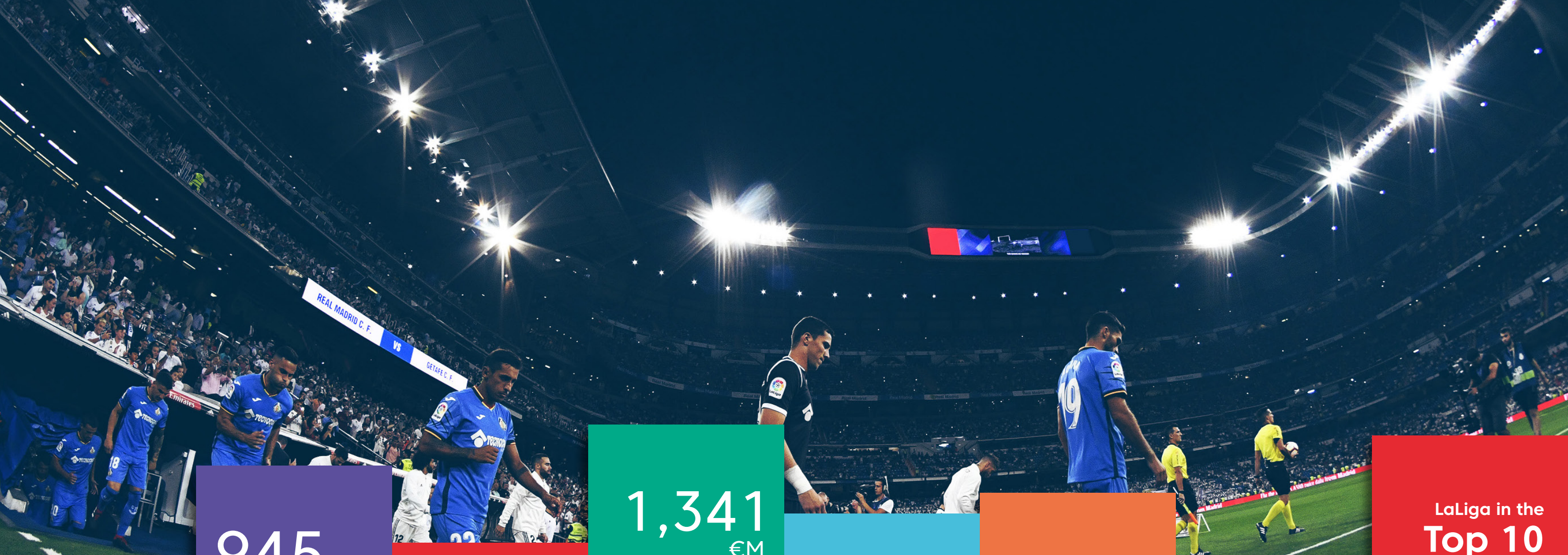
1. *LaLiga Santander*: corresponding to the First Division of Spanish professional football (20 clubs)
2. *LaLiga 1|2|3*: corresponding to the Second Division of Spanish professional football (22 clubs)
3. *LaLiga*: the sum of *LaLiga Santander* and *LaLiga 1|2|3*, i.e. the whole of Spanish professional football (42 clubs)
4. *Netted LaLiga Santander*: *LaLiga Santander* excluding the two largest clubs in terms of income level and balance sheet size (18 clubs)
5. *Netted LaLiga*: *LaLiga* excluding the two largest clubs in terms of income level and balance sheet size (40 clubs)

In the Report, all values are expressed in millions of euros (€M), unless expressly stated otherwise.

LaLiga updated and adjusted certain calculations relating to figures, ratios and indices this year. Consequently, there could be slight differences with respect to the information appearing in previous editions. Likewise, some clubs and individual sports corporations have proceeded to introduce slight restatements in 2017-18 with respect to the previous 2016-17 season in their audited annual accounts, which have also been reflected in the figures included in the Report.

At the end of this document a glossary has been included with the essential terms and definitions that have been used.

In this Report, the term "Association", or "LaLiga" (without italics), is used to refer to the Spanish National Professional Football League, as opposed to the term "*LaLiga*" (in italics), to refer to the sporting competition that encompasses the two divisions and a total of 42 professional teams.



4,479 €M
Total Revenues

+20.6%
growth

945 €M
EBITDA

+20.7%
growth

29.0%
gross operating
margin (EBITDA)

189 €M
Net Earnings
(Profit)

12.3%
return on
invested capital
(ROIC)

151 €M
economic value
added (EVA) **last**
season

539 €M
economic value
added (EVA) **last**
five seasons

1,341 €M
Gross Investment
in Players and
Infrastructure
(CAPEX)

1,496 €M
Net Equity

25.5%
Equity ratio

0.9x
Net Financial Debt /
EBITDA ratio

1.37%
turnover
equivalent to
national GDP

184,626
jobs created
in Spain

4,089 €M
of impact on
the country's
tax revenues

2,678 €M
TV viewers
Global audience
leader

2.0%
NTO invested in projects
carried out for society
(CSR)

>600
grassroots football
teams

29
official
international
trophies
in the last
10 years –
maximum
competitiveness
at sporting level
(73% of UEFA and
FIFA tournaments
in the last 10
years and 95%
in the last five
years)

LaLiga in the
Top 10
strongest and
most relevant
companies in
Spain, according
to Meaningful
Brands and Brand
Finance rankings

Leading
global sports
competition
in terms of
**Social
Media**
followers.
Second
highest number
of views on
YouTube

Letter from the Chairman / Introduction

Once again, I am pleased to present the **Financial Report** on Spanish professional football. On this occasion, the one corresponding to the last season ended, 2017-18, which also includes detailed information from the 2013-14 season.

The last year ended was particularly relevant due to several circumstances. From a sporting point of view, Spanish sports clubs and corporations (SADs) continued to shine on the international stage, winning all the official trophies disputed, and thereby consolidating a competitive pre-eminence that has been ongoing for many seasons. This means that our teams, the competition and the country are at the top of the vast majority of the rankings produced by the various institutions of reference in the field of football. Of the 30 official UEFA titles (Champions League, Europa League and European Super Cup) played in the last decade, 22 (73%) have ended up in the trophy rooms of Spanish clubs. In the last five years the impact has been even greater: all but one of the finalists of the three big cups have been **LaLiga** teams, and of the 15 trophies, all but one (93%) have been won by Spanish clubs. At the level of official FIFA competitions (Club World Cup) Spanish teams have succeeded in the last five tournaments (100%) and in seven of the last ten (70%). Spain and Italy shared the successes in the 1960s. Germany and Holland dominated in the 1970s. England imposed their direct game in the 1980s and Italy revolutionised the tactics of professional football in the 1990s. The dominance of European competitions now belongs to Spain. This hegemony, however, is unprecedented in terms of the number of players involved, the quality of the influential players, and the continuity with which dominance is exercised. This extraordinary sporting evolution could not be understood without the deep process of growth and transformation that has taken place at the financial level in the teams of our country. At the same time, however, football's high level of competitiveness has played a decisive role in bringing about this economic turnaround. They are two elements that feed off each other, establishing a markedly positive dynamic.

Without a doubt, the sporting successes have decisively helped **LaLiga** to achieve important advances related to its main strategic lines. In mid-2018, the awarding of the main broadcasting rights packages on the national market for the next three years was concluded, the second since the establishment of the system of joint operation and sale of these rights. The new cycle will begin in the 2019-20 season and will involve a new qualitative and quantitative leap in favour of professional football teams, with an expected impact similar to the one they experienced in the 2016-17 season, and which has contributed so decisively to propitiate the favourable moment we are living. The Association has also continued to step up its intention to increase the visibility and value of **LaLiga** in international markets, and to intensify the exploration of new sources of income, aspects of core importance if we think of medium and long-term growth. Important strategic agreements have been signed with leading partners and technology companies in various continents to promote competition in certain geographical areas and new platforms that will ensure the achievement of this objective. This reality augurs years of intense opportunities, as well as the possibility of maintaining the strong pace of business growth. And this is especially so for those teams that best assimilate the new and favourable global context in which professional football develops, radically different from that experienced only a few years ago.

Entering into the specific analysis of the competition's economic performance, I would like to begin by highlighting that 2017-18 was a very positive year. I would dare to describe this season as that of the qualitative leap, but also that of the rhythm or calibration of different variables, which allows us to anticipate what is to come.



For the first time the total revenue generation of **LaLiga** surpassed the €4,000M "barrier". In fact, it has done so comfortably, reaching €4,479M, which represents a growth of 20.6% over the previous season. This is the largest positive annual variation achieved in recent years, which is very notable for having occurred after several years of uninterrupted expansion at an annual rate of two digits and in which, moreover, we are at the intermediate point (and, by extension, with no level jumps or discontinuities) of the three-year broadcasting national market.

In this context, the 2017-18 season was surprising due to the emergence on the scene of two new engines of growth of **LaLiga**, commercial revenues and income from transfers, which have replaced the income from broadcasting distributed to clubs by the Association (which nevertheless managed to exceed the level of €1,500M for the first time). In the case of commercial revenue (not including advertising revenue), the annual increase reached 34.1%, bringing the turnover to €838M, indicating that Spanish clubs are becoming increasingly attractive to sponsors. In the case of the income derived from the transfer of players (i.e. sale price), the annual increase of 104.3% made it possible to double the turnover from this source in a single year, with an impressive record of €1,018M, which is symptomatic of the great capacity of Spanish clubs and SADs to create sporting value. Both headings have managed to replace in an evident and timely way the income coming from broadcasting as drivers of the growth of **LaLiga**, although in any case the audiovisual turnover will recover its protagonism from the 2019-20 season, as a consequence of the new TV cycle negotiated in the national market and the international agreements signed.

This has had a very favourable impact on the results of the competition, which has recorded historic profits. The gross operating profit (EBITDA) of **LaLiga** amounted to €945M (+20.7%), close for the first time to the symbolic reference of €1,000M. For its part, the competition's net operating profit (EBIT) stood at €325M (+11.4%). Finally, the net earnings for the year amounted to a profit of €189M (+6.7%). **LaLiga**, in short, registered solid, positive and growing results at all levels, reaching the highest records of the competition in its history.

It is even more significant that these results have been achieved in a context of increased operating costs (OPEX) and investment intensity (CAPEX), as might be expected from a moment of growth as marked as that which **LaLiga** is experiencing. The OPEX (€3,169M) experienced an increase of 18.7% in 2017-18, especially boosted by escalations in sports wages, which represent an effort in terms of talent and a potential source of income for **LaLiga** in the medium term (both through the turnover - transfers - of players in itself, as well as the increase in sports potential and the overall attractiveness of the competition). For its part, the gross CAPEX in infrastructures and players (€1,341M) did likewise at an annual rate of 11.8%. These are undoubtedly very significant levels of expenditure and investment, but they are also the best guarantee for the maintenance of the capacity of **LaLiga** in the sporting realm and its attractiveness in the medium and long term. Even more important, from an economic point of view, is the fact that this effort is being made without undermining the main operational efficiency indices and also without increasing the pressure on debt levels. That is to say, it is sustainable cost growth, which does not upset the competitions' financial stability and solvency levels. In other words, all the resources generated by **LaLiga** are being used to improve its intrinsic competitiveness via the sustained increase of OPEX and CAPEX. This indicates that **LaLiga** has achieved a healthy symbiosis between the main elements that make up its financial structure. This is a virtuous circle of the growth of the activity that we have been perceiving for several seasons and which, without doubt, represents one of the most difficult balances to achieve for any business that is carried on, such as professional football, in a very competitive market environment.

This significant accomplishment in terms of business growth and profit - the basic aim of which is to achieve the better levels of efficiency necessary to continue growing in a robust manner - has been achieved with competition that is solvent from two points of view. Firstly, the degree of leverage of the competition has continued to fall, reaching levels of gross and net financial indebtedness of 1.9x and 0.9x (1.6x and 0.6x the adjusted ratios) respectively in relation to EBITDA. These are the lowest debt ratios in living memory and show that, at an aggregate level, **LaLiga** can no longer be considered an excessively leveraged business. On the contrary, they constitute levels of indebtedness that could already be hovering around the optimal capital structure of the competition. Secondly, the degree of capitalisation of the competition has continued to increase, with Net Equity of €1,496M, giving rise to an Equity Ratio of 25.5%, whereas only a few seasons ago this index stood at 7.3%.

All this has led to the achievement of a business operating profitability index (ROIC) that stood at 12.3% (15.1% adjusted) in the 2017-18 season, sixty basic points higher than the previous season and, in any case, is substantially above the levels of other benchmark competitions. The most noteworthy impact of rising business efficiency and falling weighted average cost of capital (WACC) (4.7%) is the increase in the capacity of **LaLiga** to create value, or economic value added (EVA), which reached €151M in 2017-18. Over the past five seasons, the value generated has been €539M. This EVA generation capacity is equally superior to that of other major national professional football competitions.

Finally, as I have pointed out in previous years, I should not fail to stress that the development of the business being experienced not only means profitable and balanced growth, but is better distributed, in line with the strategy outlined by the Association. The Second Division of Spanish professional football, **LaLiga 1|2|3**, not only contributes more and more to the income of **LaLiga**, as a whole, but also to the results (all indicators are already positive and display an upward trend) and to the generation of cash flow and economic value of the activity. Similarly, the two special groups that we handle internally in the Association, **Netted LaLiga** and **Netted LaLiga Santander**, which exclude the two largest clubs, are converging in an accelerated manner towards the **LaLiga** and **LaLiga Santander**, respectively. Even, in relative terms, some indices or ratios are already better. This reality is indicative of a business that is increasingly better distributed and more sustainable in the long term.

We are a sector that generates an impact on economic activity equivalent to 1.37% of the national GDP and directly or indirectly employ around 185,000 people (0.98% of the

average population employed in Spain in the last year). We generate a social impact and very relevant positive externalities for the education of our young people, for the cohesion of the population, for the generation of healthy lifestyle habits and for the growth of personal and civic values on which society must be based. And we also contribute to projecting a favourable image of our country, to definitively reinforce the "Spanish Brand". Our responsibility is therefore self-evident. But also our gratitude and our commitment to society, which is why **LaLiga** allocates around 2.0% of its turnover to corporate social responsibility (CSR) projects. Significantly more than most of the companies and industries in our environment. This allows us to carry out pioneering initiatives, mentioned in the Report, which excite and stimulate us and of which we are proud.

During the current and coming years we will have to continue to deepen all the strategic lines and all the actions we have been working on in recent years. Only in this way will we be able to completely eliminate unfavourable elements of a financial nature as factors distorting competition on the playing field, and we will be able to obtain maximum efficiency from our activity, to the benefit of all our stakeholders (clubs, fans, players, sportspeople, employees, customers, suppliers, sponsors, publicists, financial creditors and new investors, etc.), consolidating by extension the leadership of Spanish professional football at a global level, both from a sporting and financial perspective.

I trust that you will find the reading of this report satisfactory and that you will be able to appreciate the very positive moment in which we are living.

Best regards,

Javier Tebas Medrano

Chairman of LaLiga

May 2019



LaLiga:
SEASON 2017-18

Financial summary of the year for LaLiga

In the 2017-18 season, all the historical records of Spanish professional football have once again been surpassed from an economic point of view. The **Total Revenues**¹ generated by *LaLiga* amounted to €4,478.6M, an increase of +€765.7M (+20.6%) over the previous season. This is the highest annual growth recorded in recent years, both in absolute and relative terms. This is all the more relevant considering that it occurs after several seasons of continuous growth, with positive double-digit annual rates in many years.

This figure shows, in addition to the favourable moment of Spanish professional football, the growing importance of this activity in the national economy as a whole. *LaLiga* has grown in recent years at a rate exceeding five times the country's growth in current terms (i.e. market prices). It currently contributes with a turnover equivalent to 1.37% of the national GDP, a weight that has gradually increased over the last few years.

Unprecedented economic performance in the 2017-2018 season, including an acceleration in the already strong rate of growth of activity in previous years

LaLiga Total Revenues in 2017-18

€4,479_M
 Δ annual +€766M (+20.6%)

In the same way that other reference competitions in the European environment do, and continuing with the methodology used last season, *LaLiga* formulates the concept of *Total Revenues* of the competition including the selling price of the federative rights - transfers - of the players (and computed in the *Total Expenses*, the cost of sale of these transfers)

On a longer-term basis, over the past seven seasons² since the end of 2011-12, the *Total Revenues* of *LaLiga* have doubled, increasing by +€2,249.8M (+100.9%). This represents a cumulative average annual growth (CAGR)³ of +12.3%. Many of these increases have occurred in years characterised by a context of deep economic recession, a situation overcome in the last three seasons.

Over the same period, the cumulative total rate of change in Spain's nominal GDP⁴ was +16.1%, i.e. a CAGR of +2.5%.

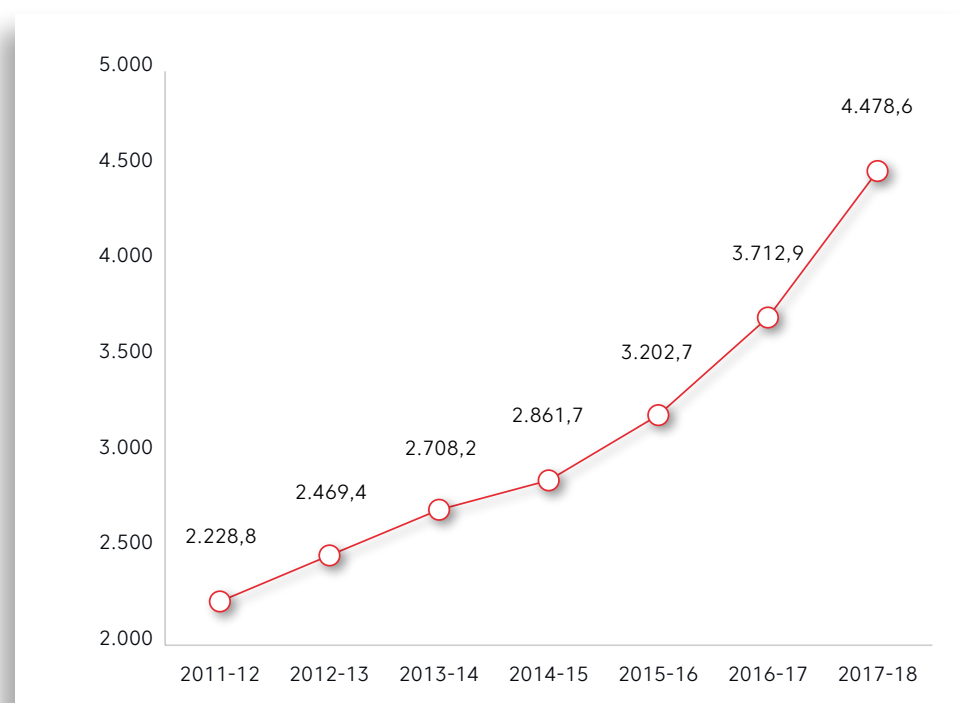
Average annual growth (CAGR) of LaLiga during the period 2011-12 to 2017-18

LaLiga +12.3% Spain +2.5%

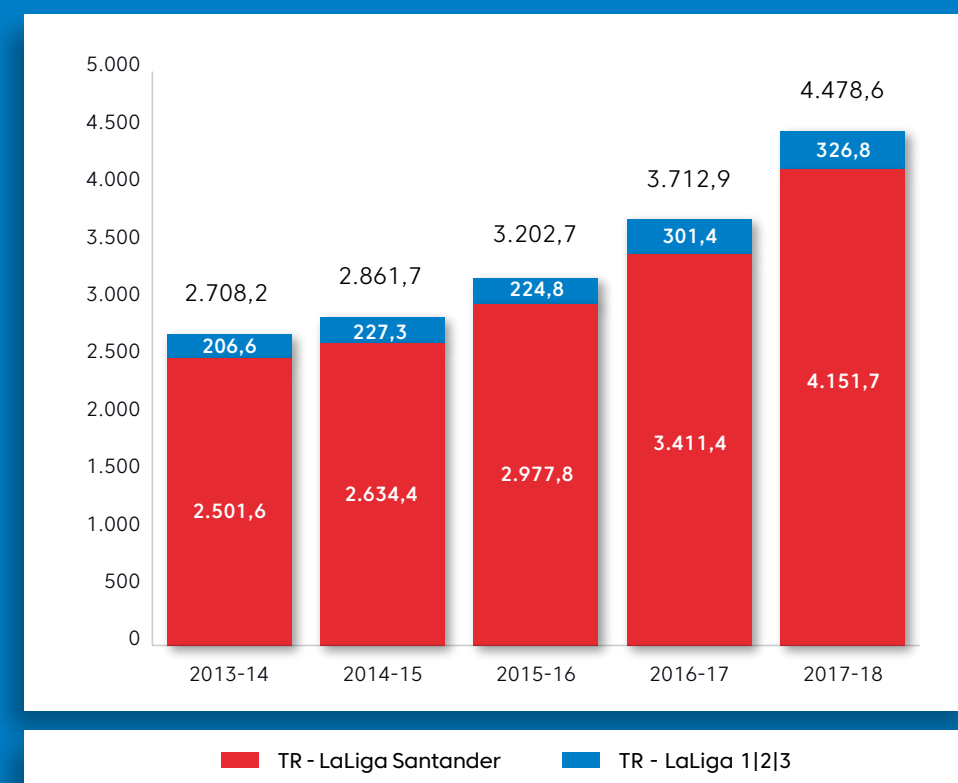
Cumulative total growth for the period 2011-12 to 2017-18

LaLiga +100.9% Spain +16.1%





Graph 1
Total Revenues
LaLiga



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

**Apart from this long-term evolution,
 hereinafter in this Report, with an objective of
 favouring functionality in the analysis,
 reference will be made exclusively
 - unless expressly indicated otherwise -
 to the last five closed seasons,
 from 2013-14 to 2017-18
 (i.e. four annual increases)**

Of the *Total Revenues* recorded by *LaLiga*, €326.8M (7.3%) was generated by Second Division A (or *LaLiga 1|2|3*), which has continued its growth trend. The contribution to the total of this competition, however, has decreased in the last season by about one percentage point. The loss of weight is the result of the extraordinary increase in activity in the First Division (or *LaLiga Santander*) in 2017-18. This evolution is also related to the specific weight of the clubs that have played a leading role in the dynamic of promotions and relegations in the two divisions. Put in perspective, in the 2011-12 season, *LaLiga 1|2|3* only contributed 5.8% to the whole. This highlights an increasingly balanced distribution of the business between the two competitions, despite the relative adjustment recorded in the last season in Division A (whose weight has gone from 8.1% in 2016-17 to 7.3% today).

The strong increase in turnover in the long term has been present in all financial categories of Spanish professional football. To the extent that the highest rates of sustained growth in activity are occurring in both *Netted LaLiga* and *Netted LaLiga Santander*. In other words, in those groups of clubs that exclude the two largest sports entities. This reality allows us to confirm an intense convergence between competitions and better business distribution, in a way consistent with the objectives and strategic lines drawn by the Association.

The growth
 achieved is
 increasingly
 better
 distributed



CAGR Total Revenues

LaLiga	+13.4%
LaLiga Santander	+13.5%
LaLiga 1 2 3	+12.2%
Netted LaLiga	+15.5%
Netted LaLiga Santander	+16.0%

**Total Revenues - Cumulative average annual growth (CAGR)
over the period 2013-14 to 2017-18**

Of the different items making up *Total Revenues*, the **Net Turnover (NTO)**, which at the end of 2017-18 amounted to €3,263.3M, has a relative weight of 72.9%. This reference is particularly relevant, as *NTO* is the most stable basis for club operating revenues. In addition, this percentage has been maintained in recent seasons, always exceeding the 70% level.

The *NTO* of Spanish professional football is made up of four headings:

- **Broadcasting** (audiovisual rights)
- **Match Day** (includes income from competitions and members/season-ticket holders)
- **Commercial** (includes sponsorship and merchandising revenue)
- **Advertising**

These items, when they are added to the sale price of the players' federative rights (**Transfer Revenues**)⁵ and other complementary operating and financial income (**Other Income**)⁶ -heading of a more volatile nature-, make up the *Total Revenues* of *LaLiga*.

The *NTO* stood at €3,263.3M in 2017-18, an annual increase of +€321.9M (+10.9%). Since the beginning of the analysed series (2013-14), the *NTO* has grown by +€1,319.9M, equivalent to a CAGR of +13.8%.

In general, all the concepts that make up income have been experiencing systematic annual increases. Particularly relevant is the evolution of *Transfer Revenues* (i.e. player sale price), whose amount in the year ended, €1,017.6M, has doubled with respect to the previous year (+104.7% annual growth). Moreover, the annual average of the four years prior to 2017-18 was at a stable level of around €500.0 million on average, highlighting the achievements of *LaLiga* in the last finished season. The high registration obtained is symptomatic of the remarkable capacity of the Spanish competition to generate sporting value. In addition, it should be noted that in the current activity of professional football clubs and SADs, talent rotation is a recurrent activity. Therefore, in this field, the transfer of players by the entities is not something exceptional, as happens with other companies with the disposal of their operating assets. On the contrary, it is an activity consubstantial to the ordinary management and necessary to allow the renewal of the sports personnel, generating current earnings that allow self-financing in part the cost of new incorporations, amplifying the competitive potential in the sports field. And all this, even if it does not formally contribute to the *NTO* of the teams.

LaLiga is a great creator of sporting value, which is a basic aspect for its financial stability and a decisive comparative advantage over other benchmark competitions

On the other hand, the revenues from *Broadcasting*, which during the two previous seasons had been the engine of growth of *LaLiga*, have experienced in 2017-18 a moderation in its rate of growth, having increased by +€61.4 M (+4.2%) - the *NTO* heading that grows the least in the year-, standing at €1,516M. This evolution was foreseeable, taking into account the vigorous growth achieved last season, 2016-17, the first year in which the effects of the system of joint operation and sale of audiovisual rights of professional football in Spain were fully foreshadowed.

The current three-year period, negotiated in 2015 (in force for the seasons between 2016-17 and 2018-19) is the first of full application of the new legal framework (*RDL 5/2015*). The last season ended, 2017-18, represents the intermediate exercise of the cycle, and the current season, 2018-19, will mean the closure of it.

Revenues from Commercial activities and Transfers replace Broadcasting punctually as the engine of growth of LaLiga in the last season

It should be noted in this regard that during the 2017-18 season the Association has carried out the bidding and awarding of the main lots of audiovisual rights in the national market for the second three-year period since the approval of *RDL 5/2015*, corresponding to the seasons 2019-20 to 2021-22. The result of this negotiation is a notable growth in *Broadcasting* revenues over the next few years, close to +19% on average over the cycle. On the other hand, in the last exercise the Association has deepened in its intention of putting in value of the Spanish professional soccer in its different spheres. This effort has led, among other achievements, to the signing of important strategic agreements on the international scene with leading sports agencies in North America, as well as with technological platforms and content providers "over the top" (OTT) linked to the digital world, which will allow a better dissemination of Spanish professional football in other countries over the next few years. This will result in a notable increase in audiovisual turnover from international markets, estimated at approximately +35% in the coming years. The effects of all these initiatives will induce a considerable growth in *LaLiga Broadcasting* revenues in the next three years, the effects of which will begin to be clearly seen from the 2019-20 season. Likewise, it should not be overlooked when assessing the potential of this item, the expected increase in the next few years of the financial distribution made by UEFA which, despite the destructuring effect for the national leagues it entails - in the sense of increasing the differences between the clubs that join more and those that join less because of this concept - will mean an undeniable increase in income, an issue to which reference will be made later.

Therefore, the system of joint operation and sale of audiovisual rights in the national market, together with the strategic initiatives undertaken by the Association on a global scale for the TV rights distribution in other markets, undoubtedly represents one of the fundamental causes of the profound transformation of Spanish professional football at an financial level, and will continue to be the true engine of business growth in the medium term. The sales level of Spanish clubs has practically doubled since the beginning of the time series, reaching €1,516.0M at the end of 2017-18. It should be borne in mind that only a few seasons ago, in 2014-15 (the year prior to the approval of *RDL 5/2015*), the audiovisual revenues of *LaLiga* amounted to €855.2M, meaning that the increase in just three years was +77.3% in absolute terms, equivalent to a *CAGR* of +21.0%.

Broadcasting revenues will regain prominence from next season 2019-20, as a result of the start of the new three-year period for audiovisual rights in the domestic market, as well as the strong impulse given to international markets and new distribution channels (OTT) by the Association

Table 1. Gross audiovisual rights marketed by LaLiga(*)

Gross audiovisual rights marketed by LaLiga (€M)	Current triennium (2016-17 to 2018-19)	Next triennium (2019-20 to 2021-22)	Δ%
Total national market	3,067	3,655	19.1%
Annual average	1,022	1,218	-
Total international market (**)	2,002	2,699	34.8%
Annual average	667	900	-
Total	5,069	6,354	25.3%
Annual average	1,690	2,118	-

*Gross rights marketed by LaLiga (do not correspond to the net income received by clubs or SADs, as production expenses have to be deducted from said income, as well as other legally established ones). Moreover, the figures do not include the amounts distributed by UEFA (audiovisual market pool and other distributions).
 **In contrast to the national market, audiovisual rights on the international market are not negotiated on a triennial basis. However, this periodicity is disaggregated in order to favour the visualisation of evolution and comparability.

Commercial turnover intensifies LaLiga's growth

Finally, in relation to *Broadcasting* revenues, it should be noted that although this item has continued to increase in absolute terms, its relative weight over *Total Revenues* stood at the end of 2017-18 at 33.8%, 5.3 percentage points less than in the previous season. The evolution is due to the strong increase in *Transfers Revenues* and the redistribution of the specific weights of the different headings caused by this event.

The evolution of *Commercial revenues* in the season was also very significant (including items such as sponsorship, store sales and merchandising). The amount recorded was €837.7M, an increase of +€213.1M (+34.1%) over the previous season. Since the start of the series, revenues from this item have more than doubled, increasing by +€444.0M (+112.7%), equivalent to a *CAGR* of +20.8%. It could be emphasised that the commercial items have represented the other major en-

gines of growth for the business of *LaLiga* in 2017-18, along with *Transfers*, although in this case the heading does form part of the *NTO*, or what is formally considered ordinary club operations. This fact is very relevant, since this heading is one of the ones with the greatest growth potential in Spanish professional football, and its evolution in recent years has been optimal at an aggregate level.

At the same time, *Advertising* revenues also performed very positively last season, registering an annual growth of +10.3% to stand at €127.5M, equivalent to a *CAGR* of +11.6%. On many occasions, the revenues from sponsorship, stores sales, merchandising and advertising in the international sphere are presented together under a single heading (with the name "Commercial Revenues"), but the Association chooses to continue presenting both differentiated concepts, in order to improve the traceability of the evolution of the business and the subsequent financial analysis.

In addition, *Match Day* revenues (which includes competition revenues and member/season-ticket holder revenues) grew +4.8% year-on-year to stand at €782.1M (*CAGR* of +5.8%). Despite the fact that, both in the last financial year and throughout the series, the growth rates under this heading are lower than those mentioned above for other headings (inter alia, because it is a concept with a potential scale that is, by definition, more limited), it should be stressed that the contribution of *Match Day* to the *NTO* as a whole is significantly higher in *LaLiga* than in other European reference competitions, and so is the total turnover in absolute terms. The extraordinary sporting results that Spanish clubs have been achieving in official international competitions (UEFA and FIFA) are undoubtedly contributing to this fact. In the 2017-18 season, up to seven *LaLiga* teams participated in these competitions, and of these two won the biggest trophies in European and world football (Champions League, Europa League, European Super Cup and Club World Cup). At the same time, *LaLiga* continues to lead all UEFA sports *rankings* in 2017-18 (at the country, competition and individual club levels - with three Spanish teams in the top five). Spain are enjoying one of the brightest periods in their footballing history.



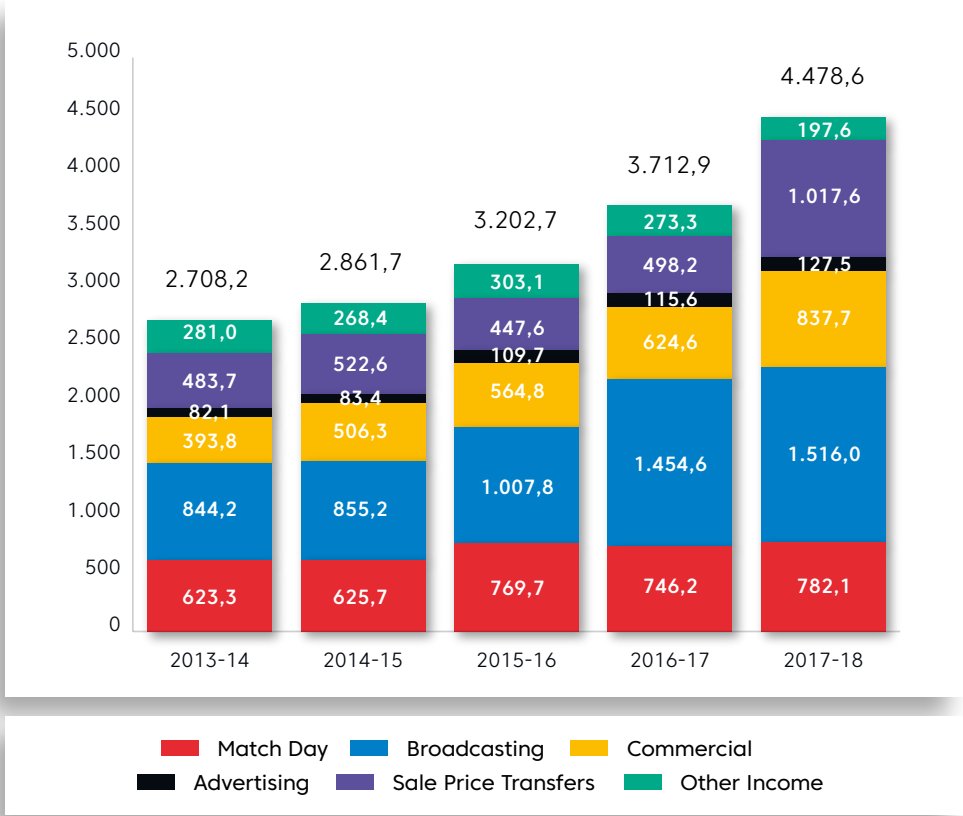
With regard to revenue from UEFA, it should be noted that from the 2018-19 season (UEFA's new cycle), both for the market pool and for competitions (including fixed payments for participation and those linked to sports results or other coefficients), the amount distributed annually by the international organisation will increase substantially, by almost 50%. This significant growth will occur primarily in the Champions League, so the economic impact of a team managing to participate in this competition will be even more relevant than at present. In any case, it should be pointed out that the Association has publicly expressed its doubts about the new distribution system of the European Institution, under the conviction that it can contribute to exacerbating the economic differences between a select group of clubs and the rest; in other words, it can promote professional football at two "speeds", reducing solidarity payments and rewarding clubs with higher historical coefficients. These are issues that the Spanish Association has been fighting with absolute determination for several years.

Lastly, it should be mentioned that the *Other Income* caption, which brings together items of a very diverse nature and with a more variable behaviour over time (e.g. other operating income, regularisation of capital subsidies, application of provisions, profits from the sale of the remaining fixed assets (not including intangible sporting assets or players), financial income and other revenue relating to accounting conventions), has an increasingly smaller weight in the *Total Revenues* produced by *LaLiga*.

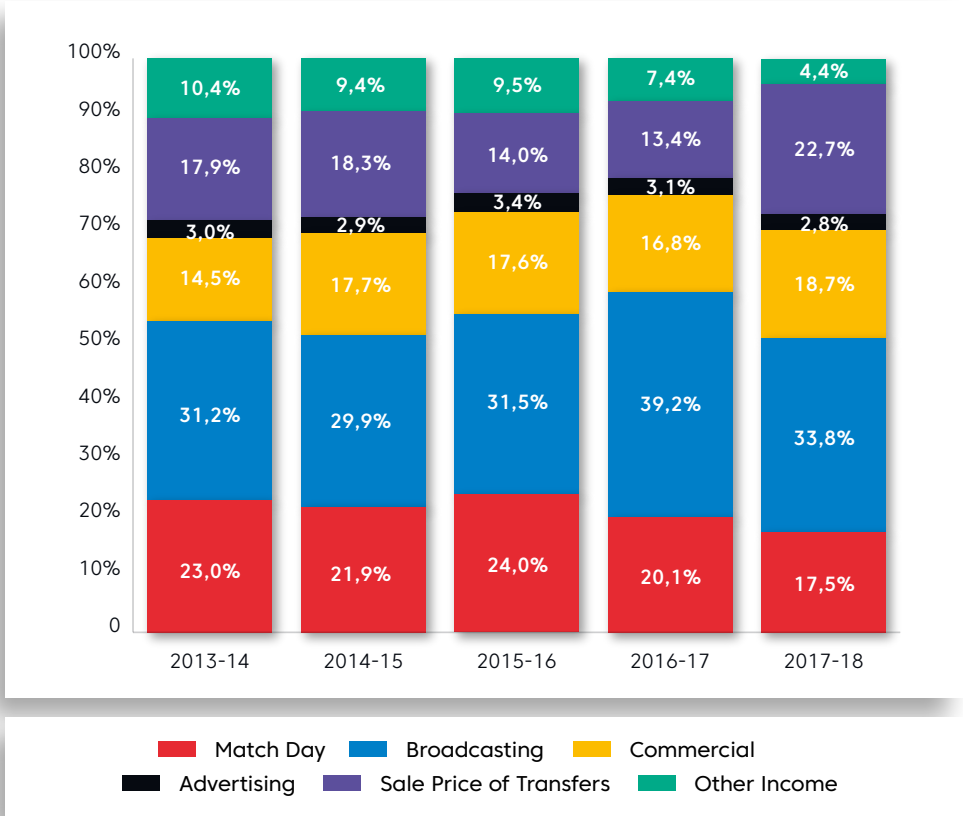
Table 2. Evolution of LaLiga's Total Revenues

LaLiga	2013-14	2014-15	2015-16	2016-17	2017-18	CAGR%	Abs.
Match Day	623.3	625.7	769.7	746.6	782.1	5.8%	1.3x
	-	0.4%	23.0%	-3.0%	4.8%		
Broadcasting	844.2	855.2	1,007.8	1,454.6	1,516.0	15.8%	1.8x
	-	1.3%	17.8%	44.3%	4.2%		
Commercial	393.8	506.3	564.8	624.6	837.7	20.8%	2.1x
	-	28.6%	11.5%	10.6%	34.1%		
Advertising	82.1	83.4	109.7	115.6	127.5	11.6%	1.6x
	-	1.6%	31.5%	5.3%	10.3%		
Net Turnover (NTO)	1,943.4	2,070.7	2,452.0	2,941.4	3,263.3	13.8%	1.7x
	-	6.6%	18.4%	20.0%	10.9%		
Transfers	483.7	522.6	447.6	498.2	1,017.6	20.4%	2.1x
(sale price)	-	8.0%	-14.4%	11.3%	104.3%		
Other Income	281.0	268.4	303.1	273.3	197.6	-8.4%	0.7x
	-	-4.5%	12.9%	-9.8%	-27.7%		
Total Revenues (TR)	2,708.2	2,861.7	3,202.7	3,712.9	4,478.6	13.4%	1.7x
Annual % change	-	5.7%	11.9%	15.9%	20.6%		

Match Day records more moderate growth, but contributes significantly more than in other leagues



Graph 3
 Distribution of
 LaLiga's Total
 Revenues



Graph 4
 Contribution to
 LaLiga's Total
 Revenues



Positive and intensifying results at all levels

The overall growth in the turnover of *LaLiga* in 2017-18 has also been markedly efficient. Operating results continued to accelerate. The **Gross Operating Result (EBITDA)**⁷ of the competition stood at €944.9M in 2017-18, an increase of +€162.1M (+20.7%) compared to the previous season and is also the highest amount ever achieved by *LaLiga*. For the first time, the *EBITDA* figure for the competition is approaching the €1,000M mark, an unprecedented economic milestone.

LaLiga's EBITDA is close to €1,000M

In the evolution of this heading, there are two fundamental elements to be highlighted:

- On the one hand, the extraordinary amount achieved in the **Results from Transfers of Players** (i.e. sale price - cost of sale or net book value de-recognised), accounting capital gain which amounted to €724.7M, representing an increase of +€389.0M (+115.9%) with respect to the previous year.
- On the other hand, it is worth mentioning the considerable increase in **Operating Expenses (OPEX)**, which amounted to €3,168.6M, which is equivalent to a growth of +€498.9M (+18.7%) compared to the previous season (the reasons for this significant increase are analysed below).

Therefore, it can be observed that it is the generation and monetisation of sporting talent (transfer of players) that has allowed the *OPEX* to increase in the last fiscal year more than the sum of *NTO* and other operating income. If the *EBITDA* of *LaLiga* has grown so markedly, this is mainly due to the exceptional contribution of *Transfer Results* in 2017-18. This underscores the importance of this heading for *LaLiga*, which is capable of generating value and sporting talent in a relevant way, consolidating the capital gain emerging as a systematic and recurrent source of generation of results from club operations. Moreover, it must be concluded that the decisive contribution of the *Results from Transfer of Players* is one of the key factors that allows the permanent updating and improvement of the *OPEX* of *LaLiga*, a critical element for the maintenance of its proven competitive capacity at a sporting level and its attractiveness as a product.

In line with the above, the **EBIT** reached a record €324.7M, an increase of €+33.3M (+11.4%). Finally, the **Profit Before Taxes (RBT)** for the year stood at €251.0M, growing in the year by +€8.3M (+3.4%), and the **Net Earnings (NE)** for the year reached €189.2M, representing an increase of +€11.9M (+6.7%). In short, *LaLiga* presents solid, positive and growing results at all levels. In all three cases it is also a question of the maximum figures posted by the competition in its history.

Maximum historical results at all levels, despite including certain unfavourable accounting impacts in differential terms

With regard to *EBIT*, it should be noted that the increase recorded occurred even considering the impact of the extraordinary (non-recurring) provisions of -€76.0M. In the absence of this impact, the *EBIT* of *LaLiga* (**Adjusted EBIT**) last season is estimated to have amounted to €400.1M, representing an annual increase of +€76.5M (+23.7%), exceeding the €400M threshold for the first time.

As regards the *RBT* and *NE*, an increase in the quality of these results can also be highlighted. It should be noted that, for example, in the 2011-12 season, the positive contribution to these of the deductions associated with current bankruptcy proceedings (i.e. computed as financial income) amounted to €108.3M. However, the impact of this exceptional income in the 2017-18 season has been nil.

Table 3. Impact of the releases (bankruptcy proceedings) on the results (RBT and NE) of LaLiga

SEASON		AMOUNT	
	2011-12		€108.3M
	2012-13		€21.1M
	2013-14		€66.6M
	2014-15		€19.2M
	2015-16		-
	2016-17		€9.2M
	2017-18		-

(*) in the absence of these releases, *LaLiga*'s *RBT* and *NE* would have been reduced by the corresponding amount each year.



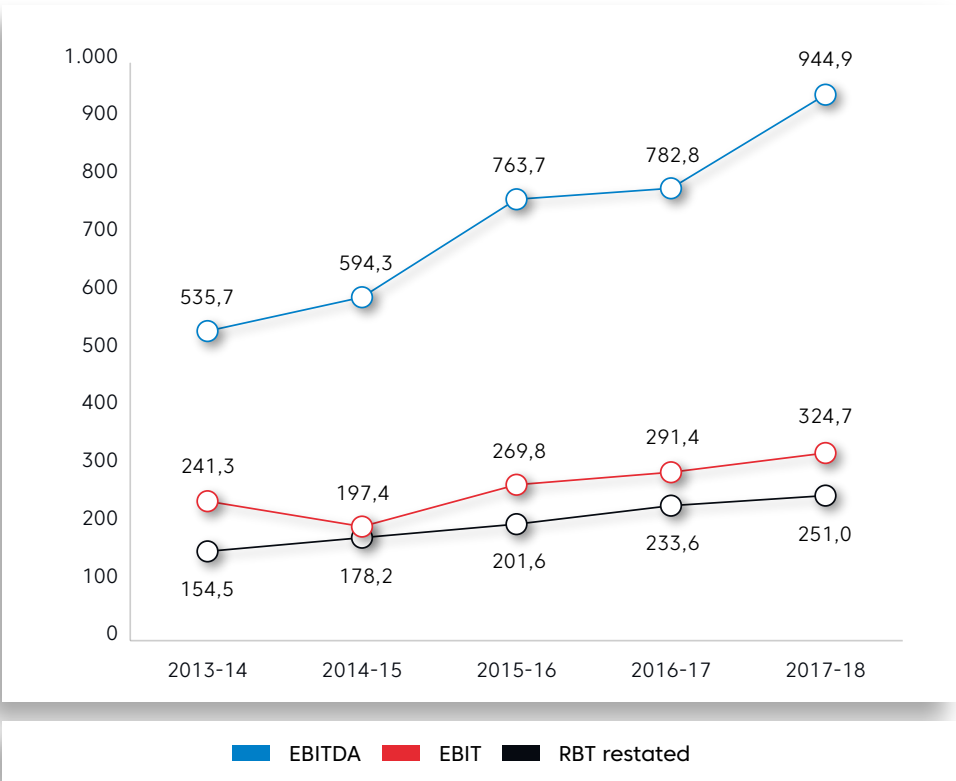
Finally, it is worth mentioning that the results for the 2017-18 season have been produced with the lowest contribution of the operating heading of **Other Income** (a very volatile heading that is not part of *NTO*) in recent years, of €125.5M (-€50.0M with respect to 2016-17 and -€132.6M with respect to 2015-16). This reinforces the solidity of what has been achieved.

These results give rise to very notable business margins (calculated over *NTO*) in the 2017-18 season.

Table 4. LaLiga business margins

Business margins (% of NTO)	2016-17 (%)	2017-18 (%)
EBITDA	26.6%	29.0%
EBITDA before Player Transfers (EBITDA b/T)	15.2%	6.7%
EBIT	9.9%	9.9%
Adjusted EBIT	11.0%	12.3%
RBT restated *	7.9%	7.7%
NE restated *	5.7%	5.8%

*Results before exceptional income associated with the releases from bankruptcy proceedings



Graph 5
LaLiga Results



LaLiga 2017-18 Results

EBITDA	€944.9M (+20.7%)
EBITDA b/T	€220.1M (-50.8%)
EBIT	€324.7M (+11.4%)
Adjusted EBIT	€400.1M (+23.7%)
RBT restated	€251.0M (+7.5%)
NE restated	€189.2M (+12.5%)

Main results of LaLiga - Amount from 2017-18 and annual variation

It is important to highlight the merit of the results achieved in the 2017-18 season, since in addition to the effects of certain accounting conventions (non-recurring provisions and other notes) that have exerted a slight downward pressure on operating margins, there was also a substantial increase in the *OPEX* of *LaLiga* during the year, basically under the headings:

- *Procurements*
- *Non-sports wage costs*
- *Sports wage costs*
- *Other operating expenses*

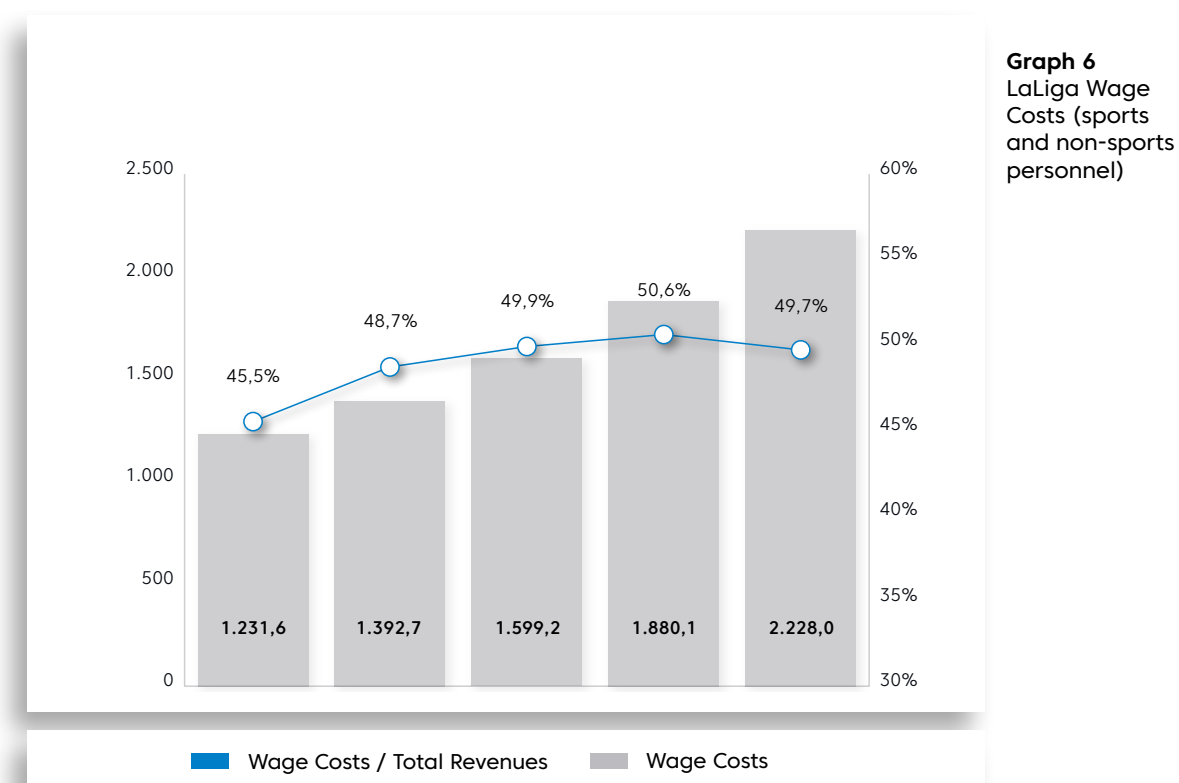
In the last
 season
 there was
 considerable
 upward pressure
 on certain
 operating costs,
 which is inherent
 to the climate of
 strong growth

As mentioned above, thanks to the increase in the *Transfers of Players* item, the *OPEX*, which account for around 75% of the **Total Expenses** of the competition, have experienced, for the first time in recent seasons, an annual increase (+18.7%) higher than the annual growth of *NTO* (+10.9%), with the consequent implicit pressure on operating margins. Thus, the *OPEX* stood at €3,168.6M, representing a variation of +€498.9M in absolute terms with respect to the previous season. This reality, in the absence of structural or regulatory changes (as occurred in the previous 2016-17 season with the entry into force of the *RDL 5/2015* legal measures, which meant that clubs had to allocate up to 7.5% of the annual net income from the joint operation and sale of audiovisual rights to different items aimed at improving the promotion and functioning of sport in general), is mainly due to the following causes:

- Repeated sporting successes of certain Spanish clubs in international competitions, which has had a direct impact on wage costs in terms of bonuses paid by the entities. The amount under this heading can be estimated at around +€45.0M in the last financial year. In any case, it must be considered that the achievement of international sporting success sustains the growth of income in the medium term, as well as the value and image of the Spanish league. For several years now, the dominance of Spanish teams in the official UEFA and FIFA competitions has been overwhelming and this situation has been repeated in the 2017-18 season.
- A significant structural increase in the wage bill in some clubs with a certain specific weight in *LaLiga* as a whole. The magnitude of this effect was around +€200.0M last year.

As a consequence of the above, and thanks to the considerable evolution of the income generated by the competition, **the expenses in sports and non-sports staff (Wage Costs)** amounted to €2,228.0M, which represents an increase of +€347.9M (+18.5%) with respect to the previous season, the greatest annual variation registered in recent years). However, the amount of this item of expenditure in relative terms, i.e. taking into account the *Total Revenues* of the competition, has remained under control, placing the ratio at 49.7% (a figure in line with previous years and in any case much lower than the 56.1% reached in 2011-12). It has been above all the excellent performance of an epigraph not formally included in the *NTO*, as is the *Sale Price of Players* - i.e. *Transfer Revenue* -, the determining factor that has made this increase in the wage bill possible. *LaLiga* continues to remain at a level substantially below the internationally recommended standard, recording an index that does not compromise its financial solvency.

Wage costs remain under control at the aggregate level, despite the significant update in absolute terms



The outstanding Results from Transfer of Players and the growth of the business itself (NTO) allow the strong increase in operating expenses

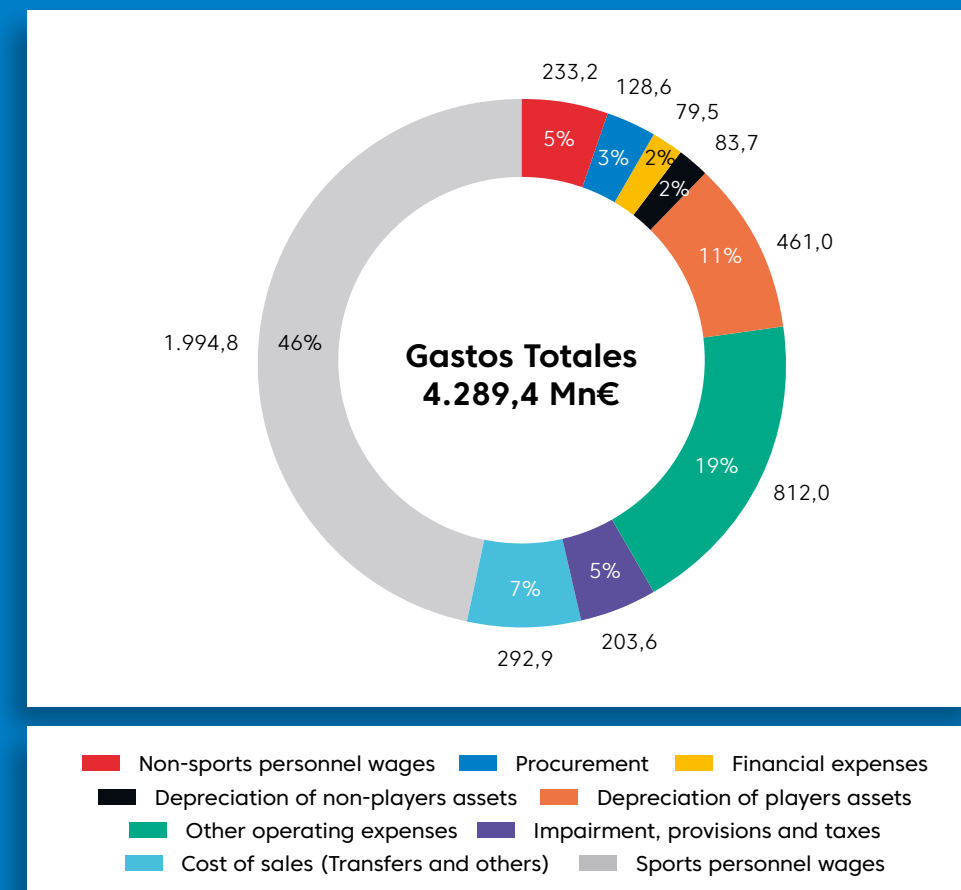
As a consequence of the above, the weight of the OPEX over the NTO of LaLiga has increased from 90.8% in the 2016-17 season, to 97.1% in 2017-18 (the weight over NTO would have remained unchanged in the absence of changes in the item of wage costs). But, at the same time, it is necessary to emphasise that, if the effort in wage costs were not increased, the attraction and retention of sports talent carried out in recent years could not have been undertaken, which is one of the competitive advantages and hallmarks of the Spanish competition and which, in the medium term, constitutes a potential source of income (directly from the resources coming from the *Transfers of Players*, or turnover of said talent, and indirectly from the obtaining of sports titles that ultimately leads to the induction of various games of NTO).

On the other hand, LaLiga has demonstrated an outstanding management of its sports staff, thanks to the extraordinary achievement of the *Transfers* already mentioned, which have more than compensated, through the results coming from the disinvestment of players, the increases in wage costs caused by the attraction of sports talent (which in turn is a source of income generation in the medium term). Thus, the underlying increase in the *Results from the Transfer of Players* in 2017-18 of +€389.0M (from €335.7M to €724.7M), added to the increase in revenue or NTO of +€321.9M (from €2,941.4M to €3,263.3M), was considerably higher than the aforementioned increase in OPEX of +€498.9M, resulting in a net profit surplus for LaLiga of €212.0M. This virtuous circle has led to the preservation of the operating margins of the competition, as well as the widening of the results in absolute terms. Moreover, it has made it possible for the weight of the OPEX over the TR of LaLiga to have even decreased, from 71.9% of the 2016-17 season to 70.8% at the end of 2017-18.

Table 5. Weight over Net Turnover (NTO) and Total Revenues (TR)

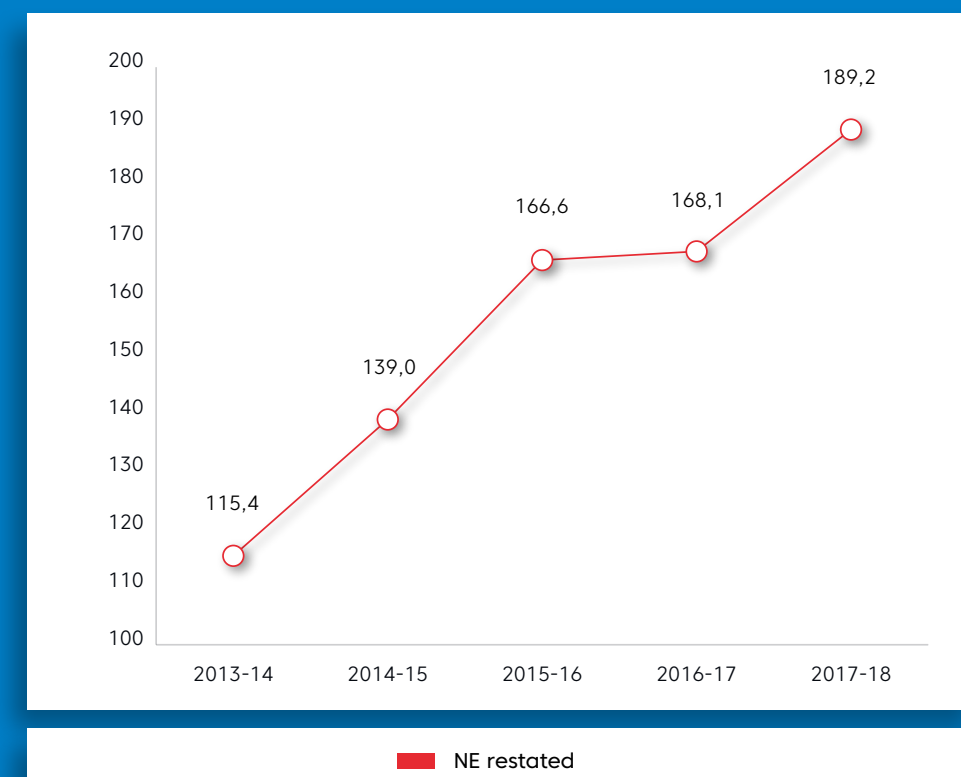
Weight	2016-17	2017-18
% OPEX / NTO	90.8%	97.1%
% OPEX / TR	71.9%	70.8%

Taking into account the evolution described in the OPEX, the *Total Expenses* of LaLiga stood at €4,289.4M in 2017-18, which means a growth of +€753.8M (+21.3%).



Graph 7
Distribution
Total Expenses
(including
Taxes) of
LaLiga in
2017-18

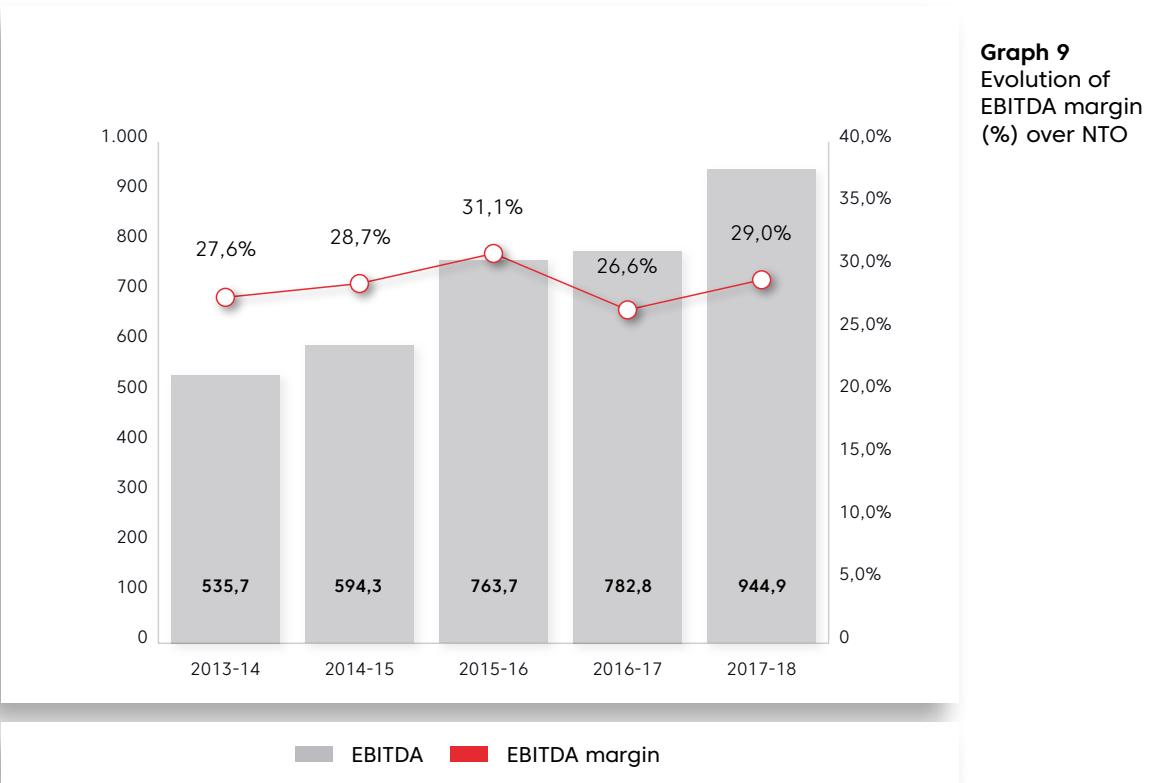
By comparing this *Total Expenses* figure to the *Total Revenues* of LaLiga previously analysed, of €4,478.6M (+€765.7 M more than the previous season; +20.6%), the *Net Earning (NE)* of the competition in the 2017-18 season is obtained, which amounts to €189.2M. This result, although increasing in absolute terms by +€11.9M (+6.7%) to reach the highest amount recorded in a season by the competition, slightly decreases its weight in relative terms (i.e. margin), having recorded punctually, in the last year, a rate of annual variation of the item of expenditure somewhat higher than the rate of annual variation of income.



Graph 8
LaLiga Net
Earnings
2017-18



In any case, with a more long-term view, in recent seasons, the evolution of the *EBITDA* of *LaLiga* has been even more favourable than that of turnover, which ultimately demonstrates the effort made by the clubs to align the growth of the *OPEX* with the income generated by the competition, and to achieve a sustaining of the margins of the business (usually expressed as a % over *NTO*); that is to say, succeeding in consolidating a balance in the evolution of the *OPEX*, but without renouncing the maintenance, and even the enlargement, of the necessary sporting competitiveness. But, in addition, this evolution confirms that it is the set of clubs of the First Division and the Second Division A that make up the map of Spanish professional football, apart from the two largest clubs by turnover and balance sheet size, *Netted LaLiga* (as will be analysed later), which have achieved the most positive evolution in terms of improving their underlying operating performance.



Moreover, it should be recalled that the *EBIT*, *RBT* and *NE*, were all directly in negative territory at the end of the 2011-12 season, making the record of *LaLiga* on these figures even more remarkable. This positive evolution in the long term has been helped by the increase in business and the greater effort in maintaining operating margins over the last few years, but also by a very significant reduction in the debt and financing costs of the clubs. And this has been achieved without detriment to the continued increase, in the long term, of the aforementioned salary considerations, as well as the execution of necessary investments in players, stadiums and facilities, which in fact have intensified, allowing the business potential of the competition to be reinforced for the coming years.

CAGR EBITDA*

LaLiga	+15.2%
LaLiga Santander	+14.1%
Netted LaLiga	+28.1%
Netted LaLiga Santander	+26.1%

(*) *LaLiga* 1-2-3 with negative *EBITDA* (-€2.2 M) in 2012-13, so it is not possible to calculate the CAGR.

EBITDA – Cumulative average annual growth (CAGR) over the period 2013-14 to 2017-18

In the long term, results grow substantially above turnover, reflecting the overall increase in economic efficiency

Net operating investments (CAPEX) have moderated

In this sense, **Net Operating Investments (CAPEX)**¹⁰ - including players, stadiums and facilities, as well as other non-financial fixed assets - amounted to a total of €299.9M during the season ended, which is equivalent to a decrease of -€348.0M (-53.7%) compared to the previous season. This CAPEX can be classified according to its destination (i.e. players vs. other operating assets -mainly infrastructure: stadiums, sports facilities), or its nature (i.e. recurring vs. non-recurring). The classification of the investment according to its split is direct and unequivocal. On the contrary, the classification of the investment according to its nature requires the adoption of an allocation criterion. Thus, *LaLiga* has considered, for the purposes of improving the analysis, as on-recurrent CAPEX any amount -in players or infrastructure- that exceeds in a given year the average of previous seasons. Based on this double grouping criterion, the results are shown in the explanatory table.

Table 6. CAPEX net classification in the last season

CAPEX 2017-18	Players	Infrastructure	Total
Recurring	134.8	225.1	359.9
Non-recurring	(74.0)	14.0	(60.0)
Total	60.8	239.1	299.9

(*) all CAPEX figures are always shown in net terms, i.e. investments - divestments undertaken. Positive sign equals investment and negative sign equals disinvestment.

It is also revealing to analyse this evolution of the net CAPEX, but differentiating investments from divestments made on a gross basis under each of the headings, and also to check their evolution in the long term:

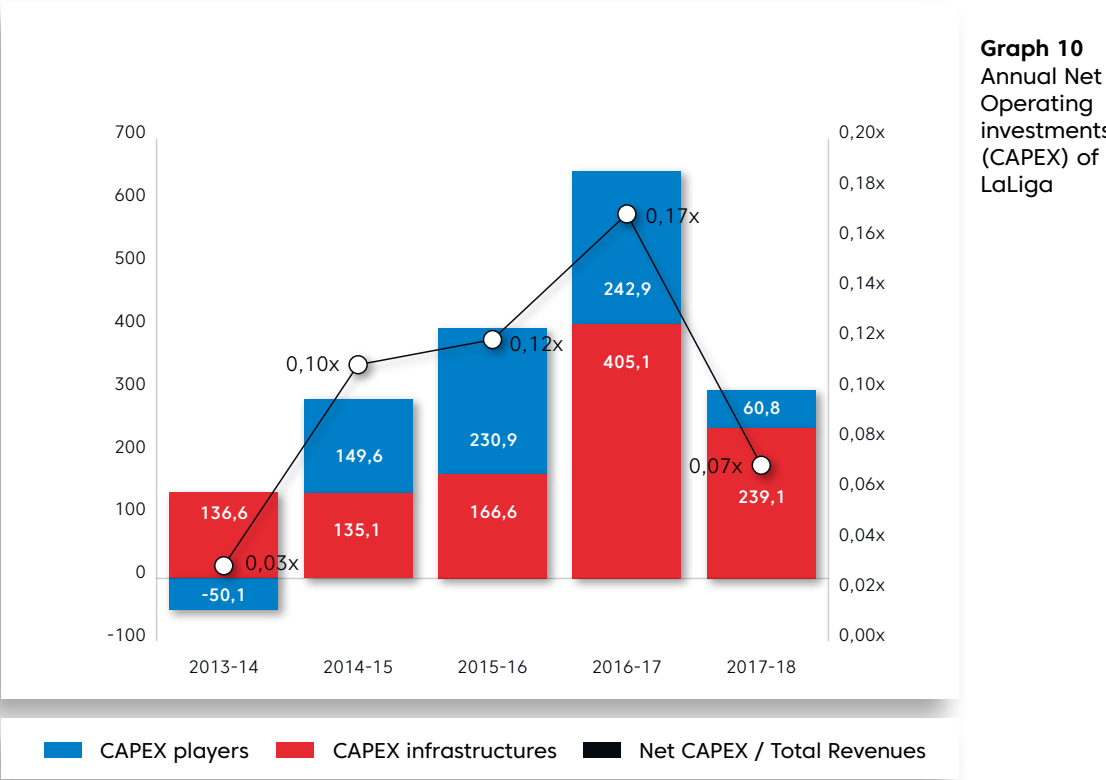
Table 7. Evolution of Investments vs Divestments in the Series

CAPEX	2013-14	2014-15	2015-16	2016-17	2017-18	CAGR%	Abs.
Gross investment players	433.7	672.2	678.5	741.1	1,078.4	25.6%	2.5x
Gross investment infrastructure	155.1	336.4	376.9	457.6	262.2	14.0%	1.7x
Total gross investment	588.8	1,008.6	1,055.5	1,198.7	1,340.6	22.8%	2.3x
Divestment players	(483.7)	(522.6)	(447.6)	(498.2)	(1,017.6)	20.4%	2.1x
Divestment infrastructure	(18.5)	(201.3)	(210.3)	(52.5)	(23.1)	4.9%	1.2x
Total divestments	(502.2)	(723.9)	(657.9)	(550.7)	(1,040.7)	20.0%	2.1x
Net investment players	(50.1)	149.6	230.9	242.9	60.8	-	-
Net investment infrastructure	136.6	135.1	166.6	405.1	239.1	15.0%	1.8x
CAPEX (net investment)	86.5	284.7	397.5	647.9	299.9	36.4%	3.5x
Annual % change	-	229.0%	39.6%	63.0% ^f	-53.7%		

Thus, it can be seen that, although in net terms the appearance is that there has been a decrease in the investment intensity of the competition in 2017-18, in reality this is not the case, since the gross investment made, which reaches €1,340.6M, is the largest ever recorded in *LaLiga* in a single fiscal year. This figure is also indicative of a more affluent financial situation on the part of many clubs, which is allowing them to spend on the renewal and growth of their operating assets, something that only a few seasons ago would not have been possible. At the same time, the level of disinvestment was also higher, amounting to €1,040.7M, so the resulting net balance is €299.9M, which places the net CAPEX made in the 2017-18 season in line with the average of the four previous seasons (although a -53.7% with respect to 2016-17).

LaLiga's net investment intensity has kept pace over the last year

It should be noted that this evolution of CAPEX in the last fiscal year has been helped by the completion of the infrastructure effort of some clubs, which have completed the remodelling and / or implementation of their new stadiums. However, it should be borne in mind that from the 2019-20 season is expected a rebound in investment effort in infrastructure, for aggregate gross amount in 3 seasons close to €1,200M. Regardless of what happens to net investment in players, this situation marks an unprecedented historical milestone in the investment commitment of *LaLiga*. And it constitutes, at the same time, a challenge in financial terms and a great opportunity that will transform the physiognomy of Spanish professional football, providing it with some of the best sports equipment and with the most advanced technology in the world



In spite of the remarkable investment effort of the clubs executed during the last seasons, the **Net Operating Assets (NOA)**¹¹, or stock of installed operating capacity (i.e. capital employed), measured in relation to the *Total Revenues*, continues under control. The ratio of NOA between *TR* continues to fall, from 0.51x to 0.47x in a single year (as a reference, in the 2011-12 season, the level was 0.73x). This fact proves that *LaLiga* is being able to extract an increasingly efficient profit from its investments.

Greater efficiency in LaLiga's installed operating capacity (capital employed)

The competition NOA grew in the 2017-18 season to a cumulative amount of €2,090.2M, an increase of €212.6M (+11.3%).

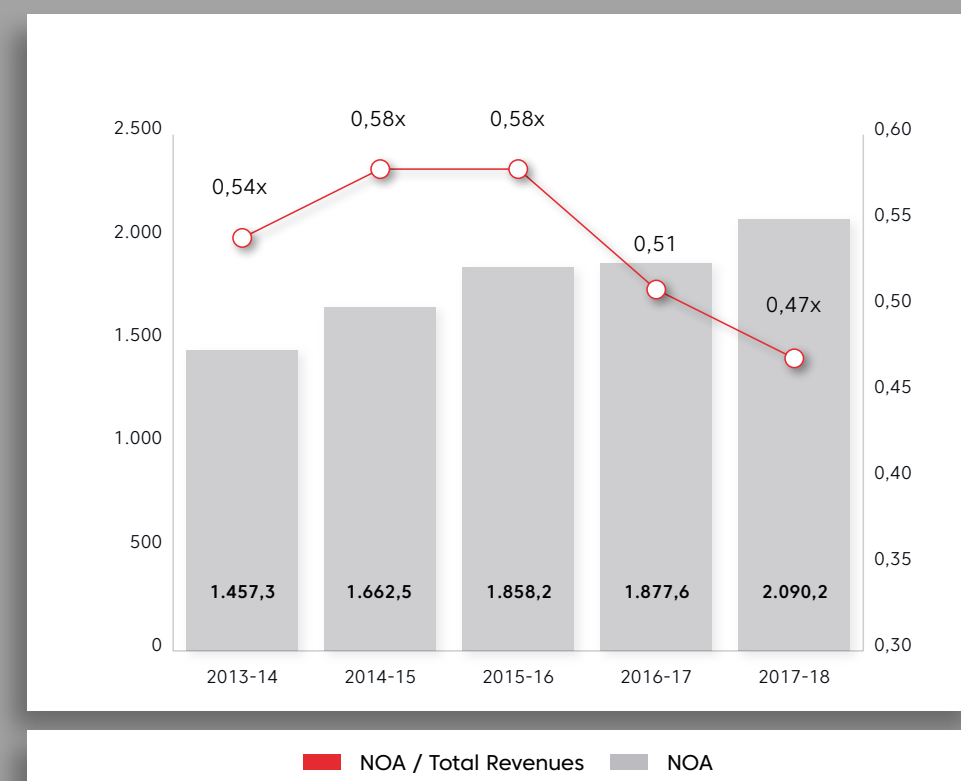
Apart from the more moderate evolution of the net CAPEX it is worth mentioning that the containment of NOA was also helped by the positive evolution of working capital, which has been reduced (i.e. net divestment), releasing +€121.6M of resources during the last season, which has partially absorbed the investment effort in non-financial fixed assets. Finally, there are other less significant impacts that have contributed slightly this year to the net increase in NOA, such as the evolution in the year of net deferred taxes, accumulated provisions or certain operating accruals.

The explanation for the favourable **variation in Working Capital (WK)**¹² is multiple. On the one hand, it is related to the efficient management of operations by the clubs, which has been increasingly observed in recent years. It also has a natural improvement component, which is a direct consequence of the substantial increase in net CAPEX effort, which is not normally settled in cash.

Despite the net divestment (annual positive variation) in the WK, of +€121.6M, this is lower than the previous season, which was an exceptional year for this purpose (mainly due to the effect then caused by the advance payment to clubs in 2016-17 of part of the television rights corresponding to 2017-18, as well as the deferral in the current payments of various infrastructures in progress), in which resources amounting to +€440.5M were freed up. This year, however, two specific - and normal - events have occurred that have led to a reduction in the intensity of the positive variation in WK:

- Less net CAPEX effort on the part of clubs, especially in infrastructure, as a result of the completion of new stadiums. Therefore, the contribution to the WK of this effect has been negative in the last fiscal year (lower operating current liabilities derived from accounts payable to fixed asset suppliers, with the subsequent adjustment to the WK)
- Certain advance payments by clubs (partly classified as higher operating current assets, also with downward impact on WK)

The sum of CAPEX and WK provides a more accurate average of the effective investment effort made by *LaLiga*. During the 2017-18 season, both figures amounted to -€178.3M, which represents a release of resources of +€29.1M with respect to the previous season, in which the combined effective effort stood at -€207.4M. This, together with the growth of the business, basically explains the reduction in the ratio between NOA, or capital employed, and the aforementioned *Total Revenues*.



Graph 11
Net Operating Assets capacity (NOA) of LaLiga



In short, Spanish professional football seems to have entered a virtuous growth path, in which the sustained increase in turnover and the organic efficiency of the business are allowing both the salary base and sports and non-sports investments to be increased at the same time. All this without renouncing the deepening of financial consolidation and the increase in the economic viability of competition, as will be shown below. This does not prevent that, for the following exercises, and taking into account the effort expected in CAPEX, the clubs and the Association must remain attentive to the balance registered until now between the necessary increase of the OPEX of sports character, the organic growth of the NTO and the excellent performance of the *Results from Transfers* (that manages to accommodate in a systematic way the greater effort in expenses to maintain the level of sports competitiveness), so that the outcrop of the necessary productivity of the activity and the visibility of the results is not undermined.

Greater symbiosis between the different dimensions of the business, with the deepening of the virtuous circle at an financial level

All of the above allows us to obtain a very relevant business **Operating Return Index (ROIC)**¹³ having increased slightly by 0.6 percentage points during the last season to stand at 12.3% at the end of 2017-18. This level is the highest achieved by *LaLiga* in the series analysed and is considerably higher than that of other major international professional football reference competitions. Moreover, it is one of the pillars that should make it possible to sustain the financial viability and economic attractiveness of the industry in the long term.

ROIC could be calculated on an ordinary basis or on an adjusted basis, i.e. taking into account, respectively:

- ROIC: annual operating profit considering official net operating profit (*EBIT*), after tax
- Adjusted ROIC : ROIC without including non-recurring results, or certain accounting conventions in the Income Statement, with a net effect on *EBIT* (*Adjusted EBIT*)¹⁴, taking only *EBITDA* less depreciation and amortisation of fixed assets

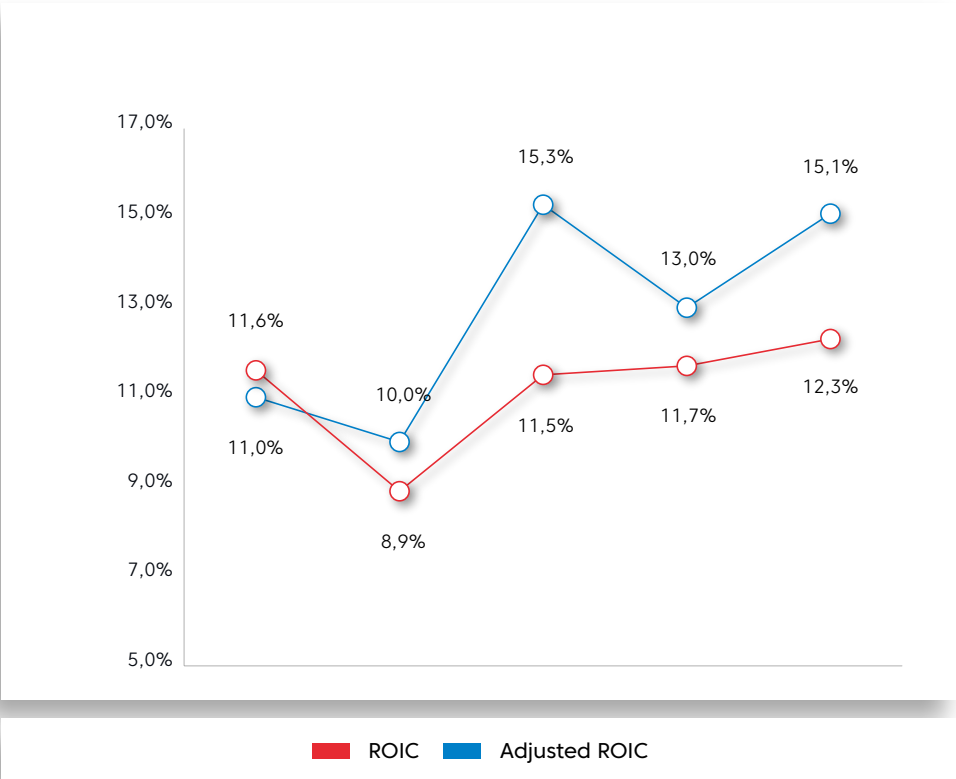
Taking adjusted *EBIT* the profitability indices resulting from the business (*Adjusted ROIC*) for *LaLiga* would have increased considerably in 2017-18 compared to the previous season, by +2.1 percentage points, from 13.0% in the 2016-17 season to 15.1% in 2017-18. In both cases, it is a question of operating profitability above other professional football competitions of reference on the international scene.

Consolidating a very notable operating profitability level of the business

Table 8. ROIC of LaLiga in 2017-18

€M	Ordinary	Adjusted
EBIT	324.7	400.1
ROIC	12.3%	15.1%

This positive evolution of ROIC of *LaLiga* is due not only to the absolute increase in operating results, but also to the greater efficiency in obtaining these results, having been achieved with a level of capital employed, or average NOA, which only increased in 2017-18 by +6.2%, a rate substantially lower than the annual growth experienced by *Total Revenues* (+20.6%), and also lower than the increase in the different expressions of *EBIT* (+11.4% ordinary and +23.7% adjusted) of *LaLiga*. This self-contained growth in installed operating capacity is mainly due, as has been shown above, to the positive evolution (decrease) of net working capital (*WK*), as well as to the considerable moderation in net investment (*CAPEX*) both in players and in stadiums and facilities, aspects, together with the growth in turnover, which have counterbalanced the considerable effort appreciated fundamentally in OPEX, and more specifically in *Wage Costs*.



(*) The reason for the very high adjusted ROIC (15.3%) from 2015-16 has to do with the cancellation of the non-recurring item "Other results" (P&L) in that season, which produced a result (loss) of -€94.8M. In 2017-18 it stood at -€95.1M and relates mainly to extraordinary provisions of -€76.0M.

Moderate slowing in the visibility of the results, when diminishing the capacity of conversion in operating cash flow levels

For its part, the evolution of cash flow, or effective economic return generated by the competition, has been affected by the investment effort made in a context such as that of *LaLiga* of growth and consolidation of a business considerably larger than a few years ago. In this sense, the competition in 2017-18 has demonstrated adequate financial health, albeit with more modest figures than in the two previous seasons, from several points of view:

- **Gross Cash Flow Generated from Operating Activities (FGO)**¹⁵ amounted to €179.7M, substantially lower than the previous season's level, which reached an all-time high of €453.1M. This accredits something that has already been dealt with exhaustively in the Report, such as the fact that, in the last season, a significant part of the results achieved are due to activities not formally included in the operations, since they are classified as non-ordinary activities of the clubs, such as, for example, the *Results from Transfers*, which is the item that contributes most to this evolution and which includes the accounting capital gains registered by the divestments of sports intangible assets made (players). In other words, the profitability achieved is not a consequence of results coming from the direct generation of **EBITDA before Transfers (EBITDA b/T)**. In this sense, the net effect or yield of the dynamics of disinvestment charges (sale price) minus the payments for players' investments (player transfer rights with an immediate impact on cash flow, but without any direct impact on results -but indirect and deferred through annual depreciations-), is taken into account in the two subsequent levels or definitions of operating *cash flow* (both through *WK* and *CAPEX*).
- The **Net Cash Flow from Operating Activities or (CFO)**¹⁶, the result of subtracting from the *FGO* operating working capital (*WK*) investment (or adding the divestment), amounted to €301.3M in 2017-18, approximately one third of the previous season. The increase in the *CFO* with respect to the *FGO* is due to the positive impact of the *WK*, releasing resources for +€121.6M during the 2017-18 season, a figure lower than the +€440.5M of the previous year, for the reasons explained above.
- Finally, the **Free Cash Flow (FCF)**¹⁷ of *LaLiga*, which subtracts from the *CFO* the net investment made in total operating capacity (players, facilities and other operating assets) (*net CAPEX* of -€299.9M), amounted to €1.4M in 2017-18, compared to €245.6M the previous year. However, it should be made clear that the decrease in the *FCF* of *LaLiga* is not a general feature of clubs, when the analysis is transferred to the individual level of teams. Thus, almost half of the 42 clubs and SADs in the competition experienced an increase in this record. At the same time, it should be noted that, excluding the non-recurring net *CAPEX* -especially significant in 2017-18 as a consequence of certain non-structural divestments in players carried out by some clubs-, this figure (**Recurring FCF**)¹⁸ would have been -€58.6M, compared to the €453.4M of the previous year (the highest annual amount in the history of Spanish professional football). However, taking into account only net investment in players (excluding investment in infrastructure), the *FCF* (**Adjusted FCF**)¹⁹ would have amounted to €240.6M, a figure substantially higher than the *FCF* or *Recurring FCF* (although smaller than the €650.7M of the previous season). With respect to this reality, it should be highlighted again the lower effort in net investment in players in the last season, of only -€60.8M, compared to -€242.9M of the previous season. As explained above, this is not due to a slowdown in the pace of investment in players, which has been at an all-time high of €1,078.4M, but to the combined effect including, equally, the highest ever recorded level of player disinvestment, amounting to €1,017.6M.

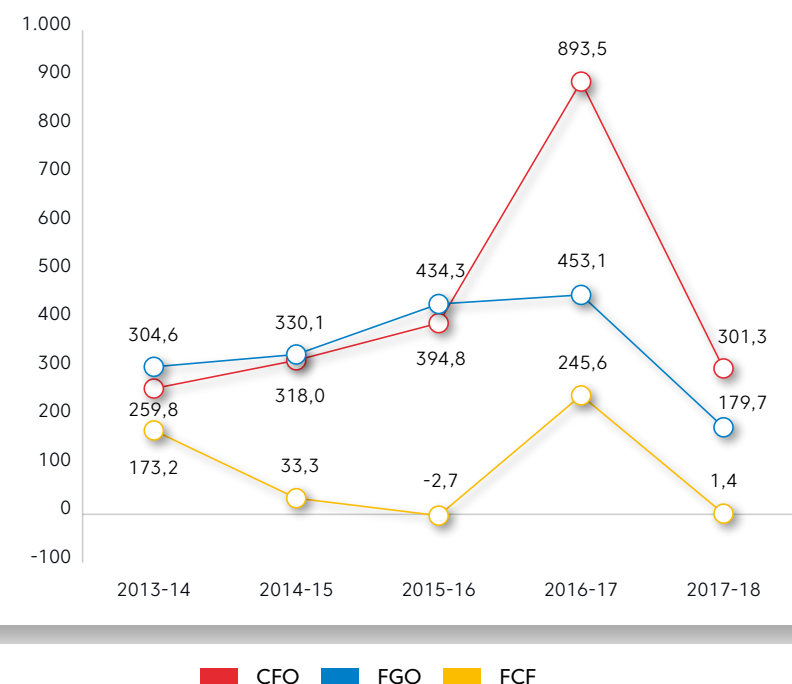
There is a considerable decrease in the Cash Flow generated by the business during the season, but this is a very concentrated effect on a number of teams



LaLiga 2017-18 Cash Flow

FGO	€179.7M
WK (net divestment in operating working capital)	+€121.6M
CFO	€301.3M
CAPEX (net investment in operating capacity)	€(299.9)M
Total FCF (FCF)	€1.4M
Sub-classification FCF I	
Cancellation in FCF of the non-recurring CAPEX (net divestment)	€(60.0)M
Recurring FCF (only recurring CAPEX)	€(58.6)M
Sub-classification FCF II	
Cancellation in the FCF of the CAPEX in infrastructure (net investment)	+€239.1M
Adjusted FCF (CAPEX players only)	€240.6M

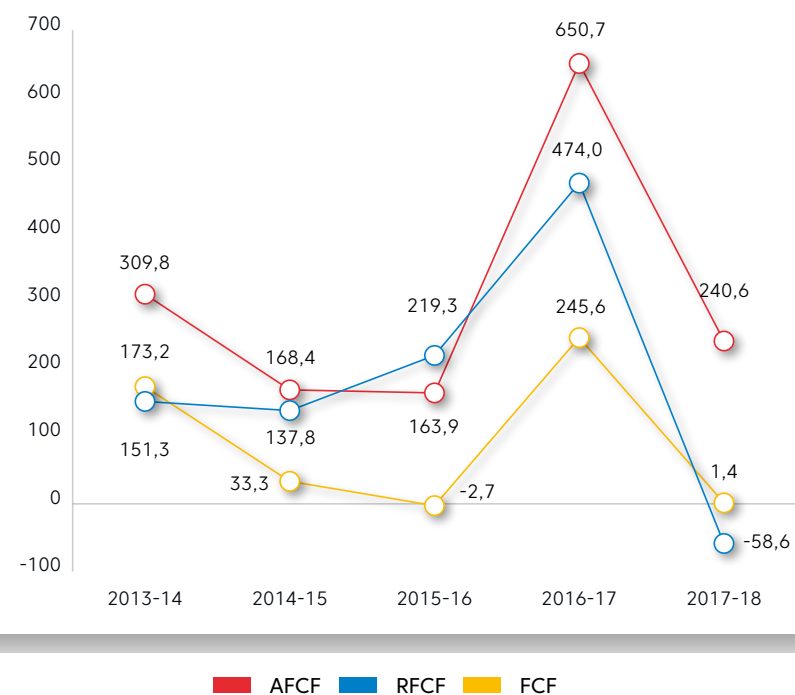
Main balances of LaLiga's operating cash flow in 2017-18



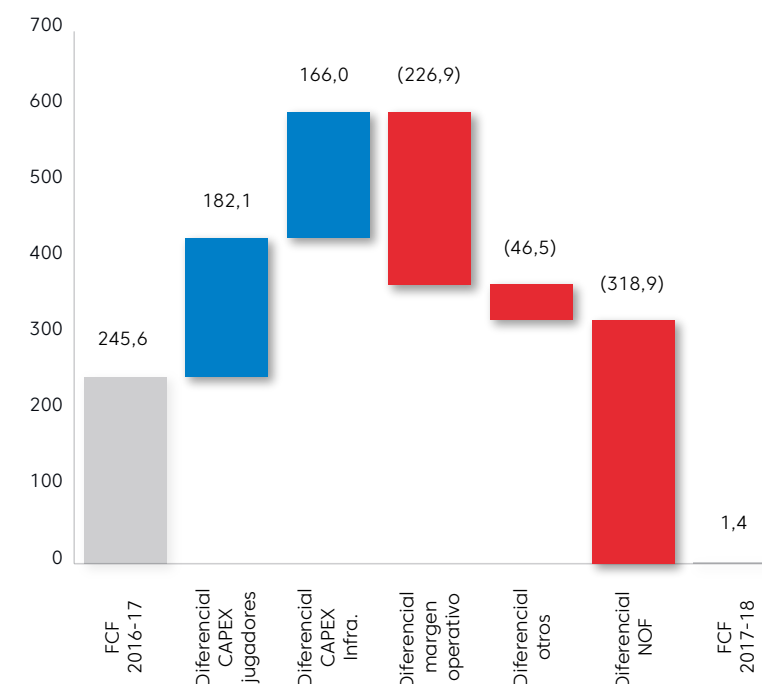
Graph 13
Main expressions of the Operating Cash Flow of LaLiga

Until 2017-18 the evolution of the *FGO* in *LaLiga* has been growing steadily. This year the trend has broken as a result of the slowdown in *EBITDA b/T*, caused by the increase in *OPEX* over the increase in *NTO* (we are referring to the incremental effects of both headings, not the total amounts). This is ultimately a consequence of the fact that the *Results from Transfer* of players is not formally treated, at the accounting level, as an ordinary element of the activity (although in the case of *LaLiga* the evidence shows that it is a structural or systematic element). For its part, the *FCF* is shown to be a little more erratic in the long term as a consequence of the recurrent and non-recurrent *CAPEX* carried out on both players and sports facilities, which is a figure that does not behave linearly over time. In any case, it is especially noteworthy that the net cash flow of the business (*FCF*) has been basically positive in the years under analysis -with a practically zero amount, of €1.4M, in the last season-, which is noteworthy having taken place in a context of strong investments in growth throughout the series and a season that has served to adapt the competition to a new economic dimension, of substantially greater scale.

The analysis of the explanatory reasons for the decrease in the *FCF* recorded in fiscal year 2017-18 with respect to the previous fiscal year can be carried out by decomposing the incremental (or differential) effects that occurred during the season. The adjustment of the gross operating margin (at *EBITDA b/T level*) with respect to the previous year - despite the increase in turnover - amounted to -€226.9M. Likewise, the incremental variation of the *WK*, amounting to -€318.9M and other effects amounting to -€46.5M have contributed negatively. On the contrary, the release of net resources per investment (*CAPEX*) in infrastructure (+€166.0M) and of players (+€182.1M) have contributed positively, offsetting the above effects. All these differential effects, added to the *FCF* of the 2016-17 season, explain in detail the *FCF* adjustment registered in 2017-18, going from €245.6M to €1.4M. As described above, most clubs and SADs have increased this record, and only a small handful of teams have contributed an *FCF* variation in the season of around -€425M.



Graph 14
FCF total (FCF) vs. Recurrent FCF (RFCF) and Adjusted FCF (AFCF)

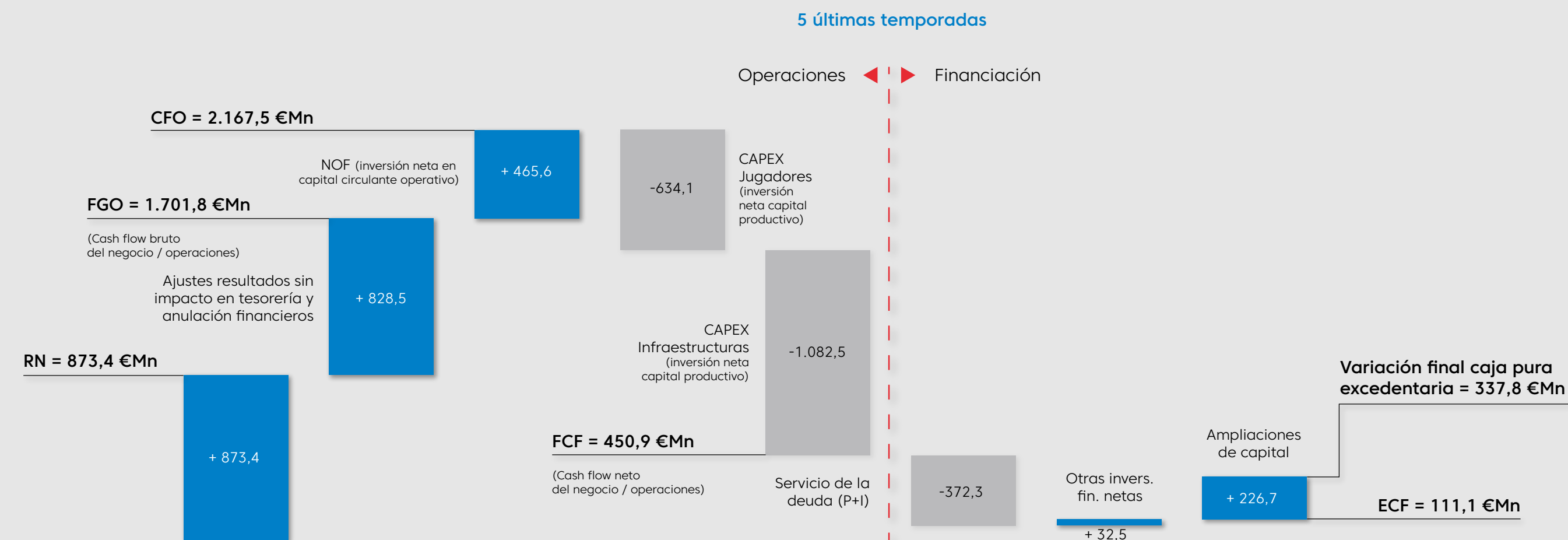


Graph 15
Explanatory factors (differential effects) of the evolution of the FCF in 2017-18

In any case, apart from the key performance of the business cash flow in 2017-18, in the longer term, over the last 5 seasons, taking into consideration the accumulated organic yield generated by the operations of €2,167.5M (CFO), *LaLiga* has been able to fully self-finance its operating investment, both in players' CAPEX (€634.1M) and in infrastructure (€1,082.5M). A surplus has even been generated to service the debt (payment of financial expenses and net repayment of principal amounting to €372.3 million) and deepen the path of financial deleveraging. All these effects, added to the share capital increases (€226.7M) carried out to reinforce the equity structures of the clubs and SADs, has allowed to increase the final cash position of the competition in €337.8M, increasing its solvency in a generalised way.



Cash Flow Infograph (€M)



FGO: Funds generated by operations before investments
 CFO: Operating cash flow after net investments in working capital (WK)

FCF: Operating cash flow after WK and net investments in infrastructure and players (CAPEX)
 ECF: Equity Cash Flow (excess cash flow available for shareholders)

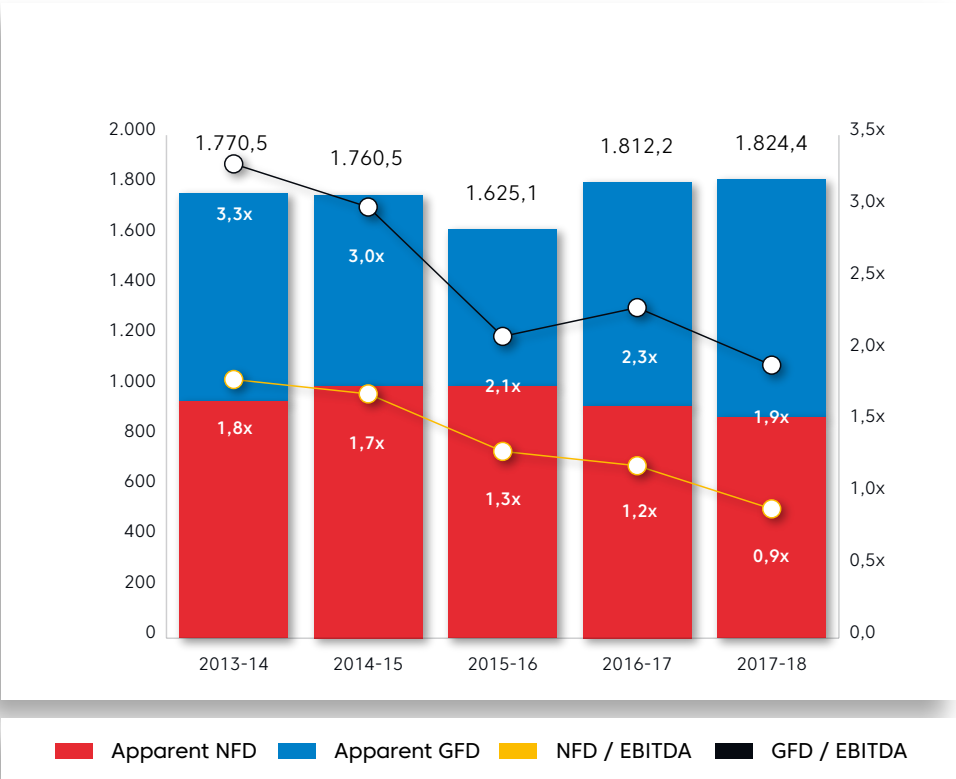
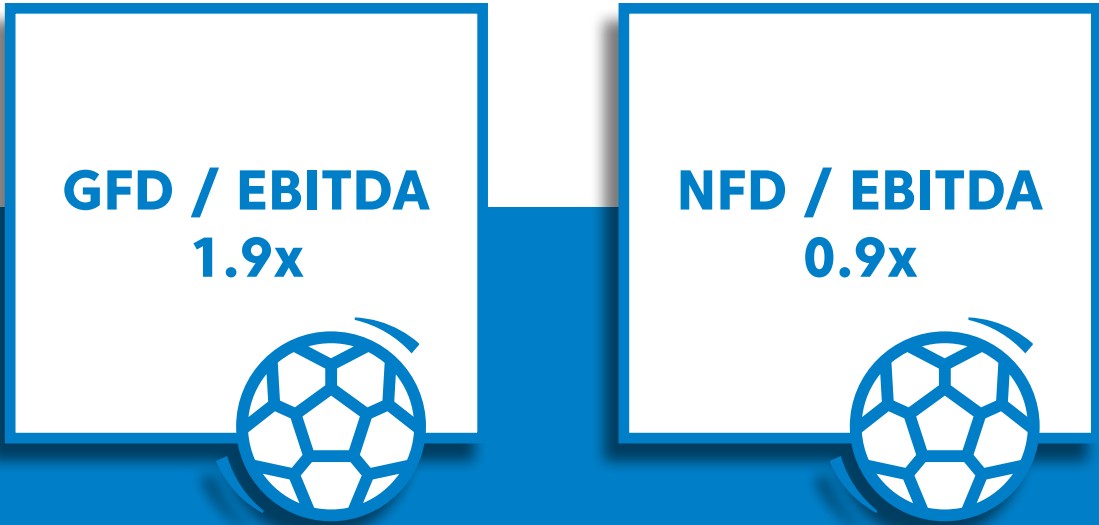
Partly as a consequence of the lower generation of surplus *FCF* during the 2017-18 season, *LaLiga* has maintained at levels similar to 2016-17 its financial indebtedness in absolute terms, although in relative terms this indebtedness has continued its downward trend, which has continued uninterruptedly throughout recent years. Indeed, it should be remembered that *LaLiga* in recent years has carried out an intense process of financial deleveraging, deepening this trend during the 2017-18 season.

The levels of relative indebtedness, or credit ratios, continue to decline

The apparent **Gross Financial Debt (GFD)**²⁰ stood at €1,824.4M at the end of the 2017-18 season, just €12.2M (+0.7%) above the absolute levels of 2016-17. Apparent **Net Financial Debt (NFD)**²¹ amounted to €878.6M, down €43.8M (-4.7%) on the previous year. In credit terms, they are more than acceptable levels, assuming only 1.9x and 0.9x the annual *EBITDA* of *LaLiga*. These ratios also show an unquestionable fact: at an aggregate level, Spanish professional football can no longer be considered an over-indebted activity. On the contrary, it could be concluded that these are levels, a priori, close to the optimum for a capital-investment-intensive activity such as this sport, in order to provide sufficient flexibility to clubs, which does not limit their growth and sporting competitiveness, but which, at the same time, does not compromise their financial viability and makes it possible to minimise the **Weighted Average Cost of Capital (WACC)**²²⁻. In other words, the average cost of the sources of funding (i.e. debt and equity) that sustain the activity.



Apparent financial debt ratios of LaLiga in 2017-18



Graph 16
 Apparent financial debt and credit ratios of LaLiga

It should therefore be stressed that the improvement in credit ratios (i.e. the level of relative indebtedness) in the 2017-18 season is not incompatible with the fact that, for the second consecutive time in several seasons, there has been an increase - albeit a very slight one - in the amount of gross indebtedness in absolute terms. This increase is indicative and at the same time consubstantial with the growth of the business itself. In addition, it can be meant that, of the total apparent gross indebtedness, only about 50% is held with lenders (the rest being owed to other clubs, sports entities or other financial liabilities).

In addition, *LaLiga* carries out a series of adjustments to calculate the precise level of financial indebtedness, adding to the above figures, certain balance sheet items that are not formally classified in the financial debt liability items in the audited annual accounts, but that are relevant in the business of football in general and Spanish professional football in particular.

- With a positive sign (adding to gross indebtedness), on non-current liabilities, long-term accruals, and on current liabilities, bankruptcy debts formally classified as commercial creditors (and therefore not included in short-term debt). Debts to clubs for short- and long-term transfers of players are already included as debt in the DFB concept.
- With a negative sign (subtracting gross indebtedness), in non-current assets, long-term accruals, as well as sports debtor entities for transfers / assignments (the latter both long-term -which are cancelled from the net cash position when calculating net indebtedness, so as not to include this balance in duplicate- and short-term).

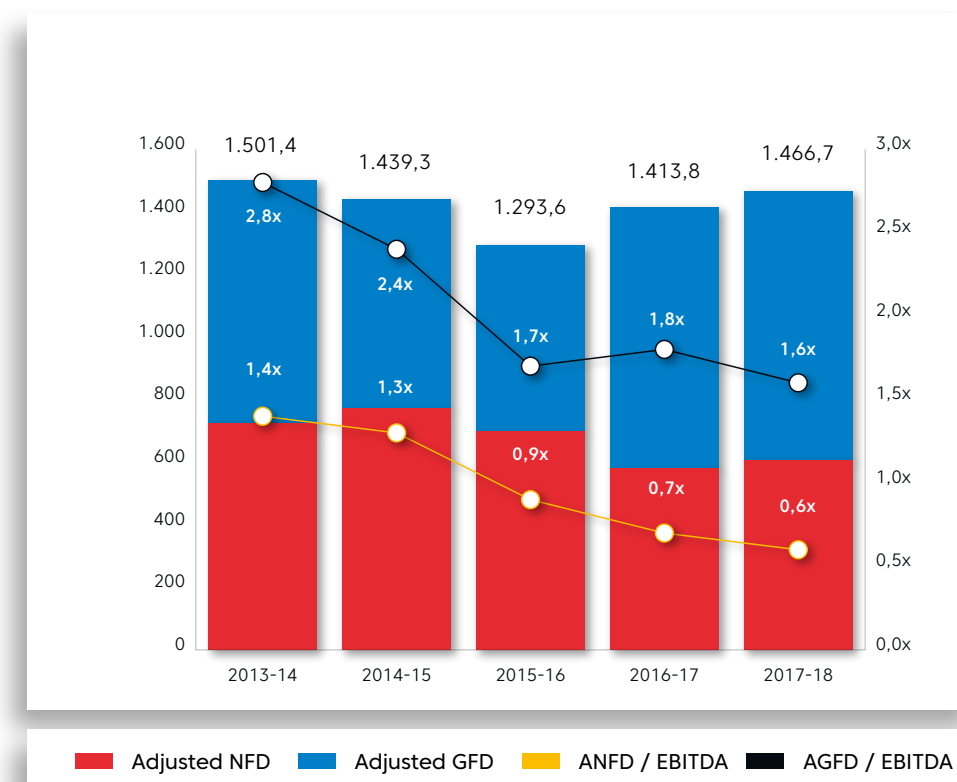
This definition results in levels of adjusted gross debt (*AGFD*)²³ and adjusted net debt (*ANFD*)²⁴, which offer a more adjusted perspective on the structural debt levels of football clubs according to the nature of their activity.

The **adjusted Gross Financial Debt (AGFD)**²³ stood at €1,466.7M at the end of the 2017-18 season, just +€52.8M (+3.7%) above the absolute levels of 2016-17. Adjusted **Net Financial Debt (ANFD)**²⁴ amounted to €606.2M, an increase of €27.4M (+4.7%) compared to the previous year. In credit terms, they are levels even below the structural objective of the Spanish competition, assuming only 1.6x and 0.6x the annual *EBITDA* of *LaLiga*.

Adjusted financial debt ratios of LaLiga in 2017-18



Indebtedness levels that are sustainable and even below the structural target level



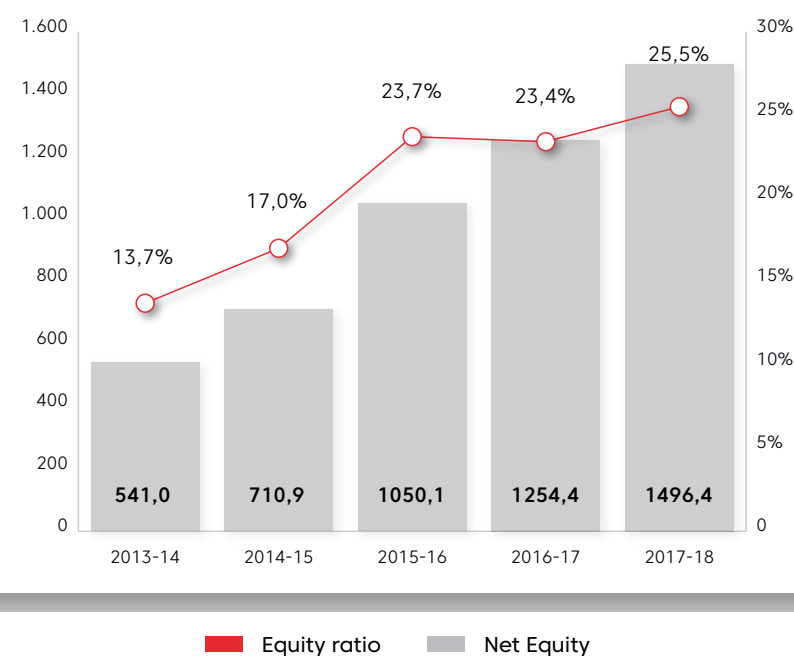
Graph 17
Adjusted financial debt and credit ratios of LaLiga

Consistent with this deleveraging process, the *Financial Expenses of LaLiga* have been reduced. The average annual effective financial cost of club debt was around 3.0%, which is the lowest rate in the series and reproduces the level of the previous season. The current market scenario characterised by historically low interest rates has undoubtedly contributed to this decline. Also, very significantly, the narrowing of the risk premium perceived by financial creditors in relation to their credit operations with clubs has had an influence. However, the further decline in the relative debt ratios of *LaLiga* over the next few years, as well as the improvement in its cash flow generation capacity and overall robustness, should nevertheless, in a normal market environment, lead to an even greater reduction in the cost of external financing (debt).

Similarly, the *Interest Coverage Index*²⁵ corroborates the foregoing, standing at its historical maximum, reaching the level of 11.9x, the highest level recorded in the competition.

At the same time, *LaLiga* has undergone a strong capitalisation process, to which the accumulation of positive net results has undoubtedly contributed, but also the significant financial effort made by the shareholders and/or members of the professional clubs, in the form of share capital increases over the last few seasons to strengthen the general creditworthiness of their balance sheets. The *Net Equity (NE)* of the clubs in 2017-18 amounted to €1,496.4M, an increase of €242.0M (+19.3%) over the previous season. Over the last five years, net equity has increased +€955.4M, equivalent to a CAGR of +29.0%. This is evidence of the notable effort to strengthen the equity levels and the financial solvency of the competition.

Intensification of the degree of capitalisation and financial solvency

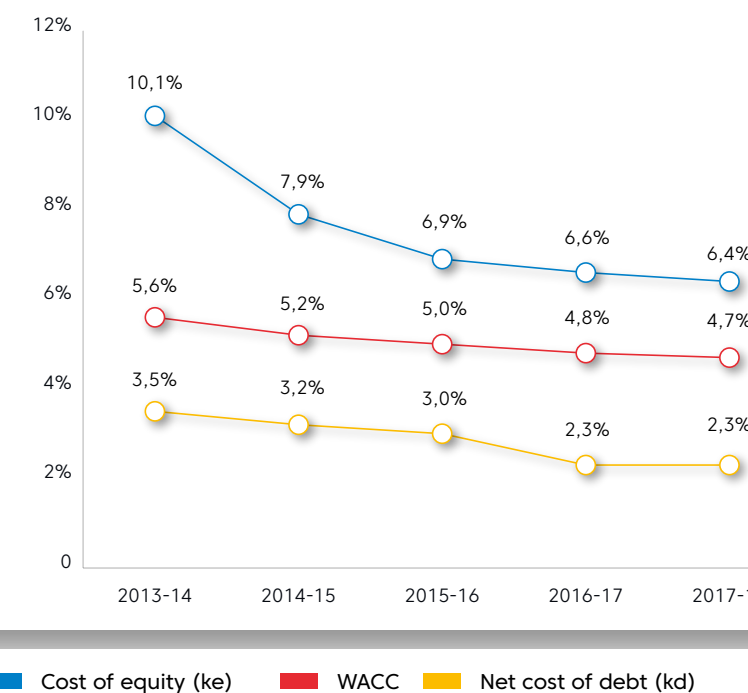


Graph 18
 Net Equity and
 Equity Ratio
 (capitalisation
 level) of LaLiga

Consequently, the ratio between the *Net Equity* and *Total Assets* (i.e. *Equity Ratio*) stood at 25.5%, more than two percentage points above the previous season. Only four years ago, at the end of the 2013-14 season, this ratio amounted to only 13.7%, and 7.3% in 2011-12, revealing a serious equity deficit in Spanish professional football, which contributed to the situation of financial imbalance lived, and is now completely overcome. The increase in the *Equity Ratio* is inherent in the fact that liabilities of *LaLiga* in general, and debt balances in particular, increasingly weigh less on its balance sheet as a whole.

Taking actual competition and market data, and applying the commonly accepted "*Capital Asset Pricing Model*" (*CAPM*)²⁶ methodology, the weighted average cost of the funding sources of *LaLiga* in the 2017-18 season would have been around 4.7%, the lowest level in its history and in line with that of the previous season. This fact is particularly significant with a view to maximising the attractiveness and underlying valuation of professional football in general, and of clubs in particular, both for individual investors (as is already happening today) and at the level of capital markets. This will favour the channelling of new financial resources towards the activity in the coming years, an aspect of central importance for consolidating the predominance of Spanish competition on the international scene.

WACC continues to shrink



Graph 19
 LaLiga Weighted
 Average
 Cost of Capital
 (WACC)

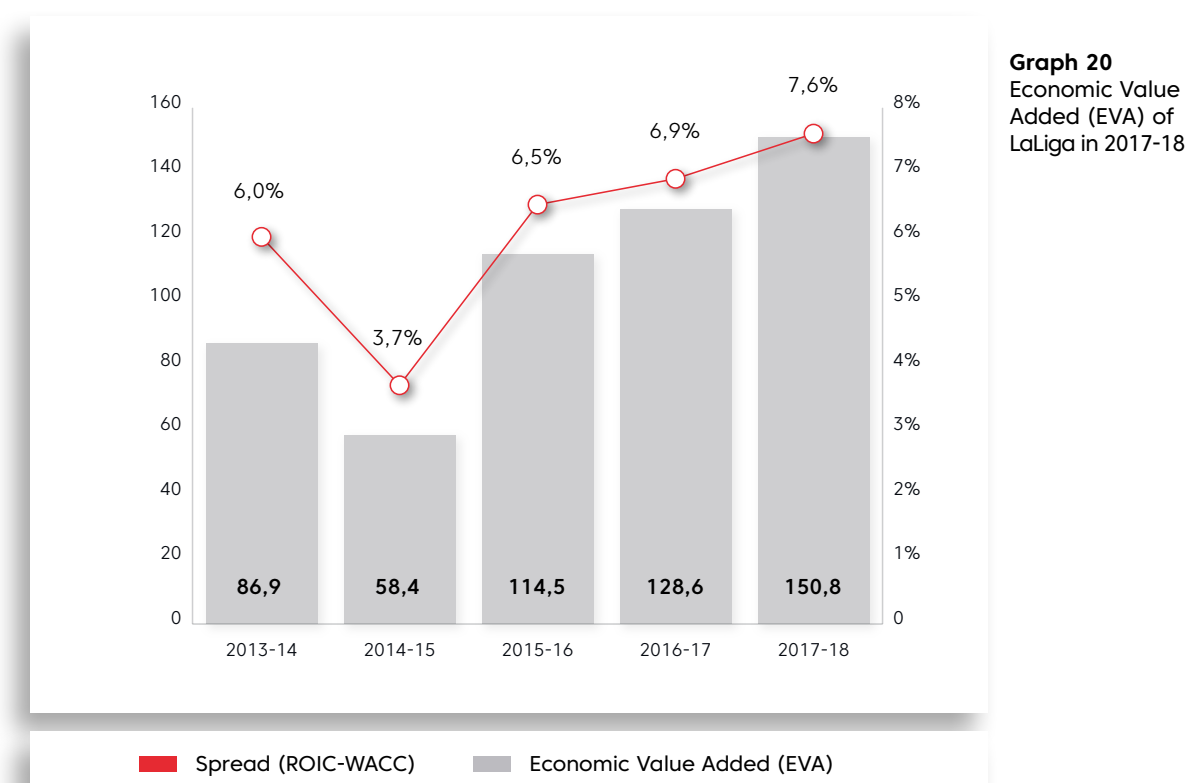


Value creation
and economic
attractiveness of the
business is accelerated

On this basis, the 2017-18 season was the one with the greatest creation of **Economic Value Added (EVA)**²⁷ for *LaLiga*, amounting to €150.8M. This achievement is the result of widening the spread between the annual return on operations, or *ROIC*, and the annual cost of the sources of finance underpinning those investments, i.e. the weighted average cost of capital (*WACC*). The first of the indices has increased its level with respect to the previous season (despite the strong increase in operating expenses), while the second has continued its downward trend. As a consequence, the difference between the two levels, applied to the level of installed operating capacity (i.e. *NOA*) of the competition, or capital employed, has been maximised.

Over the last five seasons, the *EVA* stands at €539.2M, confirming the ability of *LaLiga* to generate value in the long term. This aggregate amount is higher than that of the other reference professional football competitions at European level.

The value creation, annual and accumulated over the last five years, would be €207.4M and €694.9M, respectively, if *Adjusted ROIC* were taken into account instead of *ROIC*. In other words, the *EVA* would increase even more if certain accounting conventions and non-recurring results of *LaLiga* were not considered.



Finally, it is significant to point out that the favourable conclusions regarding the evolution of Spanish professional football, *LaLiga*, in the 2017-18 season, would also apply in the case of not considering the two largest clubs in terms of profit and balance sheet levels. In fact, the financial evolution would be even better if the two biggest clubs were excluded from the Spanish professional football scene from an economic point of view.

The group *Netted LaLiga* tries precisely to analyse this dimension. The following table establishes a comparison between the two classifications, with respect to the main financial figures analysed in this Report.



Table 9. LaLiga vs. Netted LaLiga

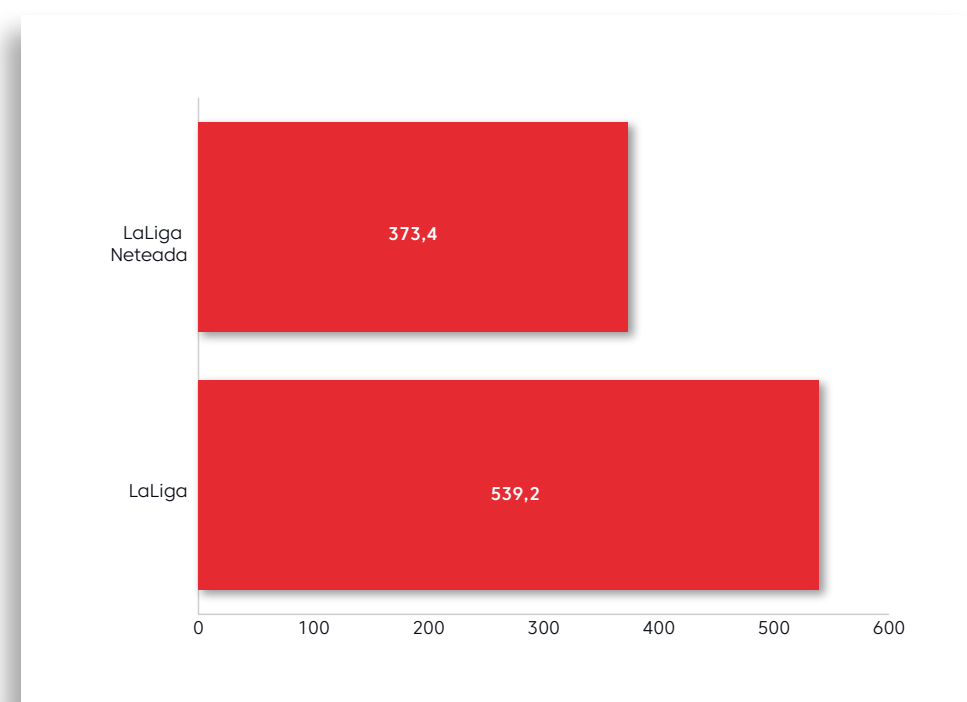
Comparative analysis	LaLiga				Netted LaLiga			
	2016-17	2017-18	Δ% annual	CAGR 5a	2016-17	2017-18	Δ% annual	CAGR 5a
INCOME								
Total Revenues (€M)	3,712.9	4,478.6	20.6%	13.4%	2,265.0	2,700.3	19.2%	15.5%
Net Turnover (€M)	2,941.4	3,263.3	10.9%	13.8%	1,692.3	1,836.3	8.5%	17.6%
Breakdown of Total Revenue:								
Broadcasting (%)	39.2%	33.8%			49.1%	42.6%		
Commercial (%)	16.8%	18.7%			5.0%	6.6%		
Advertising (%)	3.1%	2.8%			5.0%	4.7%		
Match Day (%)	20.1%	17.5%			15.6%	14.1%		
Sale Price from Transfers (%)	13.4%	22.7%			17.9%	25.2%		
Other Income (%)	7.4%	4.4%			7.4%	6.8%		
RESULTS								
EBITDA b/T (€M)	447.1	220.1	-50.8%	-5.3%	264.0	165.1	-37.5%	36.8%
Net results from Transfers (€M)	335.7	724.7	115.9%	29.0%	261.6	465.9	78.1%	25.6%
EBITDA (€M)	782.8	944.9	20.7%	15.2%	525.6	631.0	20.0%	28.1%
EBIT (€M)	291.4	324.7	11.4%	7.7%	232.8	247.8	6.5%	18.5%
RBT restated (€M)	233.6	251.0	7.5%	12.9%	175.9	187.9	6.8%	38.2%
NE restated (€M)	168.1	189.2	12.5%	13.1%	128.6	145.1	12.8%	41.9%
MARGIN (OVER NTO)								
EBITDA b/T (%)	15.2%	6.7%			15.6%	9.0%		
Net results from Transfers (%)	11.4%	22.2%			15.5%	25.4%		
EBITDA (%)	26.6%	29.0%			31.1%	34.4%		
EBIT (%)	9.9%	9.9%			13.8%	13.5%		
RBT restated (%)	7.9%	7.7%			10.4%	10.2%		
NE restated (%)	5.7%	5.8%			7.6%	7.9%		
CASH FLOW FROM OPERATIONS								
FGO (€M)	453.1	179.7			310.5	134.6		
+/- WK (€M)	440.5	121.6			182.8	123.2		
CFO (€M)	893.5	301.3			493.4	257.8		
+/- CAPEX (€M)	(647.9)	(299.9)			(416.5)	(137.4)		
FCF (€M)	245.6	1.4			76.9	120.4		
OPERATING EFFICIENCY AND PROFITABILITY INDICES								
Wage Costs (€M)	1,880.1	2,228.0	18.5%	16.0%	1,069.9	1,235.6	15.5%	15.1%
Wage Costs / Total Revenues (x)	0.51x	0.50x			0.47x	0.46x		
OPEX (€M)	2,669.8	3,168.6	18.7%	15.4%	1,536.3	1,783.6	16.1%	16.2%
OPEX / Total Revenues	0.72x	0.71x			0.68x	0.66x		
NOA (€M)	1,877.6	2,090.2	11.3%	9.4%	1,437.0	1,473.9	2.6%	12.8%
NOA / Total Revenues (x)	0.51x	0.47x			0.63x	0.55x		
CAPEX (€M)	647.9	299.9	-53.7%	36.4%	416.5	137.4	-67.0%	-
CAPEX / Total Revenues (x)	0.17x	0.07x			0.18x	0.05x		
ROIC (%)	11.7%	12.3%			12.8%	12.8%		
Adjusted ROIC (%)	13.0%	15.1%			14.1%	16.5%		
FINANCIAL SOUNDNESS								
Net Equity (NE) (€M)	1,254.4	1,496.4	19.3%	29.0%	675.6	873.7	29.3%	64.9%
GFD (€M)	1,812.2	1,824.4	0.7%	0.8%	1,546.8	1,466.0	-5.2%	1.2%
NFD (€M)	922.4	878.6	-4.7%	-1.7%	975.3	820.1	-15.9%	-0.5%
GFD / EBITDA (x)	2.3x	1.9x			2.9x	2.3x		
NFD / EBITDA (x)	1.2x	0.9x			1.9x	1.3x		
Interest coverage index (x)	11.0x	11.9x			8.3x	9.9x		
Average annual cost of debt (kd)	3.0%	3.0%			3.3%	3.3%		
Equity ratio (%)	23.4%	25.5%			19.1%	23.2%		
VALUE CREATION								
ROIC vs. WACC (diff. p.p.)	6.9%	7.6%			8.1%	8.1%		
Value creation EVA €M	128.6	150.8	17.3%	14.8%	110.1	117.2	6.4%	29.3%
RELATIVE WEIGHT (from Netted LaLiga over LaLiga)								
Total Revenues	-	-			61.0%	60.3%		
Net Turnover	-	-			57.5%	56.3%		
EBITDA b/T	-	-			59.1%	75.0%		
Net results from Transfers	-	-			77.9%	64.3%		
EBITDA	-	-			67.1%	66.8%		
EBIT	-	-			79.9%	76.3%		
NE restated	-	-			75.3%	74.9%		
RBT restated	-	-			76.5%	76.7%		
GFD	-	-			85.4%	80.4%		
NFD	-	-			105.7%	93.3%		
NOA (capital employed)	-	-			76.5%	70.5%		
Net Equity	-	-			53.9%	58.4%		
FGO	-	-			68.5%	74.9%		
WK	-	-			41.5%	101.3%		
CFO	-	-			55.2%	85.5%		
CAPEX	-	-			64.3%	45.8%		
FCF	-	-			31.3%	>100%		
EVA	-	-			85.6%	77.7%		

It can be seen how the evolution of the competition, excluding the impact of the two largest clubs, is in many headings even more positive than that of the competition as a whole. Revenues and profits are growing at a faster pace in *Netted LaLiga*, both during the last season and since the beginning of the series. Similar conclusions can be drawn for operating margins and business profitability indices, which are above those of *LaLiga*. The levels of indebtedness and solvency are already very similar between the two classifications. All this leads to four very significant conclusions:

- *Netted LaLiga* contributes more and more to *LaLiga*; as a whole; for the main figures of results and assets. The weight on the total is well above 60% - 70%, when five seasons ago it barely surpassed the 50% barrier. Moreover, only in 2011-12, *Netted LaLiga* directly presented an operating deficit and overall losses, i.e. it weighted negatively to the total in terms of results
- *Netted LaLiga* achieves higher business margins and indexes of efficiency and operating profitability; having increased *OPEX* at a slower pace than the two largest clubs in the last two seasons, as well as greater containment in the *CAPEX* and a better evolution of *WK*
- *Netted LaLiga*, unlike *LaLiga* does achieve a substantial increase in its *FCF* in 2017-18 compared to 2016-17
- *Netted LaLiga* contributes more and more value to the whole; in 2017-18 it contributed 77.7% of the total value generated (despite having a higher *WACC*); in the course of the last 5 seasons, the contribution in terms *EVA* stood at 69.2%.

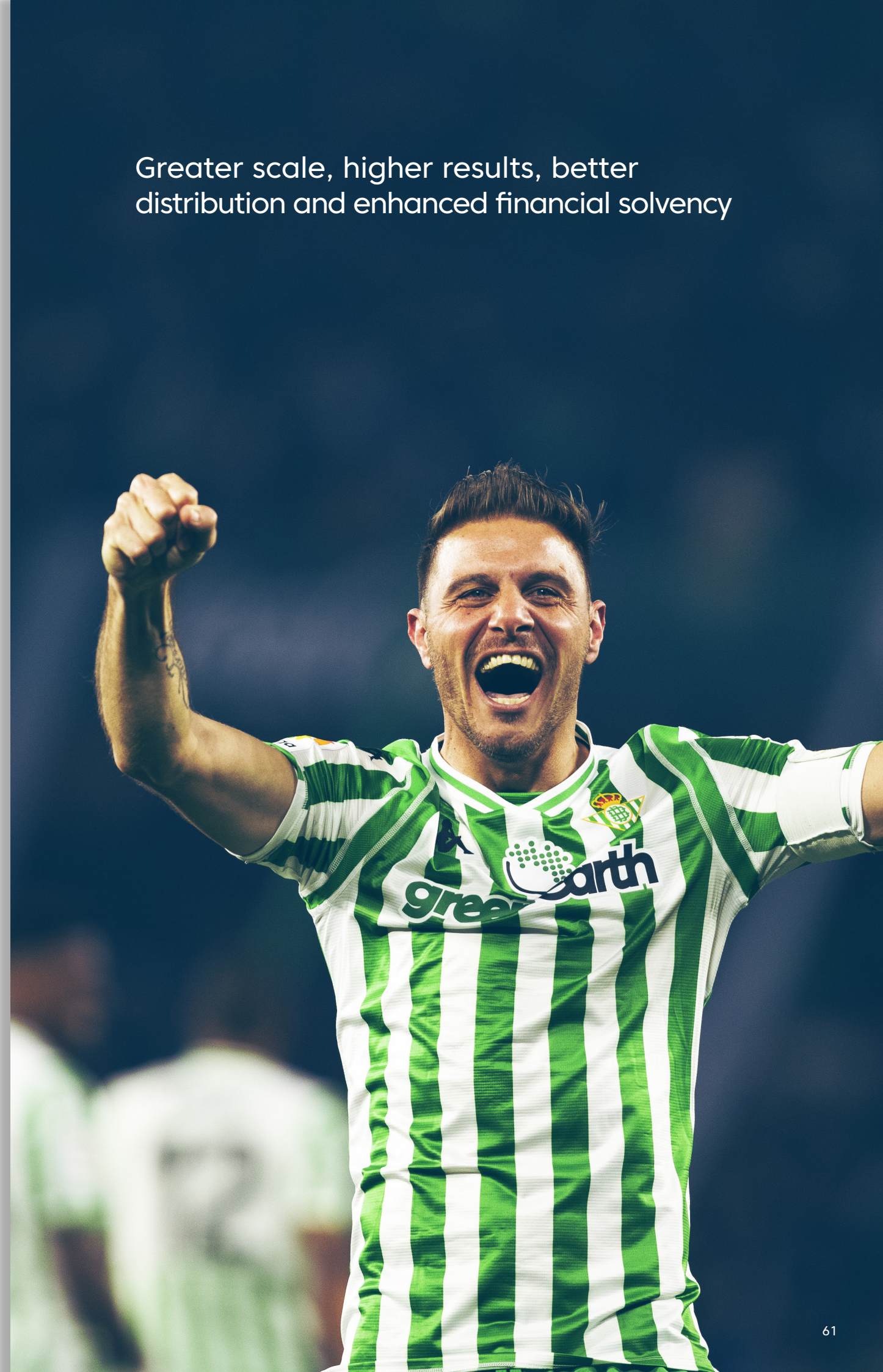
In short, a very favourable conclusion can be drawn; *LaLiga* is an increasingly larger, more solvent and more profitable competition, but in addition all this is being achieved with a more balanced distribution at an financial level. This reality consolidates the basis for a solid future and for a general increase in the attractiveness of the activity ; not only financially but also, ultimately, in the sporting arena, thanks to the increase in the overall competitiveness of the clubs that make up the business.

Given the importance of this internal grouping for the traceability of the financial evolution of the competition, Annex II of the Report includes all the graphs used in this section, but only applied to *Netted LaLiga*.



Graph 21
 Economic Value Added (EVA) in the series for LaLiga vs. Netted LaLiga

Greater scale, higher results, better distribution and enhanced financial solvency



LaLiga Condensed Financial Statements

The consolidated financial statements (**FS**) of *LaLiga* shape the true and fair view of the financial analysis carried out on the competition under the previous heading. The **FS** of *LaLiga* are composed by:

- Income Statement (**P&L**); income and expenses for each period in accordance with current accounting regulations. It is presented in a waterfall format, which favours financial analysis. It has also been decided to restate some figures, in order to improve this evaluation. This is the case, for example, of the results from transfers, which are broken down - i.e., on the one hand, as a credit, the sale price, and on the other, as a charge, the cost of sale (i.e. a drop in net book value) - without altering the intermediate balances or the final results.
- Balance Sheet (**Balance**); asset and liability balances at the end of each period. They are ordered by mass aggregation, taking into account the nature, operational vs. financial, and the short vs. long term maturity of the headings.
- Cash flow Waterfall (**Cash Flow**), statement of cash flows for each period, restated according to the nature and conceptual order of priority of each heading, in accordance with the Association's criteria, to facilitate financial analysis and improve the traceability of the concepts examined.

This section presents the **FS** for the period covering the last three financial years, highlighting the last season ended, 2017-18, and the annual variation rate with respect to the immediately preceding season, 2016-17. The **CAGR** and absolute increases, however, are calculated for the last five years (a series discussed in this Report). Annex I contains exhaustive versions of the **FS** for the last five full seasons.

The **Total Revenues** heading of *LaLiga* has grown by +20.6% in the last year, far exceeding, for the first time, the €4,000M (€4,478.6M) barrier. In the course of the five seasons under analysis, this magnitude has been multiplied by 1.65x (**CAGR** of +13.4%). The **NTO**, which amounted to €3,263.3M, behaved equally favourably, although with similar growth (1.68x growth in the period under analysis, equivalent to a **CAGR** of +13.8%). Within the **NTO**, **Commercial revenues** (including sponsorship, advertising and merchandising), stand out, with an annual variation of +34.1%, increasing in the total period by a multiple of 2.13x, equivalent to a **CAGR** of +20.8%. On the other hand, audiovisual or **Broadcasting revenues**, which until the 2016-17 season have been the main growth engine of *LaLiga*, have grown at a rate of +4.2% in the last financial year - the turnover heading being the one that increases the least in the year - so that during the five-year series the amount invoiced by the competition for this concept has almost doubled (1.80x; **CAGR** of +15.8%). Finally, **Match Day** posted moderate growth in the last season (+4.8%) and during the series (1.25x; **CAGR** of +5.8%). In addition, if **Other Income** is added to **NTO**, the resulting balance (**Operating Income**) increased by +13.2% in the year (1.64x and **CAGR** of +13.2% in the series) to €3,388.8M.

On the other hand, it can be seen how operating expenses (**OPEX**), which amounted to €3,168.6M, grew both during the last season (+18.7%) and in the long term (multiple of 1.77x; **CAGR** of +15.4%), above **Operating Income**. This situation is mainly caused by the strong increase in sports wage costs over the last season of +19.3% (1.81x; **CAGR** of +16.0%), which in turn derives from the effort to attract and develop talent undertaken by *LaLiga* and which in the medium and long term will generate income both from the rotation of this value (i.e. higher **Results from Transfers**), and from the monetisation of sporting achievements related to maximising the competitiveness and general attractiveness of the competition (i.e. higher **NTO**).

Table 10. LaLiga Income Statement (P&L)

Abbreviated Income Statement	2015-16	2016-17	2017-18	Δ last year	CAGR 5a	Δ abs. 5a
Broadcasting revenues	1,007.8	1,454.6	1,516.0	4.2%	15.8%	1.80x
Match Day revenues	769.7	746.6	782.1	4.8%	5.8%	1.25x
Commercial revenues	564.8	624.6	837.7	34.1%	20.8%	2.13x
Net Turnover	2,452.0	2,941.4	3,263.3	10.9%	13.8%	1.68x
Other revenues	258.1	175.5	125.5	-28.5%	1.6%	1.07x
Operating Revenues	2,710.0	3,116.8	3,388.8	8.7%	13.2%	1.64x
Procurements	(82.4)	(91.9)	(128.6)	40.0%	20.0%	2.07x
Non-sports personnel wages	(187.7)	(208.3)	(233.2)	12.0%	15.5%	1.78x
Sports wage costs	(1,411.5)	(1,671.8)	(1,994.8)	19.3%	16.0%	1.81x
Other operating expenses	(543.6)	(697.8)	(812.0)	16.4%	13.3%	1.65x
OPEX	(2,225.2)	(2,669.8)	(3,168.6)	18.7%	15.4%	1.77x
EBITDA before transfer of players	484.9	447.1	220.1	-50.8%	-5.3%	0.80x
Selling price for transfer of players	447.6	498.2	1,017.6	104.3%	20.4%	2.10x
Selling cost for transfer of players	(168.8)	(162.5)	(292.9)	80.3%	7.2%	1.32x
Result from the transfer of players	278.8	335.7	724.7	115.9%	29.0%	2.77x
EBITDA (gross operating earnings)	763.7	782.8	944.9	20.7%	15.2%	1.76x
Deprec., prov, impairment and other res.	(493.9)	(491.3)	(620.2)	26.2%	20.5%	2.11x
EBIT (net operating earnings)	269.8	291.4	324.7	11.4%	7.7%	1.35x
Net financial result	(68.2)	(48.7)	(73.6)	51.3%	38.3%	3.66x
RBT (profit before taxes)	201.6	242.7	251.0	3.4%	3.2%	1.14x
Taxes on profits	(35.0)	(65.4)	(61.8)	-5.5%	12.2%	1.58x
NE (net profit for the year)	166.6	177.3	189.2	6.7%	1.0%	1.04x
Total Revenues	3,202.7	3,712.9	4,478.6	20.6%	13.4%	1.65x
Total Expenses	(3,036.1)	(3,535.6)	(4,289.4)	21.3%	14.2%	1.70x
Extraordinary income from releases	-	(9.2)	-			
RBT restated (without releases)	201.6	233.6	251.0	7.5%	12.9%	1.62x
NE restated (without releases)	166.6	168.1	189.2	12.5%	13.1%	1.64x

In this way, the **EBITDA** before transfers (**EBITDA b/T**) of *LaLiga* experiences an adjustment in the 2017-18 season, reducing by -50.8% in annual rate, to €220.1M. However, it should be noted that almost 85% of the decline in **EBITDA b/T** is highly concentrated, i.e. caused by a small group of teams, which together increased their wage costs by around €250M in a single season, as a result of the extraordinary effort undertaken to attract and update / maintain players who provide talent and economic value in the medium and long term. In addition, about 36% of *LaLiga* clubs (15 out of 42) continued to record organic increases in **EBITDA b/T** in 2017-18 compared to 2016-17.

However, as explained in detail in the Report, the best economic result resulting from the competition during the season comes primarily from the outcrop, through the divestments made (i.e. transfer capital gains), of the sporting value created. Thus, *Result from Transfers* increased by +115.9% in the year, enabling the increase in *OPEX* recorded and fully offsetting the aforementioned evolution of operating profit. The vast majority of the clubs in the competition, 83% (35 out of 42) generated accounting capital gains from the disinvestment of players. This effect even allows the *EBITDA after transfers (EBITDA)* of *LaLiga* at an aggregate level to increase in the year by +20.7%, as well as cumulatively during the time series (multiple of 1.76x, *CAGR* of +15.2%). For its part, the competition's operating profit (*EBIT*) increased by +11.4% in the year and cumulatively during the time series (multiple of 1.35x, *CAGR* of +7.7%). The reason why *EBIT* is growing at a slower pace than *EBITDA* is the significant increase in fixed asset depreciation (+20.5%), which is symptomatic of the strong investment effort made by *LaLiga* in recent seasons. 2/3 of *LaLiga* clubs managed to increase their *EBIT* at the end of 2017-18 compared to the previous season, and 32 out of 42 teams (76%) had positive *EBIT*.

Ultimately, both *EBITDA* (€944.9M) and *EBIT* (€324.7M) are clearly among the highest amounts ever achieved in a given fiscal year by the competition.

Below *EBIT*, net financial expenses rose moderately, +51.3% in the last season, from -€48.7M to -€73.6M. However, it is appropriate to stress that this is not due to a higher level of gross debt (which remains stable in absolute terms, as will be seen in the next section), nor to a higher cost of borrowing, but rather to a decrease in financial income (partly due to the disappearance of credits associated with bankruptcy removals), as well as to the correction of the market value of certain financial investments, which have led to adjustments (losses) for impairment or loss of value. In any case, the weight of the financial result in the *P&L* of *LaLiga* is currently very modest and therefore has a residual impact on the final results.

Finally, taxes on profits remain stable compared to the previous season.

Overall, the resulting *Total Revenues* (including the selling price for *Transfer of players*) of *LaLiga* increased (+20.6%) slightly below *Total Expenses* (+21.3%, including the cost of sale for the *Transfer of players*) in 2017-18. The ability of *LaLiga* increase revenues above expenses is the reason to ensure that the growth of results, profitability and value of the business will be maintained in the future.

The resulting *Net Earnings (NE)* in 2017-18 of €189.2M is also the highest annual profit achieved by *LaLiga* in a single season, although in this case not by much difference from other historical annual highs. A total of 25 of the 42 clubs in the competition (60%) managed to increase their *NE* in the last fiscal year, consolidating a situation in which 32 of the 42 clubs and SADs show net profits.

The *Balance Sheet* also shows a very positive development. The long-term asset situation of *LaLiga* has improved markedly. The cumulative average annual growth (*CAGR*) since the beginning of the time series under analysis has been +10.4%. This figure is very significant, as the *Balance Sheet* is growing ostensibly below the growth of the main *P&L* figures. This fact explains, ultimately, the rise in profitability indices (*ROIC* and *ROE*) and the capacity to generate value from the competition, which have been described in previous sections.

Table 11. LaLiga Balance Sheet

Abbreviated Balance Sheet	2015-16	2016-17	2017-18	Δ last year	CAGR 5a	Δ abs. 5a
LaLiga ASSETS						
NON-CURRENT ASSETS	3,133.4	3,725.2	4,197.2	12.7%	9.4%	1.43x
Operating assets	2,667.9	3,158.8	3,579.3	13.3%	12.5%	1.60x
Financial assets	199.3	323.2	384.9	19.1%	-2.1%	0.92x
Deferred tax assets	266.2	243.2	232.9	-4.2%	-4.7%	0.83x
CURRENT ASSETS	1,297.5	1,637.7	1,678.6	2.5%	13.0%	1.63x
Operating assets	634.0	727.9	739.1	1.6%	8.2%	1.37x
Financial assets	250.3	249.7	291.8	16.9%	22.6%	2.26x
Cash and cash equivalents	413.2	660.2	647.7	-1.9%	15.8%	1.80x
TOTAL ASSETS	4,430.9	5,363.0	5,875.8	9.6%	10.4%	1.48x
LaLiga LIABILITIES AND EQUITY						
NET EQUITY	1,050.1	1,254.4	1,496.4	19.3%	29.0%	2.77x
NON-CURRENT LIABILITIES	1,378.5	1,451.9	1,702.9	17.3%	4.7%	1.20x
Operating liabilities	157.3	131.4	219.2	66.7%	24.6%	2.41x
Financial liabilities	1,117.4	1,205.8	1,376.4	14.2%	3.6%	1.15x
Deferred tax liabilities	103.8	114.6	107.3	-6.4%	-4.6%	0.83x
CURRENT LIABILITIES	2,002.2	2,656.7	2,676.5	0.7%	7.5%	1.34x
Operating liabilities	1,448.8	2,006.2	2,134.8	6.4%	11.6%	1.55x
Financial liabilities	553.4	650.5	541.7	-16.7%	-3.7%	0.86x
TOTAL EQUITY AND LIABILITIES	4,430.9	5,363.0	5,875.8	9.6%	10.4%	1.48x



It is worth mentioning the significant growth of the *Equity of LaLiga*, of +19.3% in the last season. In cumulative terms, competition capitalisation has multiplied x2.77 (CAGR of +29.0%) over the last few years. This has been due to capital increases in recent years (in 2017-18, 9 of the 42 teams in the competition - 21% - undertook capital increases in excess of €1.0M), as well as the accumulation of undistributed profits by clubs (76% of First and Second Division A clubs and SADs reported positive *NE* in the last season and 86% have positive *Equity*).

For its part, the short and long-term *Financial Liabilities* (basically made up of debts of a different nature) of *LaLiga* are even lower, in absolute terms, than they were at the beginning of the series. And that despite the sustained growth in the size of the business and the general increase in the *Balance Sheet*. Again, all this is indicative of an increasingly solvent and capitalised competition, which is already fully financially sound from an aggregate point of view.

At the same time the short and long-term *Net Operating Assets* or capital employed (assets less liabilities of a non-financial nature, including net deferred taxes) of *LaLiga* (i.e. sports and non-sports net assets) increased by +11.3% in the year (x1.43 in the period, equivalent to a CAGR of +9.4%). This fact makes it possible to conclude several relevant aspects:

- *LaLiga* continues to invest decisively in operating capacity, an aspect of vital importance to consolidate its dominance sport in the future.
- In spite of this, the rate of growth of this investment is lower than the rate of growth of operating results, thus improving profitability indices (mainly *ROIC*). In other words, the investments are used more and more efficiently, obtaining an increasing return on them.
- To a large extent, this investment is being self-financed, so it is not necessary to appeal for more debt in order to grow.

Finally, for the second consecutive year, *LaLiga* includes in its financial analysis of the competition a comprehensive analysis of the competition's cash flows. The waterfall format that has been used allows us to visualise how clubs, in aggregate terms, are being able to generate effective performance at different levels over time, and regardless of formal considerations or accounting conventions. In other words, it makes it possible to find out where, how, why and by how much *LaLiga* generates or destroys liquidity. In order to improve traceability in the evaluation, all this is done following the methodology of the indirect method, which involves starting from the formal *Net Earnings (NE)* of the year to calculate, by adding or subtracting the appropriate adjustments from the *P&L* and the *Balance Sheet*, the different relevant *Cash Flow* levels. The final accumulated cash balance of this financial statement coincides with the club *Cash and Cash Equivalents* line item, perfectly explaining the movement of funds within the group.

Thus, the *Funds Generated by Operations (FGO)* rose in the 2017-18 season to €179.7M, a substantially lower figure than in the two previous years (which, conversely, had recorded the two highest annual levels in the history of Spanish professional football). This magnitude represents the translation of operating and ordinary accounting profit (i.e. EBITDA b/T) into real operating margin, regardless of accounting conventions.

The reasons for this substantial adjustment of the *FGO* during the last season have been exhaustively discussed in this Report, and are related to the strong increase in operating expenses (especially *OPEX* salaries) in the year, as well as the replacement of the growth engine of *LaLiga*, which has been transformed from *EBITDA b/T* up to *Results from Transfers* of players (which have financed this increase in *OPEX*), this latter balance has no direct impact on the *FGO*, since at the accounting level the results obtained from the rotation of sporting talent are considered to be a non-ordinary activity (and, consequently, the income generated is not formally classified as "Operations" at the *Cash Flow* level).

If we add to this magnitude the *WK*, which in 2017-18 were characterised by a fall in net funds required (divestment of +€121.6M), for the reasons already explained, we obtain the effective translation of the aforementioned operating margin -regulated by account-

ing criteria (i.e. revenues and expenses) specific to the *P&L*-, into effective operating return (i.e. collections and payments). This magnitude, which is called *Net Cash Flow from Operations (CFO)*, amounted to €301.3M last season, which is almost three times lower than in fiscal year 2016-17. Once again, although the *WK* continued to perform positively in 2017-18 (positive cash flow), this impact was notably less significant than in the previous year, as a result of the underlying reasons already examined and which have to do with the extraordinary but punctual performance of the *WK* in the 2016-17 season.

To the *CFO* can be added the net investment in operating capital (*CAPEX*), which last season stood at -€299.9M, taking into account both investments and recurrent and non-recurrent disinvestments in infrastructure and players. This net investment effort contributes negatively to *cash flow*, but in a more attenuated form (less than half - freeing up resources) than in 2016-17 (-€647.9M). This is where the positive dynamics of player *Transfers* and other investments in 2017-18 are gathered, contributing to release +€348.0M of final net operating *cash flow* in favour of *LaLiga*, compared to the 2016-17 season.

Table 12. LaLiga Cash Flow

Condensed Cash Flow	2015-16	2016-17	2017-18
A. Net earnings for the year (NE)	166.6	177.3	189.2
B. Adjustments to NE	267.7	275.8	(9.5)
A. + B. Funds generated from operations (FGO)	434.3	453.1	179.7
C. Net working capital investment (WK)	(39.5)	440.5	121.6
A. + B. + C. Cash flow from operations (CFO)	394.8	893.5	301.3
D1. Net investment in recurring operating capacity (CAPEX)	(175.5)	(419.6)	(359.9)
+/- Net recurring investment in players	(134.9)	(159.6)	(134.8)
+/- Net recurring investment in infrastructure & others	(40.5)	(260.0)	(225.1)
A. + B. + C. + D1. Recurring free cash flow (RFCF)	219.3	474.0	(58.6)
D2. Investment in non-recurring operating capacity (CAPEX)	(222.1)	(228.4)	60.0
+/- Net non-recurring investment in players	(96.0)	(83.3)	74.0
+/- Net non-recurring investment in infrastructure & others	(126.1)	(145.1)	(14.0)
A. + B. + C. + D1. + D2. Total free cash flow (FCF)	(2.7)	245.6	1.4
+/- Net financial expenses	(68.2)	(48.7)	(73.6)
+/- Variation in financial debt (FI)	8.5	80.5	(24.3)
+/- Variation in financial debt (non-FI)	(121.9)	103.0	78.8
+/- Variation in other ST or LT fin. assets and liabilities	63.9	(118.5)	(53.1)
A. + B. + C. + D. + E. Equity cash flow (ECF)	(120.4)	262.0	(70.8)
F. Cash flows from own resources (Equity)	192.8	(12.1)	64.8
A. + B. + C. + D. + E. + F. Net change in annual cash flow	72.4	249.9	(6.0)
Cash and cash equivalents, beginning balance	340.7	410.3	653.7
Cash and cash equivalents, closing balance	413.2	660.2	647.7

(*) Cash balances at the end of period n-1 do not coincide precisely with those at the beginning of period n due to the change in the perimeter of clubs caused by the dynamics of promotions/relegations in professional football.

In absolute terms, the gross operating investment made in the year, which is the historic maximum of *LaLiga*, amounting to €1,340.6M, has been directed 80% to players and 20% to infrastructure. For its part, the gross disinvestment (i.e. sales price), amounting to €1,040.7M, also the largest amount ever recorded of the competition has logically focused mainly on players (98%). The resulting net balance (CAPEX) in 2017-18 amounts, as mentioned above, to -€299.9M, representing a variation rate of -53.7% compared to -€647.9M in the 2016-17 season. In any case, the significant amount of CAPEX made in recent years is symptomatic of the greater capacity to invest in growth that Spanish professional clubs are achieving, thanks to the profound process of financial reorganisation carried out.

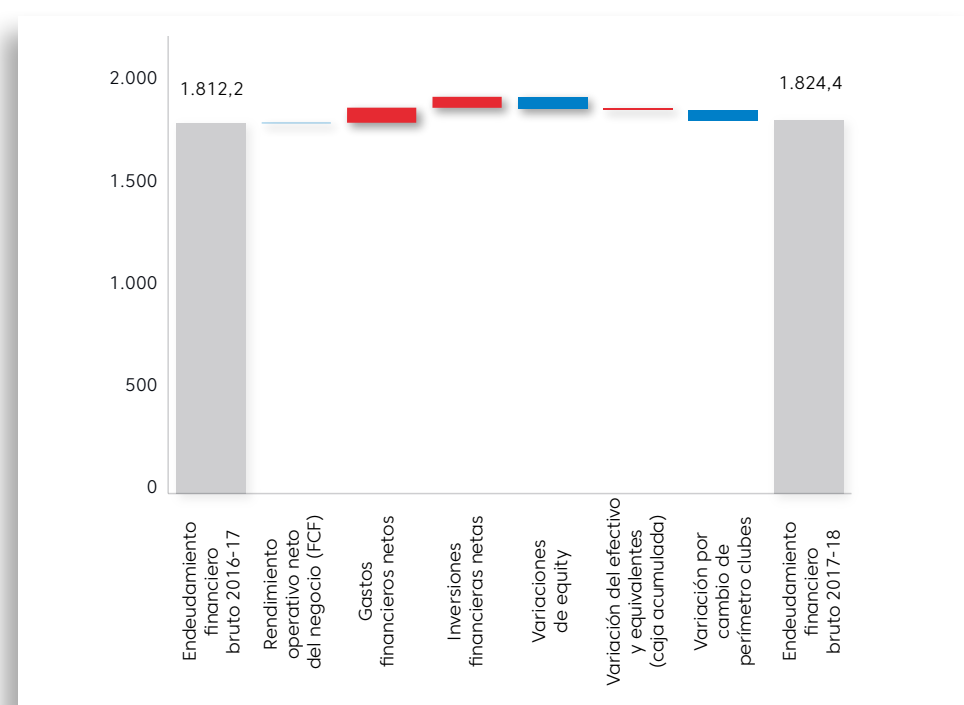
The sum of *CFO* and net investment in CAPEX is called *Free Cash Flow (FCF)*, and is probably the most relevant financial figure in any company, as it represents the return (i.e., net operating cash flow from the business) after the investment in operating working capital and fixed assets, something that no figure from the *P&L* is able to reflect accurately. It is, in short, the pure return arising from the activity, before meeting obligations to financial creditors (and other forms of indebtedness) and shareholders. It is significant to note that this figure amounted to €1.4M - basically achieving the break-even point - in the 2017-18 season, compared to €245.6M in the previous season. And that despite the significant net release (i.e. lower investment) of resources per CAPEX experienced last season.

In 2017-18, with the meagre *FCF* generated, it was difficult to allocate net resources to debt service or even to the distribution of results to the shareholders of the SADs of *LaLiga*. It should be stressed in any case that approximately half of the teams in the competition manage to increase their *FCF* registration. The understanding of this fact is especially significant in order to assess the evolution of the competition in an appropriate way and regardless of certain biases or distortions.

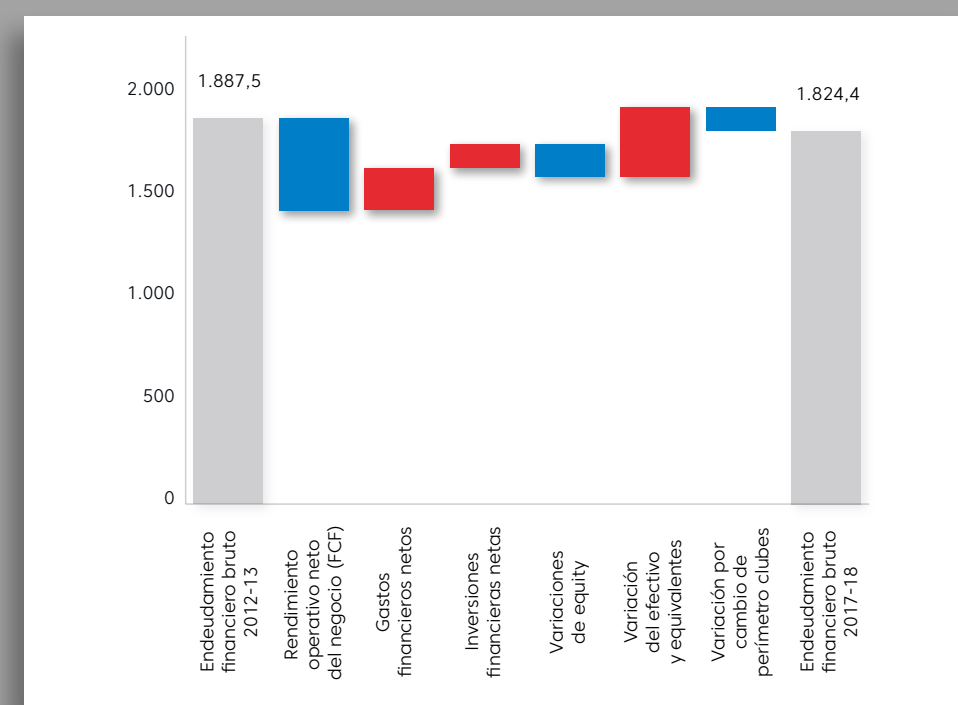
In fact, the total net debt service (net financial expenses and net changes in principal, including changes in other financial assets and liabilities) of *LaLiga* stood at -€72.2M. However, there have also been share capital (Equity) increases amounting to €64.8M. These amounts, added to the *FCF* of €1.4M, explain the final change in the final cash balance (*Cash and Cash Equivalents*) of the competition in 2017-18, which has risen - on a constant perimeter, i.e. without taking into account the dynamics of promotions/relegations of professional football clubs - to -€6.0M (-€12.5M taking into account the change in club perimeters).

It is noteworthy that in the last season, taking into account the neutral generation of *FCF*, as well as the net financial expenses of -€73.6M, the gross debt of *LaLiga* has increased only slightly in absolute terms, by +€12.2M (not so in relative terms or *apparent GFD /EBIT-DA*, which has continued to fall to the level of 1.9x, from 2.3x recorded in the immediately preceding year). This situation has been favoured, in addition to the effects mentioned above, by the particular condition of the clubs relegated from Second Division A to Second Division B between the 2016-17 and 2017-18 seasons, which have led to a deconsolidation of gross financial debt of -€42.3M. However, only 16 of the 42 clubs (38%) saw their absolute levels of gross debt increase.





Graph 22
Explanation of the change in LaLiga's gross debt in S 2017-18



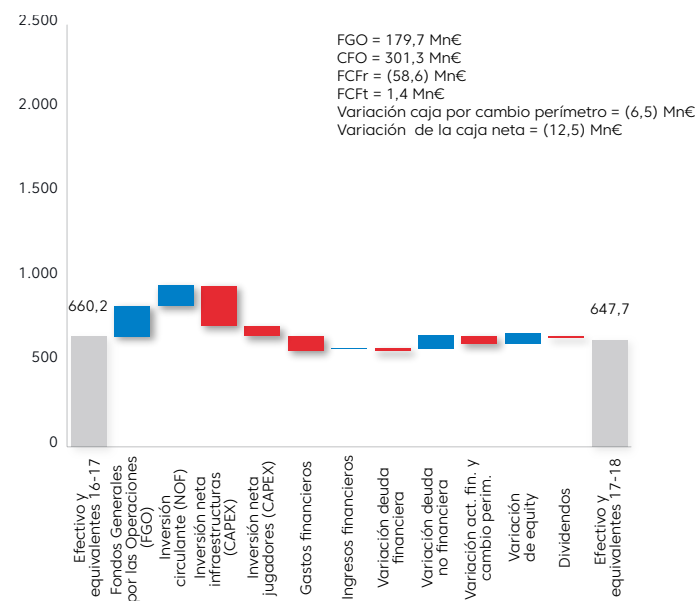
Graph 23
Explanation of the change in LaLiga's gross debt in the series

Likewise, in the long term, over the last five seasons, the variation in the apparent gross debt of *LaLiga* in absolute terms has been reduced by -€63.1M, including a deconsolidation due to a change in the perimeter of clubs of -€118.8M. This implies that, if the total amount of gross debt has decreased, while the size of the business (*P&L* and *Balance Sheet*) has increased considerably, the relative indebtedness of the competition has had to decrease ostensibly. The *apparent GFD/EBITDA* ratio fell from 3.5x to 1.9x between 2012-13 and 2017-18. It should be noted that only one year earlier, at the end of the 2011-12 season, the ratio was even 5.7x. Taking into account, additionally, the *Cash and Cash Equivalents* balances, as well as other liquid short-term and long-term financial investments, the *apparent GFD/EBITDA* ratio would have been reduced in the last season to 0.9x. Again, in 2011-12 alone, this ratio was 4.2x.

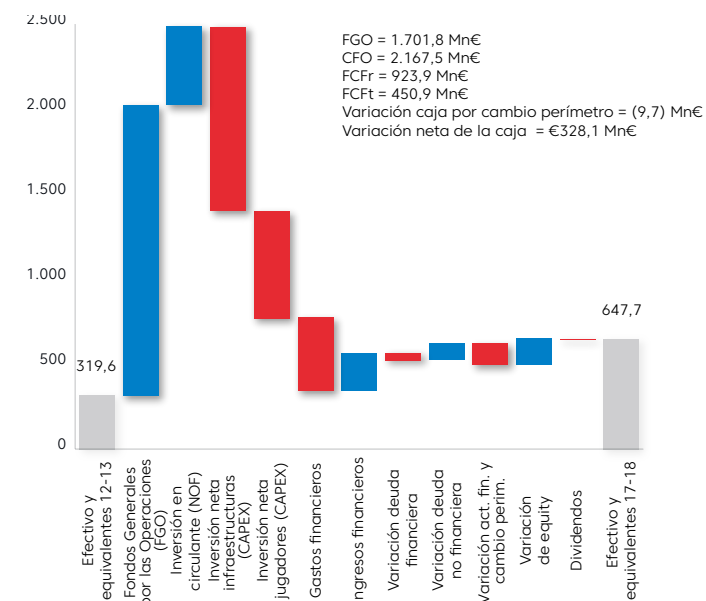
The reasons for the process of financial deleveraging in the long term can be found in the net positive return on business (*FCF*) generated on an accumulated basis, including in this balance even the investments (*WK* and *CAPEX*) made, as well as in the strengthening the capitalisation level of the clubs through the use of capital increases, and the positive variations due to changes in the perimeter (relegations to the Second Division B -non-professional category not computable in *LaLiga*- of clubs with a significant level of indebtedness, producing an aggregate net deconsolidation of gross debt in *LaLiga*). On the other hand, net financial expenses, the financial investments made (applications of surplus cash to profitable financial investments), the variation in long-term net accruals and the final increase in the *Cash and Cash Equivalents* balance contributed negatively.

The former degree of relative financial indebtedness, substantially below both gross and net three times (3.0x) *EBITDA*, is a level that can be considered appropriate for an activity such as professional, investment-intensive football. On an aggregate level, to further increase the degree of deleveraging could lead to certain constraints on the profitable growth of *LaLiga*, while taking into account the current favourable situation of the financial markets and the increased attractiveness of football as a profitable business, the weighted average cost of capital (*WACC*), would increase, which in the 2017-18 season was at an all-time low of 4.7%. It can therefore be considered that the competition is currently at a level close to its optimal capital structure. In short, the degree of financial leverage that maximises its economic or fundamental value, while at the same time allowing it to finance its growth in a balanced manner, without compromising its financial solvency. However, it should be pointed out that at the individual level some clubs will have to continue to deepen this aspect in the coming seasons, although in almost all cases the evolution is markedly positive.

Finally, it is worth mentioning that the summary of the total variation in the cash flow of *LaLiga* during 2017-18 is the best expression of a healthy, profitable and sustainable competition, but whose capacity to generate net cash surpluses has been moderately matched in aggregate terms, due to the significant investment effort undertaken. The sum of *FGO* and *WK*, which gives rise to the *CFO*, amounted to €301.3M. After the *CAPEX* effort, this magnitude, which gives rise to the *FCF*, stood at €1.4M. This figure constitutes the net surplus generated by the business of the competition at aggregate level during the last season. From this balance, plus the resources obtained from the share capital increases, the expenses and financial investments have been comfortably met, and even more debt has been appealed for. All in all, the final situation of the competition *Cash and Equivalents* in 2017-18 has remained at a comfortable level, dropping only by -€6.0M (-€12.5M taking into account the change in perimeter) with respect to 2016-17, to €647.7M, a very substantial "cushion" that strengthens the competition's liquidity and short-term robustness.



Graph 24
Evolution of LaLiga's Cash Balance in 2017-18



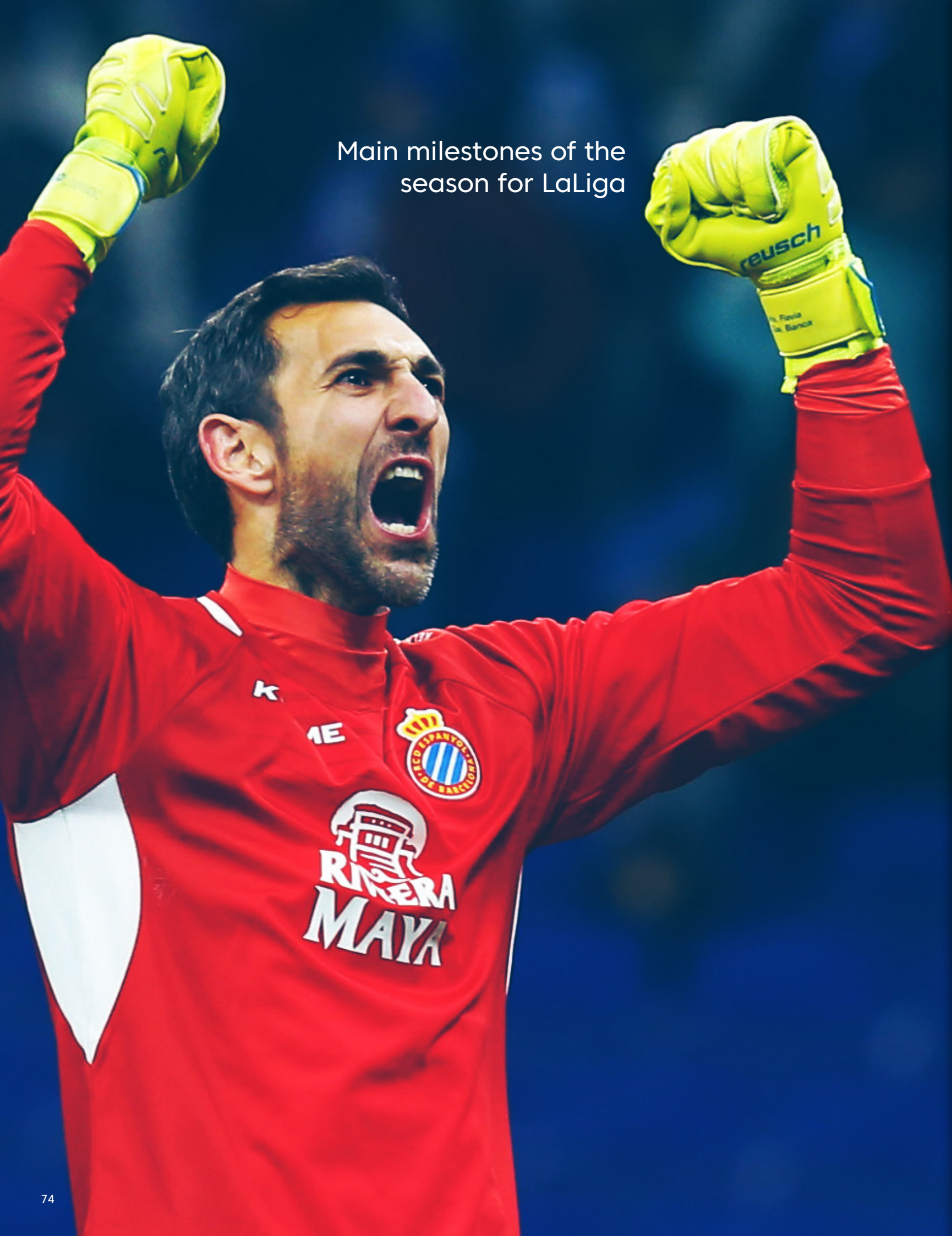
Graph 25
Evolution of LaLiga's Cash Balance in the time series

With a more long-term outlook, over the last five seasons, developments are also very favourable.

The cumulative *CFO* generated amounted to €2,167.5M. Adding the net *CAPEX*, of -€1,716.6M in the same period of five seasons, the resulting *FCF* (net business surplus) is €450.9M. This is the best example of how the competition is managing to self-finance its growth. With a charge to this surplus balance from the business, *LaLiga* has comfortably met the debt service payment (including financial investments and considering the change in perimeter) arising from the debt amounting to -€339.7M. In addition, the systematic share capital increases (for a net amount of €226.7M) led to a substantial increase in the final balance *Cash and Equivalents*. Over the course of the last five seasons, the outstanding cash surplus has doubled from €319.6M to €647.7M.

In short, the analysis is conclusive of *LaLiga's* favourable financial momentum. Spanish professional football, at an aggregated level, has consolidated itself as a profitable, solvent, self-sustainable and value-generating activity.





Main milestones of the season for LaLiga

01/07/2017

July

Beginning of the 11th edition of the LaLiga Campus.
Holding of *El Clásico* (Barcelona vs. Real Madrid) in Miami

JUL

August

Beginning of the 2017-18 season in LaLiga Santander and LaLiga 1|2|3

AUG

September

The League and Transparency International sign an agreement to promote transparency practices, good governance and integrity

SEP

OCT

October

Beginning of LaLiga Genuine

NOV

November

Signature of agreement with the Argentine Super League to combat violence in the stadiums

DEC

December

Ambassadors Gala

JAN

January

Globe Soccer Awards recognises LaLiga as the best competition in the world

FEB

February

Launch of LaLiga Business School

MAR

March

Signature of anti-piracy agreement with the Ministry of Culture

APR

April

LaLiga Women's Soccer Congress

MAY

May

LaLiga Meeting with Spanish Parliamentary Groups

JUN

June

The predominance of Spanish clubs on the international scene is consolidated with the official championships achieved.

Award of the new triennium of national audiovisual rights from LaLiga for 2019-20 to 2021-22

JUL

July

National League Championship ends in Spain

30/06/2018

LaLiga strategic lines

At the strategic level, the **first stage** of the current presidency of the Association (April 2013 - June 2016), focused primarily on improving the national and international image of the competition. At the same time, the foundations were laid for the financial supervision of clubs and SADs, which have contributed to their financial transformation and the recovery of their solvency. Both aspects had as their ultimate goal the consolidation of a sustainable entertainment product that could be marketed worldwide and to all audiences.

Focused on this objective, intensive action was taken on the following priority lines:

The **second stage** of the current presidency, which runs from July 2016 to the present day, is moving - once the economic (economic control) and social (eradication of violence and fight against rigging) bases of the competition have been established - towards improving the product and increasing its relevance and brand awareness, with the ultimate aim of increasing the value of audiovisual rights in particular and of football as a business in general.

Although work continues on the lines already established in the first stage, in this second cycle the priority lines of action become:

1

Financial control

- Implantation of the "Control Económico A Priori" (Economic Control A Priori).
- Pioneering initiative in sport worldwide. First time that a regulation is established applicable to all the competition for the elaboration of budgets that serve for the financial control of the clubs.

5

Fight against match-fixing

- Technological and institutional leadership (at national and international level) in the detection and denunciation of match-fixing and illegal betting.

1

Improvement of the audiovisual product

- Increased investment in relay technology.
- Improved positioning of the competition at the forefront of events and competitions at the international level in terms of the means used in the broadcast.

4

Internationalisation and new channels

- Transforming *LaLiga* into a global influence competition.
- Increasing the value of audiovisual rights at international level.
- LaLiga Global Network: selection of 60 new top-level professionals from among 12,600 candidates to represent LaLiga's interests in a series of strategic markets (40 cities) worldwide.
- Strategic agreements and creation of *Joint Ventures* with leading sports agencies in the different continents for the promotion of *LaLiga* at international level.
- Promotion of the new audiovisual distribution channels "OTT"

2

Fight against piracy

- Maintaining an active position, both nationally and internationally, in defending the illegal use of *LaLiga*'s image and its assets, both analogue and, fundamentally, digital.
- Collaboration with public bodies for assistance and training in the fight against piracy.
- Significant judicial successes in this regard.

6

Transparency

- Development of the "Compliance" function in LaLiga.
- Leadership in the extension of transparency and good corporate practices to all member clubs of the competition by requiring, as a requirement for registration, the implementation of the Compliance function.

2

Communication

- Transfer of the image of *LaLiga* in all its facets, surpassing the merely sporting.
- Homogenisation and consolidation of a "*LaLiga* Brand" that is solid, recognisable, attractive and consistent with the moment the competition is going through at a sporting and financial level.

3

Internationalisation

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

7

Improvement of the audiovisual product

- Increased attendance and improved image of stadiums (e.g. turf, lighting, facilities, homogeneity of equipment, etc.).
- Elaboration of the regulation on television broadcasting that establishes the pattern for the production and realisation of the audiovisual recording of the official professional competitions. This initiative fosters the consolidation of a common style, which fosters the integration of competition, compliance with current regulations on the holding of matches and the value of the product, becoming a tool to enhance the brand of *LaLiga* and increase the value of its assets.

3

Relevance in social networks

- Microsoft Project.
- Development of a specific area to increase presence on digital platforms as a prerequisite for increasing the value of clubs' audiovisual rights.

5

Business Intelligence and Analytics

- Initiative aimed at centralising, organising, preparing and providing all the information necessary to make decisions based on data.
- Enable greater knowledge of current consumer groups and the incorporation of new groups.

4

Fight against violence

- Leadership of the various national and international bodies responsible for eradicating violence from sport.

6

LaLiga brand image

- A fundamental strategic line, aimed at turning LaLiga into a leading brand in the entertainment industry, competing with other competitions (Premier, NBA, etc.) and other businesses (Netflix, HBO, etc.) in order to increase the value of audiovisual rights.
- Objective to increase two key brand indicators: recall and perception.

In addition to all these strategic lines in which we have been working systematically, there is a permanent concern in the Association that professional football is able to return to society part of what it receives from it. This gives rise to a full assumption of the principle of "Social Dividend", as shown later in the section on social initiatives.

Socio-economic dimension of LaLiga

Football has a great influence on the world economy, both through the direct and indirect generation of economic activity, as well as such important aspects as job creation and tax collection. The impact for a city of having a competing team, for example, in *LaLiga Santander*, has been addressed in several studies. These effects are multiplied if, in addition, the referred team participates in international tournaments.

On its own, professional football could be considered the seventeenth world economy and the main leisure industry in several countries, including Spain, according to a study by the multinational consulting firm Deloitte called "Football Money League", 2016.

In this context, the assertion that football is the "King's Sport" in Spain is something that should not surprise anyone. *LaLiga* attracts millions of spectators and fans each year, generating significant turnover and thousands of jobs around its competitions and sporting events.

These benefits of football transcend the clubs and fans themselves. *LaLiga* generates additional economic activity in multiple sectors, such as the media, tourism, hospitality, transport or video games, which otherwise would not exist.

Due to its international relevance, Spanish professional football is also a key element in the promotion of the country abroad, with its world reference teams contributing to the development and maintenance of the country's image ("Spanish Brand").

But in addition to its economic importance, the social influence of professional football makes it an ideal vehicle for the transmission of values, the strengthening of community bonds and the feeling of belonging, without naturally forgetting the promotion of sport and healthy leisure activities.

It is interesting, therefore, to underline the differences that exist between the economic dimension of football in Spain and its social dimension. It is precisely the interrelationship between the two spheres (closely related to each other) that has led *LaLiga* to become not a great competition, but a real industry with a high degree of capitalisation, professionalisation, specialisation and social impact, which presents promising growth prospects in the short, medium and long term.

Social impact of professional football in Spain

According to a survey by the Spanish Sociological Research Centre (SRC) carried out in 2016, nearly 90% of citizens in Spain declare themselves football fans.

In addition, football is a transversal hobby, that is, it is shared by people of very different professions, social classes, or ideologies, thus reinforcing civic integration. In fact, considering the same SRC study, among individuals with greater purchasing power, there are barely 4% fewer football fans than among the population with fewer economic resources.

According to the national Higher Sports Board (HSB, 2017), football is the most practiced sport in Spain, with 7.2% of the population. In addition, 6.0% practice at least once a week. According to PricewaterhouseCoopers (PwC), the practice of football generates an improvement in subjective well-being, valued at more than €3,600M per year in Spain. This amount is more than 40 times the budget allocated to Sport and is almost the same as the budget allocated to Health in the country (Spain's official national budget -Government- 2017).

Sport in general, and football in particular, being a cultural phenomenon, has the ability to cross geographical, linguistic and social borders, thus achieving community cohesion, through the integration of sport and its promotional function of interactions and values.

Sport is considered an instrument for social inclusion in the policies, actions and programmes of the European Union and the Member States, and it is for this reason that it has been decided to strengthen it. For the Community institutions, sport promotes job creation, economic growth and revitalisation, particularly in the most disadvantaged areas. Non-profit sports activities that contribute to the cohesion and social inclusion of vulnerable groups are considered as social services of general interest at pan-European level.

The European Commission considers that the power of football can be used effectively to combat issues such as racism, homophobia, segregation of ethnic minorities and institutional discrimination, as well as lack of diversity.

Football, in particular, is the sport with the greatest potential to reach and attract large numbers of children and young people. For this reason, it has received the support of society as a vehicle to achieve the promotion of social cohesion.

Likewise, this sport provokes an integration among the population, either by events in the sports field or in the different circles that surround it, in a direct or indirect way. This integration comes largely from membership and amateur status. Football is one of the main engines for attracting visitors from all over the world to Spain and bringing them closer to the art, culture and gastronomy of the country. In addition, it allows local populations to acquire a sense of greater belonging to their city.

Professional football helps to reinforce the "Marca España"™, as a consequence of the fact that much of the recognition and reputation of an implicit image is influenced by the successes of national athletes in international competitions. In addition, the activity functions as a generator of identities, allowing feelings of belonging to a particular group to emerge. At the same time, it is necessary to stress the importance of the country's image for its companies and its economy, as well as to raise awareness of the importance of internationalisation through the brand as the main asset that favours competitiveness, and which allows Spain's prestige and international projection to be valued.

Therefore, beyond the economic sphere analysed in this Report, football is capable of generating a great impact on additional functions within society.

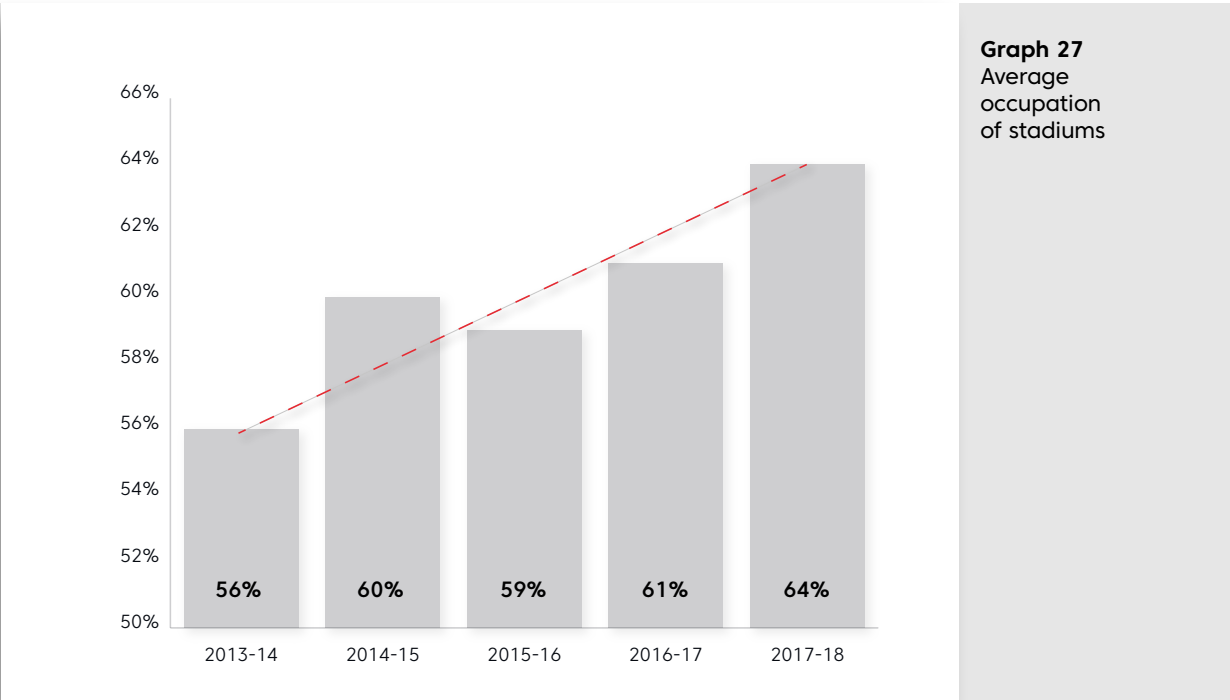
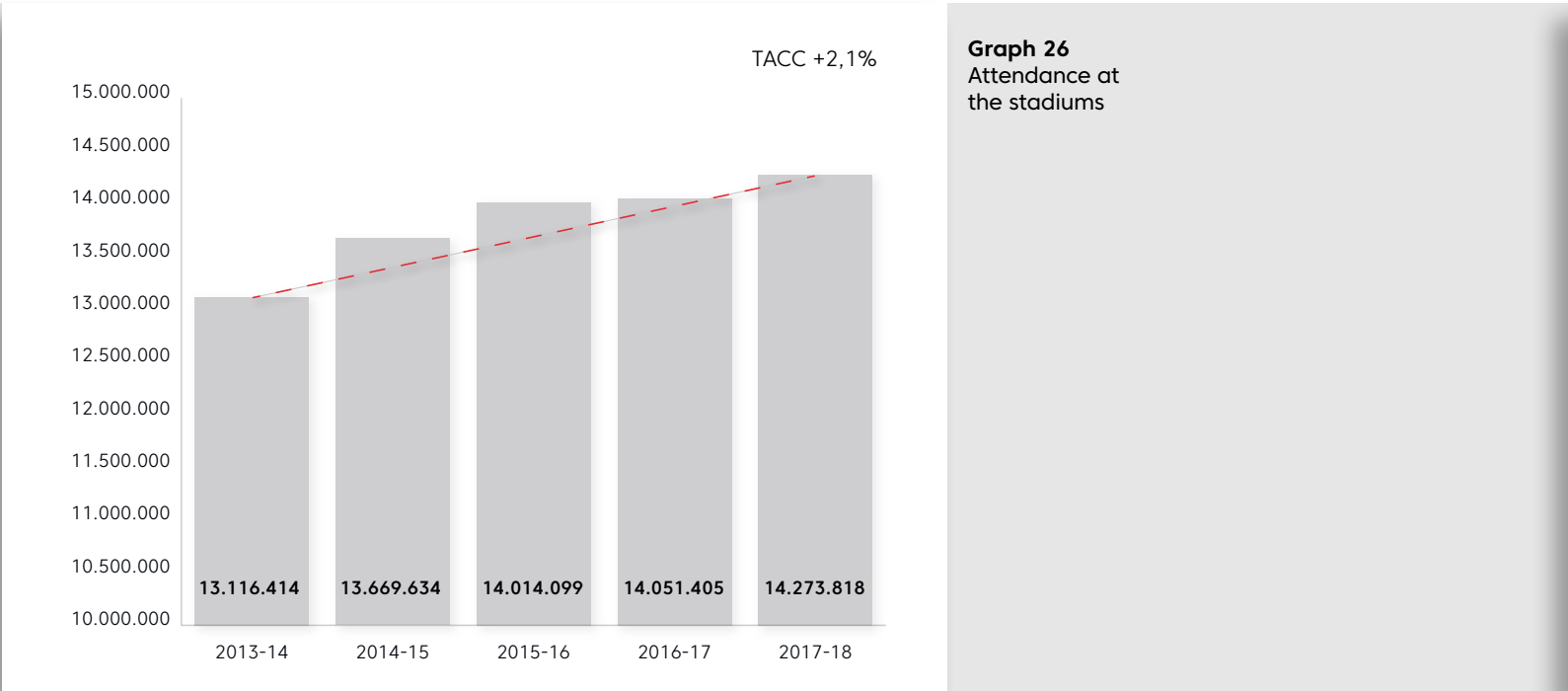


Stadium experience and the appeal of professional football

During the 2017-18 season, the number of people who attended a *LaLiga* football match (in both divisions) in the stadium rose to 14.3M, an increase of +1.6% over the previous year. It is interesting to note that the number of spectators who come to stadiums to attend sporting events, as well as the average occupancy of the stadiums generally maintain a growing trend in recent years, despite having experienced the worst economic crisis in our recent history. Since the outbreak of the long recession in the 2008-09 season, stadium attendance levels have increased by around +9.5%, equivalent to a *CAGR* of +1.0%. This growth seems to have intensified somewhat in recent years, in the series under analysis, with a *CAGR* of +2.1%.

With regard to average occupancy, in recent years, since the beginning of the time series analysed in this Report, the growth in attendance at the First and Second A stadiums has been sustained, reaching a level of 64% in 2017-18, almost three points higher than the previous season. It should be noted that installed capacity has increased with respect to the beginning of the crisis, so that the ratio has not yet managed to exceed historical peaks (which have not occurred for many years). The average occupancy in *LaLiga Santander* was 69%, while in *LaLiga 1|2|3* it rose to 52%.

In conclusion, football continues to be a social and mass phenomenon with a markedly acyclical character at an economic level (i.e. it is a "defensive" activity in the financial sense of the term), the relevance of which is foreseeable that it will continue to rise in the coming years.



Contribution to the Spanish economy

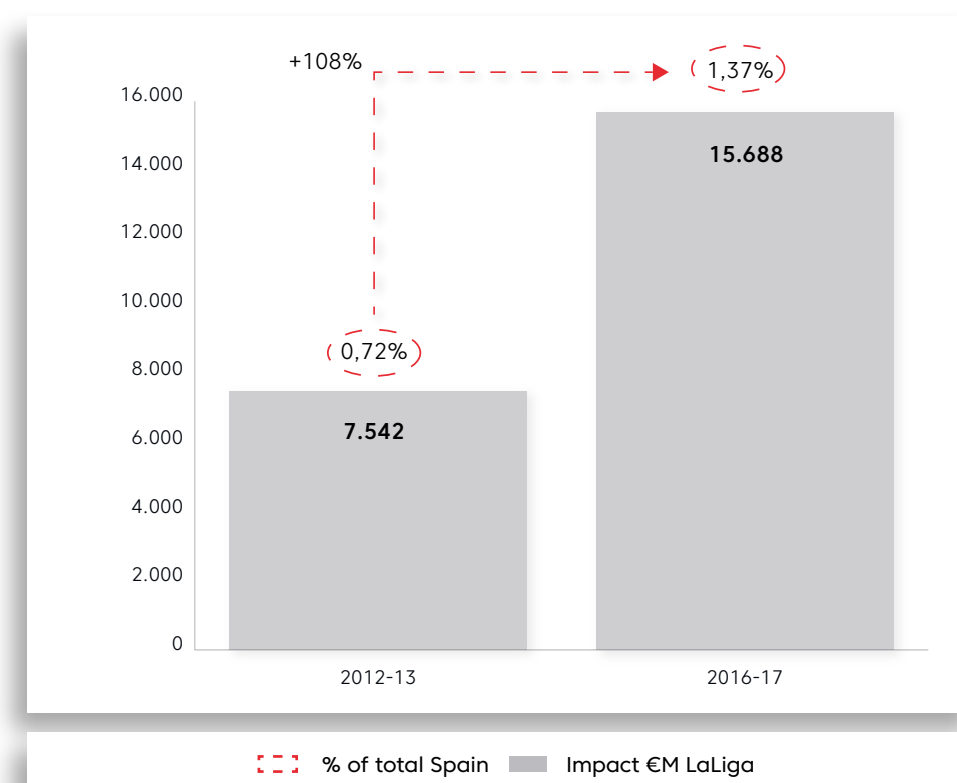
In the first section of this Report, reference was made to the growing importance of *LaLiga* in the Spanish economy as a whole. This reality can be seen, as explained, by the accumulated average annual growth (CAGR) of income generated by *LaLiga* (+12.3%) with respect to Gross Domestic Product at Spanish market prices (GDPmp) over the last seven years (+2.5%). Thus, since the beginning of the series under analysis (2011-12 season), the annual growth differential has widened to almost five times, and the cumulative total to about six times.

But the socio-economic impact of professional football in Spain is even greater. In a recent study (2018) entitled "Informe de impacto económico, fiscal y social del fútbol profesional de España" ("Report on the economic, fiscal and social impact of professional football in Spain", December 2018), with information at the close of the 2016-17 season, the international professional services firm PwC has traced the various economic contributions that, at an aggregate level, this sport generates. The study is an update of the one carried out in 2015 by another global reference consultancy, KPMG, under the name "Socio-economic impact of professional football", with data relating to the year 2012-13 completed.

From an empirical point of view, the direct contribution of football can be measured by dividing the sum of three economic impacts generated by *LaLiga*, putting them in relation to Spain's GDP (i.e. equivalent turnover), as well as its evolution over time. Those impacts are:

- Direct and tractor impacts (0.61% of GDP): related to the immediate expenditure of fans, companies and other agents on products and services associated with professional football, including the "dragging" effects of the same on the sales of other sectors.
- Indirect impact (0.49% of GDP): related to effects generated on the supply chain at various levels.
- Induced impact (0.27% of GDP): this impact is related to the private expenditure that households (associated with the activity of professional football) make in the Spanish economy.

The three impacts (direct/tractor, indirect and induced) contribute differently to the total, with 45%, 35% and 20% respectively. If they are added together, the weight of Spanish professional football in the Spanish economy is obtained, which at the end of the 2016-17 season, according to estimates made by PwC, stands at €15,688M (i.e. turnover equivalent to 1.37% of Spain's GDP, taking into account the last two quarters of 2016 and the first two quarters of 2017). Over the last few seasons, the increase in contribution has been very notable, precisely as a consequence of the greater long-term growth experienced by professional football in relation to the Spanish economy as a whole.



Graph 28
 LaLiga's turnover equivalent to Spain's GDP

LaLiga contribution to the Spanish economy has been increasing steadily over the last seven years, accelerating even in recent years and having managed to double in this period.

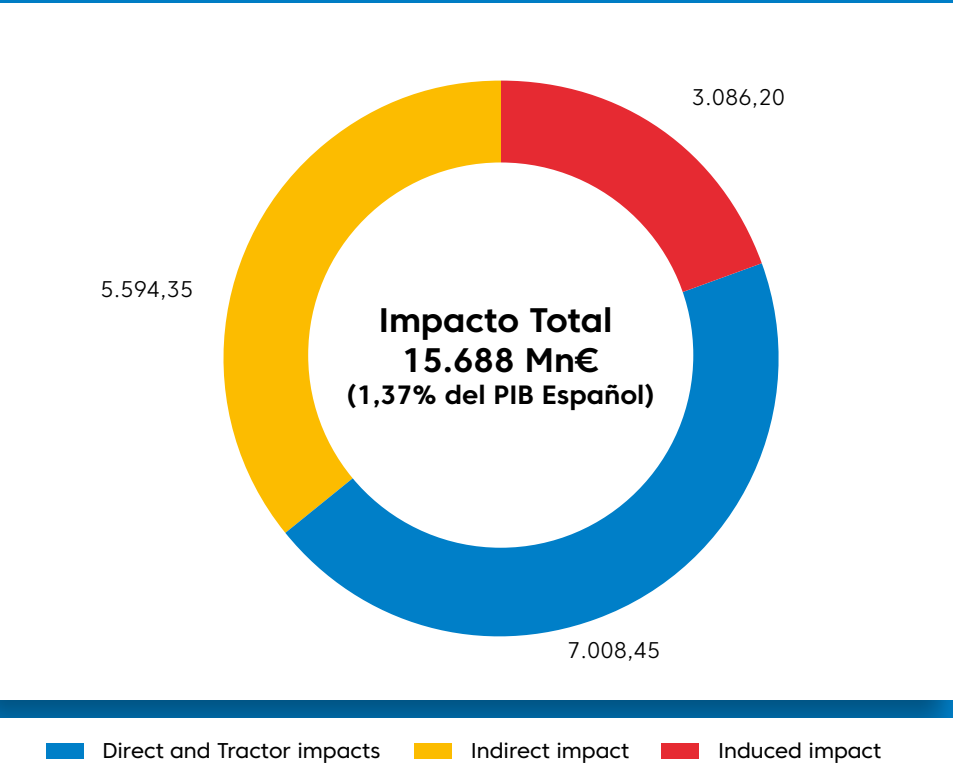




Economy

Turnover equivalent to 1.37% of Spain's GDP (€15,688M)		
Direct and Tractor Impacts €7,008M	Indirect Impact €5,594M	Induced Impact €3,086M
Direct and Tractor contribution GDP (0.61%)	Indirect contribution GDP (0.49%)	Induced contribution GDP (0.27%)
Direct and Tractor jobs 106,619	Indirect jobs 49,145	Induced jobs 28,863
Direct wages and salaries	Indirect wages and salaries	Induced wages and salaries
Employment: Contribution of 0.98% to the Spanish working population		
Taxation: Aggregate collection of Public Administrations of €4,100M		
IRPF (Personal Income Tax) €1,075M	Corporate Income Tax €640M	VAT €1,163M
Social Security Contributions €1,036M		Excise duties €175M

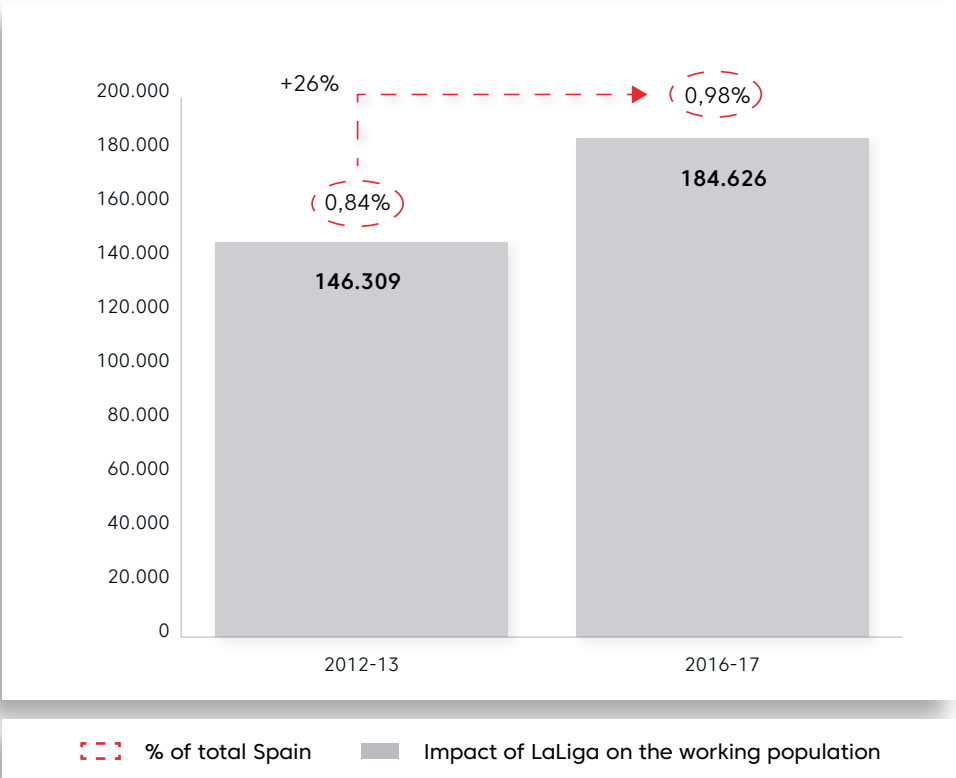
(*) Report on the economic, fiscal and social impact of professional football in Spain.
Source: PricewaterhouseCoopers. December 2018



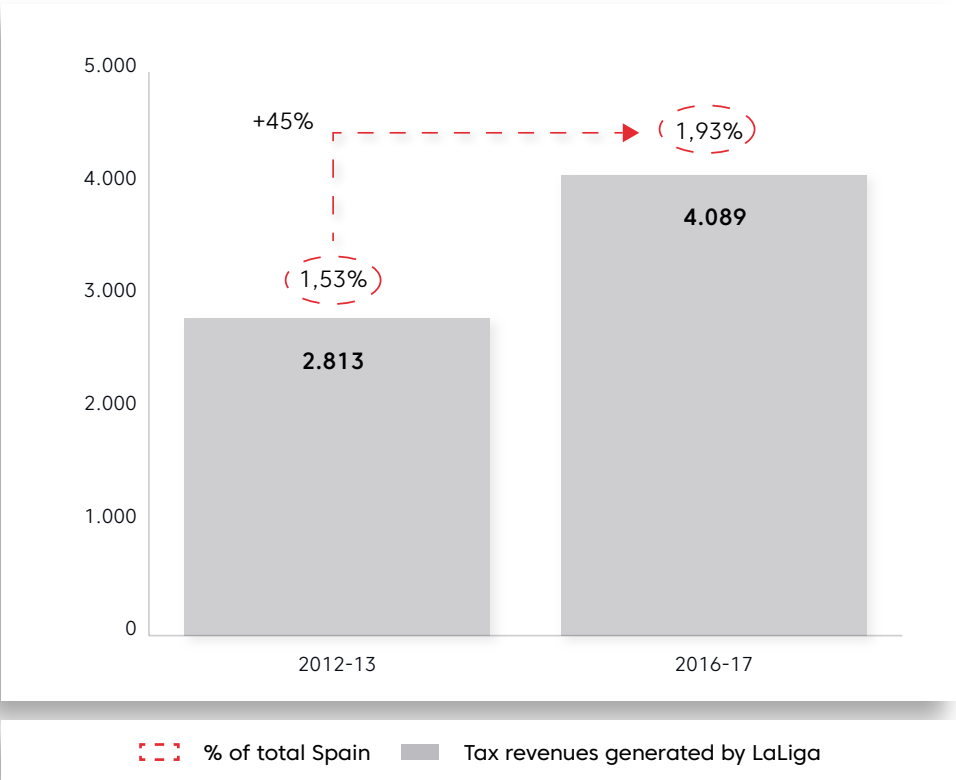
Graph 29
Disaggregation
of the impacts
of professional
football on
the Spanish
economy

* Season 2016-17

A similar analysis can be made in terms of contribution to employment by dividing the number of hired workers (including, again, the estimate of direct, indirect and induced employment) by the total Spanish employed population (taking official information from the INE - Spanish National Statistics Institution). The following graph shows the growing weight of *LaLiga* in the Spanish economy from this perspective. In 2016-17, it is estimated that about 1.0% of the total employed population of this country has some kind of relationship with professional football.



Graph 30
 Contribution to employment in Spain

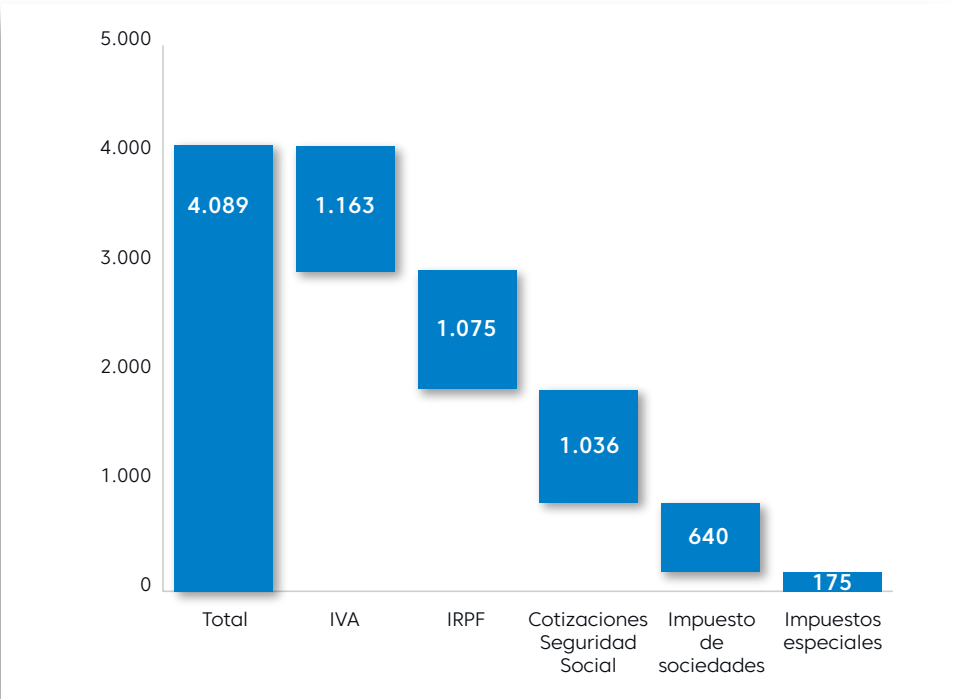


Graph 31
 Contribution to the tax collection of Spain

The PwC Report has also estimated the contribution generated by the most relevant taxes and tributes related to professional football and with greater importance in terms of revenue generated to Public Administrations.

Analogous to the impacts on GDP and employment, the total fiscal impact is the result of adding up the collection generated in these taxes and duties in a direct, indirect, tractor and induced way.

The professional football industry contributed €4,089M to Spain's tax revenues during the 2016-17 season, equivalent to 1.93% of total revenues (Central Government and special Statutory Regional Treasuries).



Graph 32
 Tax contribution by type of tax



Fiscal situation

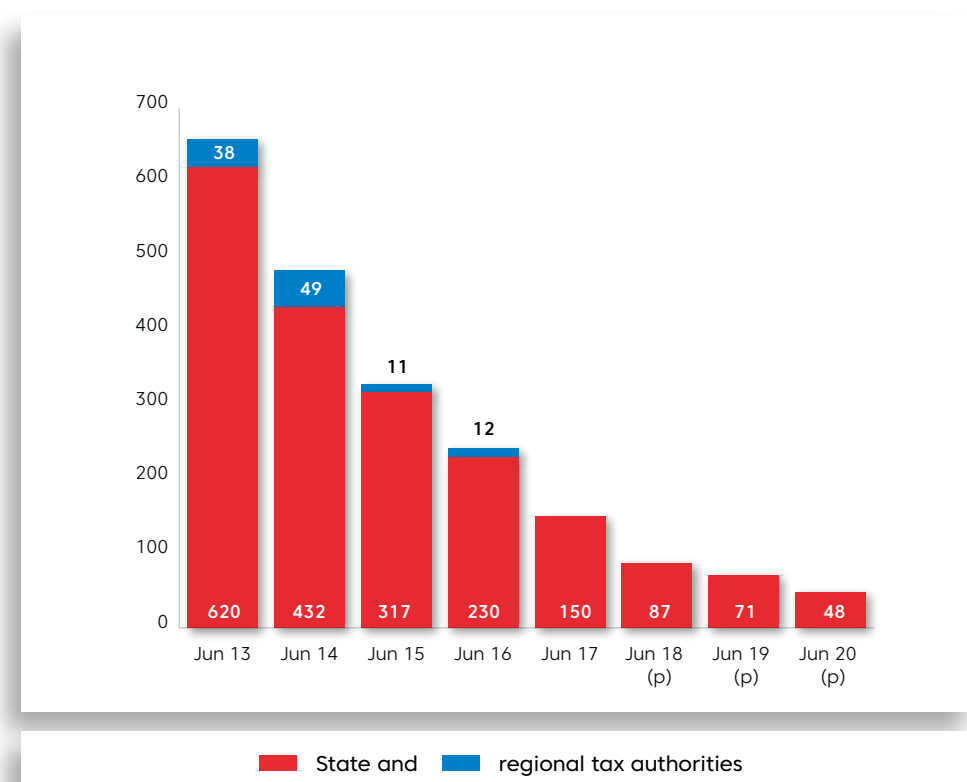
I. Debt with the state and regional tax authorities

The debt with the State Tax Administration Agency (AEAT) and the special Statutory Regional Treasuries (Basque Country and Navarre) continues to be systematically reduced.

As can be seen below, over a period of six years it has been reduced to almost one tenth. In particular, this debt experienced a variation of practically -87% between June 2013 and June 2018.

The existing debt with these organisations is currently supported by deferrals and agreements with the state and regional tax authorities. At the end of the season, all the maturities of these deferments and one-off agreements are fully met.

It is estimated that in the 2019-20 season there will be a residual debt with the AEAT for an amount not exceeding €48M, which will be the debt that is mostly included as debt -subordinated in the insolvency proceedings- and which will be paid as established in the creditors' agreements of the respective proceedings.



Graph 33
Debt state and special statutory regional authorities

Scope of the social function and corporate social responsibility

I. Corporate Social Responsibility (CSR)

Companies are investing more and more resources in generating a positive impact on the environment and, to this end, they are reinforcing their commitment to CSR, with the aim of returning to society part of the benefits it brings.

In this context, the Association has developed its own approach to CSR, called "Fair Play Social", which consists of the integration of corporate social responsibility in the business management model driven by the rules of "Fair Play Financial", led by LaLiga. It includes the set of behaviours and initiatives adopted by the Association, with the aim of having a positive impact on Society, the Economy and the Environment.

This approach has materialised in the first CSR Master Plan of the Association in which, through the 7 dimensions of CSR according to ISO 26000, various actions will be carried out both internally and externally:

1. Organisational governance
2. Human rights
3. Environment
4. Labour practices
5. Fair operating practices
6. Consumer affairs
7. Community participation and development



It should be noted that LaLiga devotes significantly more to CSR projects than other national and international football associations. In the 2017-18 seasons, the total amount was €65.2M. In relative terms, this effort is equivalent to 2.0% of the NTO of the competition (or 1.5% of Total Revenues), which makes the contribution in terms of ratio significantly greater not only to other professional football associations, but also to the main Spanish and international corporations.

II. Social Initiatives

In the 2017-18 season, LaLiga allocated a total of €65.2M to CSR projects, which represents an increase of +3.7% over the previous year and an amount equivalent to 2.0% of the NTO of *LaLiga*. The actions carried out have been materialised by different initiatives or projects, among which the following stand out in a significant way.



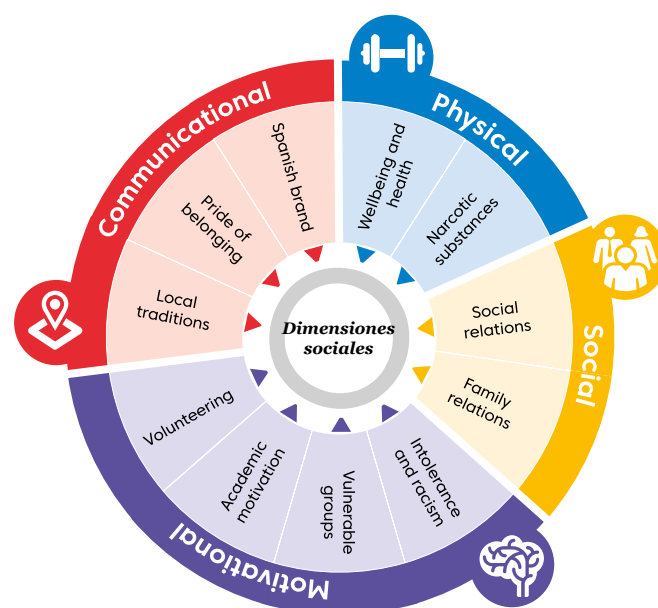
All these efforts of LaLiga, together with the nature of football itself, generate a number of positive social impacts for society. Impacts can be measured on the basis of the following dimensions related to well-being:

A. **PHYSICAL**: the general improvement of physical conditions

B. **SOCIAL**: the improvement of the relationship and socialisation between individuals

C. **MOTIVATIONAL**: increasing motivation to achieve objectives

D. **COMMUNITY**: the pride of belonging to the community




As part of its recent study, PwC has carried out a survey of more than 800 people to try to quantify these impacts, with the following results:

- As far as **physical impacts**, are concerned, almost 60% of those surveyed value that professional football in Spain has a positive influence on the non-use of narcotic substances and more than 70% value positively the influence on people's wellbeing and health.
- With regard to the **social dimension**, 79% of those surveyed value professional football as having a positive influence on social relations and almost 70% value the influence on family relations favourably. Initiatives such as *LaLiga Experience* (where international fans can enjoy LaLiga with local clubs of teams in the most emblematic places of the city, promoting social relations) and the *School of Parents* of LaLiga (aimed at parents of children who play football, to guide in the beginning of the prevention of violence in sport, promoting social relations), deepen in this direction.
- **Motivational** impacts are also important. 63% of those surveyed consider that professional football in Spain has a positive influence on the social inclusion of vulnerable groups, and 60% consider that it does so in the fight against intolerance and racism. In addition, 58% believe they encourage volunteering. Likewise, they value positively the motivation and academic aspiration of the young people 53%. This is why LaLiga, through its Foundation, has carried out projects such as *#StreetLeague*, a project co-financed by the European Commission and developed by different European league foundations, which aims to promote the social inclusion of young people between 11 and 15 years at risk of social exclusion. On the other hand, the Association has developed *LaLiga Genuine*, a pioneering initiative in the world, which aims to normalise the practice of football to the group with intellectual disabilities, getting all clubs in LaLiga have their team "Genuine", which will bring great social value.
- Finally, in terms of **community impacts**, 79% of those surveyed value that professional football in Spain positively influences pride in belonging, 78% value positively the influence on the "Spanish brand" and 72% on local traditions. For all these reasons, LaLiga is actively working on this dimension, having recently been appointed Honorary Ambassador of the "Spain brand". *LaLiga Cities* another initiative, a programme on sport and life that shows the spectator Spanish culture and gastronomy through the cities where *LaLiga Santander* is played.

In conclusion, 72% of those surveyed believe that professional football has a positive impact on the four dimensions mentioned above. Similarly, almost two thirds consider that professional football promotes values in Spanish society such as responsibility, evolution, integrity, companionship, respect for others, sportsmanship and improvement.

LaLiga is a great generator of positive social impacts and externalities in society

CSR Initiatives 2017-18

<div>  </div>		
Initiatives	Project	Investment €M
I. Human Rights		
Discrimination and vulnerable groups	LaLiga Genuine	1.35
II. Labour practices		
Working conditions and social protection	Various activated programmes	0.33
	Continuous training schemes	0.17
III. Fair operating practices		
Anti-corruption	Costs of match-fixing and awareness-raising campaigns	0.28
Respect for property rights	Anti-piracy task force and communication campaigns	2.02
IV. Active community participation and development		
Active community participation	Convention on the coordination of aid for grassroots football	6.83
	Solidarity contribution to the development of amateur football	14.70
	Contribution to social protection in amateur football	7.35
	Aid for the promotion of the associative movement	7.35
	Contribution to the social protection of High Level Athletes	14.70
Education and culture	Charitable purposes and the normal development of the activity of the AFE (Association of Spanish Footballers) Association	2.80
	Worldwide training programmes in the area of competitions	1.18
	Promotion of continuous training activity	1.01
Job creation and skills development	LaLiga Scholarship Plan (27 scholars)	0.12
	Women's Football Association	1.80
Social investment	LaLiga4Sports	3.20
TOTAL CSR		€65.2M



III. Compliance

Professional football is becoming a bigger, more relevant and more visible industry. In this context, the quest for excellence cannot be confined to a formal question, or to a statement of principles. But also ethics and good governance, that is to say, Social Responsibility.

Therefore, LaLiga has been articulating a true policy of regulatory compliance, which covers both the Association and the clubs, introducing changes that require adapting corporate practices to certain standards. And it does so both at the legal level (compliance with the law) and at the regulatory level (satisfaction of sectoral regulations, procedures, stadium security, etc.), and at the Social Responsibility level (observance of the code of good practices, development of authorisation procedures, supervision, execution, information and control, preparation of reports, etc.). The criteria for action have been unified, training has been organised, control systems have been developed and all this has been coordinated with the legal advice departments of LaLiga and the clubs.



**Outlook for the current season
(2018-19)**

OUTLOOK FOR THE CURRENT SEASON (2018-19)

Having reached the half (first round) of the 2018-19 season, *LaLiga's* financial projections for the current season are very positive, and allow us to anticipate that, at the end of this year, the competition will maintain the favourable trend of the last season ended in terms of strong growth, a notable increase in results, an increase in profitability and the capacity to create value.

The Association estimates that *Total Revenues of LaLiga* will be well above €4,500M, maintaining the near double-digit growth rate. 2017-18 was the first season in which the competition surpassed the psychological level of €4,000M. For its part, the *NTO* will be close to €3,600M. The current season is the last of the current three-year period for audiovisual rights on the national market (i.e. the first cycle, following the approval of *RDL 5/2015*, in which the joint operation and commercialisation of *media rights* has taken place). The already closed award for the new three-year period, which will run from 2019-20 to 2021-22 (the closed year 2017-18 is the mid-point of the current three-year cycle), will lead to a considerable increase in revenue, but its effects will take another season to be felt.

Financial results will increase significantly. The *EBITDA* of the competition will exceed for the first time the level of €1,000M (margin over *NTO* above 28%). *EBIT* will be around €375M (margin over *NTO* of around 10%). Both figures will grow above the increase in turnover, widening operating margins.

An aggregate *Net Earnings (NE) LaLiga* is expected for *LaLiga* of approximately €225M, the highest profit made by the competition in its history.

On the other hand, taking into account the completion of the performances carried out in many stadiums, and given that the new works (of a very significant amount - the largest renovation of infrastructure in the history of the competition) are not expected to begin until the 2019-20 season *CAPEX* (including players) in 2018-19 can be estimated to be lower than 2016-17 (€649M), but higher than 2017-18 (€300M), with total net operating investments likely to be above the €400M level. At the same time, investment in net working capital will increase, with *WK* resending slightly from the previous season, so that the final *Free Cash Flow (FCF)* of *LaLiga* can be projected to exceed €250M in 2018-19, beating, in any case, any past benchmark (similar to the 2015-16 season).

A significant decrease in the level of financial leverage in absolute terms is not expected, although it is somewhat in relative terms, placing the levels of apparent financial indebtedness, gross and net, at 1.7x and 0.8x *EBITDA*. These would be the lowest levels of the time series under analysis. In any case, since the Association are considered reasonable and efficient for the activity and for the time of growth lived, any level not exceeding in gross and net terms of 3.0x and 2.0x *EBITDA* respectively.

For its part, the *Net Equity level* of the competition will exceed the level of €1,700M, definitively consolidating the level of financial solvency of *LaLiga*.

LaLiga will be able to generate value (*EVA*) in 2018-19 in excess of €175M, also the largest amount in its history.

Spanish professional football will definitely deepen the level of attractiveness as a business for its *stakeholders*: players, employees, fans, sponsors, publicists, suppliers, creditors, investors and shareholders. An intensification of corporate *equity* and debt operations of relevance in the clubs in the medium and long term should be expected, substantiating the evident improvement in the financial profile of football as a business.

In the 2018-19 season
the excellent financial
trajectory of Spanish
professional football will
be maintained





Performance and analysis OF LALIGA SANTANDER

PERFORMANCE AND ANALYSIS OF LALIGA SANTANDER

LaLiga Santander, the honorary division of Spanish professional football, made up of 20 clubs and SADs, continues to represent a very significant part of *LaLiga*, as a whole, although its contribution to the total has been gradually decreasing since 2011-12. At the end of the 2017-18 season the weight of the competition on the total of *LaLiga* has been:

Table 13. Contribution of LaLiga Santander to LaLiga

Contribution LaLiga Santander to the total		2017-18 (%)
Total Revenues (TR)		92.7%
Net Turnover (NTO)		93.6%
EBITDA		96.1%
EBIT		92.1%
Net Earnings (NE)		90.0%
Total Assets		90.9%
Net Equity		90.8%
EVA		93.5%

These percentages show that, to this day the economic and financial performance of *LaLiga* continues to be fundamentally marked by what happens in *LaLiga Santander*.

LaLiga Santander income statement

The *P&L* follows an evolution very similar to that of *LaLiga* as a whole, which has been analysed earlier in this Report.

Table 14. LaLiga Santander Income Statement (P&L)

Abbreviated Income Statement	2015-16	2016-17	2017-18	Δ last year	CAGR 5a	Δ abs. 5a
Broadcasting revenues	934.3	1,319.3	1,380.5	4.6%	15.2%	1.76x
Match Day revenues	739.0	716.2	742.1	3.6%	5.9%	1.26x
Commercial revenues	548.8	610.5	823.4	34.9%	21.2%	2.16x
Net Turnover	2,315.9	2,744.4	3,054.3	11.3%	13.7%	1.67x
Other revenues	195.2	127.3	74.3	-41.6%	-6.0%	0.78x
Operating Revenues	2,511.1	2,871.6	3,128.6	8.9%	12.9%	1.63x
Procurements	(75.6)	(82.5)	(120.0)	45.4%	20.8%	2.13x
Non-sports personnel wages	(164.2)	(180.7)	(201.5)	11.5%	15.1%	1.76x
Sports wage costs	(1,311.7)	(1,535.6)	(1,853.2)	20.7%	16.3%	1.83x
Other operating expenses	(479.1)	(617.6)	(728.1)	17.9%	13.2%	1.64x
OPEX	(2,030.7)	(2,416.4)	(2,902.8)	20.1%	15.6%	1.78x
EBITDA before transfer of players	480.5	455.3	225.8	-50.4%	-6.6%	0.76x
Selling price for transfer of players	429.6	462.4	965.2	108.7%	20.8%	2.13x
Selling cost for transfer of players	(167.7)	(160.2)	(283.1)	76.7%	7.3%	1.33x
Result from the transfer of players	261.9	302.2	682.1	125.7%	29.9%	2.84x
EBITDA (gross operating earnings)	742.3	757.5	907.9	19.9%	14.1%	1.69x
Deprec., prov, impairment and other res.	(490.6)	(480.1)	(608.7)	26.8%	21.9%	2.21x
EBIT (net operating earnings)	251.8	277.3	299.2	7.9%	3.5%	1.15x
Net financial result	(65.0)	(47.5)	(70.1)	47.6%	7.4%	1.33x
RBT (profit before taxes)	186.7	229.8	229.0	-0.3%	2.5%	1.10x
Taxes on profits	(33.8)	(61.9)	(58.7)	-5.1%	18.3%	1.96x
NE (net profit for the year)	153.0	167.9	170.3	1.4%	-1.1%	0.96x
Total Revenues	2,977.8	3,411.4	4,151.7	21.7%	13.5%	1.66x
Total Expenses	(2,824.9)	(3,243.5)	(3,981.4)	22.8%	14.4%	1.71x
Extraordinary income from releases	-	-	-			
RBT restated (without releases)	186.7	229.8	229.0	-0.3%	6.4%	1.28x
NE restated (without releases)	153.0	167.9	170.3	1.4%	3.4%	1.14x

In general, most *P&L* balances are growing at or close to double-digit levels, both in the last year and from a *CAGR* point of view, taking the 2013-14 season as a reference.

On the other hand, the growth in the long-term *Total Revenues* of *LaLiga Santander* is somewhat lower than (*CAGR* of +13.5%) the growth in the different expense items (*Total Expenses*, *CAGR* of +14.4%), so that, despite the increase in the *Net Earnings* (*NE*) in absolute terms (as well as the growth in the rest of the intermediate results), there is some downward pressure on the final margins of the business over *NTO* (from 9.7% in 2013-14 to 5.6% in 2017-18). The reasons for this are basically:

- Above *EBITDA*, there is a considerable accumulated annual increase in the *OPEX* of the First Division, with an annual increase in 2017-18 of +20.1% and a *CAGR* in the analy-

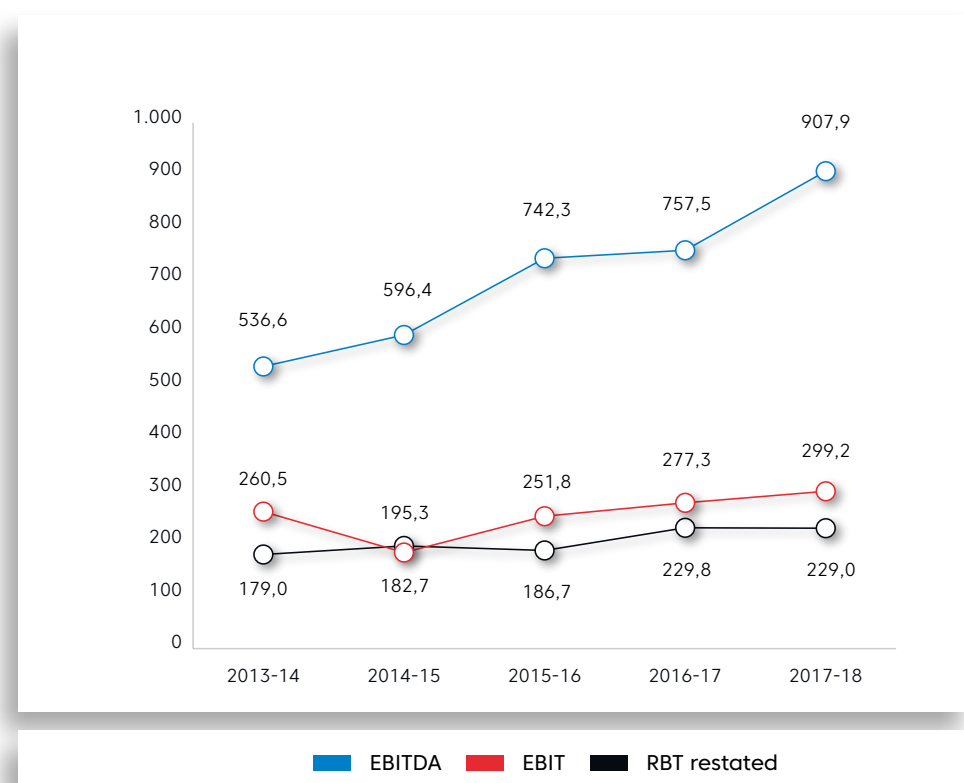


sis period of +15.6%. In both cases, higher growth than *Operating Income* (+8.9% and +12.9%, respectively) - an increase sustained by the generation of income from the *Transfer* of players, as will be explained below. Within the *OPEX*, sports staff expenses account for a significant proportion of the total (approximately 64%), with growth wages of +20.7% in the last year and CAGR of +16.3%

- With an impact on *EBIT*, the strong growth in *Depreciation and Amortisation*, can also be taken into account which increased by +26.8% in the last year and had a CAGR of +21.9%. This is indicative of the strong investment effort that is carrying out the competition, both in players and in infrastructure.

These impacts led to a substantial reduction in the gross operating income before transfers (*EBITDA b/T*) of *LaLiga Santander*, which fell by -50.4% last year.

At the same time, it stands out above *EBIT*, totally offsetting the strong pressure on operating costs, the very favourable evolution of *Transfer Results*, with a variation of +125.7% in the last season and a long-term CAGR of +29.9%. This item more than offsets the previous effects, contributing to the sustained increase resulting from the gross (*EBITDA*) and net (*EBIT*) operating results of *LaLiga Santander*.



Moreover, it can be concluded that *LaLiga Santander's* strong capacity to create and monetise sporting value is a decisive factor that is allowing the competition to increase its operating costs and by extension its competitive potential, as well as the potential to generate income in the medium and long term, without there being a decrease in the final results.

Identical conclusions can be drawn for *LaLiga Santander* at the level of total results for the year, before (*RBT*) or after (*NE*) taxes.

It should be noted that all but one of the First Division teams recorded both positive operating results and net profits in the 2017-18 season.

LaLiga Santander balance sheet

The balance sheet performance of *LaLiga Santander* also traces a parallel evolution to that of *LaLiga*, as has been appreciated previously for the *P&L*.

Table 15. LaLiga Santander Balance Sheet

Condensed Balance Sheet	2015-16	2016-17	2017-18	Δ last year	CAGR 5a	Δ abs. 5a
LaLiga ASSETS						
NON-CURRENT ASSETS	2,801.9	3,295.4	3,789.1	15.0%	10.3%	1.48x
Operating assets	2,417.9	2,871.5	3,284.8	14.4%	13.5%	1.66x
Financial assets	165.5	258.1	324.7	25.8%	-3.5%	0.87x
Deferred tax assets	218.4	165.9	179.6	8.3%	-4.1%	0.85x
CURRENT ASSETS	1,217.9	1,511.1	1,554.1	2.8%	12.7%	1.61x
Operating assets	594.6	659.3	671.9	1.9%	7.9%	1.36x
Financial assets	229.9	231.7	277.7	19.9%	23.4%	2.32x
Cash and cash equivalents	393.5	620.2	604.5	-2.5%	14.9%	1.74x
TOTAL ASSETS	4,019.7	4,806.5	5,343.2	11.2%	10.9%	1.51x
LaLiga LIABILITIES AND EQUITY						
NET EQUITY	1,016.2	1,193.8	1,359.0	13.8%	20.0%	2.07x
NON-CURRENT LIABILITIES	1,115.9	1,163.8	1,469.5	26.3%	8.9%	1.41x
Operating liabilities	149.9	83.4	173.4	107.9%	19.7%	2.05x
Financial liabilities	891.4	995.5	1,228.8	23.4%	8.5%	1.39x
Deferred tax liabilities	74.6	84.9	67.3	-20.7%	-2.3%	0.91x
CURRENT LIABILITIES	1,887.7	2,448.9	2,514.8	2.7%	8.3%	1.38x
Operating liabilities	1,358.6	1,851.5	2,008.2	8.5%	13.1%	1.64x
Financial liabilities	529.1	597.4	506.6	-15.2%	-4.1%	0.85x
TOTAL EQUITY AND LIABILITIES	4,019.7	4,806.5	5,343.2	11.2%	10.9%	1.51x

In general, the group's total assets (*Balance Sheet*; CAGR of +10.9%) are growing in the long term substantially less than the different results (*P&L*). This aspect is symptomatic of a profitable growth in *LaLiga Santander*. The favourable trend has adjusted slightly, however, during the last season, due to the occurrence of two events that have occurred simultaneously:

- Deceleration or even decrease in the operating results (*P&L*), for the reasons explained above, before the consideration of *Results from Transfers* which has allowed the strong increase in operating expenses, even contributing to amplify the final operating results.
- Significant increase in the most important assets on the *Balance Sheet*, non-current operating assets (long-term), which saw a notable variation of +14.4% in the last season, indicating the net investment effort that *LaLiga Santander* continues to make in this context of growth.

On the other hand, the *Balance Sheet* headings that are growing the most in the long term (CAGR) are the *Equity* (CAGR +20.0%) and *Cash and Equivalents* (CAGR +14.9%), which shows that growth is based on solid pillars. On the contrary, the evolution of the financial masses of liabilities (basically debts) remains more stable or even these items decrease in absolute terms in the whole of the analysed seasons, which is symptomatic of the process of financial deleveraging occurred. This is leading to an increase in the creditworthiness of the competition, as will be shown later in this Report.



LaLiga Santander cash flow

The analysis of the *Cash Flow* evolution carried out for *LaLiga* can also be carried out for *LaLiga Santander*.

Table 16. LaLiga Santander Cash Flow

Abbreviated Cash Flow	2015-16	2016-17	2017-18
A. Net earnings for the year (NE)	153.0	167.9	170.3
B. Adjustments to the NE	272.1	254.9	29.5
A. + B. Funds generated from operations (FGO)	425.0	422.8	199.8
C. Net working capital investment (WK)	(6.0)	410.4	109.8
A. + B. + C. Cash flow from operations (CFO)	419.0	833.3	309.6
D1. Net investment in recurring operating capacity (CAPEX)	(180.8)	(439.0)	(383.4)
+/- Net recurring investment in players	(145.9)	(188.6)	(161.8)
+/- Net recurring investment in infrastructure & others	(34.9)	(250.3)	(221.7)
A. + B. + C. + D1. Recurring free cash flow (RFCF)	238.2	394.3	(73.8)
D2. Investment in non-recurring operating capacity (CAPEX)	(222.0)	(209.7)	50.8
+/- Net non-recurring investment in players	(98.1)	(84.8)	63.3
+/- Net non-recurring investment in infrastructure & others	(123.9)	(125.0)	(12.6)
A. + B. + C. + D1. + D2. Total free cash flow (FCF)	16.2	184.6	(23.1)
+/- Net financial expenses	(65.0)	(47.5)	(70.1)
+/- Variation in financial debt (FI)	9.0	89.6	(22.8)
+/- Variation in financial debt (non-FI)	(135.7)	133.9	110.4
+/- Variation in other ST or LT fin. assets and liabilities	72.7	(129.4)	(52.6)
A. + B. + C. + D. + E. Equity cash flow (ECF)	(102.8)	231.1	(58.2)
F. Cash flows from own resources (Equity)	168.8	(5.1)	53.3
A. + B. + C. + D. + E. + F. Net change in annual cash flow	66.0	226.0	(5.0)
Cash and cash equivalents, beginning balance	327.5	394.3	609.5
Cash and cash equivalents, closing balance	393.5	620.2	604.5

(*) Cash balances at the end of period n-1 do not coincide precisely with those at the beginning of period n due to the change in the perimeter of clubs caused by the dynamics of promotions/relegations in professional football.

The conclusions are basically coincident with those made for *LaLiga*, which cannot come as a surprise, given the relative significance of *LaLiga Santander* in Spanish professional football as a whole.

It should be stressed again that a reduced set of First Division teams alone explain about -€450M on the final record of *FCF* of *LaLiga Santander*. In the absence of certain specific events occurring in these teams (specifically the intense increase in *OPEX* made possible by the income generated by the rotation of sporting talent, as well as a favourable but more adjusted evolution of their *WK*), the *FCF* of the group would have amounted to around €425.0M, which would have meant the highest effective operating return of *LaLiga Santander* in its history.

A total of 11 of the 20 clubs in the First Division registered positive *FCF* in 2017-18.

Indebtedness and solvency of LaLiga Santander

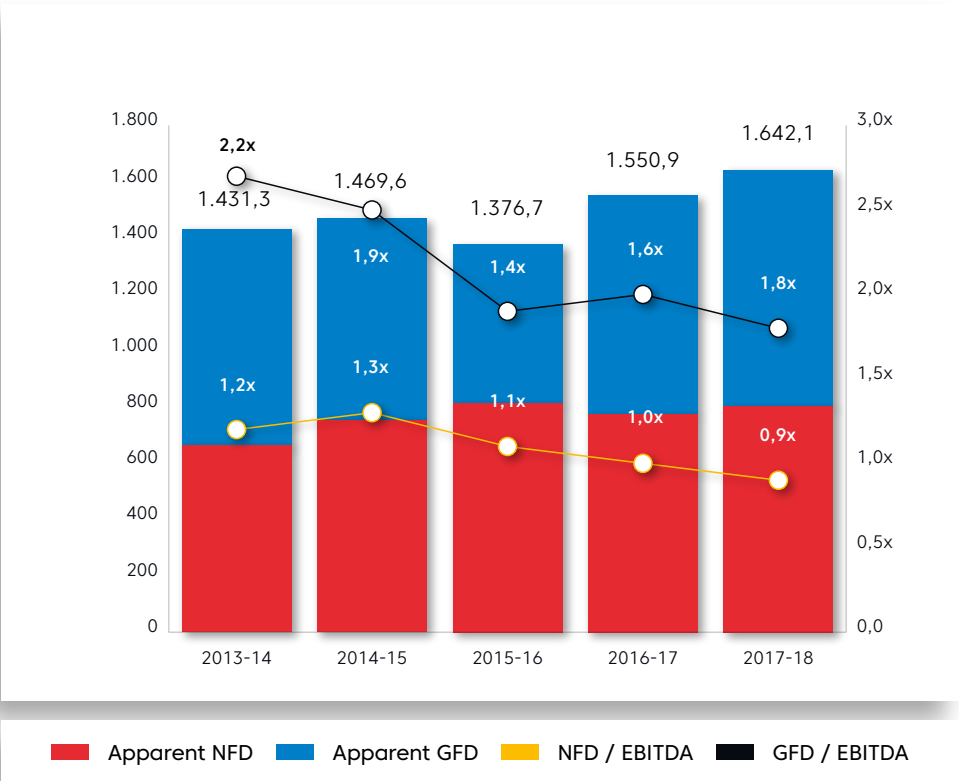
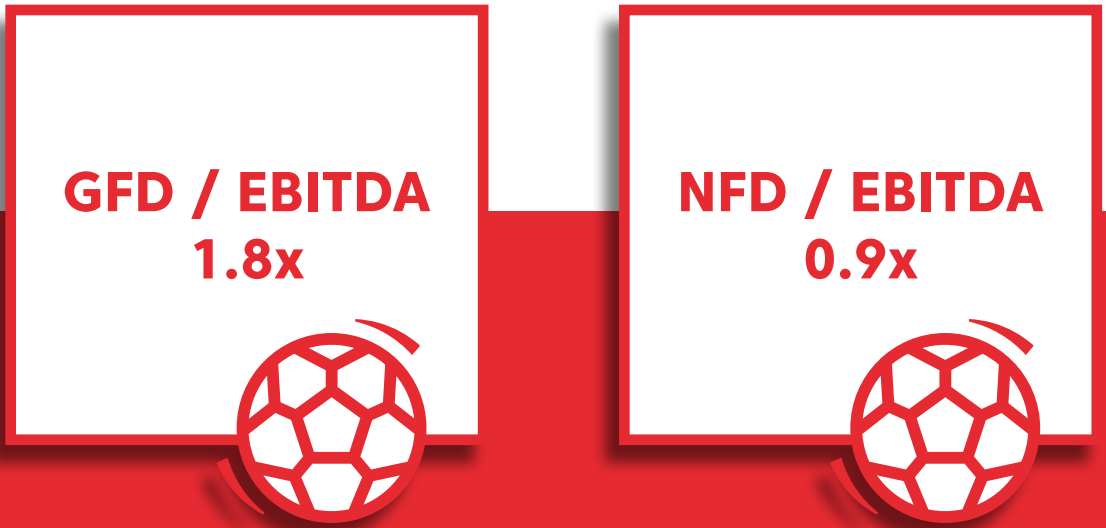
The trend of *LaLiga Santander's* adjusted financial debt is very positive.

Since the beginning of the time series under analysis, in 2013-14, apparent gross debt has increased in absolute amount by +€210.7M (+14.7%), despite the fact that, during the same period, the size of the group's *Balance Sheet* has increased by +€1,816.1M (+51.4%), and *EBITDA* has increased by €371.3M (+69.2%). These figures are indicative of a strong process of financial deleveraging and an improvement in the credit profile of the competition.

The *DFB/EBITDA* ratio stood at 1.8x at the end of the season and the *DFN/EBITDA* at 0.9x, the lowest levels in the series. At the beginning of the survey, these ratios were 2.7x and 1.2x respectively, and a couple of years earlier they were considerably above that benchmark.

This has been achieved even taking into account that, during the last season, the level of apparent indebtedness in absolute terms grew by +€91.2M (+5.9%). It is logical that, once the competition has been financially restructured, this situation will occur. Not only would it not make sense, but it would be counterproductive from the point of view of financing growth and optimising WACC, if *LaLiga Santander's* absolute level of indebtedness were to continue to decline while the rest of the asset masses and results are increasing at such a considerable pace.

Apparent financial debt ratios of LaLiga Santander in 2017-18



Graph 35
Apparent financial debt and credit ratios of LaLiga Santander

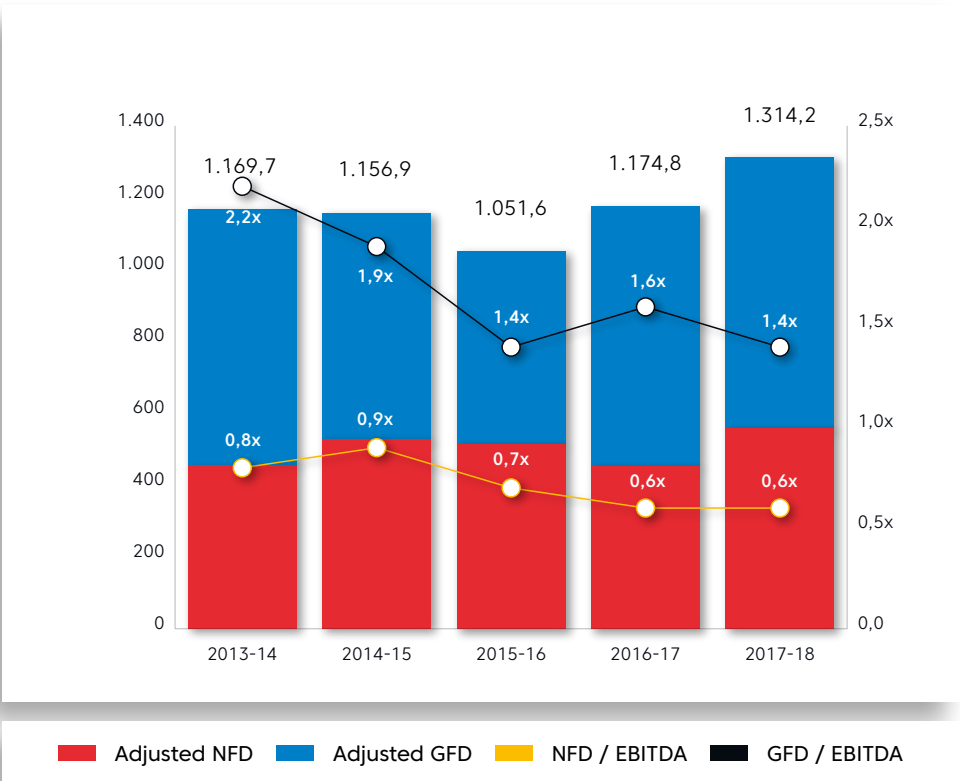
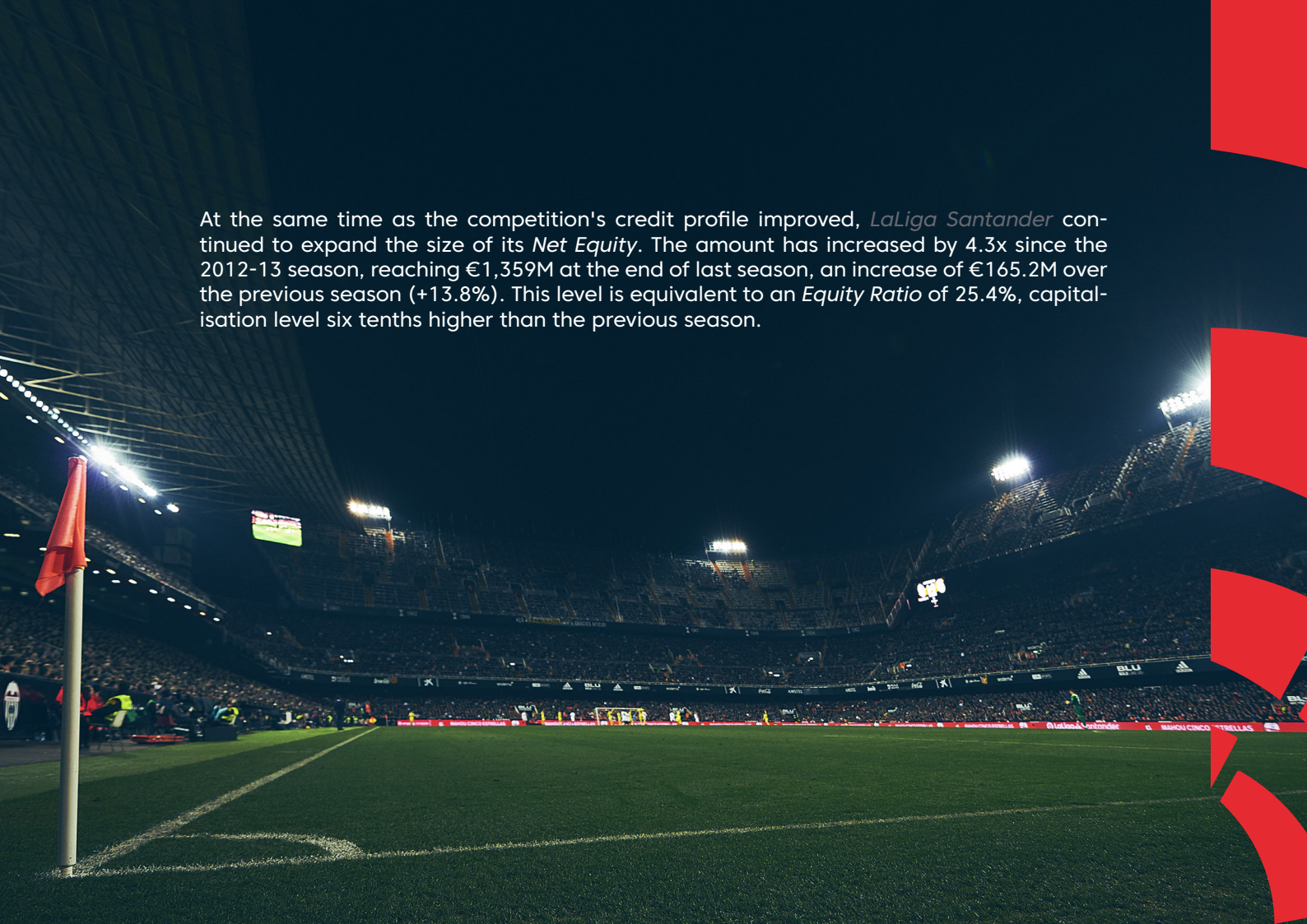


The evolution of the adjusted indebtedness of *LaLiga Santander*, i.e. taking into account certain corrections that the Association considers relevant to make in order to more faithfully analyse the financial leverage of professional football, is even more favourable if possible. In this case, the accumulated increase in gross debt since the beginning of the series was +€144.5M (+12.4%), although during the last season this level has risen by +€139.3M (+11.9%). However, the resulting adjusted credit ratios are even smaller than the apparent ones.

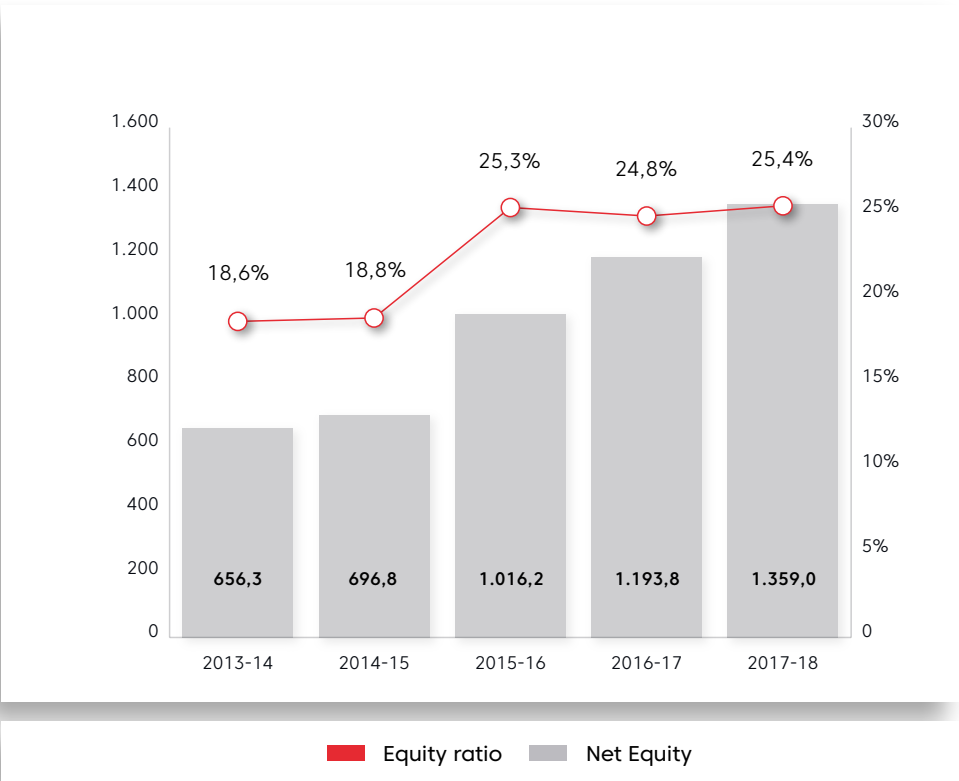
Adjusted financial debt ratios of LaLiga Santander in 2017-18



At the same time as the competition's credit profile improved, *LaLiga Santander* continued to expand the size of its *Net Equity*. The amount has increased by 4.3x since the 2012-13 season, reaching €1,359M at the end of last season, an increase of €165.2M over the previous season (+13.8%). This level is equivalent to an *Equity Ratio* of 25.4%, capitalisation level six tenths higher than the previous season.



Graph 36
Adjusted financial debt and credit ratios of LaLiga Santander

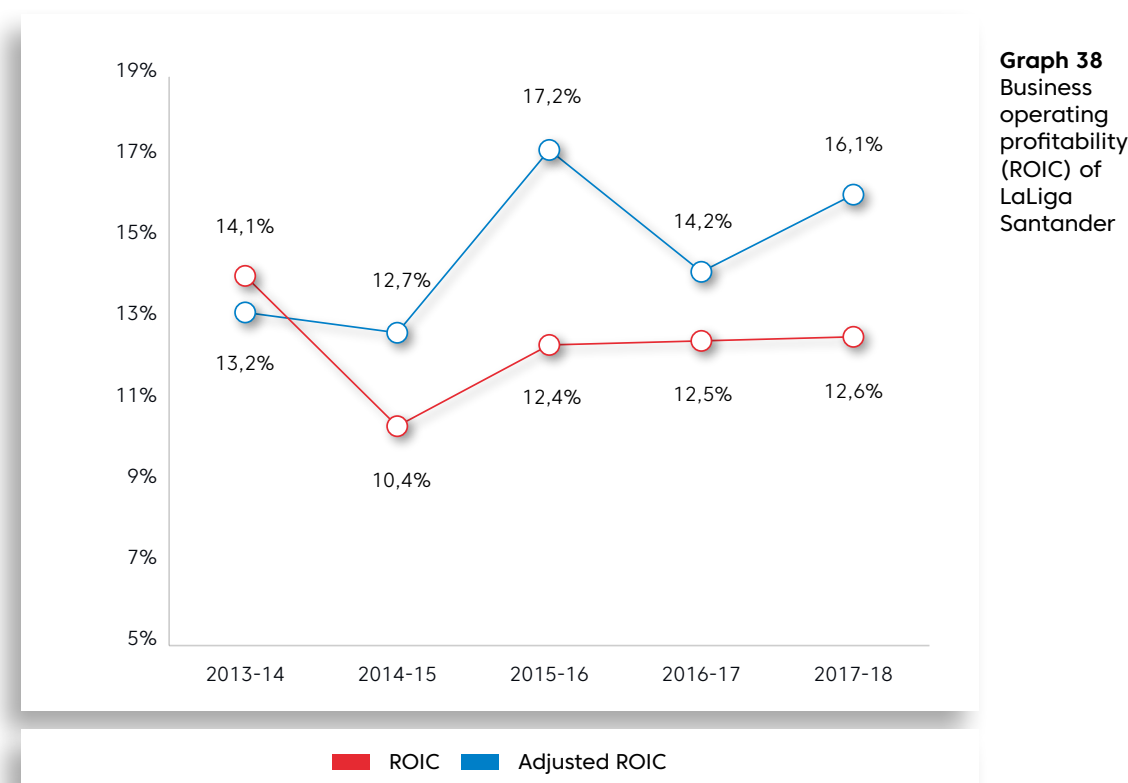


Graph 37
Net Equity and Equity Ratio (Capitalisation level) of LaLiga Santander

Profitability and value creation of LaLiga Santander

The operating profitability index (ROIC) of *LaLiga Santander's* business followed the expected positive evolution.

Although the ROIC has remained stable in the last season, increasing only by one tenth of a percentage point (from 12.5% to 12.6%), in adjusted terms (i.e. ignoring certain accounting conventions), the profitability index would have continued with a marked path of growth (from 14.2% to 16.1%).

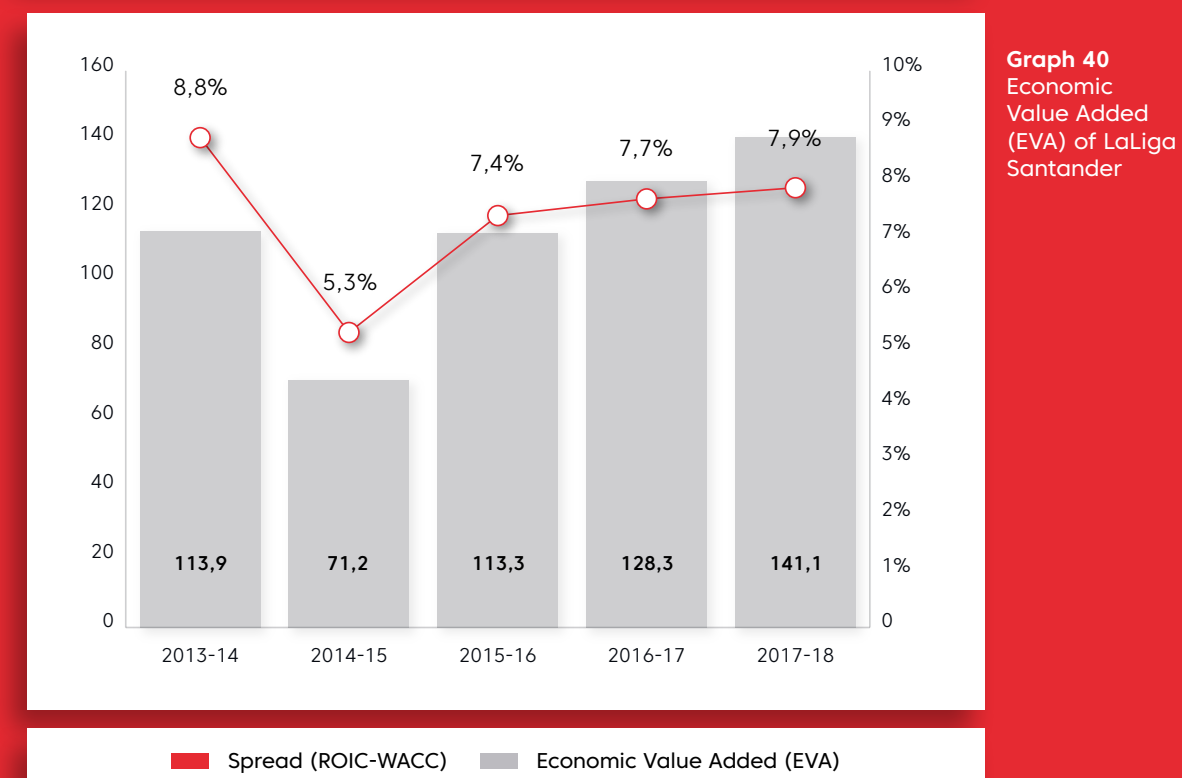
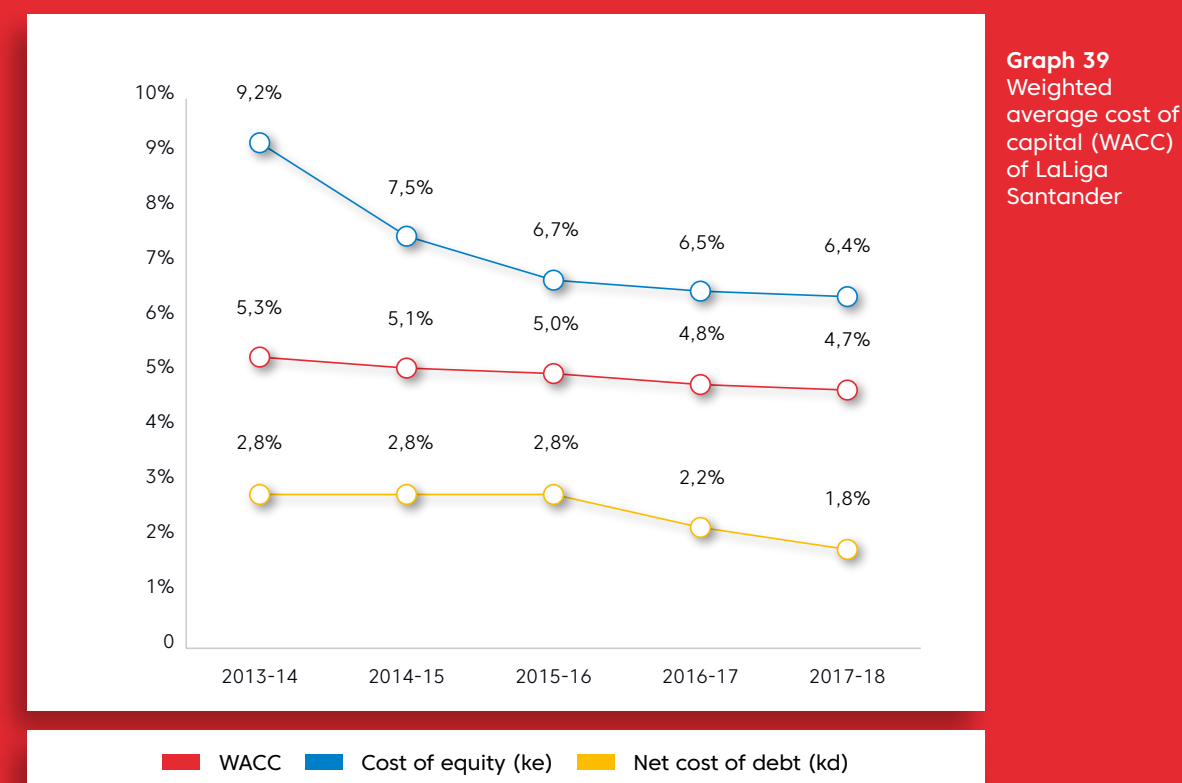


(*) The reason for the very high adjusted ROIC (17.2%) from 2015-16 has to do with the cancellation of the non-recurring item "Other results" (P&L) in that season, which produced a result (loss) of -€97.5M. In 2017-18, this amount stood at -€92.6M, mainly related to extraordinary (non-recurring) provisions concentrated in certain clubs.

At the same time, the WACC of *LaLiga Santander* has continued to fall, reaching its all-time low of 4.8% (one tenth lower than the previous season). This is due to:

- Favourable credit market conditions and an improvement in the risk premium perceived by financial creditors with First Division clubs. Both factors result in a reduction of the average annual effective cost of debt (kd) up to 2.4% (i.e. 1.8% net of tax)
- On the other hand, the cost of equity (ke) is reduced by the reduction in the risk profile (i.e. leveraged Beta index) of shareholders, following the CAPM methodology.

Taking all these factors into account, the difference between the profitability of the business or equity (ROIC) and the average cost of the sources of financing that support these assets (WACC), increased slightly, by 0.2 percentual points, in 2017-18 compared to the previous season. Since the competition's average net operating assets (NOA), or capital employed have increased by €210.6 million, this spread is applied on a larger basis, amplifying the economic value added (EVA) of *LaLiga Santander*, which last season reached its all-time high of €141.1M.



It should be noted that 18 of the 20 clubs and SADs in the First Division generated positive EVA in 2017-18.

Over the last 5 years, the accumulated EVA of *LaLiga Santander* amounts to €567.7M.

Netted LaLiga Santander

Until a few seasons ago, the success of the First Division of Spanish professional football at an financial level could be limited to the two largest clubs. In the absence of the contribution of these two entities, the competition presented operating losses and negative net results.

Moreover, in those years *Netted LaLiga Santander* showed a worrying situation of financial insolvency and undercapitalisation, with an unbridled level of indebtedness. It was an unsustainable situation, which put at risk the very survival of the competition.

At the end of the 2017-18 season this situation has been completely reversed. *Netted LaLiga Santander* is a solid, profitable and solvent competition at an financial level from an aggregate point of view. Moreover, although the two main teams still represent a very significant part of the First Division, the remaining eighteen teams contribute between 55% and 75% of the main figures of the P&L (compared to this, in 2011-12, they only contributed between 25% and 45%, or even their contribution to the whole was negative), and with even greater weight in the fundamental expressions of operational *Cash Flow*.

Moreover, aggregate operating results and the operating profit ratio (ROIC) are even higher than those of *LaLiga Santander*. All this reflects a gradual process of convergence and a better distribution of the business, as well as greater economic efficiency than that of the two large clubs in relative terms. So much so that the EVA of *Netted LaLiga Santander* accounted for 77.4% of *LaLiga Santander* (84.8% in the previous year).

This favourable situation is not incompatible with the fact that some clubs in particular still need to make further progress in the degree of deleveraging and increase in financial solvency.



Table 17. LaLiga Santander vs. Netted LaLiga Santander

Comparative analysis	LaLiga Santander				Netted LaLiga Santander			
	2016-17	2017-18	Δ% annual	CAGR 5a	2016-17	2017-18	Δ% annual	CAGR 5a
INCOME								
Total Revenues (€M)	3,411.4	4,151.7	21.7%	13.5%	1,963.6	2,373.4	20.9%	16.0%
Net Turnover (€M)	2,744.4	3,054.3	11.3%	13.7%	1,495.3	1,627.3	8.8%	17.8%
Breakdown of Total Revenue:								
Broadcasting (%)	38.7%	33.3%			49.7%	42.8%		
Commercial (%)	17.9%	19.8%			5.1%	6.9%		
Advertising (%)	2.9%	2.6%			4.9%	4.5%		
Match Day (%)	21.0%	17.9%			16.5%	14.4%		
Sale Price from Transfers (%)	13.6%	23.2%			18.8%	26.4%		
Other Income (%)	6.0%	3.2%			5.1%	5.0%		
RESULTS								
EBITDA b/T (€M)	455.3	225.8	-50.4%	-6.6%	272.2	170.8	-37.3%	25.1%
Net results from Transfers (€M)	302.2	682.1	125.7%	29.9%	228.0	423.2	85.6%	26.5%
EBITDA (€M)	757.5	907.9	19.9%	14.1%	500.3	594.0	18.7%	26.1%
EBIT (€M)	277.3	299.2	7.9%	3.5%	218.7	222.3	1.7%	11.3%
RBT restated (€M)	229.8	229.0	-0.3%	2.5%	172.2	165.9	-3.6%	12.2%
NE restated (€M)	167.9	170.3	1.4%	-1.1%	128.4	126.2	-1.7%	6.5%
MARGIN (OVER NTO)								
EBITDA b/T (%)	16.6%	7.4%			18.2%	10.5%		
Net results from Transfers (%)	11.0%	22.3%			15.3%	26.0%		
EBITDA (%)	27.6%	29.7%			33.5%	36.5%		
EBIT (%)	10.1%	9.8%			14.6%	13.7%		
RBT restated (%)	8.4%	7.5%			11.5%	10.2%		
NE restated (%)	6.1%	5.6%			8.6%	7.8%		
CASH FLOW FROM OPERATIONS								
FGO (€M)	422.8	199.8			280.3	154.7		
+/- WK (€M)	410.4	109.8			152.8	111.4		
CFO (€M)	833.3	309.6			433.1	266.0		
+/- CAPEX (€M)	(648.7)	(332.7)			(417.3)	(170.1)		
FCF (€M)	184.6	(23.1)			15.8	95.9		
OPERATING EFFICIENCY AND PROFITABILITY INDICES								
Wage Costs (€M)	1,716.3	2,054.6	19.7%	16.2%	906.1	1,062.3	17.2%	15.3%
Wage Costs / Total Revenues (x)	0.50x	0.49x			0.46x	0.45x		
OPEX (€M)	2,416.4	2,902.8	20.1%	15.6%	1,282.9	1,517.8	18.3%	16.6%
OPEX / Total Revenues	0.71x	0.70x			0.65x	0.64x		
NOA (€M)	1,676.8	1,887.4	12.6%	9.8%	1,236.2	1,271.1	2.8%	14.0%
NOA / Total Revenues (x)	0.49x	0.45x			0.63x	0.54x		
CAPEX (€M)	648.7	332.7	-48.7%	31.9%	417.3	170.1	-59.2%	-
CAPEX / Total Revenues (x)	0.19x	0.08x			0.21x	0.07x		
ROIC (%)	12.5%	12.6%			14.2%	13.3%		
Adjusted ROIC (%)	14.2%	16.1%			16.1%	18.2%		
FINANCIAL SOUNDNESS								
Net Equity (NE) (€M)	1,193.8	1,359.0	13.8%	20.0%	615.0	736.3	19.7%	33.3%
GFD (€M)	1,550.9	1,642.1	5.9%	3.5%	1,285.5	1,283.7	-0.1%	4.9%
NFD (€M)	775.4	803.3	3.6%	4.9%	828.2	744.7	-10.1%	7.5%
GFD / EBITDA (x)	2.0x	1.8x			2.6x	2.2x		
NFD / EBITDA (x)	1.0x	0.9x			1.7x	1.3x		
Interest coverage index (x)	12.2x	12.0x			9.2x	9.9x		
Average annual cost of debt (kd)	2.9%	2.4%			3.3%	2.8%		
Equity ratio (%)	24.8%	25.4%			20.7%	22.7%		
VALUE CREATION								
ROIC vs. WACC (diff. p.p.)	7.7%	7.9%			9.4%	8.7%		
Value creation EVA €M	128.3	141.1	10.0%	5.5%	108.8	109.1	0.3%	14.2%
RELATIVE WEIGHT (from Netted LaLiga Santander over LaLiga Santander)								
Total Revenues	-	-			57.6%	57.2%		
Net Turnover	-	-			54.5%	53.3%		
EBITDA b/T	-	-			59.8%	75.6%		
Net results from Transfers	-	-			75.5%	62.0%		
EBITDA	-	-			66.0%	65.4%		
EBIT	-	-			78.9%	74.3%		
NE restated	-	-			74.9%	72.4%		
RBT restated	-	-			76.5%	74.1%		
GFD	-	-			82.9%	78.2%		
NFD	-	-			106.8%	92.7%		
NOA (Capital employed)	-	-			73.7%	67.3%		
Net Equity	-	-			51.5%	54.2%		
FGO	-	-			66.3%	77.4%		
WK	-	-			37.2%	101.4%		
CFO	-	-			52.0%	85.9%		
CAPEX	-	-			64.3%	51.1%		
FCF	-	-			8.6%	-		
EVA	-	-			84.8%	77.4%		




Performance and analysis OF LALIGA 1|2|3

PERFORMANCE AND ANALYSIS OF LALIGA 1|2|3

LaLiga 1|2|3, the Second Division A of Spanish professional football, still represents a small part of *LaLiga*, although its contribution has been growing steadily since the 2013-14 season. At the end of the 2017-18 season the weight of the Second Division on the Spanish professional football team has been:

Table 18. Contribution of LaLiga 1|2|3 to LaLiga

<div>  </div>	
Contribution of LaLiga 1 2 3 to the total	2017-18 (%)
Total Revenues (TR)	7.3%
Net Turnover (NT)	6.4%
EBITDA	3.9%
EBIT	7.9%
Net Earnings (NE)	10.0%
Total Assets	9.1%
Net Equity	9.2%
FGO	-
EVA	6.5%
FCF	100.0%*

(*) *LaLiga Santander* reported negative FCF, while *LaLiga 1|2|3* produced a positive FCF in 2017-18.

However, it should be remembered that at the beginning of the first season analysed in this Report, in 2013-14, the contribution of *LaLiga 1|2|3* was considerably lower (it even did so negatively), having experienced in these seasons a strong growth in all the figures that ultimately denotes a clear trend of convergence with *LaLiga Santander*. This process has not yet been completed.



LaLiga 1|2|3 income statement

Unlike *LaLiga Santander*, *LaLiga 1|2|3* managed to increase its *Total Revenues* above *Total Expenses*, both in the last season (+8.4% vs.+5.4%) and in the long term in the series (CAGR of +12.2% vs. +11.1%) This is allowing the gradual expansion of the operating and net margins of the competition (these, at the beginning of the series, were even negative).

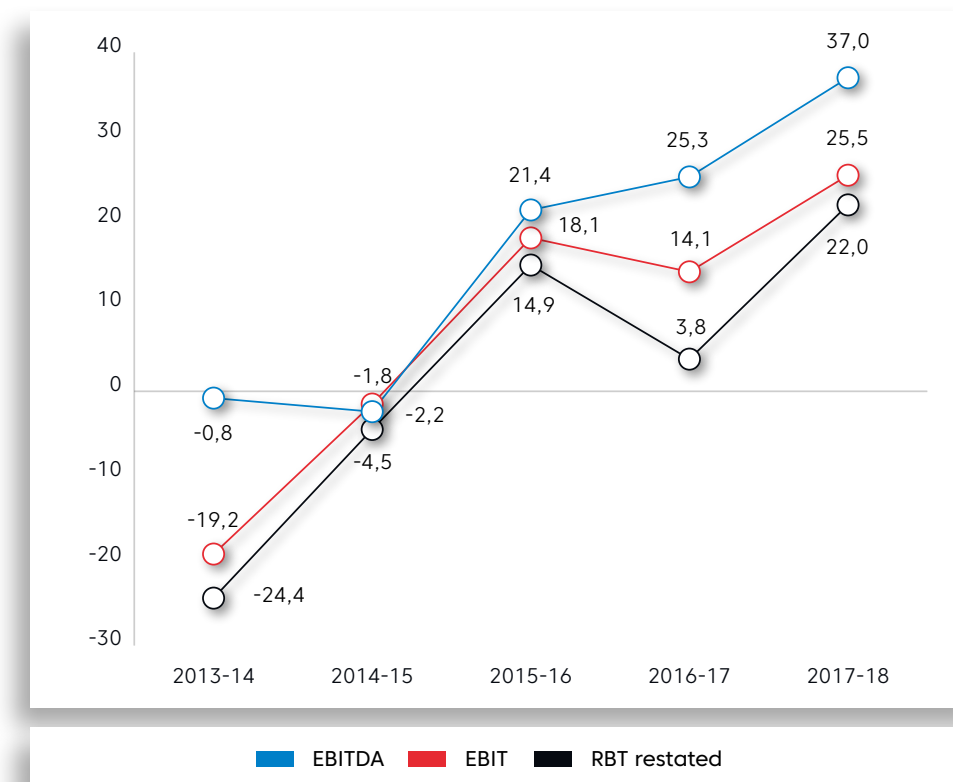
In this classification it must be taken into account that, due to its lower relative weight, the dynamics of promotions / relegations causes more pronounced variations than in *LaLiga Santander*, depending on the teams that lead those entries / exits of *LaLiga 1|2|3*. It is therefore a much more elastic competition, or sensitive, to variations experienced in the perimeter of clubs and SADs from season to season.

However, contrary to what has happened in *LaLiga Santander*, in *LaLiga 1|2|3* there has not been such an outstanding increase in the *OPEX* of the division, nor in the heading of *Depreciations*. The lower increase in *OPEX* logically goes hand in hand with lower growth in *Transfer Results*, which recorded a moderate evolution in the last financial year (+27.3%), but without reaching the rates as high as those experienced in the First Division (+125.7%).

Table 19. LaLiga 1|2|3 Income Statement (P&L)

Abbreviated Income Statement	2015-16	2016-17	2017-18	Δ last year	CAGR 5a	Δ abs. 5a
Broadcasting revenues	73.6	135.3	135.4	0.1%	22.5%	2,25x
Match Day revenues	30.6	30.4	40.0	31.5%	5.5%	1,24x
Commercial revenues	15.9	14.1	14.3	1.4%	4.8%	1.20x
Net Turnover	136.0	197.0	209.0	6.1%	16.3%	1,83x
Other revenues	62.9	48.2	51.2	6.2%	22.9%	2,28x
Operating Revenues	198.9	245.2	260.2	6.1%	17.5%	1,91x
Procurements	(6.8)	(9.4)	(8.6)	-7.6%	10.4%	1,49x
Non-sports personnel wages	(23.5)	(27.6)	(31.7)	14.9%	18.1%	1,95x
Sports wage costs	(99.8)	(136.2)	(141.6)	4.0%	12.9%	1,63x
Other operating expenses	(64.4)	(80.2)	(83.9)	4.6%	13.8%	1,68x
OPEX	(194.5)	(253.4)	(265.9)	4.9%	13.7%	1,67x
EBITDA before transfer of players	4.4	(8.2)	(5.7)	-30.8%	-29.2%	0,25x
Selling price for transfer of players	18.0	35.8	52.4	46.4%	14.7%	1,73x
Selling cost for transfer of players	(1.0)	(2.3)	(9.6)	327.2%	3.6%	1,15x
Result from the transfer of players	17.0	33.5	42.7	27.3%	18.3%	1,96x
EBITDA (gross operating earnings)	21.4	25.3	37.0	46.1%	-	-
Deprec., prov, impairment and other res.	(3.3)	(11.2)	(11.5)	2.2%	-11.1%	0,62x
EBIT (net operating earnings)	18.1	14.1	25.5	81.1%	-	-
Net financial result	(3.2)	(1.1)	(3.5)	203.9%	-	-
RBT (profit before taxes)	14.9	12.9	22.0	70.2%	13.1%	1,64x
Taxes on profits	(1.3)	(3.6)	(3.1)	-12.8%	-23.6%	0,34x
NE (net profit for the year)	13.6	9.4	18.9	101.7%	44.6%	4,37x
Total Revenues	224.8	301.4	326.8	8.4%	12.2%	1,58x
Total Expenses	(211.2)	(292.1)	(307.9)	5.4%	11.1%	1,52x
Extraordinary income from releases	-	(9.2)	-	-	-	-
RBT restated (without releases)	14.9	3.8	22.0	483.2%	-	-
NE restated (without releases)	13.6	0.2	18.9	8665.7%	-	-

All the results of the competition are clearly ascending in the long term. Half of the *LaLiga 1|2|3* teams recorded positive operating profits (*EBIT*) and net earnings (*NE*) in 2017-18.



Graph 41
LaLiga 1|2|3
Results



LaLiga 1|2|3 balance sheet

The balance sheet figures of Spanish professional football's Second Division A heritage are following an equally favourable trend.

Table 20. LaLiga 1|2|3 Balance Sheet

Abbreviated Balance Sheet	2015-16	2016-17	2017-18	Δ last year	CAGR 5a	Δ abs. 5a
LaLiga ASSETS						
NON-CURRENT ASSETS	331.5	429.9	408.0	-5.1%	2.6%	1,11x
Operating assets	250.0	287.3	294.5	2.5%	3.8%	1,16x
Financial assets	33.8	65.2	60.2	-7.7%	7.7%	1,35x
Deferred tax assets	47.7	77.4	53.4	-31.0%	-6.6%	0,76x
CURRENT ASSETS	79.6	126.6	124.5	-1.7%	17.5%	1,91x
Operating assets	39.5	68.6	67.3	-1.9%	12.1%	1,58x
Financial assets	20.4	18.0	14.1	-21.9%	10.6%	1,50x
Cash and cash equivalents	19.7	40.0	43.1	7.8%	34.3%	3,26x
TOTAL ASSETS	411.1	556.5	532.5	-4.3%	5.2%	1,23x
LaLiga LIABILITIES AND EQUITY						
NET EQUITY	34.0	60.7	137.4	126.6%	-	-
NON-CURRENT LIABILITIES	262.6	288.0	233.4	-19.0%	-10.9%	0,63x
Operating liabilities	7.4	48.0	45.8	-4.6%	64.0%	7,23x
Financial liabilities	226.0	210.3	147.6	-29.8%	-16.8%	0,48x
Deferred tax liabilities	29.2	29.7	40.0	34.5%	-7.9%	0,72x
CURRENT LIABILITIES	114.5	207.8	161.7	-22.2%	-2.5%	0,90x
Operating liabilities	90.2	154.7	126.6	-18.2%	-3.7%	0,86x
Financial liabilities	24.3	53.1	35.1	-33.8%	2.5%	1,10x
TOTAL EQUITY AND LIABILITIES	411.1	556.5	532.5	-4.3%	5.2%	1,23x

In general, the group's *Balance Sheet* items as a whole are growing in the long term (CAGR of +5.2%) substantially below the results (*P&L*). This aspect evidences that we are witnessing a profitable growth in *LaLiga 1|2|3*. In the last year, however, the size of the competition has been reduced (-4.3%), as a result of the specific weight of teams that have left the competition upwards (*LaLiga Santander*) and, especially, downwards (relegation to the Second Division B - non-professional competition).

Finally, it should be pointed out that *Net Equity*, which for many years have been in negative territory, evidencing a worrying solvency situation, reached a positive figure of €137.4M, which represents an annual increase of +126.6%. The same applies to the surplus cash balance, *Cash and Cash Equivalents*, which reaches the highest amount in the series, with €43.1M (more than double that two seasons ago and almost four times the balance available at the beginning of the series).

As with *P&L*, the *Balance Sheet* of *LaLiga 1|2|3* is more volatile than that of *LaLiga Santander*, due to its smaller size, so the changes in the perimeter of the group's teams, as a result of the division's promotion/relegation dynamics, caused strong asset swings from one year to the next.

LaLiga 1|2|3 cash flow

From a cash-flow point of view, in the 2017-18 financial year it again recorded positive *FCF* (an aspect it has achieved in four of the last five seasons). This year, however, this net operating surplus was mainly achieved thanks to the net disinvestment in operating capacity (especially players).

With a charge to this business surplus, together with the resources derived from some capital increases, *LaLiga 1|2|3* has maintained its path of reducing the level of indebtedness (-€33.1M in 2017-18) and has even managed to increase its final cash availability (from €40.0M to €43.1M), although this fact is also influenced by changes in the perimeter due to the dynamic of promotion/relegation in the Second Division.

Table 21. LaLiga 1|2|3 Cash Flow

Abbreviated Cash Flow	2015-16	2016-17	2017-18
A. Net earnings for the year (NE)	13.6	9.4	18.9
B. Adjustments to the NE	(4.3)	20.8	(39.0)
A. + B. Funds generated from operations (FGO)	9.3	30.2	(20.1)
C. Net working capital investment (WK)	(33.5)	30.0	11.8
A. + B. + C. Cash flow from operations (CFO)	(24.2)	60.3	(8.3)
D1. Net investment in recurring operating capacity (CAPEX)	5.3	19.4	23.5
+/- Net recurring investment in players	10.9	29.0	27.0
+/- Net recurring investment in infrastructure & others	(5.6)	(9.6)	(3.5)
A. + B. + C. + D1. Recurring free cash flow (RFCF)	(18.9)	79.7	15.3
D2. Investment in non-recurring operating capacity (CAPEX)	(0.1)	(18.6)	9.2
+/- Net non-recurring investment in players	2.2	1.5	10.6
+/- Net non-recurring investment in infrastructure & others	(2.2)	(20.1)	(1.4)
A. + B. + C. + D1. + D2. Total free cash flow (FCF)	(18.9)	61.0	24.5
+/- Net financial expenses	(3.1)	(1.1)	(3.5)
+/- Variation in financial debt (FI)	(0.5)	(9.1)	(1.5)
+/- Variation in financial debt (non-FI)	13.8	(30.8)	(31.6)
+/- Variation in other ST or LT fin. assets and liabilities	(8.9)	10.9	(0.5)
A. + B. + C. + D. + E. Equity cash flow (ECF)	(17.6)	30.9	(12.6)
F. Cash flows from own resources (Equity)	24.1	(7.0)	11.5
A. + B. + C. + D. + E. + F. Net change in annual cash flow	6.4	23.9	(1.1)
Cash and cash equivalents, beginning balance	13.2	16.1	44.2
Cash and cash equivalents, closing balance	19.7	40.0	43.1

(*) Cash balances at the end of period n-1 do not coincide precisely with those at the beginning of period n due to the change in the perimeter of clubs caused by the dynamics of promotions/relegations in professional football.

In short, the *Cash Flow* of *LaLiga 1|2|3* consolidates a situation of equilibrium and generation of added performance. While the absolute size of the cluster remains small, it requires the maintenance and deepening of this positive trend.

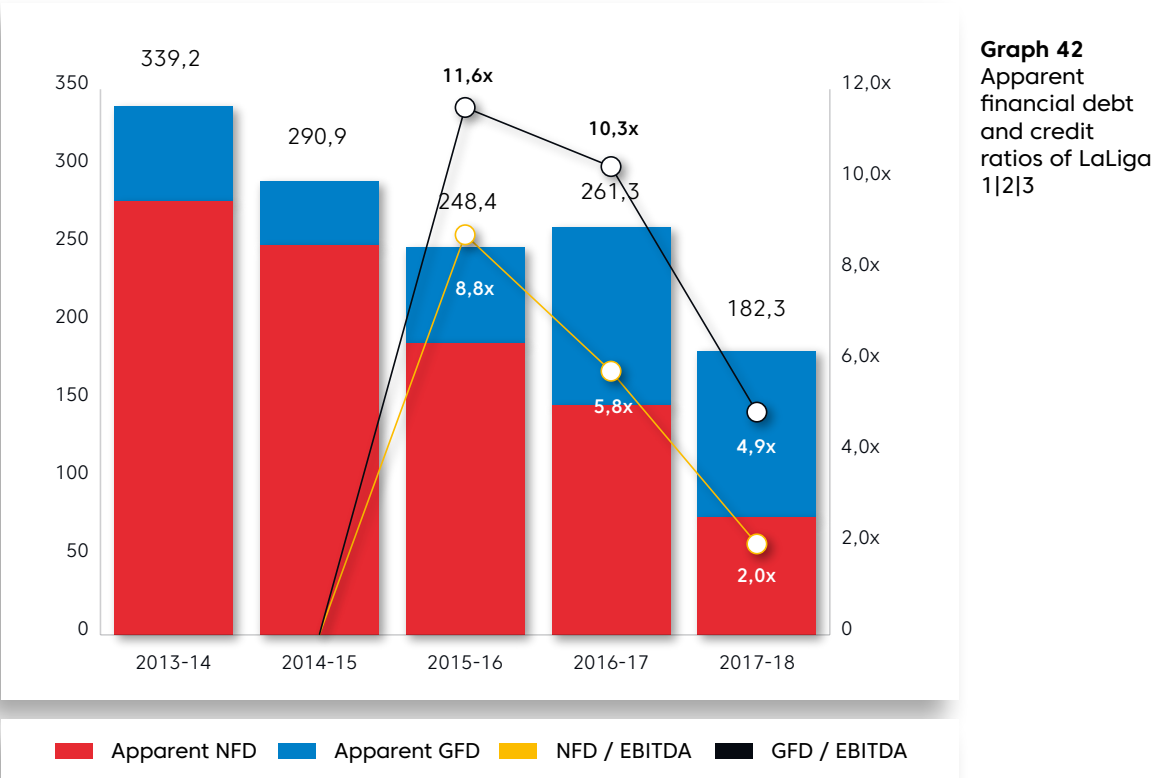
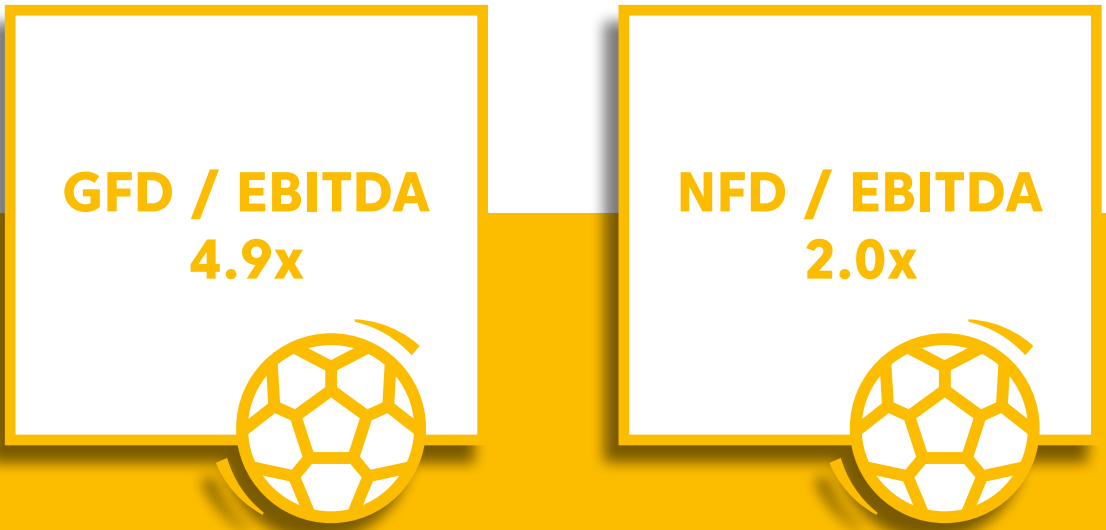
Indebtedness and solvency of LaLiga 1|2|3

The evolution of the apparent financial debt level of *LaLiga 1|2|3* has followed a very meritorious evolution in recent years.

Until the 2014-15 season, the credit debt ratio could not even be calculated, as EBITDA was in negative numbers. Only one year later, in 2015-16, the *DFB/EBITDA* index rose to 11.6x, and the *DFN/EBITDA* index to 8.8x. On the contrary, at the end of the 2017-18 season, these ratios have fallen to 4.9x and 2.0x respectively. They remain somewhat high levels, so it would be desirable to maintain the effort of relative financial deleveraging by the clubs in the Second Division in the coming years. This task will be easier to achieve if the upward trend in billing and *EBITDA* continues.

It is also worth mentioning that last season, contrary to *LaLiga Santander*, the level of gross debt in absolute terms has maintained its downward trend in 2017-18, reducing overall by -€78.9M (-30.1%).

Apparent financial debt ratios of LaLiga 1|2|3



(*) In the 2013-14 and 2014-15 seasons it is not possible to calculate the ratio since EBITDA was negative.

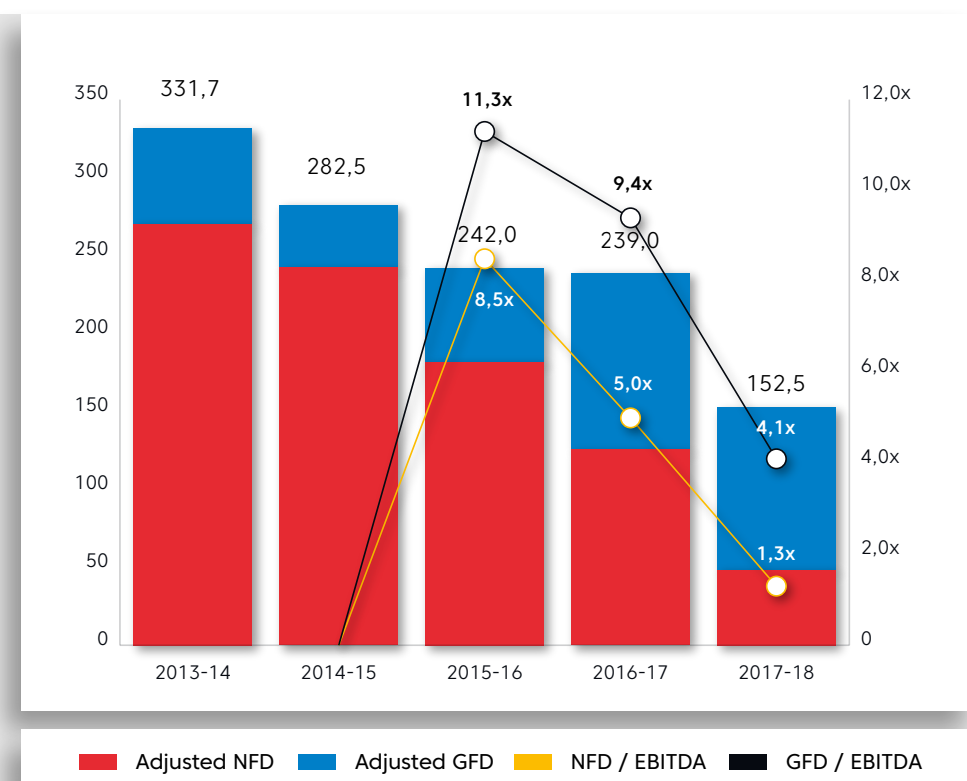
The same positive evolution has continued in the level of adjusted financial debt.

Adjusted financial debt ratios of LaLiga 1|2|3

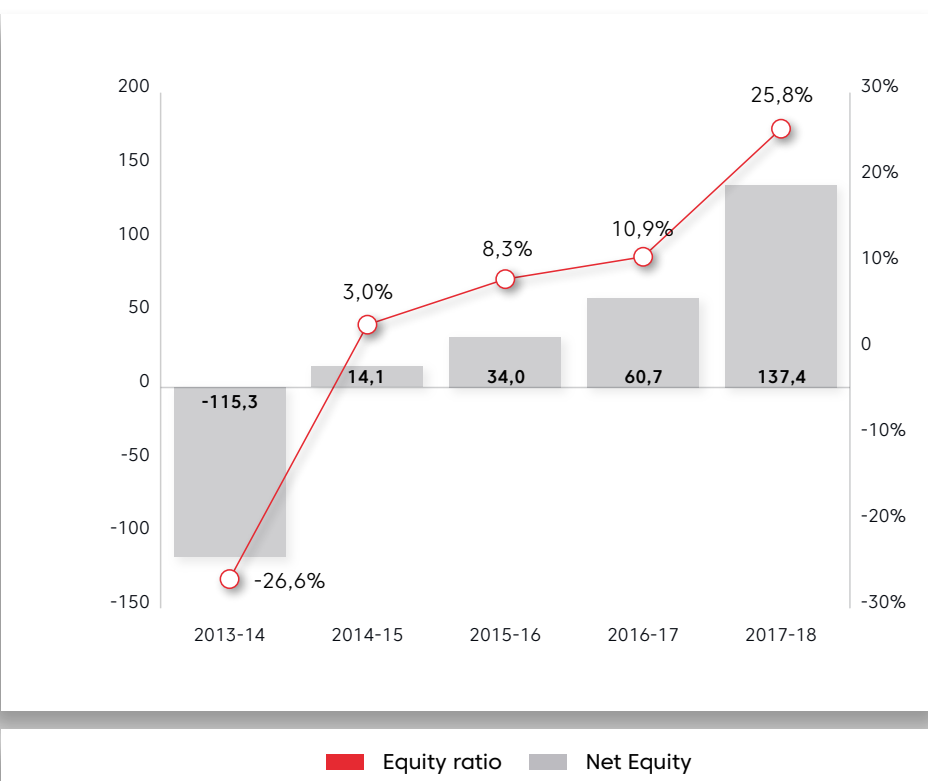


Parallel to this improvement in the degree of credit quality of the competition, *LaLiga 1|2|3* has increased its solvency rating. The *Equity* level of the competition was in red in 2013-14, amounting to -€115.3M. Five years later, it rose to €137.4M, equivalent to an increase of €252.7M, a very remarkable development.

The *Equity Ratio* increased to 25.8%, compared to 10.9% the previous season. It is a very meritorious trend, placing *LaLiga 1|2|3* at the level of *LaLiga Santander*, although capitalisation efforts by some individual clubs have yet to continue. This objective can reasonably be achieved in a short period of time, if the current rate of business growth and competition results is maintained.



Graph 43
Adjusted financial debt and credit ratios of LaLiga 1|2|3

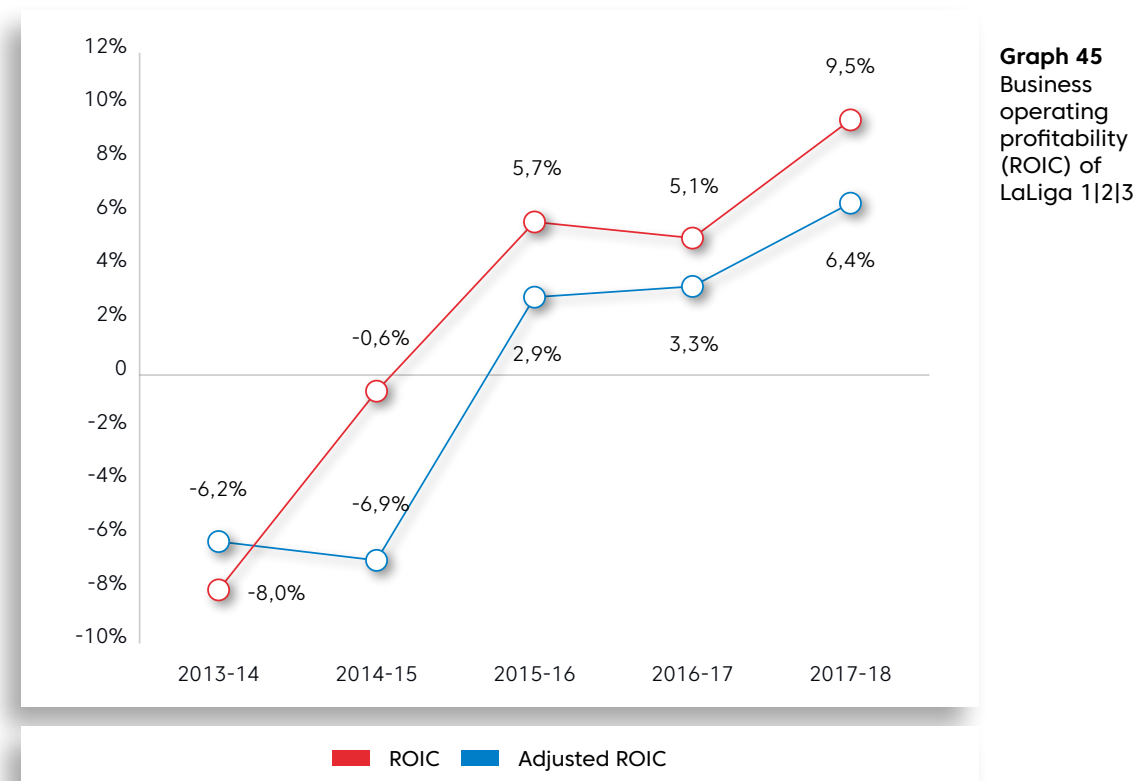


Graph 44
LaLiga 1|2|3 Net Equity and Equity Ratio (Capitalisation level)

(*) In the 2013-14 and 2014-15 seasons it is not possible to calculate the ratio since EBITDA was negative.

Profitability and value creation of LaLiga 1|2|3

The profitability of the *LaLiga 1|2|3* business has undergone a remarkable evolution from the negative levels that characterised this grouping until a few seasons ago. However, it remains several percentage points below those achieved by *LaLiga Santander*.



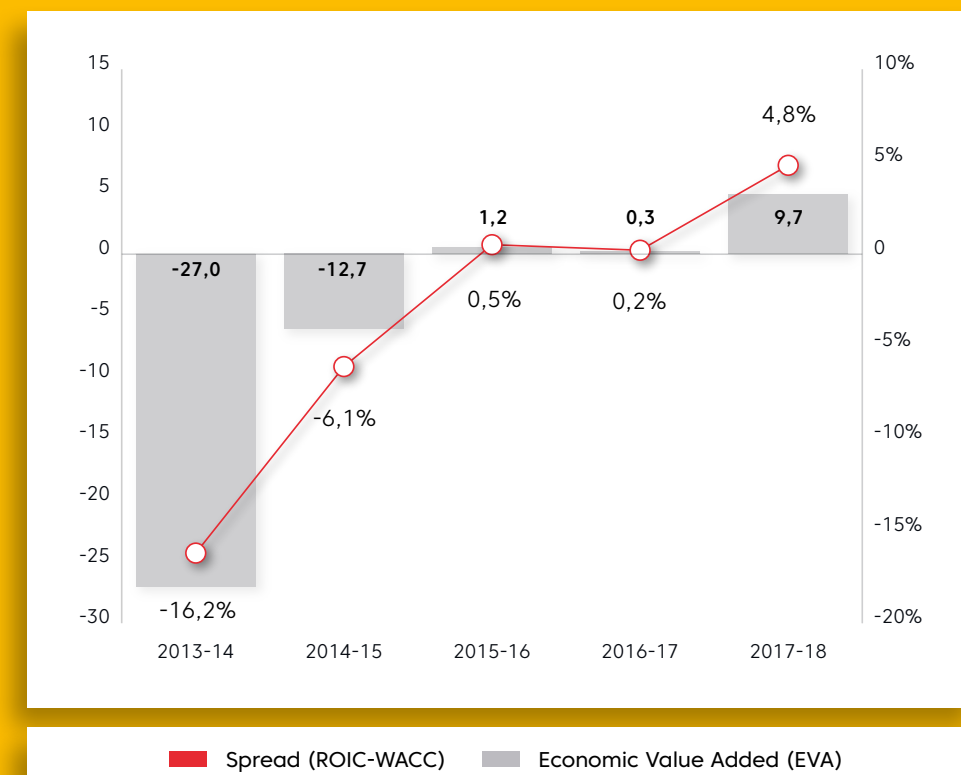
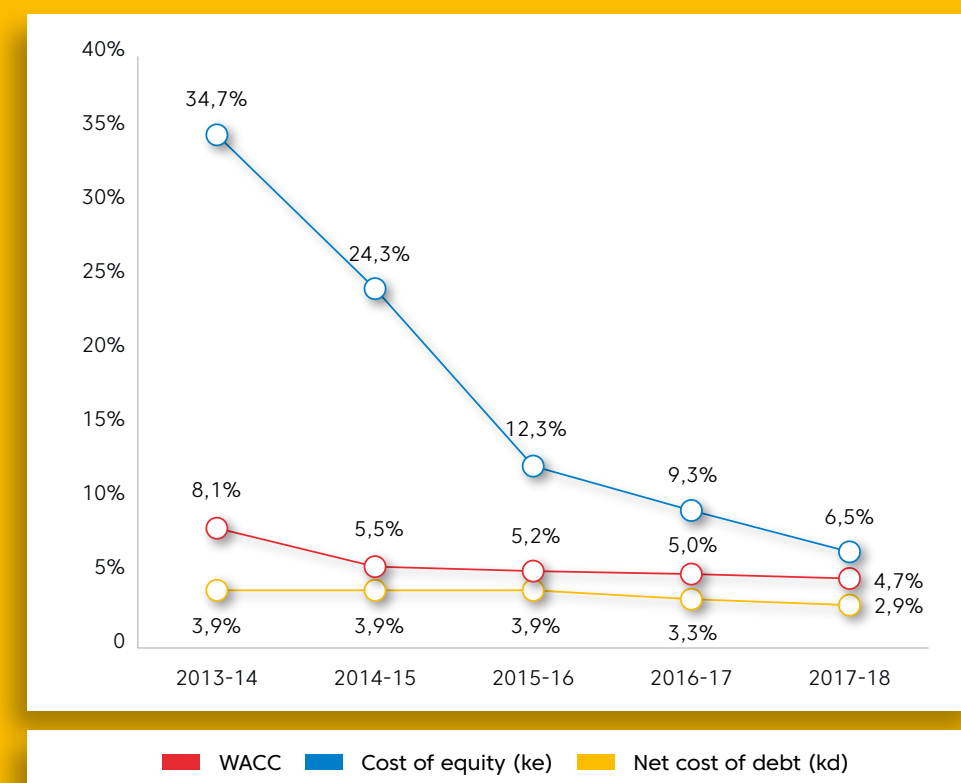
For this reason, and despite the fact that the *NOA* (i.e. capital employed) have remained practically constant, *ROIC* has grown in the 2017-18 season, rising from 5.1% to 9.5%, reaching the highest level of operating profitability in recent years.

On the other hand, the evolution of the weighted average cost of capital (*WACC*) of *LaLiga 1|2|3* has followed its downward trajectory. With 4.7% at the close of the 2017-18 season *WACC* is at an all-time low.

The deepening improvement in the average cost of financial resources that support the activity has allowed, for the first time, *LaLiga 1|2|3* has managed to take off in terms of the generation of economic value added (*EVA*) is concerned. The last two seasons I had barely reached break-even, but in 2017-18 I finally recorded a clearly positive net surplus of €9.7M.

In order for *LaLiga 1|2|3* to consolidate and increase its capacity to generate positive *EVA* in the coming seasons, it will be necessary for the grouping to achieve simultaneously:

- Maintain the level of growth of its *ROIC*, for which it is necessary to maintain the growth of turnover, operating margins and results.
- Deepen the path of financial deleveraging of the activity, still somewhat high, to allow a reduction in the cost of Debt (*kd*) and Equity (*ke*), culminating in a further decrease in *WACC* (especially as *LaLiga 1|2|3* continues to capitalise over the coming seasons and increasing the proportion of *Equity* - the most expensive funding source - in the capital structure, as opposed to Debt).





Annexes I and II

LaLiga Financial Statements

Table 1. Income Statement - LaLiga

Income Statement	2013-14	2014-15	2015-16	2016-17	2017-18
Broadcasting national comp. revenues (RDL 5/2015)	829.0	842.8	998.2	1,375.6	1,450.7
Broadcasting international comp. revenues (market pool)	-	-	-	77.1	63.1
Broadcasting friendly matches and other revenues	15.2	12.4	9.6	1.9	2.2
Broadcasting revenues	844.2	855.2	1,007.8	1,454.6	1,516.0
Income from national official competitions	231.0	134.8	141.1	153.1	160.7
Income from international official competitions	104.6	173.4	278.4	235.5	235.0
Income from friendly and other competitions	31.0	69.9	95.9	89.1	89.8
Income from members and season-ticket holders	256.7	247.6	254.3	268.9	296.6
Match day revenues	623.3	625.7	769.7	746.6	782.1
Income from shop sales	25.7	54.1	56.6	64.6	67.9
Income from sponsorship	365.6	412.0	466.6	518.0	541.1
Income from other commercial concepts	2.5	40.2	41.6	42.1	199.5
Income from the operation of facilities	-	-	-	-	29.1
Marketing and Sponsorship revenues	393.8	506.3	564.8	624.6	837.7
Advertising revenues	82.1	83.4	109.7	115.6	127.5
NTO (net turnover)	1,943.4	2,070.7	2,452.0	2,941.4	3,263.3
Other revenues	117.6	138.5	258.1	175.5	125.5
Operating Revenues	2,060.9	2,209.2	2,710.0	3,116.8	3,388.8
Procurements	(62.1)	(75.5)	(82.4)	(91.9)	(128.6)
Non-sports personnel wages	(131.1)	(162.4)	(187.7)	(208.3)	(233.2)
LaLiga registrable sports staff	(1,017.3)	(1,070.9)	(1,237.9)	(1,487.4)	(1,802.9)
LaLiga non-registrable sports staff	(83.3)	(159.5)	(173.6)	(184.4)	(191.8)
Sports staff wages	(1,100.6)	(1,230.4)	(1,411.5)	(1,671.8)	(1,994.8)
Other operating expenses	(493.1)	(487.5)	(543.6)	(697.8)	(812.0)
EBITDA before transfer of players	274.1	253.4	484.9	447.1	220.1
Profit from the transfer of players	298.7	379.9	318.7	383.6	790.6
Losses from the transfer of players	(37.1)	(39.1)	(39.9)	(47.9)	(65.9)
Result from the transfer of players	261.6	340.8	278.8	335.7	724.7
EBITDA after transfer of players	535.7	594.3	763.7	782.8	944.9
Depreciation and amortisations	(307.3)	(377.2)	(404.5)	(459.2)	(544.7)
Subsidy allocation	12.0	15.6	17.7	19.2	21.1
Excess provisions	0.8	1.7	0.6	33.0	9.6
Gains on fixed assets and exceptional income	48.6	12.6	2.1	1.9	5.9
Losses on fixed assets and exceptional expenses	(72.7)	(43.9)	(15.0)	(34.4)	(16.9)
Gains or losses on disposal of other non-current assets	(24.1)	(31.3)	(12.9)	(32.6)	(11.1)
Other results	24.2	(9.6)	(94.8)	(51.8)	(95.1)
EBIT (net operating result)	241.3	193.6	269.8	291.4	324.7
Financial income	53.1	94.6	22.8	42.7	10.8
Financial expenses	(71.1)	(89.0)	(90.2)	(70.9)	(79.5)
Impairment and results from financial instruments	(2.1)	(1.8)	(0.8)	(20.4)	(4.9)
FR (financial result)	(20.1)	3.8	(68.2)	(48.7)	(73.6)
RBT (profit before taxes)	221.2	197.4	201.6	242.7	251.0
Taxes on profits	(39.1)	(39.2)	(35.0)	(65.4)	(61.8)
NE (net earnings for the year)	182.1	158.2	166.6	177.3	189.2
Total Revenues	2,708.2	2,861.7	3,202.7	3,712.9	4,478.6
Total Expenses	(2,526.1)	(2,703.6)	(3,036.1)	(3,535.6)	(4,289.4)

Table 2. Balance Sheet - LaLiga

Balance Sheet	2013-14	2014-15	2015-16	2016-17	2017-18
NON-CURRENT ASSETS	2,933.0	3,228.9	3,133.4	3,725.2	4,197.2
Intangible assets	1,012.4	1,297.2	1,425.3	1,673.0	1,978.9
Sports intangible assets	807.4	1,004.4	1,156.9	1,354.6	1,680.3
Non-sports intangible assets	205.0	292.7	268.4	318.4	298.6
Property, plant and equipment	1,159.4	1,107.0	1,202.2	1,438.0	1,550.8
Investment property	60.1	44.9	40.4	47.8	49.6
Long-term investments in group companies and associates	42.3	63.7	57.1	59.3	76.4
Long-term financial investments	361.7	387.4	121.2	155.3	198.3
Non-current prepayments and accrued income	15.1	43.4	21.1	108.7	110.2
Deferred tax assets	282.0	285.3	266.2	243.2	232.9
CURRENT ASSETS	1,028.1	948.0	1,297.5	1,637.7	1,678.6
Non-current assets held for sale	4.9	9.3	155.2	166.1	175.7
Inventories	10.3	11.4	13.1	35.1	15.4
Trade and other receivables	513.0	536.7	606.5	666.9	700.5
Short-term investments in group companies and associates	17.3	2.7	6.2	9.3	16.3
Short-term financial investments	106.9	31.4	88.9	74.3	99.8
Current prepayments and accrued income	15.2	17.7	14.5	25.8	23.2
Cash and cash equivalents	360.7	338.8	413.2	660.2	647.7
TOTAL ASSETS	3,961.2	4,176.9	4,430.9	5,363.0	5,875.8
NET EQUITY	541.1	710.9	1,050.1	1,254.4	1,496.4
Share capital and retained earnings	369.6	489.7	860.5	1,020.2	1,285.4
Adjustments for changes in value	(12.0)	(6.5)	(7.1)	(12.0)	(6.8)
Grants, donations and legacies received	183.5	227.7	196.7	246.2	217.8
NON-CURRENT LIABILITIES	1,415.6	1,608.9	1,378.5	1,451.9	1,702.9
Long-term Debt	90.9	121.7	157.3	131.4	219.2
Non-current payables	1,106.7	1,219.0	972.0	984.7	1,143.5
Non-current payables to Group companies and associates	34.0	78.2	99.7	177.0	139.2
Deferred tax liabilities	129.4	122.4	103.8	114.6	107.3
Non-current accruals and deferred income	54.6	67.7	45.8	44.1	93.7
CURRENT LIABILITIES	2,004.5	1,857.1	2,002.2	2,656.7	2,676.5
Short-term provisions	11.4	8.4	45.2	45.5	31.3
Short term Debt	627.8	456.7	538.7	639.8	538.8
Current payables to Group companies and associates	2.0	6.6	14.7	10.7	2.8
Trade and other payables	1,138.1	1,166.4	1,218.7	1,478.2	1,597.6
Current accruals and deferred income	225.2	219.0	185.0	482.5	505.9
TOTAL EQUITY AND LIABILITIES	3,961.2	4,176.9	4,430.9	5,363.0	5,875.8

Table 3. Cash Flow Waterfall- LaLiga

Cash Flow	2013-14	2014-15	2015-16	2016-17	2017-18
A. Net earnings for the year (NE)	182.1	158.2	166.6	177.3	189.2
B. Adjustments to NE	122.5	171.9	267.7	275.8	(9.5)
A. + B. Funds generated from operations (FGO)	304.6	330.1	434.3	453.1	179.7
C. Net working capital investment (WK)	(44.9)	(12.1)	(39.5)	440.5	121.6
A. + B. + C. Cash flow from operations (CFO)	259.8	318.0	394.8	893.5	301.3
D1. Net investment in recurring operating capacity (CAPEX)	(108.4)	(253.0)	(193.5)	(437.6)	(359.9)
- Recurring investment in players	(383.0)	(533.6)	(534.7)	(573.9)	(733.9)
+ Recurring divestment in players	402.2	453.1	399.8	414.3	599.1
- Recurring investment in other productive assets	(146.1)	(245.9)	(256.9)	(303.5)	(235.2)
+ Recurring divestment in other productive assets	18.4	73.4	198.3	25.5	10.1
A. + B. + C. + D1. Recurring free cash flow (RFCF)	151.3	65.1	201.3	455.9	(58.6)
D2. Investment in non-recurring operating capacity (CAPEX)	21.9	(104.4)	(204.0)	(210.3)	60.0
- Non-recurring investment in players	(50.7)	(138.6)	(143.8)	(167.1)	(344.6)
+ Non-recurring divestment in players	81.5	69.5	47.8	83.9	418.5
- Non-recurring investment in other productive assets	(9.0)	(162.8)	(120.0)	(154.1)	(26.9)
+ Non-recurring divestment in other productive assets	0.1	127.4	12.0	27.1	13.0
A. + B. + C. + D1. + D2. Total free cash flow (FCF)	173.2	(39.4)	(2.7)	245.6	1.4
- Financial expenses	(71.3)	(89.8)	(90.9)	(91.4)	(84.4)
+/- Variation in financial debt (with FS)	(72.4)	(33.0)	8.5	80.5	(24.3)
+/- Variation in financial debt (not with FS)	(1.4)	37.9	(121.9)	103.0	78.8
+ Financial income	52.2	94.6	22.8	42.7	10.8
+/- Variation in other ST or LT financial assets and liabilities	(31.5)	(15.1)	0.4	(88.4)	44.7
+/- Net investment in financial assets	(10.7)	47.2	63.5	(30.1)	(97.8)
A. + B. + C. + D. + E. Equity cash flow (ECF)	38.0	2.4	(120.4)	262.0	(70.8)
F. Cash flows from own resources (Equity)	5.0	(23.8)	192.8	(12.1)	64.8
+/- Changes in capital and other equity instruments	5.0	(23.8)	192.8	(12.1)	66.3
+ Grants, donations and legacies received	-	-	-	-	0.0
- Payment of dividends	-	-	-	-	(1.6)
A. + B. + C. + D. + E. + F. Net change in annual cash flows	43.0	(21.4)	72.4	249.9	(6.0)
Cash and cash equivalents, beginning balance	317.7	360.2	340.7	410.3	653.7
+/- Impact of exchange rates on the cash balance	-	-	-	-	-
+/- Net change in annual cash flows	43.0	(21.4)	72.5	249.9	(6.0)
Cash and cash equivalents, closing balance	360.7	338.8	413.2	660.2	647.7

LaLiga Santander Financial Statements

Table 4. Income Statement - LaLiga Santander

Income Statement	2013-14	2014-15	2015-16	2016-17	2017-18
Broadcasting national comp. revenues (RDL 5/2015)	784.1	786.6	934.3	1,240.3	1,316.4
Broadcasting international comp. revenues (market pool)	-	-	-	77.1	62.2
Broadcasting friendly matches and other revenues	-	-	-	1.9	2.0
Broadcasting revenues	784.1	786.6	934.3	1,319.3	1,380.5
Income from national official competitions	222.7	126.8	135.9	148.1	152.1
Income from international official competitions	104.5	173.0	277.5	234.4	234.2
Income from friendly and other competitions	30.4	69.6	95.3	88.4	89.4
Income from members and season-ticket holders	233.4	217.8	230.3	245.4	266.4
Match day revenues	591.0	587.3	739.0	716.2	742.1
Income from shop sales	23.1	51.6	53.2	60.6	63.4
Income from sponsorship	357.0	403.0	458.7	508.3	532.0
Income from other commercial concepts	1.8	38.3	36.9	41.6	199.1
Income from the operation of facilities	-	-	-	-	28.9
Marketing and Sponsorship revenues	381.9	492.8	548.8	610.5	823.4
Advertising revenues	72.3	72.3	93.8	98.4	108.2
NTO (net turnover)	1,829.3	1,938.9	2,315.9	2,744.4	3,054.3
Other revenues	95.2	111.1	195.2	127.3	74.3
Operating Revenues	1,924.4	2,050.0	2,511.1	2,871.6	3,128.6
Procurements	(56.3)	(67.9)	(75.6)	(82.5)	(120.0)
Non-sports personnel wages	(114.8)	(140.2)	(164.2)	(180.7)	(201.5)
LaLiga registrable sports staff	(938.7)	(995.4)	(1,151.9)	(1,364.0)	(1,679.4)
LaLiga non-registrable sports staff	(74.9)	(146.2)	(159.8)	(171.6)	(173.7)
Sports staff wages	(1,013.5)	(1,141.7)	(1,311.7)	(1,535.6)	(1,853.2)
Other operating expenses	(443.1)	(433.2)	(479.1)	(617.6)	(728.1)
EBITDA before transfer of players	296.7	267.1	480.5	455.3	225.8
Profit from the transfer of players	273.2	366.2	302.0	347.7	747.1
Losses from the transfer of players	(33.3)	(36.8)	(40.2)	(45.5)	(65.0)
Result from the transfer of players	239.8	329.3	261.9	302.2	682.1
EBITDA after transfer of players	536.6	596.4	742.3	757.5	907.9
Depreciation and amortisations	(293.4)	(359.1)	(392.3)	(442.8)	(524.9)
Subsidy allocation	5.3	8.7	11.2	11.9	12.5
Excess provisions	0.4	0.7	0.5	32.9	8.9
Gains on fixed assets and exceptional income	47.2	1.2	1.0	1.6	4.1
Losses on fixed assets and exceptional expenses	(71.6)	(42.9)	(13.4)	(32.7)	(16.6)
Gains or losses on disposal of other non-current assets	(24.4)	(41.7)	(12.5)	(31.2)	(12.5)
Other results	36.0	(9.7)	(97.5)	(50.9)	(92.6)
EBIT (net operating result)	260.5	195.3	251.8	277.3	299.2
Financial income	14.1	68.3	22.2	31.1	10.5
Financial expenses	(65.2)	(80.0)	(85.9)	(61.9)	(75.7)
Impairment and results from financial instruments	(1.8)	(0.8)	(1.3)	(16.7)	(4.9)
FR (financial result)	(52.8)	(12.6)	(65.0)	(47.5)	(70.1)
RBT (profit before taxes)	207.7	182.7	186.7	229.8	229.0
Taxes on profits	(30.0)	(38.6)	(33.8)	(61.9)	(58.7)
NE (net earnings for the year)	177.8	144.1	153.0	167.9	170.3
Total Revenues	2,501.6	2,634.4	2,977.8	3,411.4	4,151.7
Total Expenses	(2,323.8)	(2,490.3)	(2,824.9)	(3,243.5)	(3,981.4)

Table 5. Balance Sheet - LaLiga Santander

Balance Sheet	2013-14	2014-15	2015-16	2016-17	2017-18
NON-CURRENT ASSETS	2,564.3	2,814.6	2,801.9	3,295.4	3,789.1
Intangible assets	849.2	1,053.2	1,245.0	1,503.6	1,754.1
Sports intangible assets	774.5	968.0	1,127.6	1,319.7	1,642.2
Non-sports intangible assets	74.7	85.2	117.4	183.9	111.9
Property, plant and equipment	1,084.8	1,048.5	1,152.0	1,336.6	1,501.2
Investment property	44.0	25.6	20.9	31.3	29.6
Long-term investments in group companies and associates	38.1	63.0	48.3	52.0	69.7
Long-term financial investments	321.2	364.0	96.2	97.4	144.8
Non-current prepayments and accrued income	15.1	43.4	21.0	108.7	110.2
Deferred tax assets	211.9	217.0	218.4	165.9	179.6
CURRENT ASSETS	962.9	894.0	1,217.9	1,511.1	1,554.1
Non-current assets held for sale	4.9	8.7	155.2	166.1	175.7
Inventories	8.3	10.3	11.6	32.8	14.3
Trade and other receivables	475.1	503.9	569.1	602.8	635.8
Short-term investments in group companies and associates	15.5	1.3	2.2	7.6	12.5
Short-term financial investments	99.3	23.8	72.5	57.9	89.5
Current prepayments and accrued income	12.4	17.2	13.9	23.6	21.8
Cash and cash equivalents	347.4	328.8	393.5	620.2	604.5
TOTAL ASSETS	3,527.2	3,708.6	4,019.7	4,806.5	5,343.2
NET EQUITY	656.3	696.8	1,016.2	1,193.8	1,359.0
Share capital and retained earnings	597.9	593.6	913.3	1,029.4	1,265.1
Adjustments for changes in value	(12.0)	(12.0)	(12.0)	-	(10.8)
Grants, donations and legacies received	70.4	115.2	114.9	164.4	104.7
NON-CURRENT LIABILITIES	1,045.1	1,316.1	1,115.9	1,163.8	1,469.5
Long-term Debt	84.6	117.2	149.9	83.4	173.4
Non-current payables	813.0	980.6	760.5	801.7	1,027.9
Non-current payables to Group companies and associates	20.3	63.6	87.1	151.8	107.6
Deferred tax liabilities	73.9	88.2	74.6	84.9	67.3
Non-current accruals and deferred income	53.3	66.4	43.8	42.0	93.3
CURRENT LIABILITIES	1,825.8	1,695.8	1,887.7	2,448.9	2,514.8
Short-term provisions	9.3	8.0	43.6	41.1	29.3
Short term Debt	598.0	421.4	519.0	592.1	504.6
Current payables to Group companies and associates	-	4.0	10.1	5.4	2.0
Trade and other payables	997.2	1,049.7	1,136.2	1,359.2	1,501.3
Current accruals and deferred income	221.3	212.7	178.8	451.2	477.5
TOTAL EQUITY AND LIABILITIES	3,527.2	3,708.6	4,019.7	4,806.5	5,343.2

Table 6. Cash Flow Waterfall- LaLiga Santander

Cash Flow	2013-14	2014-15	2015-16	2016-17	2017-18
A. Net earnings for the year (NE)	177.8	144.1	153.0	167.9	170.3
B. Adjustments to NE	158.8	142.1	272.1	254.9	29.5
A. + B. Funds generated from operations (FGO)	336.6	286.2	425.0	422.8	199.8
C. Net working capital investment (WK)	(87.5)	5.9	(6.0)	410.4	109.8
A. + B. + C. Cash flow from operations (CFO)	249.0	292.2	419.0	833.3	309.6
D1. Net investment in recurring operating capacity (CAPEX)	(135.5)	(271.1)	(198.9)	(457.0)	(383.4)
- Recurring investment in players	(379.7)	(515.9)	(531.0)	(570.7)	(724.2)
+ Recurring divestment in players	372.0	433.3	385.1	382.1	562.4
- Recurring investment in other productive assets	(143.8)	(215.3)	(249.4)	(289.5)	(229.5)
+ Recurring divestment in other productive assets	16.0	26.8	196.4	21.2	7.8
A. + B. + C. + D1. Recurring free cash flow (RFCF)	113.6	21.1	220.2	376.3	(73.8)
D2. Investment in non-recurring operating capacity (CAPEX)	25.7	(89.9)	(204.0)	(191.7)	50.8
- Non-recurring investment in players	(47.0)	(117.8)	(142.6)	(165.1)	(339.5)
+ Non-recurring divestment in players	81.4	69.4	44.5	80.3	402.8
- Non-recurring investment in other productive assets	(8.8)	(99.1)	(117.1)	(133.0)	(24.0)
+ Non-recurring divestment in other productive assets	0.1	57.6	11.3	26.1	11.4
A. + B. + C. + D1. + D2. Total free cash flow (FCF)	139.2	(68.9)	16.2	184.6	(23.1)
- Financial expenses	(66.9)	(80.8)	(87.2)	(78.6)	(80.6)
+/- Variation in financial debt (with FS)	(67.2)	(29.5)	9.0	89.6	(22.8)
+/- Variation in financial debt (not with FS)	71.1	88.5	(135.7)	133.9	110.4
+ Financial income	14.1	68.3	22.2	31.1	10.5
+/- Variation in other ST or LT financial assets and liabilities	(30.6)	(15.1)	0.9	(89.5)	45.4
+/- Net investment in financial assets	(8.7)	23.9	71.8	(39.9)	(98.0)
A. + B. + C. + D. + E. Equity cash flow (ECF)	51.1	(13.7)	(102.8)	231.1	(58.2)
F. Cash flows from own resources (Equity)	2.6	6.2	168.8	(5.1)	53.3
+/- Changes in capital and other equity instruments	2.6	6.2	168.8	(5.1)	54.8
+ Grants, donations and legacies received	-	-	-	-	0.0
- Payment of dividends	-	-	-	-	(1.6)
A. + B. + C. + D. + E. + F. Net change in annual cash flows	53.7	(7.5)	66.0	226.0	(5.0)
Cash and cash equivalents, beginning balance	293.8	336.3	327.5	394.3	609.5
+/- Impact of exchange rates on the cash balance	-	-	-	-	-
+/- Net change in annual cash flows	53.7	(7.5)	66.0	226.0	(5.0)
Cash and cash equivalents, closing balance	347.4	328.8	393.5	620.2	604.5

LaLiga 1|2|3 Financial Statements

Table 7. Income Statement - LaLiga 1|2|3

Income Statement	2013-14	2014-15	2015-16	2016-17	2017-18
Broadcasting national comp. revenues (RDL 5/2015)	44.9	56.2	64.0	135.3	134.4
Broadcasting international comp. revenues (market pool)	-	-	-	-	0.9
Broadcasting friendly matches and other revenues	15.2	12.4	9.6	0.0	0.2
Broadcasting revenues	60.1	68.6	73.6	135.3	135.4
Income from national official competitions	8.3	8.0	5.2	5.0	8.6
Income from international official competitions	0.1	0.3	0.9	1.1	0.9
Income from friendly and other competitions	0.6	0.3	0.5	0.7	0.4
Income from members and season-ticket holders	23.4	29.9	24.1	23.5	30.2
Match day revenues	32.3	38.4	30.6	30.4	40.0
Income from shop sales	2.5	2.6	3.4	4.0	4.5
Income from sponsorship	8.6	9.0	7.9	9.6	9.1
Income from other commercial concepts	0.7	1.9	4.7	0.5	0.5
Income from the operation of facilities	-	-	-	-	0.2
Marketing and Sponsorship revenues	11.9	13.5	15.9	14.1	14.3
Advertising revenues	9.8	11.2	15.9	17.2	19.3
NTO (net turnover)	114.1	131.8	136.0	197.0	209.0
Other revenues	22.4	27.4	62.9	48.2	51.2
Operating Revenues	136.5	159.2	198.9	245.2	260.2
Procurements	(5.8)	(7.6)	(6.8)	(9.4)	(8.6)
Non-sports personnel wages	(16.3)	(22.1)	(23.5)	(27.6)	(31.7)
LaLiga registrable sports staff	(78.6)	(75.4)	(86.0)	(123.5)	(123.5)
LaLiga non-registrable sports staff	(8.4)	(13.3)	(13.8)	(12.8)	(18.1)
Sports staff wages	(87.0)	(88.7)	(99.8)	(136.2)	(141.6)
Other operating expenses	(50.0)	(54.3)	(64.4)	(80.2)	(83.9)
EBITDA before transfer of players	(22.6)	(13.6)	4.4	(8.2)	(5.7)
Profit from the transfer of players	25.5	13.7	16.7	36.0	43.5
Losses from the transfer of players	(3.7)	(2.3)	0.3	(2.4)	(0.8)
Result from the transfer of players	21.8	11.5	17.0	33.5	42.7
EBITDA after transfer of players	(0.8)	(2.2)	21.4	25.3	37.0
Depreciation and amortisations	(13.9)	(18.1)	(12.3)	(16.4)	(19.8)
Subsidy allocation	6.6	7.0	6.4	7.4	8.6
Excess provisions	0.4	1.0	0.2	0.1	0.8
Gains on fixed assets and exceptional income	1.4	11.4	1.2	0.3	1.7
Losses on fixed assets and exceptional expenses	(1.1)	(1.0)	(1.6)	(1.7)	(0.3)
Gains or losses on disposal of other non-current assets	0.4	10.4	(0.4)	(1.4)	1.4
Other results	(11.9)	0.1	2.8	(0.9)	(2.5)
EBIT (net operating result)	(19.2)	(1.8)	18.1	14.1	25.5
Financial income	39.0	26.3	0.6	11.6	0.3
Financial expenses	(5.9)	(8.9)	(4.3)	(9.0)	(3.8)
Impairment and results from financial instruments	(0.4)	(1.0)	0.5	(3.7)	(0.0)
FR (financial result)	32.7	16.4	(3.2)	(1.1)	(3.5)
RBT (profit before taxes)	13.4	14.7	14.9	12.9	22.0
Taxes on profits	(9.1)	(0.6)	(1.3)	(3.6)	(3.1)
NE (net earnings for the year)	4.3	14.1	13.6	9.4	18.9
Total Revenues	206.6	227.3	224.8	301.4	326.8
Total Expenses	(202.3)	(213.3)	(211.2)	(292.1)	(307.9)

Table 8. Balance Sheet - LaLiga 1|2|3

Balance Sheet	2013-14	2014-15	2015-16	2016-17	2017-18
NON-CURRENT ASSETS	368.7	414.3	331.5	429.9	408.0
Intangible assets	163.2	244.0	180.3	169.4	224.8
Sports intangible assets	32.9	36.5	29.3	34.9	38.1
Non-sports intangible assets	130.3	207.5	151.0	134.5	186.7
Property, plant and equipment	74.5	58.5	50.2	101.4	49.6
Investment property	16.2	19.3	19.6	16.5	20.1
Long-term investments in group companies and associates	4.2	0.8	8.7	7.3	6.7
Long-term financial investments	40.5	23.4	25.0	57.9	53.5
Non-current prepayments and accrued income	-	-	0.1	-	-
Deferred tax assets	70.1	68.3	47.7	77.4	53.4
CURRENT ASSETS	65.3	54.0	79.6	126.6	124.5
Non-current assets held for sale	-	0.6	-	-	-
Inventories	1.9	1.1	1.5	2.3	1.1
Trade and other receivables	37.9	32.8	37.4	64.1	64.7
Short-term investments in group companies and associates	1.8	1.3	4.0	1.7	3.7
Short-term financial investments	7.6	7.7	16.4	16.3	10.3
Current prepayments and accrued income	2.8	0.5	0.6	2.2	1.5
Cash and cash equivalents	13.2	10.0	19.7	40.0	43.1
TOTAL ASSETS	434.0	468.2	411.1	556.5	532.5
NET EQUITY	(115.3)	14.1	34.0	60.7	137.4
Share capital and retained earnings	(228.4)	(103.9)	(52.8)	(9.1)	20.4
Adjustments for changes in value	0.0	5.5	4.9	(12.0)	4.0
Grants, donations and legacies received	113.1	112.5	81.8	81.8	113.1
NON-CURRENT LIABILITIES	370.6	292.8	262.6	288.0	233.4
Long-term Debt	6.3	4.4	7.4	48.0	45.8
Non-current payables	293.7	238.4	211.4	183.0	115.7
Non-current payables to Group companies and associates	13.7	14.6	12.6	25.2	31.6
Deferred tax liabilities	55.5	34.1	29.2	29.7	40.0
Non-current accruals and deferred income	1.3	1.3	2.0	2.1	0.4
CURRENT LIABILITIES	178.7	161.3	114.5	207.8	161.7
Short-term provisions	2.1	0.4	1.6	4.4	2.0
Short term Debt	29.8	35.3	19.7	47.7	34.3
Current payables to Group companies and associates	2.0	2.7	4.6	5.3	0.8
Trade and other payables	140.9	116.7	82.5	119.0	96.2
Current accruals and deferred income	3.9	6.3	6.1	31.3	28.4
TOTAL EQUITY AND LIABILITIES	434.0	468.2	411.1	556.5	532.5

Table 9. Cash Flow Waterfall- LaLiga 1|2|3

Cash Flow	2013-14	2014-15	2015-16	2016-17	2017-18
A. Net earnings for the year (NE)	4.3	14.1	13.6	9.4	18.9
B. Adjustments to NE	(36.3)	29.8	(4.3)	20.8	(39.0)
A. + B. Funds generated from operations (FGO)	(31.9)	43.9	9.3	30.2	(20.1)
C. Net working capital investment (WK)	42.7	(18.0)	(33.5)	30.0	11.8
A. + B. + C. Cash flow from operations (CFO)	10.7	25.9	(24.2)	60.3	(8.3)
D1. Net investment in recurring operating capacity (CAPEX)	27.1	18.2	5.3	19.4	23.5
- Recurring investment in players	(3.4)	(17.7)	(3.8)	(3.2)	(9.7)
+ Recurring divestment in players	30.2	19.8	14.7	32.2	36.7
- Recurring investment in other productive assets	(2.2)	(30.5)	(7.5)	(13.9)	(5.8)
+ Recurring divestment in other productive assets	2.5	46.6	1.9	4.3	2.3
A. + B. + C. + D1. Recurring free cash flow (RFCF)	37.8	44.0	(18.9)	79.7	15.3
D2. Investment in non-recurring operating capacity (CAPEX)	(3.8)	(14.5)	(0.1)	(18.6)	9.2
- Non-recurring investment in players	(3.7)	(20.8)	(1.2)	(2.0)	(5.1)
+ Non-recurring divestment in players	0.1	0.1	3.3	3.6	15.7
- Non-recurring investment in other productive assets	(0.2)	(63.6)	(3.0)	(21.1)	(3.0)
+ Non-recurring divestment in other productive assets	-	69.8	0.7	1.0	1.6
A. + B. + C. + D1. + D2. Total free cash flow (FCF)	34.0	29.5	(18.9)	61.0	24.5
- Financial expenses	(4.4)	(9.0)	(3.7)	(12.8)	(3.8)
+/- Variation in financial debt (with FS)	(5.3)	(3.5)	(0.5)	(9.1)	(1.5)
+/- Variation in financial debt (not with FS)	(72.5)	(50.6)	13.8	(30.8)	(31.6)
+ Financial income	38.1	26.3	0.6	11.6	0.3
+/- Variation in other ST or LT financial assets and liabilities	(0.9)	0.0	(0.5)	1.1	(0.7)
+/- Net investment in financial assets	(2.1)	23.3	(8.3)	9.8	0.2
A. + B. + C. + D. + E. Equity cash flow (ECF)	(13.1)	16.1	(17.6)	30.9	(12.6)
F. Cash flows from own resources (Equity)	2.4	(30.0)	24.1	(7.0)	11.5
+/- Changes in capital and other equity instruments	2.4	(30.0)	24.1	(7.0)	11.5
+ Grants, donations and legacies received	-	-	-	-	-
- Payment of dividends	-	-	-	-	-
A. + B. + C. + D. + E. + F. Net change in annual cash flows	(10.7)	(13.9)	6.4	23.9	(1.1)
Cash and cash equivalents, beginning balance	23.9	23.9	13.2	16.1	44.2
+/- Impact of exchange rates on the cash balance	-	-	-	-	-
+/- Net change in annual cash flows	(10.7)	(13.9)	6.5	23.9	(1.1)
Cash and cash equivalents, closing balance	13.2	10.0	19.7	40.0	43.1

Netted LaLiga Financial Statements

Table 10. Income Statement - Netted LaLiga

Income Statement	2013-14	2014-15	2015-16	2016-17	2017-18
Broadcasting national comp. revenues (RDL 5/2015)	505.4	516.7	662.5	1,082.9	1,149.0
Broadcasting international comp. revenues (market pool)	-	-	-	28.3	0.9
Broadcasting friendly matches and other revenues	15.2	12.4	9.6	0.1	0.3
Broadcasting revenues	520.6	529.1	672.1	1,111.3	1,150.2
Income from national official competitions	57.2	44.4	45.3	44.9	47.7
Income from international official competitions	97.4	104.1	186.1	133.4	135.8
Income from friendly and other competitions	6.5	6.4	11.2	7.3	11.4
Income from members and season-ticket holders	133.3	147.4	158.8	168.3	186.7
Match day revenues	294.3	302.3	401.3	353.9	381.7
Income from shop sales	25.7	30.1	35.5	39.4	41.5
Income from sponsorship	35.0	42.2	49.0	58.1	76.0
Income from other commercial concepts	2.5	8.0	11.8	15.9	59.9
Income from the operation of facilities	-	-	-	-	0.2
Marketing and Sponsorship revenues	63.2	80.3	96.3	113.4	177.6
Advertising revenues	81.9	80.0	105.8	113.7	126.8
NTO (net turnover)	960.0	991.7	1,275.5	1,692.3	1,836.3
Other revenues	66.9	79.6	195.0	108.0	112.4
Operating Revenues	1,027.0	1,071.3	1,470.5	1,800.3	1,948.7
Procurements	(35.4)	(44.3)	(53.2)	(58.6)	(92.5)
Non-sports personnel wages	(75.8)	(97.7)	(115.8)	(128.7)	(147.6)
LaLiga registrable sports staff	(572.3)	(555.1)	(693.4)	(867.9)	(1,007.0)
LaLiga non-registrable sports staff	(56.9)	(62.4)	(70.9)	(73.2)	(81.0)
Sports staff wages	(629.2)	(617.5)	(764.3)	(941.2)	(1,088.0)
Other operating expenses	(239.5)	(257.0)	(306.6)	(407.8)	(455.5)
EBITDA before transfer of players	47.1	54.7	230.5	264.0	165.1
Profit from the transfer of players	213.2	260.2	250.7	296.5	518.5
Losses from the transfer of players	(26.0)	(20.1)	(23.2)	(35.0)	(52.6)
Result from the transfer of players	187.2	240.1	227.6	261.6	465.9
EBITDA after transfer of players	234.3	294.8	458.1	525.6	631.0
Depreciation and amortisations	(135.4)	(159.2)	(209.1)	(268.8)	(309.9)
Subsidy allocation	11.6	15.3	17.0	18.9	20.7
Excess provisions	0.7	1.0	0.6	2.5	5.4
Gains on fixed assets and exceptional income	48.6	12.6	2.1	1.9	5.2
Losses on fixed assets and exceptional expenses	(72.7)	(43.4)	(6.2)	(5.5)	(16.9)
Gains or losses on disposal of other non-current assets	(24.1)	(30.8)	(4.1)	(3.6)	(11.8)
Other results	38.6	(18.0)	(80.4)	(41.8)	(87.6)
EBIT (net operating result)	125.7	103.2	182.0	232.8	247.8
Financial income	47.1	88.2	12.0	36.0	8.7
Financial expenses	(53.8)	(66.2)	(70.7)	(63.2)	(63.7)
Impairment and results from financial instruments	(0.8)	(1.8)	(0.8)	(20.4)	(4.9)
FR (financial result)	(7.5)	20.3	(59.5)	(47.7)	(59.9)
RBT (profit before taxes)	118.1	123.4	122.4	185.1	187.9
Taxes on profits	(15.7)	(22.4)	(14.9)	(47.3)	(42.8)
NE (net earnings for the year)	102.5	101.0	107.6	137.8	145.1
Total Revenues	1,518.5	1,543.0	1,867.9	2,265.0	2,700.3
Total Expenses	(1,416.0)	(1,442.0)	(1,760.3)	(2,127.2)	(2,555.2)

Table 11. Balance Sheet - Netted LaLiga

Balance Sheet	2013-14	2014-15	2015-16	2016-17	2017-18
NON-CURRENT ASSETS	1,877.5	2,007.9	2,015.6	2,417.6	2,682.3
Intangible assets	535.9	718.8	872.5	1,052.9	1,192.9
Sports intangible assets	339.7	448.7	621.8	752.1	912.7
Non-sports intangible assets	196.2	270.1	250.7	300.8	280.3
Property, plant and equipment	699.0	650.3	735.7	959.2	1,053.0
Investment property	41.9	27.0	24.0	24.0	24.3
Long-term investments in group companies and associates	41.8	62.9	56.1	59.1	75.3
Long-term financial investments	310.3	319.5	103.4	109.8	131.6
Non-current prepayments and accrued income	1.4	1.3	1.7	1.3	6.0
Deferred tax assets	247.3	228.1	222.1	211.2	199.2
CURRENT ASSETS	612.4	522.0	823.7	1,110.6	1,088.2
Non-current assets held for sale	4.9	9.3	155.2	166.1	175.7
Inventories	7.9	9.0	10.5	32.6	11.7
Trade and other receivables	316.3	305.7	382.4	422.5	353.1
Short-term investments in group companies and associates	17.3	2.7	6.2	9.3	16.3
Short-term financial investments	106.8	31.4	84.9	72.3	97.1
Current prepayments and accrued income	11.9	10.2	10.0	18.4	17.1
Cash and cash equivalents	147.3	153.8	174.6	389.4	417.2
TOTAL ASSETS	2,489.9	2,529.9	2,839.3	3,528.1	3,770.5
NET EQUITY	118.1	230.1	510.6	675.6	873.7
Share capital and retained earnings	(45.5)	16.6	328.3	448.6	669.7
Adjustments for changes in value	(12.0)	(6.5)	(7.1)	(12.0)	(6.8)
Grants, donations and legacies received	175.7	220.1	189.4	239.1	210.8
NON-CURRENT LIABILITIES	1,114.7	1,259.5	1,159.6	1,232.8	1,363.8
Long-term Debt	54.9	79.3	110.2	114.3	179.0
Non-current payables	895.0	982.4	840.3	819.9	901.8
Non-current payables to Group companies and associates	34.0	78.2	99.7	177.0	139.2
Deferred tax liabilities	108.6	92.7	87.6	99.7	90.4
Non-current accruals and deferred income	22.2	26.9	21.8	21.9	53.3
CURRENT LIABILITIES	1,257.2	1,040.3	1,169.2	1,619.7	1,533.0
Short-term provisions	2.2	1.7	3.2	30.5	28.5
Short term Debt	468.8	313.9	384.7	539.2	422.2
Current payables to Group companies and associates	2.0	6.6	14.7	10.7	2.8
Trade and other payables	729.8	643.8	681.4	796.1	863.6
Current accruals and deferred income	54.4	74.3	85.1	243.3	215.9
TOTAL EQUITY AND LIABILITIES	2,489.9	2,529.9	2,839.3	3,528.1	3,770.5

Table 12. Cash Flow Waterfall- Netted LaLiga

Cash Flow	2013-14	2014-15	2015-16	2016-17	2017-18
A. Net earnings for the year (NE)	102.5	101.0	107.6	137.8	145.1
B. Adjustments to NE	(1.5)	50.0	65.2	172.7	(10.5)
A. + B. Funds generated from operations (FGO)	101.0	151.0	172.8	310.5	134.6
C. Net working capital investment (WK)	(2.0)	(64.6)	(17.8)	182.8	123.2
A. + B. + C. Cash flow from operations (CFO)	99.0	86.4	155.0	493.4	257.8
D1. Net investment in recurring operating capacity (CAPEX)	16.2	(85.3)	(54.5)	(257.2)	(215.4)
- Recurring investment in players	(194.3)	(291.9)	(365.2)	(355.2)	(472.6)
+ Recurring divestment in players	275.6	326.5	319.6	320.5	427.8
- Recurring investment in other productive assets	(81.5)	(191.3)	(205.1)	(238.4)	(178.7)
+ Recurring divestment in other productive assets	16.3	71.4	196.1	15.8	8.2
A. + B. + C. + D1. Recurring free cash flow (RFCF)	115.2	1.1	100.5	236.2	42.4
D2. Investment in non-recurring operating capacity (CAPEX)	31.5	(56.1)	(207.5)	(159.3)	78.0
- Non-recurring investment in players	(9.7)	(64.2)	(143.8)	(134.5)	(159.7)
+ Non-recurring divestment in players	48.8	26.4	44.4	83.9	251.7
- Non-recurring investment in other productive assets	(7.7)	(142.5)	(120.0)	(110.4)	(26.9)
+ Non-recurring divestment in other productive assets	0.1	124.3	12.0	1.8	13.0
A. + B. + C. + D1. + D2. Total free cash flow (FCF)	146.7	(54.9)	(107.0)	76.9	120.4
- Financial expenses	(52.7)	(67.0)	(71.5)	(83.7)	(68.7)
+/- Variation in financial debt (with FS)	(16.3)	(3.4)	39.5	73.3	(39.3)
+/- Variation in financial debt (not with FS)	(70.2)	(0.5)	(59.1)	130.6	0.9
+ Financial income	46.2	88.2	12.0	36.0	8.7
+/- Variation in other ST or LT financial assets and liabilities	(0.6)	4.8	(5.3)	1.3	23.4
+/- Net investment in financial assets	17.2	63.6	17.4	(4.5)	(75.9)
A. + B. + C. + D. + E. Equity cash flow (ECF)	70.2	30.8	(174.0)	229.8	(30.4)
F. Cash flows from own resources (Equity)	(14.1)	(23.8)	192.8	(12.1)	64.8
+/- Changes in capital and other equity instruments	(14.1)	(23.8)	192.8	(12.1)	66.3
+ Grants, donations and legacies received	-	-	-	-	0.0
- Payment of dividends	-	-	-	-	(1.6)
A. + B. + C. + D. + E. + F. Net change in annual cash flows	56.1	7.0	18.8	217.7	34.3
Cash and cash equivalents, beginning balance	91.2	146.8	155.7	171.8	382.9
+/- Impact of exchange rates on the cash balance	-	-	-	-	-
+/- Net change in annual cash flows	56.1	7.0	18.9	217.7	34.3
Cash and cash equivalents, closing balance	147.3	153.8	174.6	389.4	417.2

Netted LaLiga Santander Financial Statements

Table 13. Income Statement - Netted LaLiga Santander

Income Statement	2013-14	2014-15	2015-16	2016-17	2017-18
Broadcasting national comp. revenues (RDL 5/2015)	460.5	460.5	598.5	947.7	1,014.7
Broadcasting international comp. revenues (market pool)	-	-	-	28.3	-
Broadcasting friendly matches and other revenues	-	-	-	0.0	0.1
Broadcasting revenues	460.5	460.5	598.5	976.0	1,014.7
Income from national official competitions	48.9	36.4	40.1	39.9	39.1
Income from international official competitions	97.3	103.8	185.2	132.3	135.0
Income from friendly and other competitions	5.9	6.1	10.6	6.6	11.1
Income from members and season-ticket holders	109.9	117.6	134.7	144.7	156.6
Match day revenues	262.0	263.9	370.7	323.5	341.7
Income from shop sales	23.1	27.5	32.1	35.4	37.0
Income from sponsorship	26.4	33.2	41.1	48.5	66.9
Income from other commercial concepts	1.8	6.1	7.2	15.5	59.5
Income from the operation of facilities	-	-	-	-	-
Marketing and Sponsorship revenues	51.3	66.8	80.4	99.3	163.3
Advertising revenues	72.0	68.8	89.9	96.5	107.5
NTO (net turnover)	845.9	859.9	1,139.4	1,495.3	1,627.3
Other revenues	44.5	52.2	132.1	59.8	61.3
Operating Revenues	890.5	912.1	1,271.6	1,555.1	1,688.5
Procurements	(29.5)	(36.7)	(46.4)	(49.2)	(83.9)
Non-sports personnel wages	(59.5)	(75.6)	(92.4)	(101.1)	(115.9)
LaLiga registrable sports staff	(493.7)	(479.7)	(607.4)	(744.5)	(883.5)
LaLiga non-registrable sports staff	(48.5)	(49.1)	(57.1)	(60.5)	(62.9)
Sports staff wages	(542.2)	(528.8)	(664.6)	(805.0)	(946.4)
Other operating expenses	(189.5)	(202.7)	(242.2)	(327.6)	(371.6)
EBITDA before transfer of players	69.7	68.4	226.1	272.2	170.8
Profit from the transfer of players	187.7	246.5	234.0	260.6	475.0
Losses from the transfer of players	(22.3)	(17.8)	(23.5)	(32.5)	(51.8)
Result from the transfer of players	165.4	228.6	210.6	228.0	423.2
EBITDA after transfer of players	235.1	297.0	436.7	500.3	594.0
Depreciation and amortisations	(121.6)	(141.1)	(196.9)	(252.4)	(290.1)
Subsidy allocation	4.9	8.3	10.5	11.6	12.1
Excess provisions	0.3	0.0	0.5	2.4	4.6
Gains on fixed assets and exceptional income	47.2	1.2	1.0	1.6	3.4
Losses on fixed assets and exceptional expenses	(71.6)	(42.5)	(4.6)	(3.8)	(16.6)
Gains or losses on disposal of other non-current assets	(24.4)	(41.3)	(3.7)	(2.2)	(13.2)
Other results	50.5	(18.1)	(83.2)	(40.9)	(85.2)
EBIT (net operating result)	144.9	104.9	163.9	218.7	222.3
Financial income	8.1	61.9	11.4	24.3	8.4
Financial expenses	(47.8)	(57.3)	(66.4)	(54.2)	(59.9)
Impairment and results from financial instruments	(0.5)	(0.8)	(1.3)	(16.7)	(4.9)
FR (financial result)	(40.2)	3.8	(56.4)	(46.6)	(56.4)
RBT (profit before taxes)	104.7	108.7	107.5	172.2	165.9
Taxes on profits	(6.6)	(21.8)	(13.6)	(43.7)	(39.7)
NE (net earnings for the year)	98.1	86.9	93.9	128.4	126.2
Total Revenues	1,311.9	1,318.7	1,643.1	1,963.6	2,373.4
Total Expenses	(1,213.8)	(1,231.8)	(1,549.1)	(1,835.2)	(2,247.2)

Table 14. Balance Sheet - Netted LaLiga Santander

Balance Sheet	2013-14	2014-15	2015-16	2016-17	2017-18
NON-CURRENT ASSETS	1,508.8	1,593.6	1,684.0	1,987.7	2,274.2
Intangible assets	372.7	474.8	692.3	883.5	968.1
Sports intangible assets	306.8	412.2	592.6	717.2	874.6
Non-sports intangible assets	65.9	62.6	99.7	166.3	93.6
Property, plant and equipment	624.5	591.7	685.6	857.8	1,003.4
Investment property	25.7	7.7	4.4	7.4	4.2
Long-term investments in group companies and associates	37.6	62.1	47.4	51.8	68.6
Long-term financial investments	269.7	296.2	78.4	51.9	78.1
Non-current prepayments and accrued income	1.4	1.3	1.5	1.3	6.0
Deferred tax assets	177.1	159.8	174.4	133.8	145.8
CURRENT ASSETS	547.1	468.1	744.1	984.0	963.8
Non-current assets held for sale	4.9	8.7	155.2	166.1	175.7
Inventories	5.9	7.8	9.0	30.3	10.6
Trade and other receivables	278.4	273.0	345.1	358.4	288.4
Short-term investments in group companies and associates	15.5	1.3	2.2	7.6	12.5
Short-term financial investments	99.2	23.8	68.4	55.9	86.8
Current prepayments and accrued income	9.2	9.7	9.4	16.2	15.6
Cash and cash equivalents	134.1	143.8	154.9	349.4	374.1
TOTAL ASSETS	2,055.9	2,061.7	2,428.1	2,971.6	3,238.0
NET EQUITY	233.4	216.0	476.6	615.0	736.3
Share capital and retained earnings	182.8	120.5	381.1	457.7	649.3
Adjustments for changes in value	(12.0)	(12.0)	(12.0)	-	(10.8)
Grants, donations and legacies received	62.6	107.6	107.5	157.3	97.8
NON-CURRENT LIABILITIES	744.1	966.7	896.9	944.7	1,130.4
Long-term Debt	48.5	74.9	102.7	66.3	133.2
Non-current payables	601.3	744.0	628.9	636.9	786.2
Non-current payables to Group companies and associates	20.3	63.6	87.1	151.8	107.6
Deferred tax liabilities	53.1	58.6	58.4	70.0	50.4
Non-current accruals and deferred income	20.8	25.6	19.8	19.8	52.9
CURRENT LIABILITIES	1,078.4	879.0	1,054.6	1,412.0	1,371.3
Short-term provisions	0.1	1.3	1.6	26.1	26.6
Short term Debt	439.0	278.6	365.0	491.5	387.9
Current payables to Group companies and associates	-	4.0	10.1	5.4	2.0
Trade and other payables	588.9	527.1	598.9	677.1	767.4
Current accruals and deferred income	50.5	68.0	79.0	211.9	187.5
TOTAL EQUITY AND LIABILITIES	2,055.9	2,061.7	2,428.1	2,971.6	3,238.0

Table 15. Cash Flow Waterfall- Netted LaLiga Santander

Cash Flow	2013-14	2014-15	2015-16	2016-17	2017-18
A. Net earnings for the year (NE)	98.1	86.9	93.9	128.4	126.2
B. Adjustments to NE	34.8	20.2	69.6	151.9	28.4
A. + B. Funds generated from operations (FGO)	132.9	107.2	163.5	280.3	154.7
C. Net working capital investment (WK)	(44.6)	(46.6)	15.7	152.8	111.4
A. + B. + C. Cash flow from operations (CFO)	88.3	60.6	179.2	433.1	266.0
D1. Net investment in recurring operating capacity (CAPEX)	(10.9)	(103.5)	(59.8)	(276.6)	(238.9)
- Recurring investment in players	(190.9)	(274.2)	(361.4)	(351.9)	(463.0)
+ Recurring divestment in players	245.4	306.7	305.0	288.3	391.0
- Recurring investment in other productive assets	(79.3)	(160.7)	(197.6)	(224.4)	(173.0)
+ Recurring divestment in other productive assets	13.8	24.7	194.2	11.5	6.0
A. + B. + C. + D1. Recurring free cash flow (RFCF)	77.4	(42.9)	119.3	156.5	27.1
D2. Investment in non-recurring operating capacity (CAPEX)	35.3	(41.5)	(207.4)	(140.7)	68.8
- Non-recurring investment in players	(6.0)	(43.4)	(142.6)	(132.5)	(154.6)
+ Non-recurring divestment in players	48.7	26.2	41.0	80.3	236.0
- Non-recurring investment in other productive assets	(7.5)	(78.9)	(117.1)	(89.3)	(24.0)
+ Non-recurring divestment in other productive assets	0.1	54.5	11.3	0.8	11.4
A. + B. + C. + D1. + D2. Total free cash flow (FCF)	112.7	(84.4)	(88.1)	15.8	95.9
- Financial expenses	(48.3)	(58.1)	(67.8)	(70.9)	(64.8)
+/- Variation in financial debt (with FS)	(11.0)	0.1	40.0	82.3	(37.9)
+/- Variation in financial debt (not with FS)	2.4	50.1	(72.9)	161.4	32.5
+ Financial income	8.1	61.9	11.4	24.3	8.4
+/- Variation in other ST or LT financial assets and liabilities	0.3	4.8	(4.8)	0.2	24.1
+/- Net investment in financial assets	19.2	40.3	25.7	(14.3)	(76.1)
A. + B. + C. + D. + E. Equity cash flow (ECF)	83.3	14.7	(156.4)	198.9	(17.9)
F. Cash flows from own resources (Equity)	(16.5)	6.2	168.8	(5.1)	53.3
+/- Changes in capital and other equity instruments	(16.5)	6.2	168.8	(5.1)	54.8
+ Grants, donations and legacies received	-	-	-	-	0.0
- Payment of dividends	-	-	-	-	(1.6)
A. + B. + C. + D. + E. + F. Net change in annual cash flows	66.8	20.9	12.4	193.7	35.4
Cash and cash equivalents, beginning balance	67.3	122.9	142.5	155.7	338.7
+/- Impact of exchange rates on the cash balance	-	-	-	-	-
+/- Net change in annual cash flows	66.8	20.9	12.4	193.7	35.4
Cash and cash equivalents, closing balance	134.1	143.8	154.9	349.4	374.1

Given the importance of *Netted LaLiga* - that is to say, the expression of Spanish professional football without considering the two largest clubs - on the understanding and conclusions of the financial analysis carried out in this Report, the main charts and graphs that characterise this grouping are reproduced as an annex.

Table 22. Netted LaLiga Income Statement (P&L)

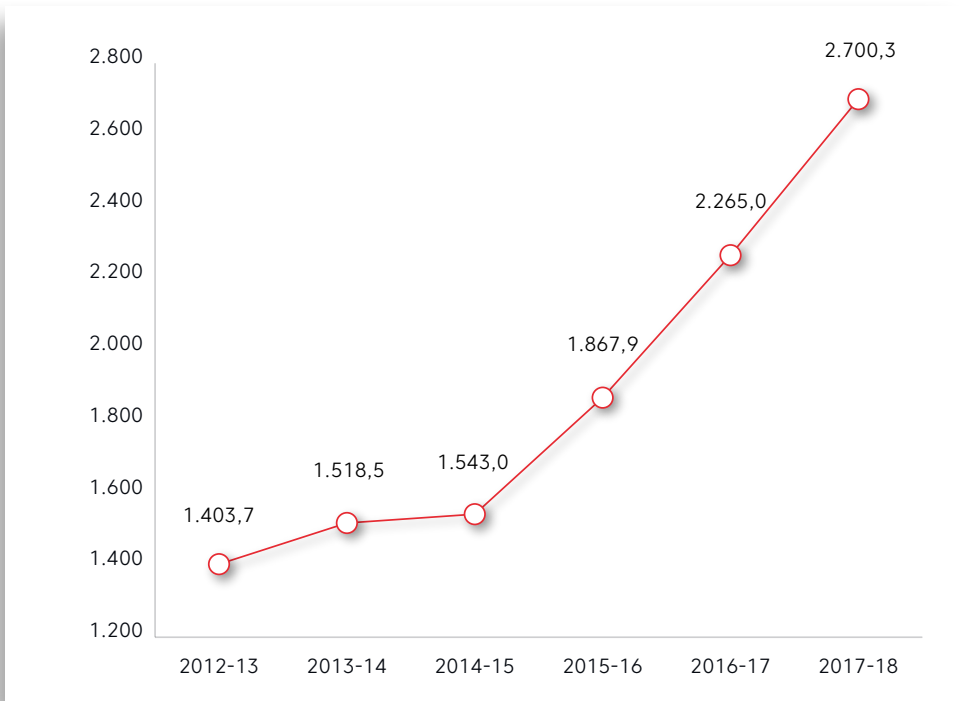
Abbreviated Income Statement	2015-16	2016-17	2017-18	Δ last year	CAGR 5a	Δ abs. 5a
Broadcasting revenues	672.1	1,111.3	1,150.2	3.5%	21.9%	2,21x
Match Day revenues	401.3	353.9	381.7	7.8%	6.7%	1,30x
Commercial revenues	96.3	113.4	177.6	56.7%	29.5%	2,81x
Net Turnover	1,275.5	1,692.3	1,836.3	8.5%	17.6%	1,91x
Other revenues	195.0	108.0	112.4	4.1%	13.8%	1,68x
Operating Revenues	1,470.5	1,800.3	1,948.7	8.2%	17.4%	1,90x
Procurements	(53.2)	(58.6)	(92.5)	57.9%	27.2%	2,62x
Non-sports personnel wages	(115.8)	(128.7)	(147.6)	14.6%	18.1%	1,95x
Sports wage costs	(764.3)	(941.2)	(1,088.0)	15.6%	14.7%	1,73x
Other operating expenses	(306.6)	(407.8)	(455.5)	11.7%	17.4%	1,90x
OPEX	(1,240.0)	(1,536.3)	(1,783.6)	16.1%	16.2%	1,82x
EBITDA before transfer of players	230.5	264.0	165.1	-37.5%	36.8%	3,51x
Selling price for transfer of players	364.0	404.4	679.4	68.0%	20.3%	2,09x
Selling cost for transfer of players	(136.4)	(142.9)	(213.6)	49.5%	11.7%	1,56x
Result from the transfer of players	227.6	261.6	465.9	78.1%	25.6%	2,49x
EBITDA (gross operating earnings)	458.1	525.6	631.0	20.0%	-	2,69x
Deprec., prov, impairment and other res.	(276.1)	(292.8)	(383.1)	30.9%	37.0%	3,53x
EBIT (net operating earnings)	182.0	232.8	247.8	6.5%	-	1,97x
Net financial result	(59.5)	(47.7)	(59.9)	25.6%	-	7,96x
RBT (profit before taxes)	122.4	185.1	187.9	1.5%	12.3%	1,59x
Taxes on profits	(14.9)	(47.3)	(42.8)	-9.5%	28.5%	2,73x
NE (net profit for the year)	107.6	137.8	145.1	5.3%	9.1%	1,42x
Total Revenues	1,867.9	2,265.0	2,700.3	19.2%	15.5%	1,78x
Total Expenses	(1,760.3)	(2,127.2)	(2,555.2)	20.1%	15.9%	1,80x
Extraordinary income from releases	-	(9.2)	-			
RBT restated (without releases)	122.4	175.9	187.9	6.8%	38.2%	3,65x
NE restated (without releases)	107.6	128.6	145.1	12.8%	41.9%	4,05x

Table 23. Netted LaLiga Balance Sheet

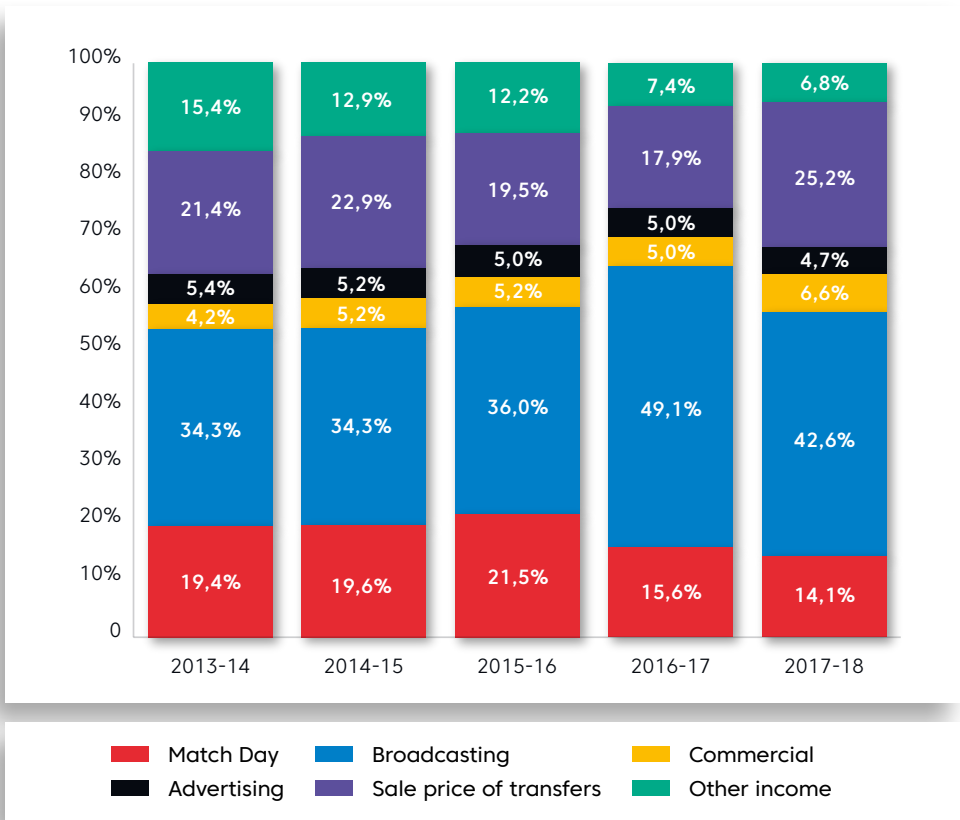
Abbreviated Balance Sheet	2015-16	2016-17	2017-18	Δ last year	CAGR 5a	Δ abs. 5a
LaLiga ASSETS						
NON-CURRENT ASSETS	2,015.6	2,417.6	2,682.3	11.0%	9.3%	1,43x
Operating assets	1,632.3	2,036.1	2,270.3	11.5%	15.5%	1,78x
Financial assets	161.2	170.2	212.9	25.0%	-11.9%	0,60x
Deferred tax assets	222.1	211.2	199.2	-5.7%	-5.3%	0,81x
CURRENT ASSETS	823.7	1,110.6	1,088.2	-2.0%	15.5%	1,78x
Operating assets	402.9	473.5	381.9	-19.3%	3.2%	1,14x
Financial assets	246.2	247.7	289.1	16.7%	22.4%	2,24x
Cash and cash equivalents	174.6	389.4	417.2	7.1%	29.7%	2,83x
TOTAL ASSETS	2,839.3	3,528.1	3,770.5	6.9%	10.9%	1,51x
LaLiga LIABILITIES AND EQUITY						
NET EQUITY	510.6	675.6	873.7	29.3%	64.9%	7,40x
NON-CURRENT LIABILITIES	1,159.6	1,232.8	1,363.8	10.6%	5.2%	1,22x
Operating liabilities	110.2	114.3	179.0	56.6%	34.4%	3,26x
Financial liabilities	961.8	1,018.8	1,094.3	7.4%	3.6%	1,15x
Deferred tax liabilities	87.6	99.7	90.4	-9.3%	-4.5%	0,83x
CURRENT LIABILITIES	1,169.2	1,619.7	1,533.0	-5.4%	5.1%	1,22x
Operating liabilities	769.7	1,069.8	1,108.0	3.6%	9.0%	1,41x
Financial liabilities	399.4	549.9	425.0	-22.7%	-2.5%	0,90x
TOTAL EQUITY AND LIABILITIES	2,839.3	3,528.1	3,770.5	6.9%	10.9%	1,51x

Table 24. Netted LaLiga Cash Flow

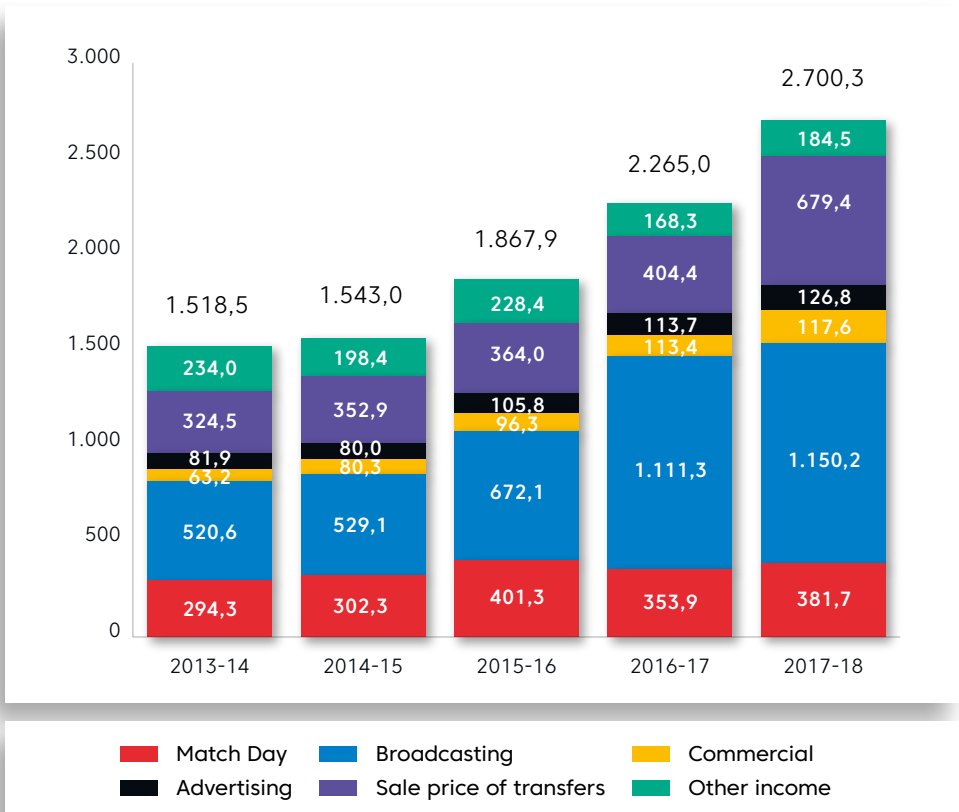
Abbreviated Cash Flow	2015-16	2016-17	2017-18
A. Net earnings for the year (NE)	107.6	137.8	145.1
B. Adjustments to the NE	65.2	172.7	(10.5)
A. + B. Funds generated from operations (FGO)	172.8	310.5	134.6
C. Net working capital investment (WK)	(17.8)	182.8	123.2
A. + B. + C. Cash flow from operations (CFO)	155.0	493.4	257.8
D1. Net investment in recurring operating capacity (CAPEX)	(36.4)	(239.1)	(215.4)
+/- Net recurring investment in players	(45.6)	(34.6)	(44.9)
+/- Net recurring investment in infrastructure & others	9.1	(204.5)	(170.5)
A. + B. + C. + D1. Recurring free cash flow (RFCF)	118.5	254.2	42.4
D2. Investment in non-recurring operating capacity (CAPEX)	(225.5)	(177.4)	78.0
+/- Net non-recurring investment in players	(99.4)	(50.7)	92.0
+/- Net non-recurring investment in infrastructure & others	(126.1)	(126.7)	(14.0)
A. + B. + C. + D1. + D2. Total free cash flow (FCF)	(107.0)	76.9	120.4
+/- Net financial expenses	(59.5)	(47.7)	(59.9)
+/- Variation in financial debt (FI)	39.5	73.3	(39.3)
+/- Variation in financial debt (non-FI)	(59.1)	130.6	0.9
+/- Variation in other ST or LT fin. assets and liabilities	12.1	(3.2)	(52.5)
A. + B. + C. + D. + E. Equity cash flow (ECF)	(174.0)	229.8	(30.4)
F. Cash flows from own resources (Equity)	192.8	(12.1)	64.8
A. + B. + C. + D. + E. + F. Net change in annual cash flow	18.8	217.7	34.3
Cash and cash equivalents, beginning balance	155.7	171.8	382.9
Cash and cash equivalents, closing balance	174.6	389.4	417.2



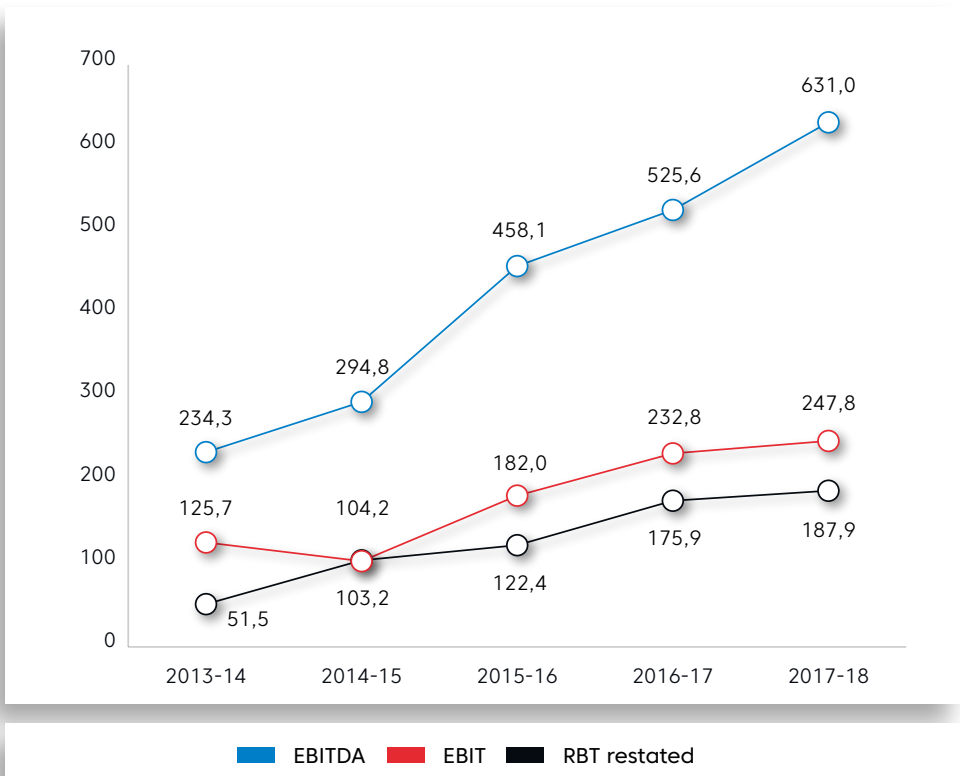
Graph 48
Total Netted
LaLiga Revenue



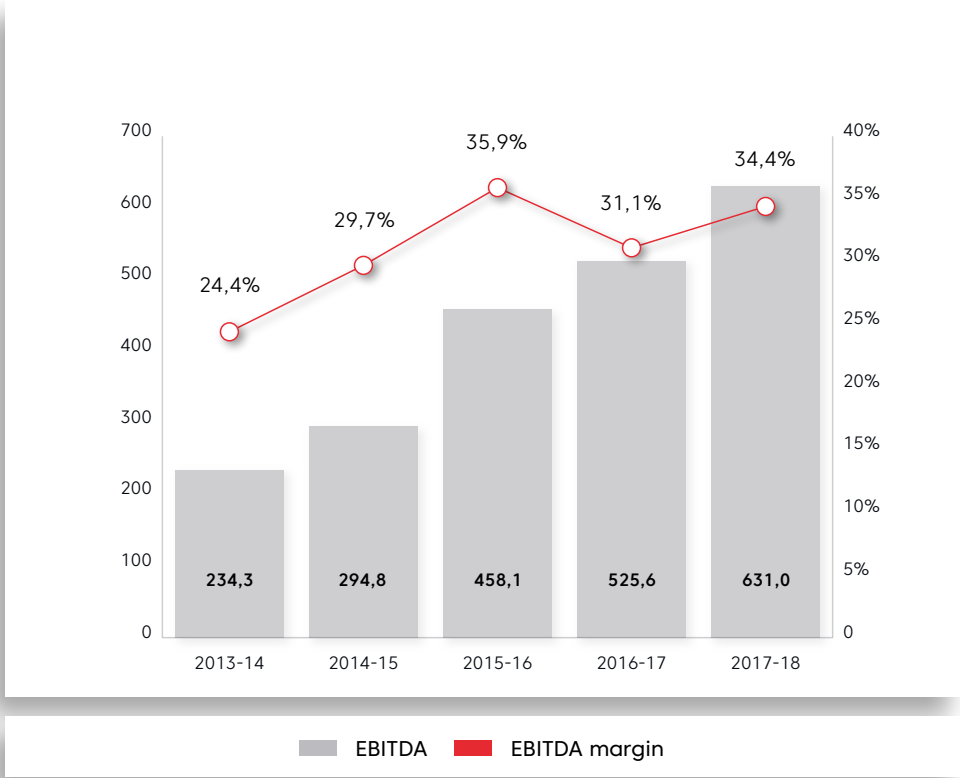
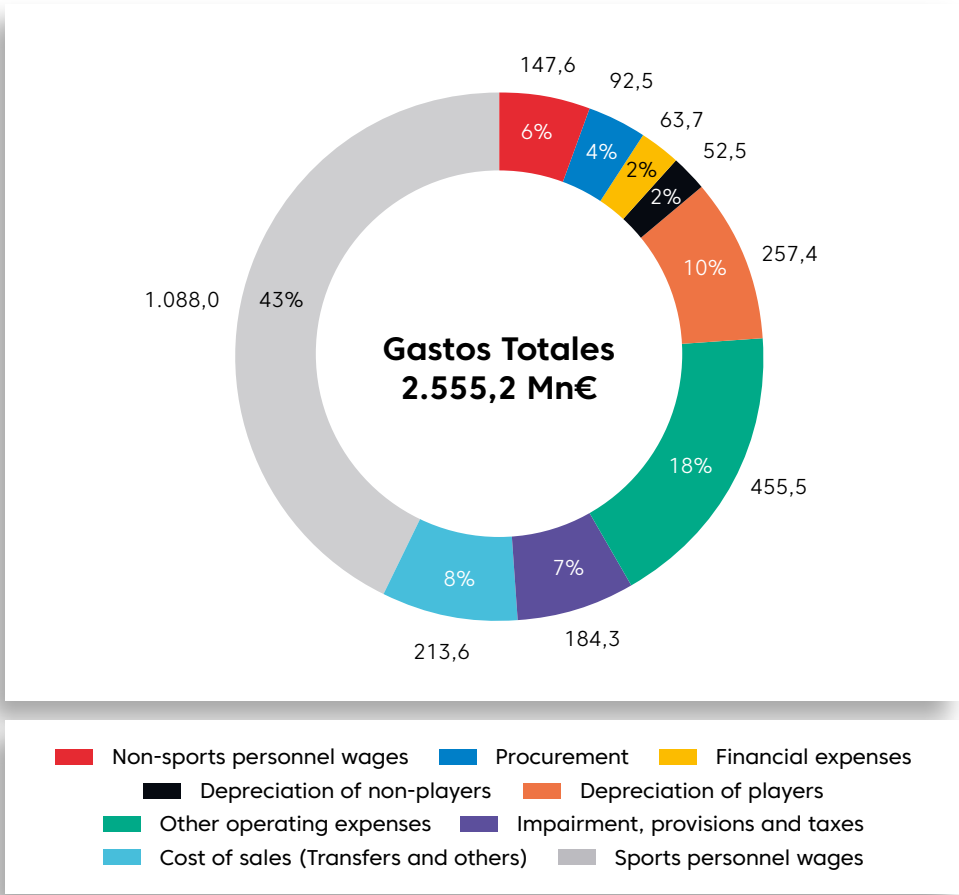
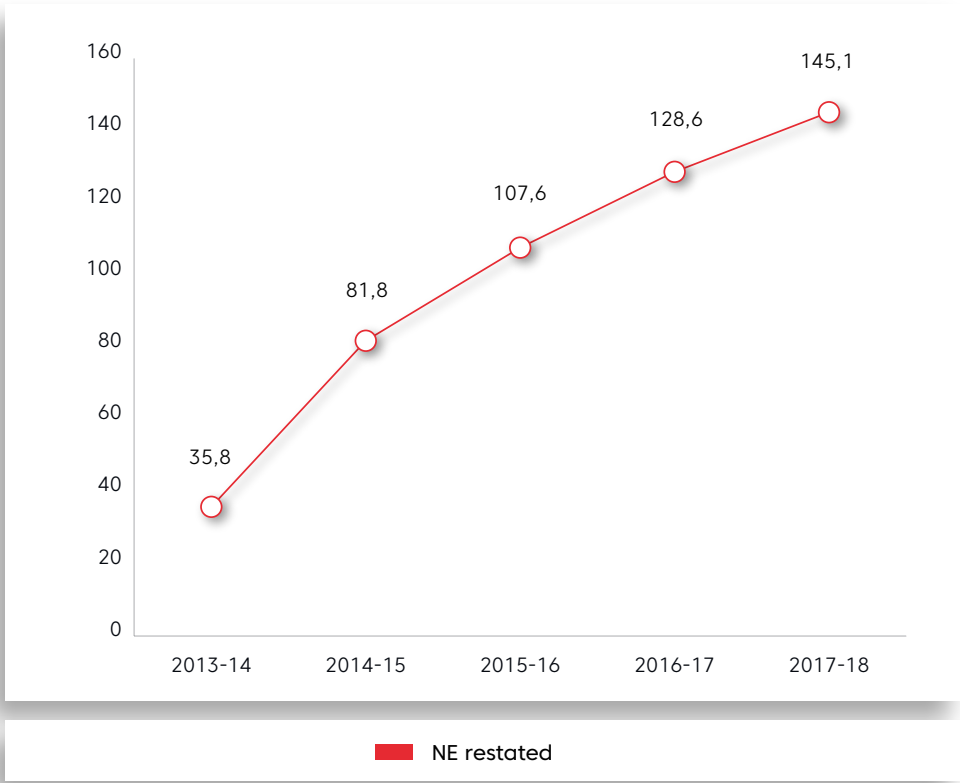
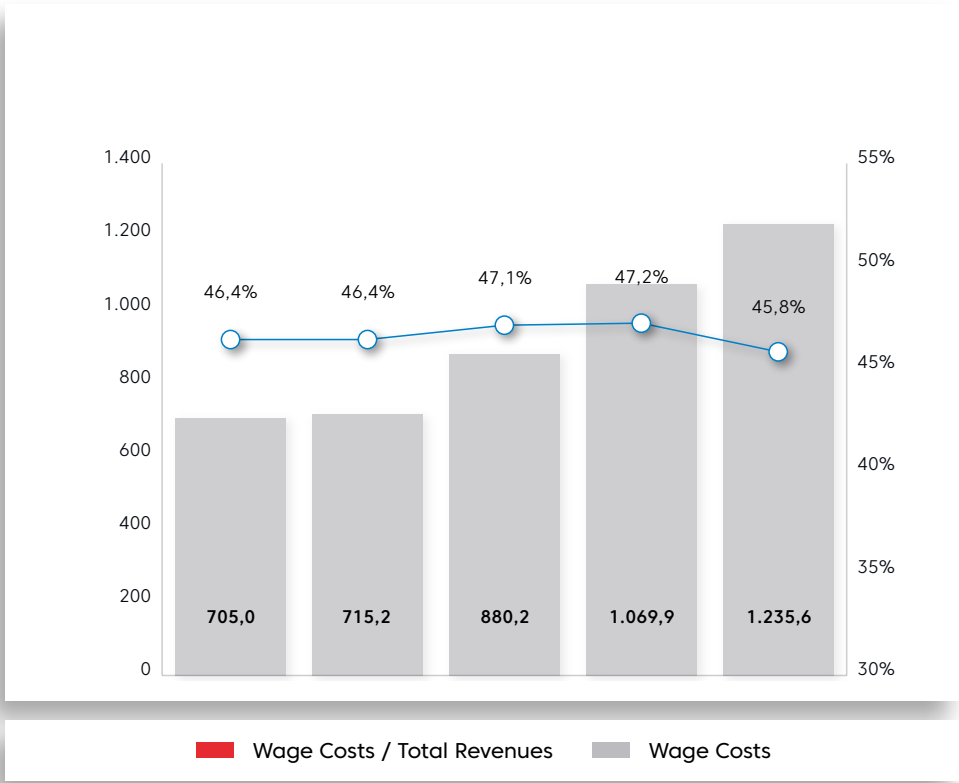
Graph 50
Contribution to
Netted LaLiga's
Total Revenues

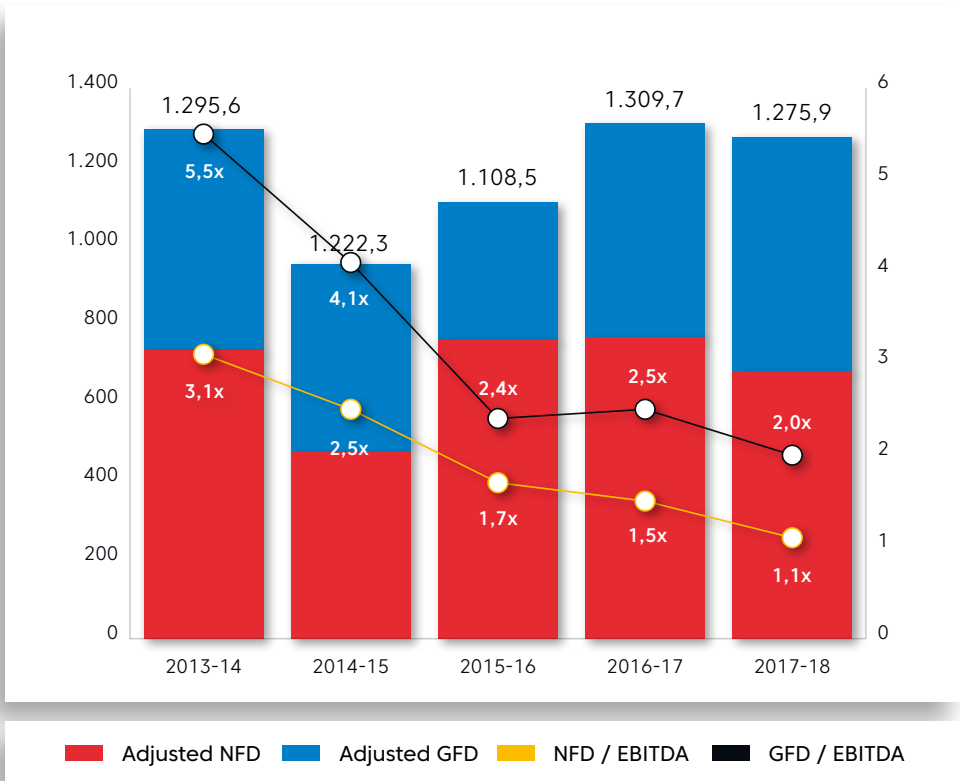
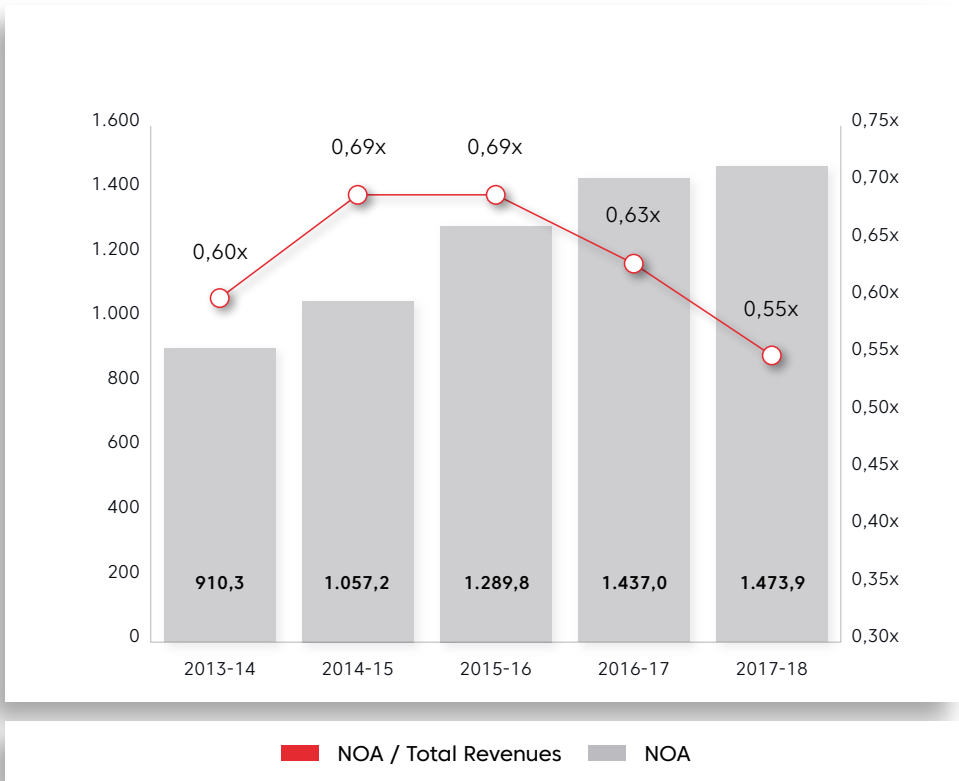
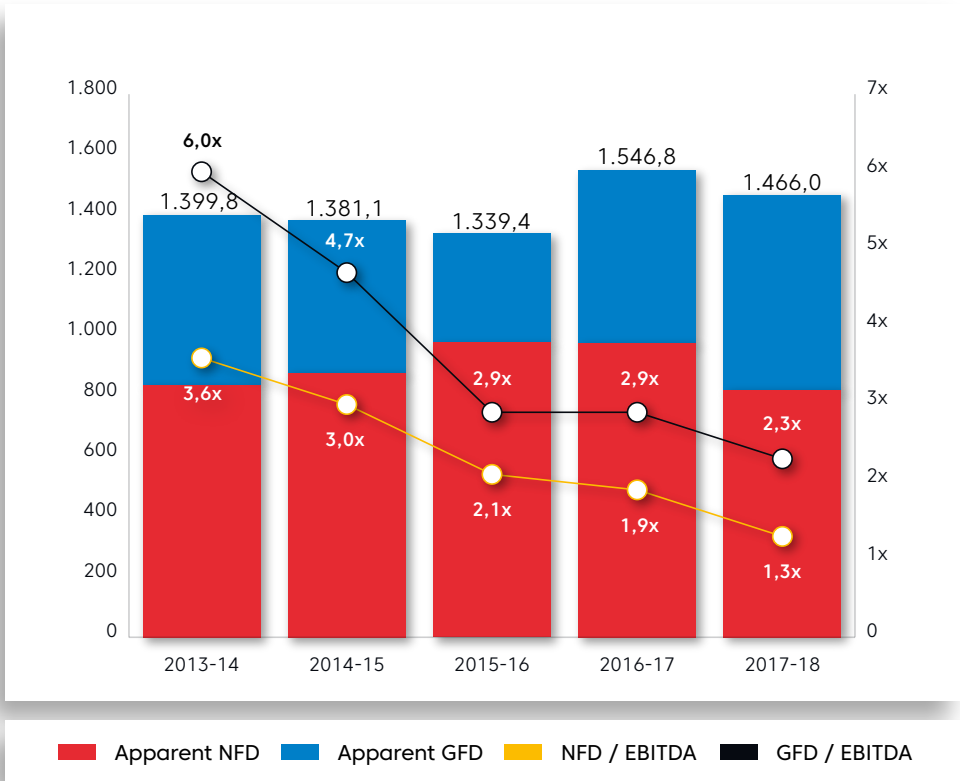
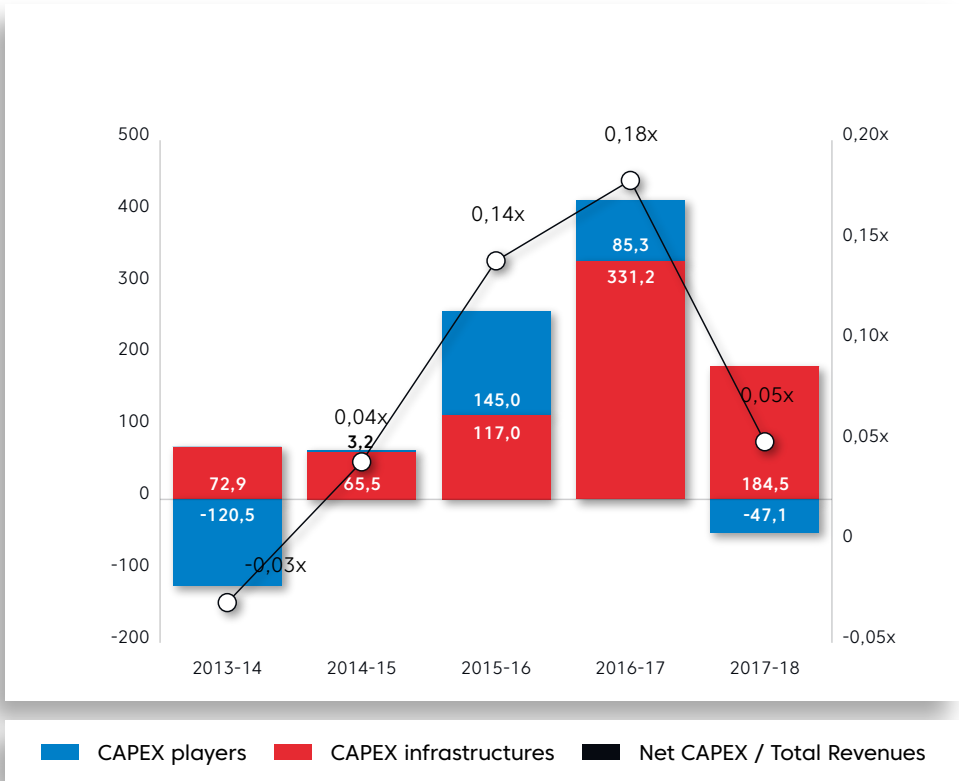


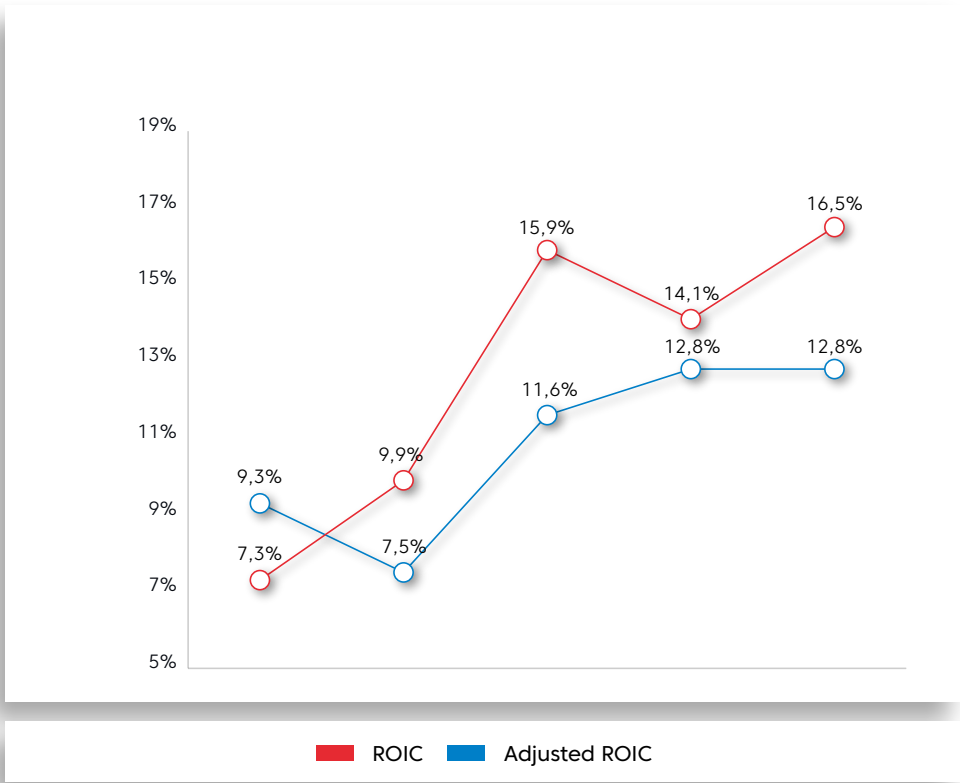
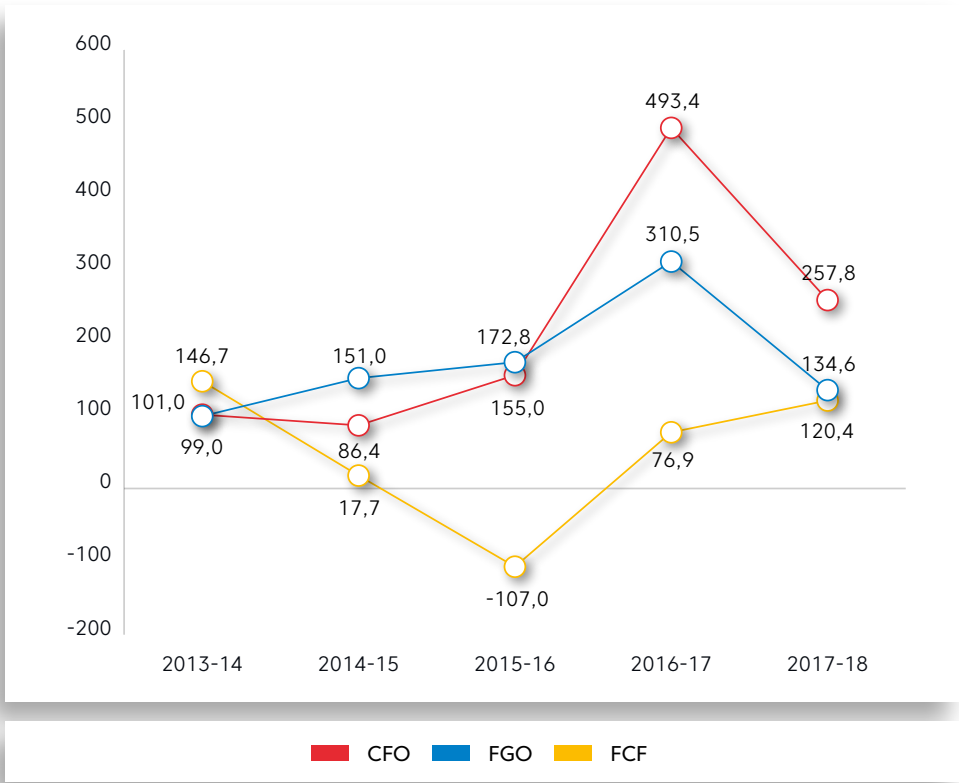
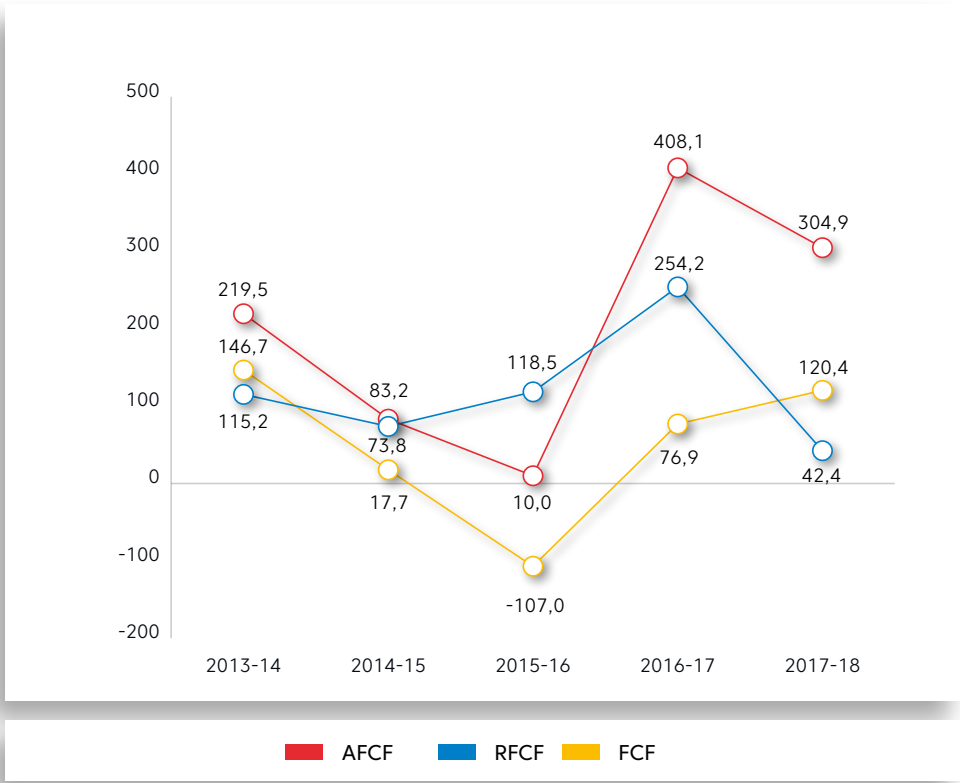
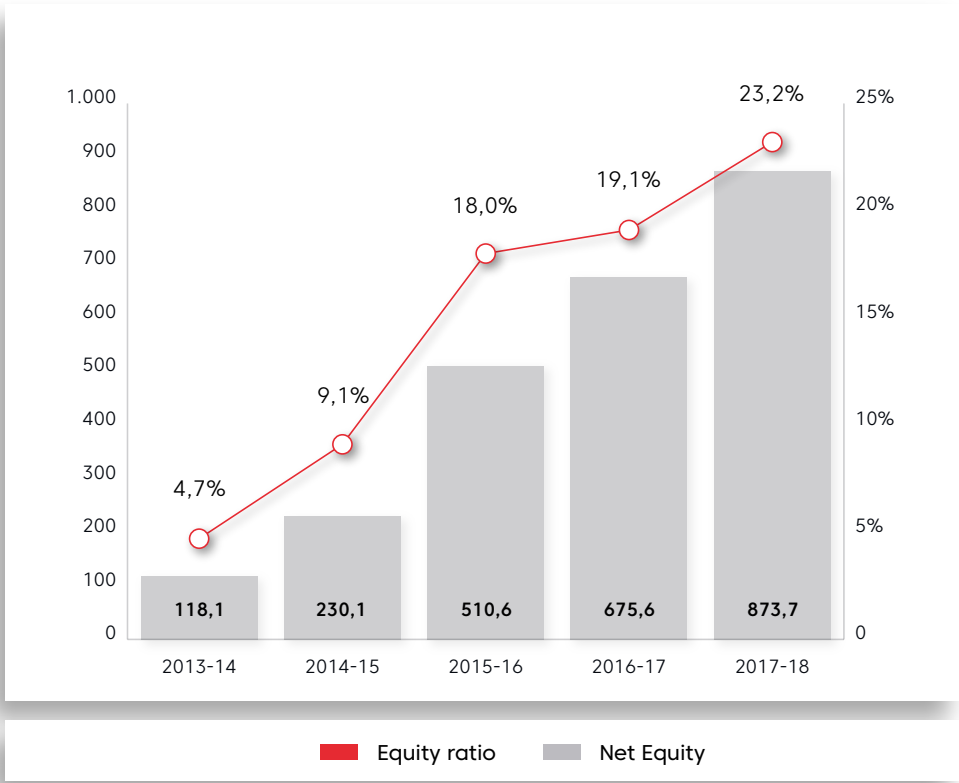
Graph 49
Distribution of
Netted LaLiga's
Total Revenues

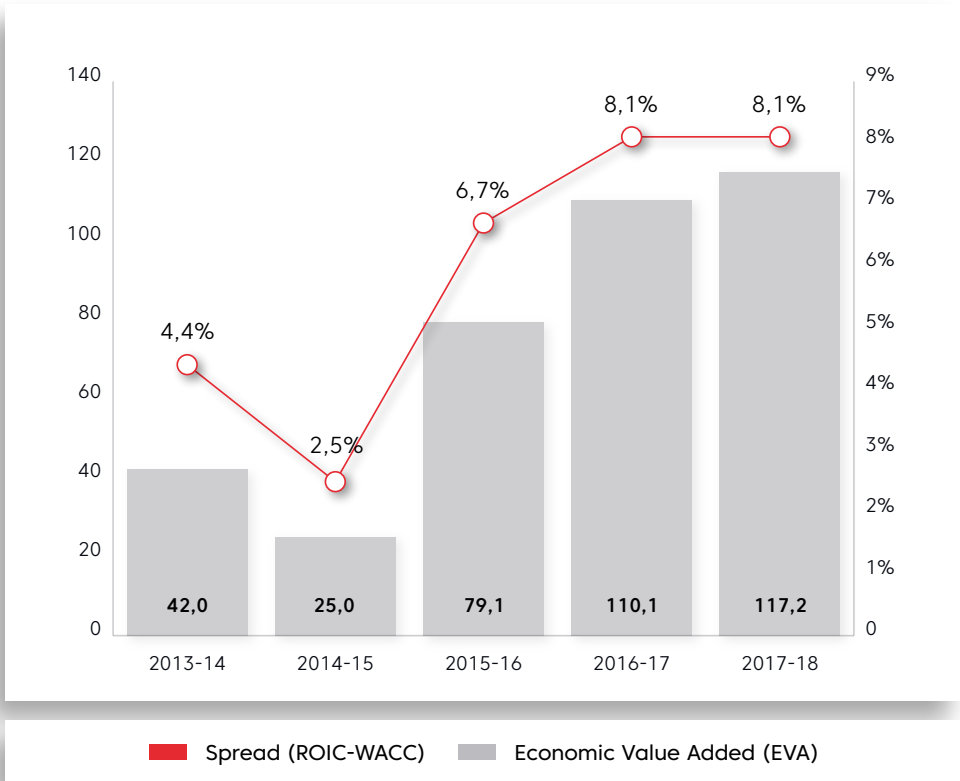
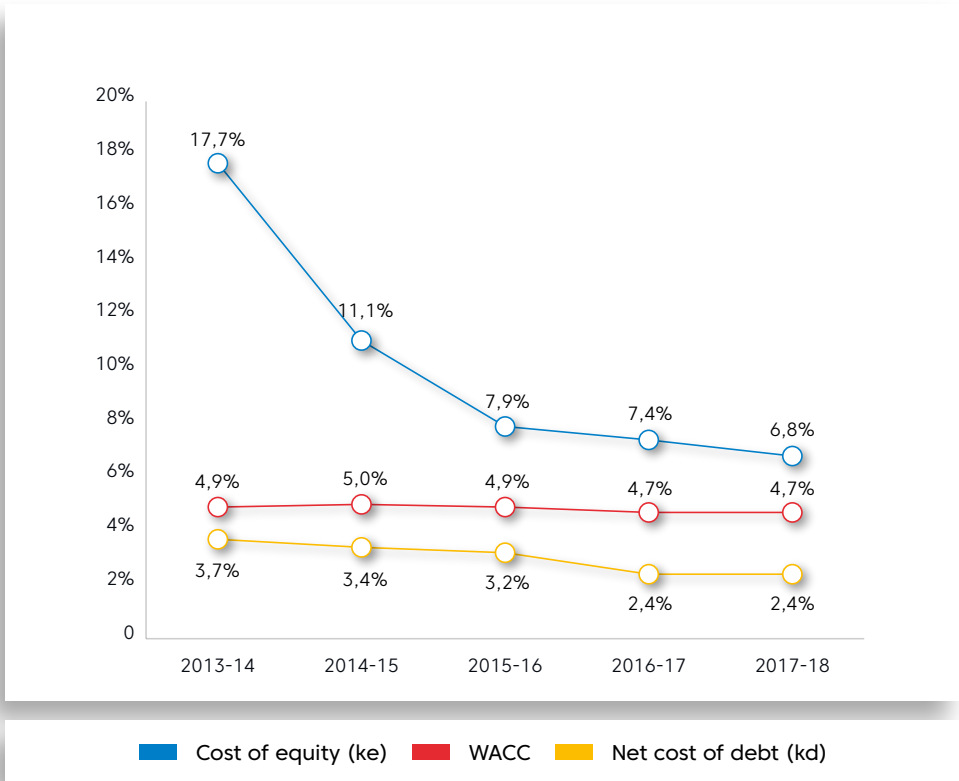


Graph 51
Netted LaLiga
Results











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1. TOTAL REVENUES

Broad definition of all book credits included in the Income Statement (P&L), for each club grouping analysed in the Report. It includes the following headings:

- Net turnover (NTO)
 - Match day income (including billing of partners, subscribers and competitions)
 - Broadcasting income
 - Commercial income (including sponsorship billing and merchandising)
 - Advertising income
- Income from player transfers (i.e. selling price of federative rights)
- Other income, mainly:
 - Other operating income (not included in NTO items)
 - Regularisations (allocations) of capital grants for non-financial fixed assets and others
 - Excess (application) of provisions
 - Capital gains on non-financial fixed assets and exceptional income
 - Income (i.e. sale price) from disposal of other fixed assets (excluding transfer of players) or exceptional results
 - Financial income
 - Reversals of impairment losses and gains on disposal of financial instruments

2. SEASONS SUBJECT TO ANALYSIS OF THE HISTORICAL SERIES

For *Total Revenues* and for comparison with the evolution of *GDP*, from 2011-2012 to 2017-2018, which means a total of seven seasons, or six annual increases between the last fiscal year and the base fiscal year.

For the rest of the calculations included in the Report, from 2013-2014 to 2017-2018, which means a total of five seasons, or four annual increases between the last financial year and the base financial year.

3. COMPOUND ANNUAL GROWTH RATE (CAGR)

The compound annual growth rate (CAGR), expressed in %, is calculated using the following formula: $\left(\frac{Valor_n}{Valor_0}\right)^{\left(\frac{1}{n}\right)} - 1$

It is called *compound annual growth rate* (CAGR). In this report, CAGR are calculated with n=6 (Total Revenues) or n=4 (other financial magnitudes), as explained in definition #2 in this glossary.

4. GDP GROWTH IN SPAIN

Source: Spain's National Statistics Institute (INE). Annual percentage change in Spain's Gross Domestic Product (GDP) at market prices (m.p.) - current euros - at the end of each financial year in the reference period.

5. INCOME FROM TRANSFERS

It is defined as the income (sale price) from the transfer of the players' federative rights (i.e. sports intangible assets). Formally, it equals the net capital gain or loss on these transfers plus their net book value. This heading is included under the concept of "Total Revenues".

Under the heading of "Total Expenses", the costs (cost of sale) for the transfer of the federative rights are also taken into account for the amount of the net book value.

In this way, sales price (revenue) minus cost of sale (expense) for transfers equals the *Result from Transfers* that formally appears in the Income statement (P&L).

6. OTHER INCOME

Other operating income of a more erratic/discontinuous nature that is not part of NTO. For example:

- Income made by LaLiga
- Operating subsidies
- Works carried out for the entity
- Relegation aid (i.e. parachuting payments from LaLiga)
- Other

7. EBTIDA OR EBITDA AFTER TRANSFERS (GROSS OPERATING PROFIT AFTER TRANSFERS)

LaLiga defines this expression as the Operating Result (EBIT), before:

- Depreciations
- Results from regularisation of capital grants received for non-financial fixed assets
- Impairment and capital gains or losses on disposal of other non-financial fixed assets
- Losses, impairment and changes in provisions for commercial operations
- Credits and charges due to changes in inventories
- Works carried out for the entity
- Excess provisions
- Other results and conventions

The concept therefore includes the *Result from Transfers* of players.

The acronym "EBITDA" stands for "*earnings before interests, taxes, depreciation and amortisation*" (and other accounting conventions).

8. EBITDA B/T OR EBITDA BEFORE TRANSFERS (GROSS OPERATING PROFIT BEFORE TRANSFERS)

It is defined as EBITDA, additionally subtracting the impairment losses and results (capital gains and losses) from the disposal of intangible sports assets (mainly *Result from Transfers of players*).

9. TOTAL EXPENSES

This basically includes all charges to the income statement (P&L):

- Procurements
- Non-sports wages
- Sports wages
- Other operating expenses
- Cost of sale of players (transfers); i.e., net asset value that is derecognised (cancelled in the balance sheet)
- Losses on other non-financial fixed assets and exceptional expenses
- Other operating expenses
- Depreciation of players
- Depreciation and amortisation of other assets
- Other results and conventions with negative sign (losses)
- Financial expenses
- Impairment losses and losses on disposal of financial instruments
- Corporate Income Tax

10. NET OPERATING INVESTMENTS (CAPEX)

Net investment (i.e. considering investments - divestments) made in the year. The acronym "CAPEX" stands for "*Capital expenditures*" and refers to the annual net investment in operating capacity (net operating assets), both in terms of players and infrastructure.

11. NET OPERATING ASSETS (NOA)

Equity balance or *stock*, at the end of each year, of installed operating capacity according to the Balance Sheet, which includes specifically:

- With a positive sign:
 - Sports intangible assets (players capitalised federative rights)
 - Non-sports intangible assets
 - Property, plant and equipment
 - Investment property
 - Deferred tax assets
 - Inventories
 - Trade debtors (customers and other operating current assets)
 - Current accruals and deferred income
- With negative sign:
 - Trade payables (suppliers and other current operating liabilities)
 - Short-term and long-term provisions
 - Current accruals and deferred income
 - Deferred tax liabilities

NOA includes the assets assigned to the regular operations of the clubs and which induce net operating profit (EBIT) in the P&L Account, and ultimately Free Cash Flow. All assets and liabilities of a financial nature and all equity are excluded.

12. OPERATING WORKING CAPITAL (WK)

Equivalent to net investment in operating working capital. It is defined as the net change (assets - liabilities) in non-current (i.e. short-term) non-financial assets (operating assets).

13. OPERATING PROFIT (ROIC)

An acronym that stands for "return on invested capital" and refers to the profitability of the business, or the accounting performance from the operations of the clubs.

It is calculated as the quotient between the annual NOPAT and the average NOA for the year, where:

- NOPAT ("Net operating profit after taxes"). That is to say: EBIT in period $n \times (1 - \text{tax rate})$
- Average APN: $(\text{NOA at } n-1 + \text{NOA at } n) / 2$, where 'n' is the end of the current year and 'n-1' is the end of the previous year

14. ADJUSTED EBIT

It is defined as the net operating profit (EBIT), also cancelling (with the corresponding sign) the following headings:

- Results (capital gains or losses) from the disposal of other non-financial fixed assets (excluding Transfer of players) or exceptional results
- Regularisations (allocations) of capital grants for non-financial fixed assets and others
- Excess provisions
- Other non-recurring operating income and other accounting conventions

15. FUNDS GENERATED BY OPERATIONS (FGO)

Cash flow generated by club operations, before net investment in operating working capital (WK) and total operating capacity (CAPEX).

16. OPERATING CASH FLOW (CFO)

It is the FGO after net investment in operating working capital (WK).

17. FREE CASH FLOW (FCF)

Free cash flow, equivalent to FGO plus net investment in operating working capital (WK) and net investment in total operating capacity (CAPEX). This is the effective operating return generated by the business in the year.

18. RECURRING FREE CASH FLOW (RFCF)

FCF but considering only the CAPEX effort of a recurrent nature (not the investment in total operating capacity), according to LaLiga's estimates. The potential operational performance generated by the business can be matched. For the purposes of analysis, the non-recurring CAPEX (in players and other non-financial assets - basically infrastructure) is classified as any amount that exceeds the historical average in the series analysed.

19. ADJUSTED FREE CASH FLOW (AFCF)

FCF but considering only the net effort in CAPEX in players (without considering investment in other operating assets, such as infrastructure).

20. APPARENT GROSS FINANCIAL DEBT (GBD)

Net worth of current and non-current debt according to the formal classification or epigraphs of the Balance Sheet.

21. APPARENT NET FINANCIAL DEBT (NFD)

GFD minus cash and cash equivalents and current and non-current financial investments according to the balance sheet.

22. WEIGHTED AVERAGE COST OF CAPITAL (WACC)

In English: “*Weighted Average Cost of Capital*”. Represents the weighted average annual cost of the sources of finance supporting Net Operating Assets (NOA).

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

Where:

- kd: Annual cost of debt
- kd (1-t): Annual cost of borrowing, net of tax
- ke: Cost of equity according to CAPM
- D / D+E: Proportion of debt / third party sources in the financing structure, at market value. The market value is taken to be the nominal value of the outstanding debt.
- E / E+D: Proportion of equity / own sources of funds in the financing structure, at market value. The market value was taken to be a factor equivalent to 2.1x the book value, which is the mid-2018 average of the stock market capitalisation ratios with respect to the equity of European clubs listed on the stock exchange.

The WACC is to the capital structure, or sources of financing, what the ROIC is to the capital employed or Net Operating Assets (NOA) stock.

23. ADJUSTED GROSS FINANCIAL DEBT (AGFD)

DFB +/- adjustments of balance sheet items that are not formally classified in the liability debt items in the Balance Sheet audited Annual Accounts but that are relevant to the business of football in general and Spanish professional football in particular. These are:

- With a positive sign (adding to gross indebtedness), on non-current liabilities, long-term accruals, and on current liabilities, bankruptcy debts formally classified as commercial creditors (and therefore not formally included under short-term debt).
- With a negative sign (subtracting gross indebtedness), in non-current assets, long-term accruals, as well as sports debtor entities for transfers / assignments (the latter both long-term -which are subsequently cancelled from the net cash position when calculating net indebtedness, so as not to include this balance in duplicate- and short-term).

24. ADJUSTED NET FINANCIAL DEBT (ANFD)

GFD minus cash and cash equivalents and current and non-current financial investments according to the Balance Sheet. The balance of non-current financial investments does not take into account the amount of sports entities debtor for transfers / assignments, as this has been computed in the calculation of the adjusted gross financial debt (GFD).

25. INTEREST COVERAGE RATIO

It is defined as the annual EBITDA a/T / annual financial burden (i.e. gross financial expenses).

26. CAPM (CAPITAL ASSET PRICING MODEL)

Methodology commonly accepted in the financial field to determine the reasonable annual cost of own resources or *Equity* (ke).

$$Ke = RFR + \beta \times MRP$$

Where:

- RFR (Risk Free Rate): Average annual return on 10-year government bonds (Kingdom of Spain issues)
- β (β leveraged): An index that measures the volatility of assets (leveraged) with risk analysed with respect to the market (Ibex 35 index of the Spanish Stock Exchange). The Beta index for the different LaLiga's classifications is calculated by taking the average of the deleveraged Betas observed for European listed clubs over a representative sample of years and leveraging the funding structure of each LaLiga grouping over time.
- MRP (Market Risk Premium): Long-term annual return premium on a diversified portfolio of risky assets (Ibex index 35) versus RFR

Liquidity premium or other premiums that may be demanded in transactional contexts are not included in the Ke calculation.

27. EVA

(*Economic Value Added*). Measures the annual differential between ROIC and WACC, applied (multiplied) to the net operating capacity spread (NOA) installed at any given time (average annual balances), or capital employed by LaLiga.

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



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Torrelaguna, 60
28043 MADRID
www.laliga.es

