EUROPEAN SOCCER

PARK LANE

WHITE PAPER SERIES

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PARK LANE was founded in 2005 solely to provide superior investment banking advisory services in the world of sports. Our industry access, relationships and technical expertise give us an extraordinary edge that is unmatched in the market.

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Hello and welcome to the 1st edition of the
Park Lane White Paper Series

With the culmination of the European Super Cup and the Champions League tournament in recent months, it would seem that soccer is on everyone's mind these days. And with just cause. The explosion of European soccer onto the global stage in recent years has readily changed the way international communities view the sport.

Diehard fans have pledged allegiance to their teams for life, while new fans, both national and international, are steadily tuning in to join the spectacle. Soccer is without a doubt the most popular sports phenomenon in the world. What other sport could cause fans to crowd around a television set past the midnight hour to watch a rerun of a match played hours before and half a world away? More than likely, the viewers would know nothing of the aforementioned competing countries if not for the popularity of their soccer clubs. Such is the magic of soccer. The chaotic fervor of competition, patriotism, and loyalty present in the fan-following of European soccer clubs represents an imminent commercial and financial growth for the sport as a whole.

Soccer clubs are positioning themselves for significant growth in all aspects of the sport. It is becoming prevalent among soccer clubs to reinvest revenues back into the development of their own clubs, whether it is in youth development leagues, amateur competitions or stadia development and expansion. Europe's Premier League, by far the market leader in terms of club and financial success, is at the forefront of soccer as a business. With a successful new broadcasting deal under their belt for the 2007-2008 season, revenues for Premier League clubs are expected to increase as well. Other leagues and organizations will be looking at the Premier League's management and business models in order to increase their own growth. The consensus in soccer is a shift towards growth and expansion.

On the inside of this publication, readers will discover an introductory guide and general overview to European soccer. The intent is not to offer financial advice or provide investment details into soccer clubs or organizations. Rather, it serves as a guidebook that will cover significant trends in, and insights into European soccer, and to further examine its commercial and financial impact on the soccer business. It should also serve as a refernce piece for those who need to look up a quick fact. Readers will enjoy a general introduction to the sport, M&A news, club profiles and performances, and an explanation of tournaments, leagues, player transfers and the rules involved in each. In short, the guide is written in such a way as to inform and educate novice and informed readers alike.

I would like to thank all those who have contributed to the creation of this publication. My co-authors deserve a specific mention; their cooperative collaboration made the assembling of this publication an enjoyable process. I would like to thank Ilja Kaenzig, Harris Roth, Phi Vo, Dale Neal, Jonathan Felton and Ben Dickey. Finally, I would like to thank you the reader, for taking the time to review our publication. We are a team fully dedicated to the sports finance industry, and we will be glad to serve any of your needs in that capacity. To learn more about our team, services, and achievements, please visit us at www.prkln.com.

Andrew W. Kline
Managing Director Park Lane

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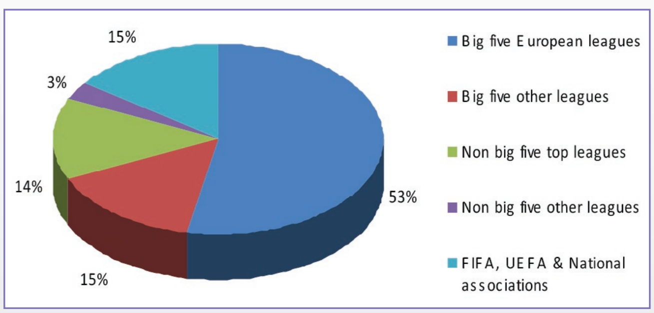
Introduction to European Soccer

Soccer has grown beyond the walls of Europe to the Asian sub-continent and the Far East. Professional soccer has existed for over a century in Europe, with its roots in Association soccer in the United Kingdom (hereinafter, the "U.K."). Despite its worldwide popularity, the business aspect of the sport has received less attention compared to the "big four" American sports: basketball, football, hockey, and particularly baseball. Other industries' interest in soccer came into the picture only when the sport evolved into a business activity. Soccer's business potential became apparent in 1992 when Rupert Murdoch placed a huge bid to obtain the exclusive rights for English soccer. Then in 2005-2006, two European soccer clubs saw heavy investment by Americans: Tampa Bay Buccaneers owner Malcolm Glazier bought out two executives for a bigger stake in Manchester United, and Cleveland Browns owner Randolph Lerner bought U.K. soccer club Aston Villa for $119 million. Now in 2008, as European soccer is poised for sustained growth, revenues from media contracts such as the Premier League's £1.7million deal with BSkyB and Setanta Sports only serve as a reminder of how much the sport has progressed as a business. Interest in soccer was formerly limited to fans, players and semi-professional directors who lovingly cared for soccer resources. Today, soccer provides unique opportunities for real commercial investment and growth.

Fig 1: European Soccer Market Size



Source: Deloitte analysis

Investment in European soccer involves a process of investigating new financial sources resulting from growing commercial interests. The latter is supported by private companies and some of the continent's largest clubs. Soccer is currently a multi-billion Euro industry, focused primarily on a few clubs and star players. The global industry is dominated by the major European leagues (Refer to Figure 1).

European Soccer Culture

Community Involvement

Soccer's historical development can be linked to the culture of where the game has been played, including the way in which local markets and fans identify with their clubs. English soccer fans, for example, are perceived to be extremely passionate about the game. This is evidenced at every match involving English teams. Clubs and fans alike can identify with the shared concepts of courage, patience, collectivism, individualism, and discipline.

Each soccer club's strategies are a reflection of the social and cultural norms that exist at that particular location. Soccer is deeply rooted within local societies. Soccer clubs often sponsor a variety of events for the entertainment of their local fans. Such initiatives can include youth development and community-involvement programs as well as complimentary or reduced admission to matches. Players often participate in various charitable functions, such as campaigning against drugs. It is important for soccer clubs to maintain ties to local community traditions and values, even in the face of the game's increasing commercialization.

Soccer and Religion

Some countries consider soccer almost a religion. Fans follow specific pre-game, game-time, and post-game rituals and traditions. Team colors and logos assume an almost sacred significance. Individual player and event memorabilia, including balls, jerseys, and numbers, are highly prized and valued. Matches are like pilgrimages, as some fans will travel from one country to another to watch their teams play.

Governance

Major leagues and competitions are administered and managed by the Fédération Internationale de Football Association (FIFA), the Union of European Football Associations, or Union des Associations Européennes de Football (UEFA) and their member associations. These groups ensure that all matches are conducted in accordance with established standards for the safety and enjoyment of all fans.

UEFA

UEFA, European soccer's governing body, is one of the six continental confederations of world soccer's governing body. It acts as a representative voice for the European soccer family. UEFA has grown to emerge as the main driver of the game, working and acting on behalf of Europe's national soccer associations to promote soccer and strengthen its position as, arguably, the most popular sport in the world. UEFA is an assemblage of national associations based on representative democracy.

UEFA's core mission is to promote, protect, and develop European soccer at every level. The organization promotes the principles of unity and solidarity, and deals with all questions relating to European soccer. UEFA uses its revenues to support re-investment and re-distribution in the game in accordance with the principle of solidarity between all levels and areas of soccer. The organization is responsible for organizing successful professional and amateur soccer competitions for youth and women.

Membership

UEFA was comprised of twenty-five national associations when founded in 1954. The number of member associations gradually increased until the beginning of the 1990s, when political developments in Eastern Europe and the fragmentation of the USSR led to a rapid rise in the number of new associations. Consequently, there are now fifty-three associations under UEFA's administration. The organization's objective is to continually seek consensus among its members.

UEFA's membership includes teams from all of the European countries, with Vatican City, Israel and Kazakhstan also being member countries. England, Northern Ireland, Scotland, and Wales, the four constituent countries of the U.K., have their own soccer associations and separate UEFA membership. The Faroe Islands, an autonomous region of Denmark, also has its own soccer association which is a member of UEFA. The soccer association of Gibraltar, a British Overseas Territory, however, was rejected for membership by UEFA in 2007. The Crown dependencies of Guernsey, Jersey, and the Isle of Man are not members of UEFA, but rather are members of the English Football Association.

Each of the national associations under UEFA, except Liechtenstein's, has its own soccer-league system. The clubs playing in each top-level league compete for the title of their country's club champion, and also for places in the following season's UEFA club competitions, e.g., the UEFA Champions League, the UEFA Cup, and the UEFA Intertoto Cup. The clubs playing in the top-level leagues are different every season, due to promotion and relegation, except in San Marino where there is only one level.

Fig 2: UEFA Member Associations

Albania	England	Italy	Poland
Andorra	Spain	Kazakhstan	Portugal
Armenia	Estonia	Liechtenstein	Romania
Austria	Finland	Lithunia	Russia
Azerbaijan	France	Latvia	Scotland
Belgium	Faroe Islands	Luxembourg	San Marino
Bosnia-Herzegovina	Georgia	Moldova	Serbia
Belarus	Germany	F.Y.R. Macedonia	Switzerland
Bulgaria	Greece	Malta	Slovakia
Croatia	Hungary	Montenegro	Slovenia
Cyprus	Ireland	Netherlands	Sweden
Czech Republic	Iceland	Norway	Turkey
Denmark	Israel	Northern Ireland	Ukraine
Wales			

Source: UEFA

Expansion

New countries have emerged in Eastern Europe over the past decade. This has resulted in the birth of new associations and teams which, in turn, has led to an increase in the size of various UEFA competitions. This constant expansion has also been reflected in the ongoing introduction of new competitions, including the UEFA Intertoto Cup in 1995, a Women's Under-18 Championship in 1997-98, and the UEFA Regions' Cup for amateur soccer players in 1999. Approximately 1,200 matches are held in UEFA competitions each season. As soccer has evolved into a tremendous commercial success, UEFA has stressed the need to reinvest the vast sums of money generated by its activities back into the game at all levels.

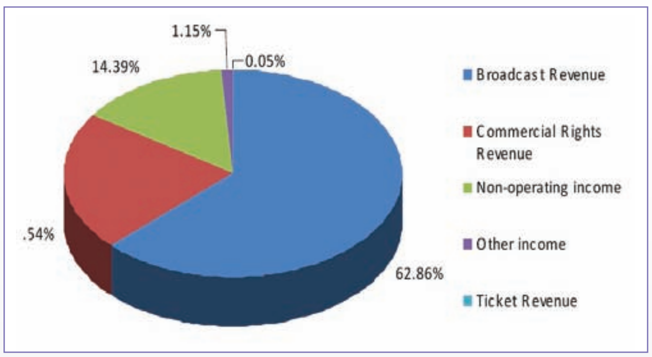
Revenue

Broadcast revenues continue to be soccer's most important source of income. Revenues from commercial rights and licensing remain second, but the gap between the two continues to shrink.

Revenues sources include:

- Broadcasting rights
- Commercial & licensing rights
- Ticket sales
- Non-operating items:
  - Financial items
  - Extraordinary items & taxes
  - Provisions format
  - Provisions usage
  - EURO pool, and
- Other soccer-related income:
  - Fines (used to finance the UEFA's humanitarian help portfolio)
  - FIFA & EFP contributions.

Fig 3: Sources of Income



Source: UEFA Financial Report 2005-06

G-14

Founded in 2000, the G-14 was composed of fourteen leading clubs to represent a singular voice in their dealings with UEFA and FIFA. The group's goal was to create, develop and implement synergies based upon shared experiences and expertise. New members are allowed to join by invitation only. Four more clubs joined in August 2002, bringing the membership to eighteen. The group's president is Olympique Lyonnais Chairman, Jean-Michel Aulas, who replaced David Dein in May 2007. G-14 clubs are spread across seven different countries and have won approximately 250 national league titles between them. Three of the G-14 clubs come from each of the top divisions in England, France, Germany, Italy, and Spain, two from the Netherlands, and one from Portugal. G-14 members have won the European Cup/ Champions League forty-one times out of fifty-one seasons.

The eighteen members are distinguished by their achievements in club soccer, economic base, scale of operations and, most importantly, their willingness to co-operate and contribute to the G-14 in an open and progressive manner. The G-14 also supplies many national teams with their most significant players. The G-14 plays a major role in the issues taking place in the European soccer competitions. Clubs belonging to the G-14 represent the club-soccer world in its widest variety. Members universally, however, are concerned with important rulings and negotiations on:

- EC employment legislation
- Sponsorship & TV rights
- Intellectual copyrights, and
- The format and management of club and national team competitions.

In early 2008, G-14 was disbanded after FIFA and UEFA agreed to their demands on key issues including player injury compensation. The compromise resulted in the formation of a European Clubs Association that will be represented in both FIFA and UEFA. The demise of G-14 also signals the end to the threat of a breakaway European super league.

Membership & Funding

The G-14 was funded with financial contributions from member clubs. The annual budget determined the amount of funding. Fifty percent of this amount was borne by member clubs in equal shares. The remainder was divided into 154 shares, corresponding to the eighteen members' total number of votes. Each club's number of shares corresponded to its number of votes. Each member's number of votes was calculated on the basis of the titles won in the three major European club competitions. European Champion Clubs' Cup/Champions League titles equallled two votes, while the UEFA Cup and Former Cup Winners' Cup titles equalled one vote.

Revenue from commercial activities is another source of funding. The G-14's membership includes Europe's big clubs, all wanting to share their views and collective experience, in European institutions and in the political arena, with the relevant soccer-governing bodies.

Fig 4: G-14 Membership

Founding Members (2000)	New Members (2002)	Invitees (2007)
Manchester United (England)	Arsenal (England)	Chelsea (England)
Liverpool (England)	Lyon (France)	Monaco (France)
Juventus (Italy)	Bayer Leverkusen (Germany)	Werder Bremen (Germany)
Milan (Italy)	Valencia (Spain)	Sevilla (Spain)
Internazionale (Italy)		Roma (Italy)
Marseille (France)		Olympiacos (Greece)
Paris Saint-Germain (France)		Benfica (Portugal)
Bayern Munich (Germany)		Celtic (Scotland)
Borussia Dortmund (Germany)		Anderlecht (Belgium)
Ajax (Netherlands)		Fenerbahce (Turkey)
PSV Eindhoven (Netherlands)		
Porto (Portugal)		
Barcelona (Spain)		
Real Madrid (Spain)		

Source: G-14 official website

FA

FA (Football Association) is soccer's governing body in England and the Crown dependencies of Jersey, Guernsey, and the Isle of Man. FA holds a unique place in the history of soccer. FA governs all professional soccer clubs in England. It is the only association of England, and each island has their own FA. FA is a member of UEFA and FIFA, and holds a permanent seat on the International Football Association Board (IFAB). FA was founded in 1862 as a sole governing body, and continued to act as such until UEFA came into existence. FA then became the UEFA member responsible for controlling and managing U.K. soccer. FA administers broadcasting rights and ensures that clubs adhere to player-transfer and wage requirements in accordance with FIFA and UEFA regulations.

European Soccer Structure, Leagues, Competitions, and Clubs.

Structure of Leagues & Competitions

UEFA is the main governing body responsible for managing European leagues and competitions. There are leagues and competitions for both men and women.

The two major leagues and competitions are:

UEFA Champions League

UEFA Champions League is the biggest and the most important league for all the clubs in Europe. It was first held in 1955, and was known as the European Champion Clubs Cup (or just European Cup) until 1991. It was also known as the European Cup, UCL, CE1, C1 or CL. The Champions League trophy is considered the most prestigious in the sport.

On the 21st of May, 2008, Manchester United defeated Chelsea in Moscow, and are the most recent winners of the coveted title.

Stages - The tournament consists of several stages. In the present format it begins in mid-July with three preliminary knockout, qualifying rounds. The sixteen surviving teams join sixteen seeded teams in an eight group stage. Eight group winners and eight runners-up enter the final knockout rounds, which end with the final match in May.

Participating teams and aggregate winners are paired, proceeding into the subsequent preliminary round. Qualifying rounds are held from the middle of July to late August. The losers of the third qualifying round are transferred to the UEFA Cup, while the sixteen winners of the final qualifying round are joined by the sixteen teams who have qualified directly, to participate in the eight group stage.

Teams are drawn into eight groups of four teams, each team playing every other team in the group twice (home and away). The group stage is played between the middle of September and early December. The teams finishing third in their groups are transferred to the UEFA Cup, while the top two teams from every group qualify for the next round. Here the sixteen remaining teams take part in the knock-out stage, which starts in late February and ends with the final match in May.

All qualifying rounds and knock-out ties are two-legged, with each team hosting one match. The team that scores the greater aggregate number of goals qualifies for the next round. The away goals rule applies. Extra time and penalty kicks are used, if necessary, to determine the winner. The final is a single match played at a predetermined venue.

Qualification - The UEFA Champions League is open to the league champions of all UEFA member associations (except Liechtenstein, which has no league competition), as well as to the clubs finishing from second to fourth position in the strongest leagues. Since January 2007, the two lowest-ranked league competitors (currently the Andorra and San Marino leagues) can also represent their domestic champions in the Champions League.

The number of places in the competition depends on the association's rank in the UEFA coefficients table:

- Associations ranked first to third have four positions
- Associations ranked fourth to sixth have three positions
- Associations ranked seventh to fifteenth have two positions
- Associations ranked sixteenth or lower have one position.

An association's rank also determines the stage at which the clubs enter the competition. An additional place in the group stage is reserved for the title-holders, in case they don't qualify via their domestic league. An association is, however, limited to sending a maximum of four clubs for a season. This means that if the title-holders come from a league given four positions, but finish out of the top four, they will take the place of the fourth placed team. The fourth placed team will go to the UEFA Cup.

Clubs must be licensed by their national association in order to participate in the Champions League. The club must meet certain stadium, infrastructure, and finance requirements to obtain a license.

UEFA Cup

The UEFA Cup is the second most important international competition for European soccer clubs, after the UEFA Champions League. It began in 1971 and replaced the Inter-Cities Fairs Cup. In 1999, the UEFA Cup Winners' Cup was abolished and merged with the UEFA Cup.

Stages - The UEFA Cup starts with two knockout qualifying rounds held in July and August. Participants from associations ranked eighteen and lower enter the first qualifying round and participants from associations ranked nine to seventeen join them in the second qualifying round. In addition, three places in the first qualifying round are reserved for the Fair Play winners, and eleven places in the second qualifying round are reserved for the UEFA Intertoto Cup winners.

Winners of the qualifying rounds join teams from the associations ranked first through thirteenth in the first round proper. In addition, losers in the third qualifying round of the Champions League also enter this round, and another place is reserved for the title-holders. There are eighty teams total in this round.

After the first round proper, the forty survivors enter a group stage, with the clubs being drawn into eight groups of five each. Unlike the Champions League group phase, the UEFA Cup group phase is played in a single round-robin format, with each club playing two home and two away games. The top three teams in each of the eight groups advance, twenty-four in total, where they are joined by the eight third-place teams in the Champions League group phase.

There is a winter break following the group stage. From this point, knockout play resumes, with two-legged ties leading to the one-off final, which is held at a neutral ground meeting UEFA's criteria for a four-star stadium.

Changes were introduced for the 2006-07 season due to the changes in the UEFA Intertoto Cup format. UEFA will change the format to have twelve groups of four teams in the second round instead of the current eight groups of five teams, starting in the 2009-10 season.

Qualification - Clubs qualify for the UEFA Cup based on their performance in national leagues and cup competitions. Qualification for the competition is based on UEFA coefficients with more places being offered to the more successful nations. Usually places are awarded to teams who finish in various runners-up places in the top-flight European leagues and the winners of the main cup competitions. A few countries have secondary cup competitions, but England and France are currently the only countries that grant a UEFA Cup place to their secondary cup winners.

If the previous UEFA Cup title-holders are not eligible to take part in either of the current UEFA club competitions (UEFA Champions League or UEFA Cup) by virtue of their domestic form, the UEFA Administration may, at the request of the association of the club concerned, admit those clubs to the current UEFA Cup competition. Participation will not be at the expense of their association's contingent.

Qualification can be quite complicated if one team qualifies for European competition through two different routes. In all cases, if a club is eligible to enter the UEFA Champions League then the Champions League place takes preference and the club does not enter the UEFA Cup. The UEFA Cup place is then granted to another club. If a team qualifies for European competition through both winning a cup and league placing, the "spare" UEFA Cup place will go to either the cup runners-up or the highest placed league team which has not already qualified for European competition, depending on the rules of the national association.

Qualification for the UEFA Cup can also be attained in two other ways:

- 'The eleven winners in the third round of the UEFA Intertoto Cup enter the UEFA Cup at the second qualifying round stage from the 2006-07 season.
- Three more berths are given to federations that finish above a certain level in UEFA's Fair Play table. The top-placed federation automatically receives a Fair Play entry and two other federations gain berths via a draw among all other federations that meet qualifying criteria. In all cases, the recipient of a country's Fair Play entry is the highest-placed team in the Fair Play table of that country's top league that has not already qualified for Europe.

Clubs that are knocked out of the qualifying round and the group stage of the Champions League can also join the UEFA Cup, at different stages. The UEFA Super Cup and UEFA Intertoto Cup are also one of the important competitions that take place between the various clubs in Europe.

UEFA Super Cup

The UEFA Super Cup (European Super Cup) is at stake in an annual soccer game between the reigning champions of the UEFA Cup and the Champions League. It takes place at the start of the domestic season, in August, and it is generally regarded as a minor event, with the Champions League and UEFA Cup winners not always fielding their strongest sides. Since the game happens after the summer player transfer window, the teams selected may be different from the ones who won the qualifying competitions.

UEFA Intertoto Cup

The UEFA Intertoto Cup, also abbreviated as UI Cup, is a summer soccer competition for European clubs that have not qualified for one of the two major UEFA competitions, the Champions League or the UEFA Cup. The competition will be abolished from 2009 onward. Any club that wishes to participate must apply for entry,

with the highest placed club (by league position in their domestic league) at the end of the season entering the competition. The club does not necessarily have to be ranked directly below the clubs which have qualified for another UEFA competition. If the club which is in this position did not apply, they will not be eligible to compete in the Intertoto Cup, with the space instead going to the club which did apply.

FA Premier League

The Premier League, officially known as the Barclays Premier League for sponsorship reasons, colloquially known as 'The Premiership," is a professional league competition for soccer clubs located at the top of the English soccer league system. It is England's primary soccer competition, and is governed by the Football Association. The Premier League is currently contested by twenty clubs, operating a system of promotion and relegation with The Football League. It has progressed to become the world's most watched sporting league, and the most lucrative soccer league, with member club revenues totaling a figure in excess of £1.4 billion. The Premier League is operated as a corporation that is owned by the twenty member clubs. Each club is considered a shareholder with one vote each on such issues as rule changes and contracts. The clubs elect a Chairman, Chief Executive and Board of Directors to oversee the daily operations of the league. The Football Association is not directly involved in the day-to-day operations of the Premier League, but has veto power as a special shareholder during the election of the Chairman and Chief Executive and when new rules are adopted by the league.

Spanish La Liga

Liga de Fútbol Profesional, commonly known as the Primera Divisíón, is Spain's professional soccer league. It is considered to be one of the best leagues in the world. Nine clubs have been crowned Campeones de Liga. It is governed by the Spanish Football Federation.

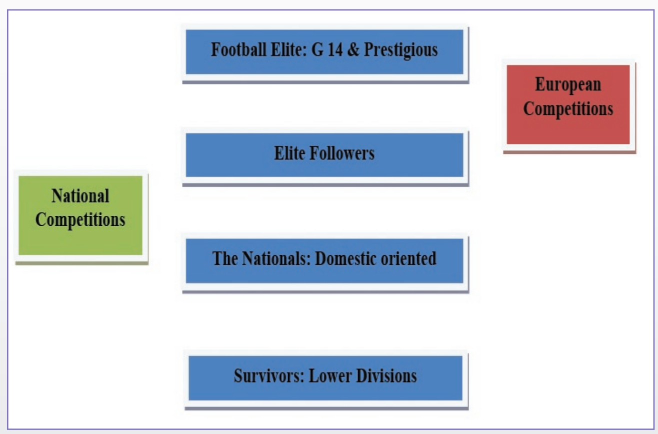
Serie A

Serie A (officially known as the Serie A TIM for sponsorship reasons) is a professional league competition for soccer clubs located at the top level of the Italian soccer league system. Historically, Serie A has produced the highest number of European Cup finalists. In total, Italian clubs have reached the final of the competition a record twenty-five different occasions, winning the title eleven times. The Italian Football Federation governs this league.

CLUB TIER STRUCTURE

Soccer clubs across the various European leagues can be organized under various tiers based on their past performance and resultant commercial success (Refer to Figure 5).

Fig 5: Structure of Clubs and their Relationship



Source: The New Football Business: a challenge for elite followers - A Case Study for IFK GÖTEBORGMonica Marquez & Heliodoro Martin

On top of the soccer pyramid is a group of elite clubs, most of which belong to the big five European countries. Supported by a huge mass of fans, these clubs are the winners in this new era of soccer where the income-generating capacity is likely to determine the clubs' position/level in the soccer hierarchy.

Features of Elite Clubs:

- Internationally focused
- High brand recognition in Europe (prestige)
- Annually compete in UEFA tournaments
- Possess the top players
- Highest player salaries (in absolute terms)
- High financial power (high income)
- Significant contracts with sponsor
- Play national as well as European competitions

Elite Followers

The second layer consists of Elite Followers. They are the ones that have missed out on opportunities of winning a European trophy or reaching the final rounds of the UEFA competitions. This category of clubs is not consistent. Their categorization can vary every year depending on their performance. Financially, they are not as strong as the elite clubs but act as competitors to them.

Features of Elite Followers:

- Internationally focused
- Some brand awareness in Europe
- Less frequent participation in UEFA tournaments
- Some good players
- Medium player salaries
- Medium financial power
- Standard sponsorships

The Nationals

The third category, i.e. the Nationals, consists of clubs mainly focusing on national leagues and competitions. They do not have the capacity to play in the international club competitions as they lack top skills and possess low financial power.

Features of Nationals:

- Nationally focused
- Brand recognition only in the domestic market
- No participation in UEFA competitions
- No top players
- Modest total player salaries (in absolute terms)
- Low financial power
- Less sponsorship

The Survivors

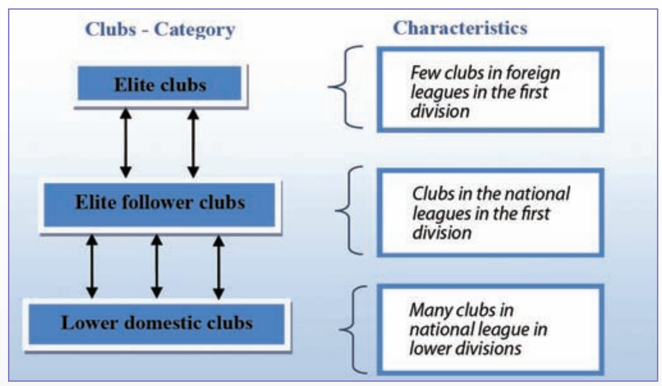
This is the last category of clubs which barely survive in the soccer industry. They play only at the national and regional levels and are hardly recognized. They do not form a part of professional soccer. They are restricted only to the semi-professional level.

Features of Survivors

- Nationally focused (even regionally focused)
- Low brand recognition, even in the domestic market
- Compete in the lower domestic divisions
- Semi-professional players
- Low total player salaries
- Very low income: some risk bankruptcy
- No important sponsorships

Clubs in all the categories can transition into higher or lower categories based on their standing in their respective leagues (Refer to Figure 6).

Fig 6: Network of Club Relationships



Source: New Football Business: a challenge for elite followers;
A Case Study for IFK Göteborg Monica Marquez & Heliodoro Martin

Elite followers act as intermediaries between elite clubs and lower clubs (nationals and survivors). Many clubs competing in a low division see an opportunity to sell their players to top clubs in their same country, because they know that they can get certain compensation when the players are subsequently sold to an elite club in a foreign country. At the same time, elite clubs are aware of the fact that top clubs in non-prestigious leagues are working hard in the development of young talent. Thus, the relationships in both directions (up and down) within divisions and leagues are fundamental to the soccer clubs.

Business Models

Business models in the European Soccer industry primarily revolve around managing soccer clubs. The clubs broadly pursue business models that are based on income from match day ticket sales, broadcasting and commercial/merchandise sales. Other non-regular but important sources of income include property development, player registrations and transfers, lotteries and stadia exploitation, as well as emerging income streams from broadcasting via Internet broadband and managing training academies in emerging soccer playing nations. Soccer clubs also have significant expenses incurred in recruiting high quality talent and in day-to-day administration.

Revenue Mix

While the majority of soccer clubs derive their revenues from the above mentioned sources, the revenue mix may differ based on the degree of success on the field, quality of talent and the popularity of the club's brand. Club revenues are also influenced by the local soccer association regulations. Successful clubs with the potential to play in premier tournaments nationally and in Pan-European leagues are at a significant advantage in terms of their ability to derive revenues from gate receipts, broadcast income and leveraging their popularity to generate income from sponsorship and merchandise sales (Refer to Figure 7).

Fig 7: Primary Revenue Streams for Clubs

Match Day Earnings	Broadcasting	Commercial
Match day gate receipts	Revenue share from TV and radio rights from national leagues	Sponsorships
Season Tickets	Share of revenue from playing in Pan-European leagues (e.g. UEFA)	Merchandizing
Memberships		

Source: Deloitte Football Money League, 20

Match Day Income

Match day income is largely derived from gate receipts (including season tickets and memberships). Many clubs own their stadiums, and stadia capacity along with attendance often determine the scale of revenues generated. A loyal local fan base ensures strong attendance for home games played by clubs and contributes significantly to match day earnings for the clubs. Leading clubs are often able to invest in large and modern stadia, and charge more for individual seats. Since only the leading clubs in the national leagues qualify for the European championships such as the Champions League and the UEFA Cup, they also derive additional income from their share of the gate receipts from those games.

Broadcasting

Broadcast income includes revenue from television and radio transmission of both domestic and international competitions. Revenue share from broadcasting rights in national leagues are major contributors to club revenues. Clubs qualifying to play in Pan-European leagues such as the UEFA Champions League and UEFA Cup also gain from revenue share due to the broadcasting and new media contracts carried out by UEFA.

A major revenue driver for clubs going forward is the renewal of broadcast deals in various territories. The growing interest in the game along with deregulation of broadcast markets has resulted in the entry of new participants in the broadcast space and increased competition. Premium content remains critical to the business models of Pay-TV broadcasters, and as a result value for top class broadcasting rights continues to rise. The development and convergence of technologies has seen new entrants into the broadcast rights market, increasing competition for rights.

With the number of soccer Pay-Per-View (PPV) television (TV) subscribers in Europe expected to reach 80 million, broadcasting is expected to generate nearly £5.5 billion in revenues. The rise of PPV TV in some European countries will influence the value of live TV rights for football and the process by which TV rights are negotiated. As top clubs are aware of this revolution and its commercial opportunities, many are encouraged to become broadcasters themselves and eliminate, in the long run, the intermediaries (media companies). This fact is exemplified by the case of Manchester United, which has already established its own TV channel. Other clubs, like Real Madrid and FC Barcelona, also have exclusive channels, but they are constituted as 'joint ventures' with media companies.

As the competition heats up for media and broadcasting rights, organizations such as the Premier League have profited as television stations competed for the right to air the league's games.

Commercial Income

Leading clubs across Europe leverage their brand value and popularity among fans to generate revenues through licensing of image rights, advertising, merchandise sales and sponsorship deals. Leading clubs with star players and a massive fan base look to derive substantial revenue from merchandising sports goods and memorabilia.

There is a range of sponsorship levels from sponsoring a single player, like Vodafone and David Beckham, to full ownership of a team/club as was the case with Parma and the erstwhile Parmalat in Italy, and Bayer in Germany with Bayer Leverkusen. Other levels include sponsors for the club stadium and club kits.

Player transfers and property development of clubs also contributes considerably to club revenues although they serve as non–regular sources of income. Clubs also generate income from re-development/sales of existing property assets. Property development contributed £23.8 million to Arsenal's revenues in 2007, over 10 percent of the club's revenues for the year. A number of clubs also specialize as proving grounds for budding talent that are then traded with leading clubs via transfers to generate revenue. These include some clubs in the Netherlands and France.

Other trends that have contributed to the changing business models of clubs include the rise in popularity of European club soccer in other regions of the world, especially Asia. The emergence of large fan followings in countries such as China, Japan and in Southeast Asia has allowed leading European clubs to garner significant revenues from sponsorships, broadcasting and merchandise deals in the region. The emergence of broadband has also provided a new potential revenue stream from sales of online broadcast rights and sponsorships.

Expenses

Soccer clubs spend their budgets mainly in paying salaries and buying players, both local and international. There are also other expenses, such as the investment in building and maintaining stadiums and pitches, the expenses associated to the competitions, and others.

Ownership Structures

Soccer clubs across Europe have a variety of ownership structures. New ownership, however, rarely results in relocation. The local club has to be acquired as it stands and then investments need to be made to help the club work its way up through the divisions, usually by hiring better talent.

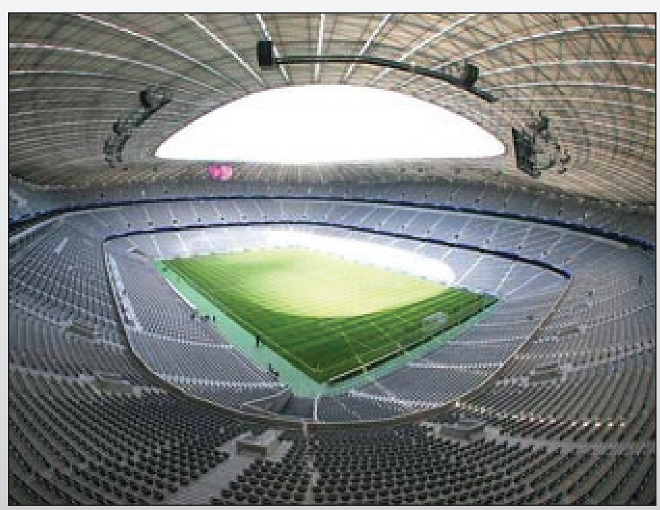
The nature of ownership is often determined by the degree of freedom granted by local regulations. Some regions such as the UK are more open to club ownership by foreigners including private individuals and investment funds while club ownership in countries such as Spain and Germany is characterized by member-owned or supporter-owned trusts.

Some of the ownership structures prevalent in European soccer include:

Ownership by Private Investors

A number of leading clubs are privately owned by individual wealthy investors or high net worth groups who are often motivated more by reasons other than a passion for the sport. The premier English soccer club Chelsea is owned by the Russian billionaire Roman Abramovich while Manchester City is owned by Abu Dhabi United Group for Development & Investment. Leading Italian club Juventus is owned by the Agnelli family, the promoters of the Fiat Group.

Some other leading clubs are owned by successful sports investors with a tradition of owning successful sports franchises. The world-renowned English club Manchester United is owned by the leading US investor Malcom Glazer, who also owns the National Football League's Tampa Bay Buccaneers.



Private ownership has proved considerably successful in parts of Europe such as the UK, where new owners with significant financial resources at their disposal have been able to commit large sums to bring in new talent and upgrade facilities allowing these clubs to emerge among the most successful in the national and Pan-European leagues.

Ownership by Corporations

Ownership of soccer clubs by leading corporations has been driven by historical linkages, and by the desire to secure a brand presence and/or to acquire a potentially successful media franchise.

Traditional links that corporations have with their town of origin and their relationship with the local community has often resulted in the local soccer club being promoted/financially backed by these corporations. A number of leading clubs are owned by leading global/local corporations such as Bayer Leverkusen FC which is owned by the German pharmaceutical and chemical giant, Bayer. Media companies also seek to own or have a stake in leading soccer clubs with the objective of establishing a strong media franchise and exploit the strong brand profile of clubs from existing and new sources of media that includes the increasingly popular Pay TV and Internet broadband. In France, the broadcasting giant Canal + controls some clubs, and the Girondins de Bordeaux have just been bought by CLT-UFA and M6. In Italy, the leading soccer club AC Milan is owned by Silvio Berlusconi, the owner of a number of leading Italian media networks.

Ownership Through the Stock Market

While a number of clubs had taken the stock market model to raise capital to finance their activities in the past, in recent years there has been a reversal in this trend with a number of clubs delisting from the stock exchanges. The threat of hostile takeover bids along with concerns over lack of transparency of ownership and the risk of clubs falling into the wrong hands have been some issues that have posed challenges to the effectiveness of the stock market model. A central issue is the conflict between the stock market's relentless focus on profit maximization and shareholder value, and other objectives such as sporting success. While the stock market model has been most prevalent in the UK, the experiment has shown that soccer clubs have found it difficult to prioritize profit over glory.

While a few leading clubs continue to remain listed on the stock market across Europe (Refer to Figure 8), the poor returns on soccer shares have meant that not too many clubs have followed the English cue and pursued the stock market model.

Fig 8: Listed Football Clubs

Source: Company Annual Reports # Indicative list only

Soccer & Player Associations

European countries have national soccer associations that are responsible for the overall management of soccer within their country. They act as the governing body and represent the country in international soccer competitions where UEFA acts as a representative for these national associations. Some of the countries have player associations and player unions, the responsibility of which is to enhance and develop the players' talent and also their commercial appeal.

National Associations

In Europe, UEFA acts as a representative of the national associations. There are currently fifty-three national associations under UEFA's wing.

German League Association

The German League Association has delegated operational matters to DFL - Deutsche Fußball Liga GmbH (DFL German Football League Ltd), the League Association and the DFL Deutsche Fußball Liga GmbH. The League Association has been an orderly member of the DFB since 2001. All thirty-six clubs and joint-stock companies are members of the League Association.

In common with DFB regional associations, the League Association is an ordinary member of the DFB with voting rights. The League Association holds a blocking minority and contributes three members to the DFB Presidential Committee (the President, his deputy and the DFL Executive Board Chairman) as well as thirteen members to the DFB Board. In addition to the above mentioned bodies, professional soccer is also represented on the disciplinary committee, the referees' committee, the committee for tax and financial affairs, the security committee, the coaching development committee, the violence prevention committee, the voluntary work committee, the anti-doping committee and the sports medicine committee. The League Association has transferred its operative business to the DFL.

The DFL sphere of responsibility extends to marketing and promotion of the top two divisions in domestic and overseas markets.

Regional Associations:

- Norddeutscher Fußball-Verband (Northern German Football Federation)
- Schleswig-Holsteinischer Fußball-Verband (Football Federation of Schleswig-Holstein)
- Hamburger Fußball-Verband (Football Federation of Hamburg)
- Bremer Fußball-Verband (Football Federation of Bremen)
- Niedersächsischer Fußball-Verband (Football Federation of Lower Saxony)
- Westdeutscher Fußball-Verband (Western German Football Federation)
- Fußball-Verband Niederrhein (Football Federation of the Lower Rhine)
- Fußball-Verband Mittelrhein (Football Federation of the Middle Rhine)
- Fußball-und Leichtathletik-Verband Westfalen (Football and Athletic Association of Westphalia)
- Fußball-Regional-Verband Südwest
- Fußball-Verband Rheinland
- Saarländischer Fußball-Verband
- Südwestdeutscher Fußballverband
- Hessischer Fußball-Verband (Football Federation of Hessen)
- Badischer Fußball-Verband (Football Federation of Baden)
- Südbadischer Fußball-Verband (Football Federation of South Baden)
- Württembergischer Fußball-Verband (Football Federation of Wuerttemberg)
- Bayerischer Fußball-Verband (Football Federation of Bavaria)
- Nordostdeutscher Fußball-Verband (Northeastern Football Federation)
- Landesfußballverband Mecklenburg-Vorpommern (Football Federation of Mecklenburg-Western Pomerania)
- Fußball-Verband Sachsen-Anhalt (Football Federation of Saxonia-Anhalt)
- Berliner Fußball-Verband (Football Federation of Berlin)
- Fußball-Landesverband Brandenburg (Football Federation of Brandenburg)
- Thüringer Fußball-Verband (Football Federation of Thuringia), and
- Sächsischer Fußball-Verband (Football Federation of Saxonia).

Revenue

The League Association's clubs and joint stock companies support centralized media rights negotiation. The DFL consequently acts as the exclusive agent for the most important broadcast rights on the German media market. The new media contracts agreed to in December 2005 will realize a record total of approximately $1.32 billion in the period from 2006-07 to 2008-09. From the 2006-07 season onwards, these funds will not merely reward the clubs that enjoy the most on-field success. All thirty-six clubs will benefit from the approximately 46 percent increase in media revenues, resulting from income generated at home and abroad and marketing activities centered on league fixtures.

One component underpinning the successful exploitation of media rights is the DFL's meticulous and consistent support for its brand. The league has enhanced the presentational quality of the product as a key contributor to long-lasting success. For example, the DFL introduced a new corporate design (CD), and has stipulated improved camera specifications for Bundesliga TV broadcasts. Over recent years, the league has progressively established communications platforms tailored to clearly-defined target groups. Soccer supporters are among the target groups for whom the Bundesliga represents an umbrella brand alongside the thirty-six clubs.

DFL Subsidiary Companies

The league has also expanded into other areas in recent years. It has two subsidiary companies: LIGA Travel (the official Bundes-LIGA Travel Gmbh agency) and Sportcast Gmbh (a TV production company).

Liga Travel Gmbh

LIGA Travel is jointly owned by the DFL and BTI Euro Lloyd, one of Germany's leading business travel providers. The company offers travel packages to all global destinations, and comprehensive full-service packages for teams, sponsors, the media and supporters, including flights and stadium transfers. Furthermore, the company offers special events and/or incentive trips to away matches.

LIGA Travel's mission is to serve as a professional, efficient and value-for-money partner to the top-tier clubs, serving all their travel needs. LIGA TRAVEL GmbH is 51% owned by the DFL, with BTI Euro Lloyd accounting for the remaining 49%.

Sportcast Gmbh

As of the current season, Sportcast has provided TV coverage of matches in the top two divisions and worked with the League's media partners. Once the League had commenced marketing its own rights, establishing an in-house production company was the next strategic step, representing an investment in the product and the future of the league. In this way, the DFL has assumed direct responsibility for the presentational quality of its product and secured a strong revenue stream.

Responsibilities - Marketing and Organization

Maintaining and strengthening professional soccer in Germany is the declared goal of the DFL Deutsche Fußball Liga GmbH. The operational subsidiary of the League Association is also responsible for balancing the diverse interests of all thirty-six members, who are at one and the same time sporting rivals.

The DFL regards its primary responsibilities as organization, marketing and service provision. The target customers are the League Association's clubs and joint stock companies, the media, the general public and the supporters. The DFL sphere of responsibility is fundamentally divided into three main branches: competitions, licensing and marketing.

Italian Football Federation

The Italian Football Federation (Federazione Italiana Giuoco Calcio, FIGC), also known as Federcalcio, is the governing body for soccer in Italy. It organizes the Italian soccer league, Coppa Italia, manages the men's Italian national soccer team and the women's national soccer team. It is based in Rome and is a founding member of both FIFA and UEFA.

Teams under the purview of the Italian Football Federation:

- National Team
- Nazionale Under 21
- Nazionale Under 20
- Nazionale Under 19
- Nazionale Under 18
- Nazionale Under 17
- Nazionale Under 16-15
- Nazionale Femminile
- Nazionale Femminile Under 19
- Nazionale Femminile Under 17
- Nazionale Calcio a 5
- Nazionale Universitaria
- Nazionale Militare
- Nazionale Olimpica, and
- Rappresentativa Giochi del Mediterraneo.

Holland - Royal Netherlands Football Association

The Royal Netherlands Football Association (Koninklijke Nederlandse Voetbal Bond - KNVB) is the governing body for soccer in the Netherlands. It is responsible for organizing the main Dutch soccer leagues (Eredivisie and Eerste Divisie), the amateur leagues, the KNVB Cup and managing the Netherlands national soccer team. The association is based in the municipality of Zeist.

Key Risks

There are several risks that directly affect the financial stability of clubs. A soccer club may face risks from relegation, competition and player transfer. These risks may affect the teams' on-pitch performance, as well as revenue from broadcasting rights and sponsorships.

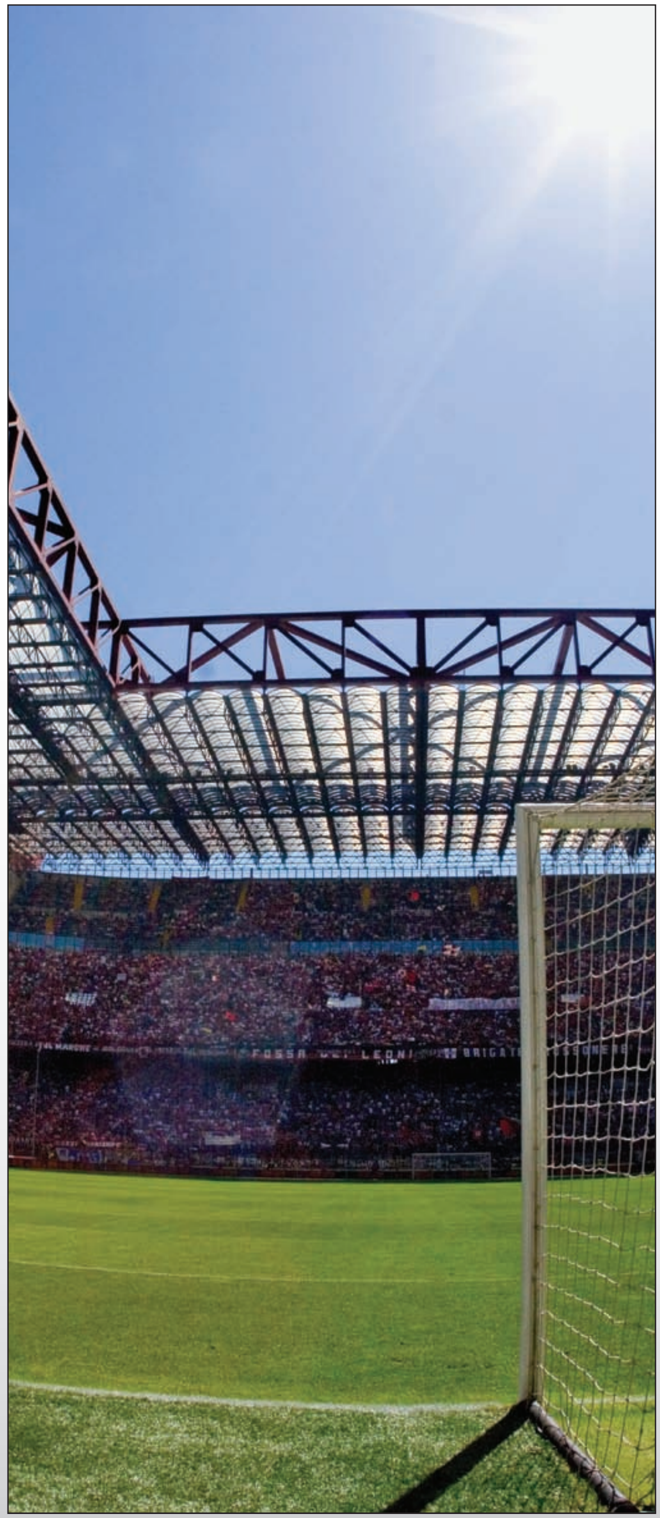
Relegation

Relegation is the mandated transfer of the three least successful teams from a higher division into a lower division at the end of the season. On the contrary, if a team is within the top three teams in their division, they are promoted to a higher division. This system of relegation/promotion is followed by the major soccer leagues in Europe. As a rule, a pre-determined number of teams at the bottom of a league/division are automatically relegated down to a lower level, being replaced by the same number of teams gaining promotion from that lower tier. Promotion and relegation have the effect of regularly rearranging the leagues according to the teams' playing strengths.

Competitive Balance

Competitive balance implies the balance between the sporting capabilities of the teams. Soccer leagues require a certain degree of competitive balance in order to survive and flourish. Without uncertainty over the outcome of individual matches and the league championship, sports leagues can become predictable and boring. Lack of competitive balance is likely to result in a decrease in spectators and potential losses in revenues from gate tickets as well as a decline in TV viewership. If a league does not have evenly-matched teams, there are no attractive contests either for spectators in the stadium or for TV viewers. Some of the significant risks from the lack of competition in a league include:

- Threat of bankruptcy for the lower ranked clubs
- The threat of rival leagues being formed by top clubs that seek competitive balance in a new or rival league
- The creation of large income gaps within and between leagues that result in huge financial gains from making it into the European Champions League or the Premier League.



Owners have an interest in winning as many games as possible to maximize revenue, given that success attracts crowds and television revenue. Hence, 'The real issue may well be the inherent conflict between owners' self-interest and a league's self-interest." All of the five big European leagues – England, Italy, Germany, France and Spain - have enjoyed significant increases. However, both the rate of revenue growth and the absolute level of revenue differ markedly across leagues.

UEFA makes solidarity payments to national leagues for distribution to non-participating clubs and to national football associations in order to maintain a competitive balance. In 2004, solidarity payments to English Premiership clubs not participating in the Champions League group stage amounted to around £250,000 for each such Premier League club. This money is earmarked for youth training programs with a view to strengthening non-participating teams and promoting competitive balance. Similarly, £300,000 was distributed to the Football Association and its clubs. The principle of solidarity payments is extremely important and UEFA requires that this money be spent on youth training means that the funds help strengthen the sporting capabilities of teams and promote competitive balance.

European Soccer is driven by several factors including players' wages, trends in player transfers and the development of new infrastructure especially stadia. The globalization of the sport and emerging broadcast media such as Internet broadband have provided new sources of growth for the game. The need for capital and increased popularity of soccer globally has attracted several investors resulting in heightened M&A activity in the last few years. This trend is likely to continue as European soccer makes further inroads into new markets creating new fan bases and extending the game's popularity.

Player Wages

Salaries paid to players are the most significant cost for soccer clubs. For most clubs across Europe, players' wages account for over half the club revenues. The salary paid to a soccer player depends on the player's abilities, age and past performances. It is influenced by the level of experience, the type of series/division, the country and/or league for which he plays.

Wage Comparison

A comparison of wages across leagues in European soccer shows that players with the leading clubs in the English Premier League are among the highest paid. Salaries for top European soccer stars, however, are significantly lower than for leading players in the NFL.

Comparison Between Leagues

The wages paid to players vary significantly based on the leagues in which they play. Players that play in the top European leagues such as the EPL, Spanish La Liga and the Italian Serie-A earn the highest salaries.

Chelsea's John Terry is the highest paid soccer player in EPL as well as in Europe with a salary of around $9.17 million. He is closely followed by his fellow-mates, Michael Ballack and Andriy Schevchenko, at $8.5 million. Liverpool's Steven Gerard and Manchester United's Cristiano Ronaldo round out the top five salaried players in EPL. (Refer to Figure 9)

Other highly paid players across Europe include Bayern Munich's Oliver Kahn (Germany) with $5.71 million per annum, AC Milan's Kaka (Italy) with $6 million, and Roma's Francesco Totti (Italy) with $5.5 million. Barcelona's Ronaldinho gets a $4.7 million salary, which is the highest in the Spanish La Liga. (Refer to Figure 9)

Fig 9: EPL & Italian Serie-A Wages

EPL	
Player (Club)	€million
John Terry (Chelsea)	9.17
Michael Ballack (Chelsea)	8.5
Andriy Schevchenko (Chelsea)	8.5
Steven Gerard (Liverpool)	8.43
Cristiano Ronaldo (Manchester United)	8.35
Italian Serie-A	
Player (Club)	€million
Kaka (AC Milan)	6
Francesco Totti (AS Roma)	5.5
Gianluigi Buffon (Juventus)	5.03
Patrick Vieira, Adriano, Zlatan Ibrahimovic (Inter Milan)	5.03

Source: 'The 10 richest footballers in Britain', 10 August 2007, MSN Money; '494 Player Salaries of Serie A - Kakà is the king, 11 August 2007, mCalcio.com

Between European Football & NFL/MLS

While the salaries paid to the leading European soccer players is considered to be very high, it is considerably lower as compared to the salaries paid to the leading stars of American leagues such as the NFL, NBA and MLB. While the salary paid to leading players in European soccer is greater than that for the players in the MLS and NHL, it is significantly lower than the salary paid to the NFL, NBA, and MLB players.

The average salary of the top 5 earning players in European soccer is $12.6 million as compared to $19 million in the NFL, $19.1 million in NBA, and $20.3 million in MLB. The highest salary paid in the NFL in 2007 was $30.8 million to Dwight Freeney (as part of his signing bonus), which is more than twice the $13.5 million salary paid to John Terry which demonstrates the commercial success of the big leagues in the USA.

Players in Major League Soccer (MLS) earn considerably lower salaries than their European counterparts. Cuauhtemocs Blanco from the Chicago Fire earns $2.7 million while other leading players also derive million dollar salaries (Refer Figure to 10).

In 2007, David Beckham was transferred from Real Madrid to LA Galaxy for a guaranteed salary of $6.5 million per annum. Beckham was recruited with the objective of raising soccer's profile in America as he is also among the most marketable stars of the sport. His commercial value can be gauged from the fact that after his transfer to Real Madrid from Manchester United, the club's merchandise sales soared 67 percent in his very first season and then grew by another 6.5 percent. His salary is more than twice that of any other player in the MLS and more than fifty times the average salary.

The high salaries paid to soccer players in Europe have also contributed partly to the increase in stadium ticket prices. This has raised some controversy in Europe with some politicians calling for control on player wages and reduction in the ticket prices.

Fig 10: Salary Comparison – European Football, MLS and NFL

European Football	
Player (Club)	€million
John Terry (Chelsea)	13.5
Michael Ballack (Chelsea)	12.5
Andriy Schevchenko (Chelsea)	12.5
Steven Gerard (Liverpool)	12.4
Cristiano Ronaldo (Manchester United)	12.3
MLS	
Player (Club)	$million
Beckham, David (LA Galaxy)	6.5
Blanco, Cuauhtemocs (Chicago Fire)	2.7
Angel, Juan Pablo (New York Red Bulls)	1.6
Reyna, Claudio (New York Red Bulls)	1.25
Donovan, Landon (LA Galaxy)	0.9
NFL	
Player (Club)	$million
Freeney, Dwight (Indianapolis Colts)	30.8
Bulger, Marc (St. Louis Rams)	17.5
Davis, Leonard (Dallas Cowboys)	17
Adams, Gaines (Tampa Bay Buccaneers)	15.5
Geathers, Robert (Cincinnati Bengals)	14

Source: 'MSN Money', 'MLS 2006 Salaries', The Washington Post, USA Today Salaries Database

Salary Caps

The European league clubs compete with each other for the best players. The high salaries paid to players have driven many smaller clubs into administration/financial ruin. The disparity in financial returns and the ability to pay for quality talent has also resulted in imbalances between the top clubs and the lower tier clubs. A salary cap helps in maintaining a balance within the league so that a wealthy team does not become dominant by buying all the top players.

U.K.'s Professional Footballers' Association (PFA) has suggested capping salaries as one solution to the game's growing financial crisis. Another option suggested is "divisional contracts" wherein a player's salary rises or falls based on promotion and relegation.

Salary caps make it difficult for teams in countries with high taxation to attract the best players. The clubs in countries with lower tax rates get the competitive advantage over other leagues. There are instances where the clubs pay the taxes on player wages.

Player Transfers

In soccer, "transfer" refers to the transfer of a players' registration from one club to another. When a soccer player is under contract with a club he can only leave if the club agrees to terminate this contract. As a way of compensation, the club to where the player is transferred will usually pay a 'transfer fee.' As part of the transfer deal, a portion of the fee may go to the player himself and any agents involved in the deal.

All transfers can occur only during the 'transfer window,' a period in the year when players can either shift from one team to another. The system was already being used by a number of European leagues before being brought into compulsory effect by FIFA during the 2002-03 season. There are two windows per season, one from the close of the season until midnight of August 31, and one from midnight on December 31, until 11pm on January 31 the same year.

The transfer of players between clubs belonging to the same country is governed by the Football Association concerned. This autonomy allows associations to adapt their own regulations to the particular conditions and circumstances of the country concerned. However, if any rule pertaining to the general guidelines issued by FIFA is violated as part of a transfer deal, the transfer must then be approved by FIFA. The current UEFA President, Michel Platini, recently announced plans to hold talks with his FIFA counterpart, Sepp Blatter, in 2008 with a view to obtaining for UEFA the responsibility for regulating international transfers between European clubs.

Types of Tranfers

Player Exchange

This is an ingenious method developed by clubs to avoid monetary investments. In such a deal, the two clubs involved contractually agree to either a partial or complete exchange of players. For example, a club may decide to pay the transfer fee of a target player by offering a player of their own in exchange, along with some additional payment. This player exchange may also be carried out without any money changing hands.

Free Transfer

A free transfer involves a team releasing a player once his contract has expired or if he has been made available just before the end of the contract. The team does not have to pay any compensation for such release as it has nothing left to pay on the contract, hence the term 'free transfer.'

Historically, transfer fees were paid even when the player was out of contract (except in Spain), but since the Bosman ruling, this is no longer the case. The Bosman Transfer ruling, which governs all player transfers within the European Union (EU), was brought into effect in 1995 following the European Court of Justice's decision to allow professional soccer players in the EU to move freely to another club at the end of their term of contract with their present team. The term "Bosman" is today used as part of everyday soccer terminology to indicate free transfers.

Loan Deals

A loan deal is a special kind of transfer that allows a player to play for a club other than the one he is registered with for a specific duration of time. The conditions governing the loan of a professional, such as the duration of the loan and the obligation to which the

loan is subject, is regulated by a separate written contract between the clubs involved. The player is, however, often asked to co-sign it so as to give his consent to the transfer on a loan basis. The club that has accepted a player on loan is not entitled to transfer him to a third club without the written authorization of the club that released the player on loan and that of the player concerned.

Players may be loaned out to other clubs for several reasons. Youth players are often loaned to a club from a lower league in order to allow them to gain valuable team experience. A club may loan a player if they are short on transfer funds but can still pay wages. Some players are loaned because they are unhappy or in dispute with their current club and no other club wishes to buy them permanently. Henri Camara with Wolverhampton Wanderers and Craig Bellamy with Newcastle United were loaned out under such circumstances.

In the EPL, players on loan are not permitted to play against the team which holds their registration.

Transfer Rules

The basic rules laid down by FIFA with regards to transfers that have to be observed by all clubs, irrespective of their location, are as follows:

- A player may only be registered with one club at a time.
- Players may be registered for a maximum of three clubs during the period from July 1 until June 30 of the following year; in effect ruling that a player can only be transferred twice throughout the duration of a European soccer season.
- A contract between a professional and a club may only be terminated on expiration of the term of the contract or by mutual agreement. This implies that a transfer can take place only if both parties involved, i.e. the player and the club he plays for, agree to the terms of the transfer.
- A club that intends to sign a contract with a player who is under contract with another club must inform that player's club in writing of its interest before entering into negotiations with the player.
- A player can sign a contract with a club other than the one he is playing for, if the contract with his current club will expire within the next six months.
- If a player's contract was signed prior to reaching the age of twenty-eight then, provided he has completed three entire seasons or three entire years, he is permitted to end the deal with fifteen days' notice. If the contract was signed after his twenty-eighth birthday, only two seasons or years must be served.

However, FIFA has made an exception to these rules, under which the contract between the club and the player can be terminated and the player is free to move on to another club of his choice. The exception is as follows: A player has not been paid his salary for over three months. Despite having informed the club of its default, the club does not settle the amount due. The player then notifies the club that he will terminate the employment relationship with the club.

Termination in the aforementioned situation is only allowed at the end of the season, unless the two parties have agreed in mid-season to mutually terminate their working relationship.

Transfer Fees in European Soccer

In the last few years, the majority of transfer fees that involved sums in excess of £10 million have been paid by the leading clubs in England, Italy or Spain. Clubs in countries such as Holland, Portugal, and France are seen as breeder clubs that produce rich talent, which are then snapped up by the clubs in more successful leagues, so much so that this has turned into a major source of revenue for clubs such as Ajax (Holland), Sporting Lisbon (Portugal) and AS Monaco (France).

European football experienced a "transfer bubble" between 1999 and 2002, following which fees fell significantly. The most expensive transfer since 2002 and prior to this transfer season has been Chelsea's purchase of Andriy Shevchenko in 2006. The fee, while not officially disclosed, was reported to be around £30 million.

Figure 11 shows the highest transfer fees ever paid in European soccer. Using a different currency (the Euro being the most relevant) produces a slightly different list due to exchange rate fluctuations.

Fig 11: Huge Transfer Deals in European Soccer

Rank	Player	From	To	Transfer Fee (£million)	Year
1	Zinedine Zidane	Juventus	Real Madrid	47.5	2001
2	Luis Figo	Barcelona	Real Madrid	37.0	2000
3	Hernan Crespo	Parma	Lazio	35.5	2000
4	Gianluigi Buffon	Parma	Juventus	32.6	2001
5	Christian Vieri	Lazio	Internaz.	32.0	1999
6	Rio Ferd.	Leeds United	Manchester United	30.0	2002
7	Andriy Shev.	A.C. Milan	Chelsea	30.0	2006
8	Wayne Rooney	Everton	Manchester United	27.0	2005
9	Gaizka Mendieta	Valencia	Lazio	29.0	2001
10	Ronaldo	Internaz.	Real Madrid	28.5	2002

Source: BBC Sport

Of the transfers in the list above, Rio Ferdinand's included performance related clauses, as did some of the other deals. Such performance related clauses are more common since the bursting of the transfer bubble.

Over the past decade, the average transfer fee paid for a player has increased considerably. This inflation has resulted in even players of average caliber commanding much higher transfer fees than they are worth. Rumors of impending big-money moves, engineered by player agents, enable clubs to cash in on their players, regardless of their talent. The commercial successes of the sport and intense competition among leading clubs that possess the financial clout have also contributed to players commanding very high transfer fees.

A prime example of the fee inflation has been the fact that transfer spending by English clubs exceeded £500 million for the first time in the post season transfer window of 2007-08. Total spending on transfers by Premier League clubs in 2007 (January and summer windows) exceeded £530 million, up by more than 60 percent since 2006 (£333 million). New owners at a number of Premier League clubs combined with the £300 million of extra payments to clubs from the new broadcast deal for the 2007-08 season, were the key drivers of this unprecedented rise in transfer spending. The average transfer fee paid by Premier League clubs increased from around £3.5 million in summer 2006 to £4 million in Summer of 2007.

The linkage between on-field performance and the transfer fee paid for a soccer player in recent times has weakened due to the difficulty in measuring individual performance, as well as an increase in the intangible value of a player. Clubs generally determine the value of a player based on his past performances, as well as by the amount paid in the past for players of similar calibre. Another important factor in estimating the players' value during transfer is his commercial potential in terms of merchandise sales and viewership, as commercial value of a player provides a major source of income for the club.

Third Party-Ownership

Third party ownership of soccer players first came into prominence during the protracted transfer of Argentine striker Carlos Tevez from West Ham to Manchester United in the summer of 2007. The Tevez case was complicated by the fact that the player's transfer rights were partly owned by a private company (MSI, owned by Kia Joorabchian) rather than just his club, which is the norm. Third-party ownership or part-ownership of players has been a common practice in the South American game and does not, in itself, break any soccer regulations in Europe. But it is illegal for a third party to acquire the ability to materially influence a club's policies, and this is exactly what happened in the aforementioned case.

There are a number of players of South American descent playing within Europe who are partly or completely owned by third party owners. However, the implications of the same were not so wide-felt until the transfer of Argentineans Carlos Tevez and Javier Mascherano from Brazilian club Corinthians to Premiership club West Ham United. The transfer breached Premier League rules and led to West Ham receiving a record £5.5 million fine from the league. Following the resolution of this incident, FIFA introduced new regulations on third party ownership. As per the new rules, no club can enter into a contract that enables a third party to influence employment and transfer-related matters. FIFA

also intends to impose strict disciplinary measures on clubs that fail to follow these rules.

Stadia Development & Other Operations

Stadiums and players are the most significant physical assets owned by clubs. The extra revenue that ticket sales and other in-stadia facilities generate make a huge difference to a club's ability to invest in its playing resources. However, stadia usually represent a highly inefficient cost for clubs. While they account for significant capital expenses as well as maintenance costs, the infrequent use of these facilities (they are mainly used only on match days) results in poor productivity of these assets. On account of this, many soccer clubs lease stadiums from local authorities rather than investing in their own stadium.

In order to increase their revenues from selling gate tickets and to improve their public image and brand name, several top clubs have substantially improved their stadia and the accompanying facilities, such as offices and restaurants. Most English clubs regard appropriate stadia management to be among the reasons for their commercial success. Clubs are also exploring the opportunities to move to a completely self-owned stadium, where they can accommodate larger crowds in better conditions. Clubs also derive additional income by renting out stadiums for other activities such as music concerts and alternative sports. Over the past decade, the top ninety-two professional clubs globally have spent around £20 million more on average as investment on stadia each year than they have on net player transfer fees.

Stadium sharing is a rising trend among several clubs within the same city, and a number of these clubs secure long term lease contracts from the owners. These contracts provide the owner clubs with an incentive to improve facilities in order to maximize opportunities offered by these stadiums.

Some aspects with regard to stadia management are as follows:

Ownership

Around Europe, some of the football stadia are owned by local authorities (municipalities) while some others are owned by clubs themselves. In Italy, most of the stadia are owned by local authorities. In France, too, most grounds are owned by municipalities. While stadia ownership in Germany is similar to that in France, some clubs such as Borussia Dortmund have part ownership. In Spain, stadia ownership is more evenly split between clubs and municipalities. In England, virtually all the stadia are owned by the clubs themselves.

The municipality's tenure might discourage commercially-minded stadium development. A short lease period prevents clubs from investing in the stadium. On the other hand, the local authorities find it hard to justify investment on grounds of commercial benefit for private organizations such as soccer clubs. In the future, however, it is likely that in spite of municipal ownership, the revenue upside in some cases may be so significant that many clubs might pay for the improvements themselves.

Non Match-Day Income

Non match-day revenues offer significant revenue opportunities for soccer clubs. English clubs have most successfully exploited their potential to generate income. Non match-day revenues can be divided into two categories. The first category involves straight revenue opportunities from hosting conferences and banquets. These will be dependent on local market conditions and the quality and type of facilities. The second opportunity holds long-term potential as it involves leveraging the club's brand. The Barcelona museum is the third most visited in Spain due to its club shop which serves as a prime attraction. In Old Trafford (England), Manchester United's 'Theatre of Dreams' museum offers visitors an opportunity to take a tour inside the team's changing rooms.

Other Revenue Streams

- Mobile catering units (stalls and vendors)– food and beverage outlets – and merchandise (souvenirs) on the land immediately adjacent to the ground
- Restaurants & bars – most clubs have restaurants and bars for their fans where they can watch the match and meet new supporters
- Space rental
- Perimeter boards
- VIP seat holders and boxes (suites) with access to better facilities.

Financial Impact

Stadium upgrades and strong marketing strategies have enabled the Premier League to attract more ticket-holders over the years. England leads the way in Europe in terms of soccer finances and, in particular, its business acumen in stadium management. Twenty-five new club soccer stadia have been built in England since 1990, and at least half of all clubs in the current Premiership season have plans for further investment in new stadia or redevelopment of their existing grounds. As of 2006, English clubs had already invested £2.2 billion into stadia development operations since 1992-93.

Club revenue (excluding broadcast income) from the first season at a new stadium increases on average by 66 percent. This increase in revenue is largely driven by an estimated 50 percent increase in average attendance in the first season at the club's new venue compared to the previous season in the club's old home.

Capacity utilization for stadia is increasing along with a rise in revenue yields per seat on match days. Clubs are also becoming increasingly sophisticated in treating their facilities as 365-day-a-year assets.

Stadium Naming Rights

Since being introduced in 2001, the naming rights sponsorship format has developed into an integral aspect of all stadium plans across Europe. It has become an effective tool for clubs to generate income to aid their development activities. However, with the exception of the German market, only a handful of European stadia bear naming rights, especially in comparison to the U.S. This is set to change, though, as there are hardly any new stadium constructions or renovation projects in which naming rights sponsors do not play a fundamental role in financing reinvestment.

The English club Arsenal sold the naming rights to its new stadium to Emirates Airlines in a fifteen year deal worth £100 million in 2004. This allowed the club to generate significant profits in the financial year 2006-07, during which time they moved into the new stadium. A number of other clubs across Europe had also previously signed naming deals, the biggest among them being Bayern Munich's fifteen-year deal with Allianz AG at £4 million a year.

In 2007, naming rights sponsors in European soccer's top leagues paid a total of around €43 million to the respective sponsored clubs/operators and owners of the relevant stadia. A significant upturn can be anticipated in markets other than England and Germany with regard to earnings from this source, with many lucrative deals under negotiation in Italy, Spain and France.

Growth Drivers

European soccer has emerged as the most popular global sports franchise, with its leading players enjoying recognition worldwide and the sport itself emerging as a major commercial success. The top twenty clubs have seen their income almost triple since 1996-97 from €1.2 billion to €3.4 billion in 2005-06. Clubs can expect to see continued growth in the near future from the game's increasing global popularity, the rise of several highly marketable players, the growth of Pay TV and new broadcast deals and the emergence of new media such as mobile TV and Internet broadband.

Globalization

The increase in popularity of European soccer across the world, especially in rapidly growing Asia, has emerged as one of the strongest growth drivers for the sport. Some leading clubs such as Manchester United, Barcelona and Real Madrid have benefitted from the opportunity to sell individual broadcasting and sponsorship rights for these overseas markets. These premier clubs have also managed to establish a strong franchise in Asia allowing them to earn considerable revenues from merchandise sales. The huge opportunity offered by emerging markets such as China that still have very nascent Pay TV markets provides significant opportunities to these clubs. However, almost every club has the opportunity to benefit from the globalization of soccer.

Globalization of ownership through the entry of foreign investors from the US has provided soccer clubs (especially in the UK) with access to capital necessary to improve the talent base and upgrade facilities. Leading clubs such as Manchester United and Chelsea have benefitted immensely from foreign investors who have helped the clubs improve and maintain their performance in national leagues and in Pan-European UEFA tournaments.

Globalization of European soccer has also been characterized by the influx of talent from South America and Africa into European clubs. Even coaches, whose expertise used to be restricted to home countries, are now sought by teams internationally.

Marketable Players

Successful players with an ability to draw a huge fan following have emerged as marketable commodities that help clubs draw huge crowds to games and generate considerable revenue from merchandise sales. With marketable players, clubs are also able to expand their presence in newer geographies such as the promising Asian markets like China. Real Madrid, which adopted its now famous Galáctico (superstar – world famous soccer player) strategy with leading talent such as Zidane, Ronaldo, Luís Figo, Roberto Carlos, Raul and David Beckham, has demonstrated most successfully the benefits of this strategy both on and off the field. The acquisition of such marketable players provides an advantage not only on the field but considerable growth potential for clubs financially. This strategy, however, involves considerable expense and can be adopted only by leading clubs with the financial power to invest in such leading talent.

New Broadcast Deals

With the increase in football viewership and rise of Pay TV across Europe, the revenue generation potential from broadcasting soccer is expected to increase significantly. New broadcast deals for some leagues such as the English Premier League are expected to involve considerably larger sums resulting in higher payouts for clubs that participate in these leagues.

Leading clubs have also launched their own television networks to leverage the revenue generation potential from TV viewership and to keep fans interested in the soccer club at all times.

Development & Convergence of Technologies

The development and convergence of technologies has seen new entrants into the broadcast rights market, increasing competition for rights. New media distribution mechanisms such as the Internet (broadband connections) and the mobile phones (notably the emerging 3G technologies) can provide the same soccer related or similar content as those provided by traditional media but over different networks and, to some extent over different devices. Sports content, especially soccer, remains a key content driver for telecom and media companies that have invested in such emerging media with the aim of reaching a wider consumer base.

M&A Activity

The commercial success of European soccer has increased interest among financial investors as well as high net worth individuals keen to tap into its growth. Wealthy individuals, hedge funds and other financial institutions have sought to buy into clubs to profit from the game's rising TV and commercial revenues. The last few years have seen a number of high profile takeovers of leading clubs (mostly English) including the acquisition of eight high-profile Premiership clubs including Manchester United, Chelsea, Liverpool and Newcastle.

Acquisition History

The acquisition of major soccer properties began with the €195 million buyout of Chelsea by Russian billionaire, Roman Abramovich (Refer to Figure 16). To date, he has provided £485 million in additional financing to help Chelsea acquire some of the world's best players. This investment was critical in winning two Premiership titles in the past three seasons.

The largest and most high profile deal in European soccer was the €787 million acquisition of the leading English club Manchester United in 2005 by Red Football Ltd, a firm owned by the US sports tycoon, Malcolm Glazer. This investment yielded handsome dividends as the club won the English Premiership in 2007.

Since 2003, there have been twenty-seven deals worth €2.4 billion across Europe. The UK accounts for around 44 percent of deal volume, but there has also been significant M&A activity in other parts of Europe including Italy, Russia and Spain, all of which have hosted three deals apiece. The investment climate and regulations in the UK have been more welcoming of foreign investors unlike countries such as Italy and Spain where a majority of the clubs are owned either by club members or by passionate millionaires.

In Russia, Spartak Moscow, FC Krylia Sovetov and Zenit Football Club have been acquired by major players in the oil and gas industry. There have also been deals in Austria, Greece and France, including the €41 million buyout of Paris St Germain by French private equity firms Colyzeo European Investment Fund and Butler Capital Partners as well as US firm Morgan Stanley Capital Partners.

Trends

The first wave of speculative investment in soccer was from investors who sought to gain from the sale of the clubs' single biggest asset, the land upon which their stadia were built. The next wave of private investor interest has been driven mainly by the popularity of the game and the revenue soccer clubs receive from television rights. The UK is a case in point as in May 2006 a €2.52 billion television rights deal was negotiated by the Premier League with British Sky Broadcasting.

Clubs, on the other hand, saw these investments as a way to finance better players and build new stadiums. These investors are also often motivated by a perception that the assets of a football club can be used more efficiently to derive greater revenues from more effective merchandising and exploitation of a captive and loyal fan base.

For the moment, the acquisition of soccer clubs seems to be a trend that will endure, especially in the UK. Indeed, at present a number of clubs are reportedly being touted as being in the midst of a takeover.

Issues

In spite of the advantages offered by the takeover of a club, there have been voices of concern about the motivation of the acquirers. Three issues have contributed to this concern over foreign ownership.

They include:

- Increased number of foreign-owned clubs in the EPL
- Transparency and the need for strict compliance with UEFA and FA rules on dual ownership
- Concerns regarding the integrity of owners and the need to comply with other criteria.

The growth in foreign ownership of English clubs reflects the increasing globalization of soccer and the opportunities offered by growth of the Pay TV market in Asia. The issue, therefore, is not foreign ownership per se but the motivation of owners behind acquiring the clubs. One particular concern has been if these investors are likely to prioritize overseas markets and TV audiences over domestic markets and the local fan base. For instance, in 2006, a bid for Arsenal by the US billionaire, Stan Kroenke was opposed by the club's Chairman Peter Hill-Wood as he wanted to keep the club English-owned and believed that foreign investments in soccer were against the ideals and culture of the club.

The increasing popularity of soccer and the profitability of top European clubs will ensure that clubs remain an attractive takeover target in the future.

ARSENAL HOLDINGS

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Senior Executives

Chairman:	Peter D. Hill-Wood
Managing Director:	Keith G. Edelman

Description

Arsenal Holdings, headquartered in London, UK, through its subsidiaries, owns and operates the Arsenal Football Club, one of the top soccer teams of the English Premier League. Founded in 1886, the club has won thirteen First Division and Premier League Championships and ten FA Cups. The team owns the Emirates Stadium located in London having an official seating capacity of 60,432. Other activity includes property developments. Arsenal's subsidiaries include Arsenal Football Club; Arsenal Emirates Stadium Limited, involved in property development; Arsenal Overseas Limited, involved in retail operations; Arsenal Securities catering to finance operations; and Arsenal Stadium Management Company Limited, which handles stadium management, Ashburton Trading Limited, HHL Holding Company Limited, Highbury Holdings Limited, Ashburton Properties (Northern Triangle) Limited, Gillespie (Jersey) Limited, Gillespie Holding Company (Jersey) Limited, all involved in property development.

Commercial Partners

Arsenal's long list of commercial partners includes Emirates Airlines (shirt sponsor), LG Mobile, EDF Energy, Scottish & Newcastle, Nike, O2, Coca-Cola, Thomas Cook, Ladbrokes and Lucozade, Paddy Power, BT, Sony, and Delaware North – food and beverage services. Arsenal is developing a soccer business in Thailand by partnering with BEC-Tero and Electronic Arts and with Hoang Ang gia Lai in Vietnam. Tiger Beer is the Group's beer partner in South East Asia. In addition, Arsenal has a three year agreement with Star ESPN for the promotion and delivery of Arsenal mobile in Asia. The other partners include Setanta and Input Media who will provide production expertise.

Current Price (GBP)	855,000
Stock Data	
52-Week range:	4320-10450
Market Capitalization (£million)	531.97
Price to Earnings (P/E)	188.90
Stock Adjusted Beta:	NA
YTD Performance	-
Bloomberg / Reuters:	AFC PZ

Business Segments				
In £'000	2006	% Weight	2007	% Weight
Gate & match day revenues	44,099	32.2%	90,613	45.2%
Broadcasting	54,870	40.0%	44,312	22.1%
Retail	10,218	7.5%	12,064	6.0%
Commercial	22,796	16.6%	29,518	14.7%
Property development	5,115	3.7%	23,792	11.9%
Total	**137,098**	**100.0%**	**200,299**	**100%**

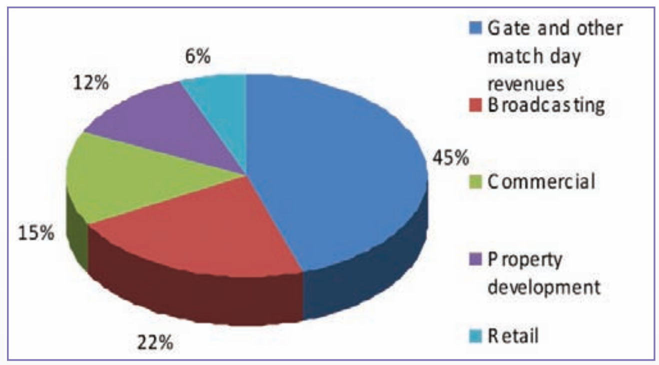
Revenue Segment

Arsenal's major sources of revenue include ticket sales, broadcasting income, commercial sponsorships, and lately it has also improved its retail business. Additionally, it also indulges in property development of previously used properties, by converting them into residential apartments. The club's relocation to the Emirates Stadium has increased its capacity size to make the match day revenues to be the highest revenue source in recent times.

The club's broadcasting remains another major source of revenue which includes income from distribution rights from participation in Champion's League, Premier League and others.

While soccer has become the most famous sport, many corporations have tried to cash in by teaming up with the clubs in demand. Arsenal's long list of commercial partners led by Emirates and others is evidence of the same. Increasing fan following led by more and more team victories, has helped the club to boost its merchandise business. The club's recently opened stores on the Emirates Stadium site; The Armoury and All Arsenal are evidence of the significance of this segment.

Fig: Revenue Breakdown



Player Trading

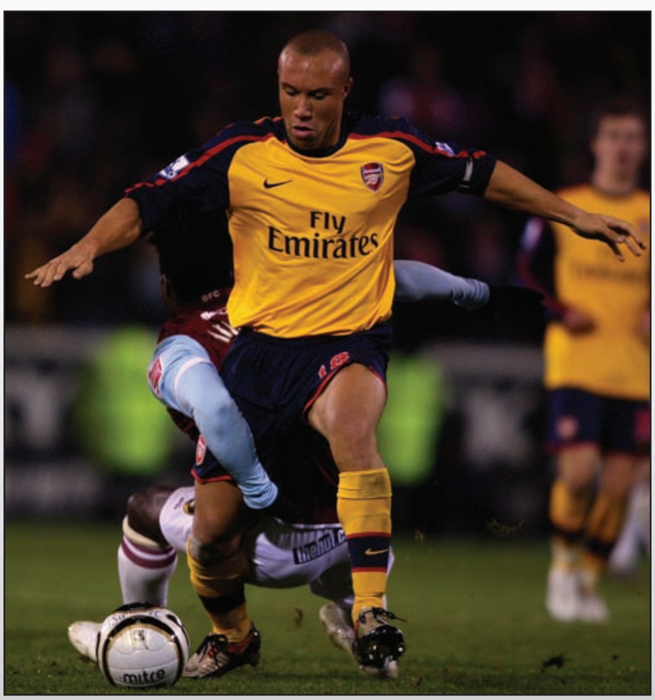
Arsenal's player transfers saw the inclusion of Eduardo Da Silva during the season on a four-year contract. Making twelve appearances and scoring seven goals for the Croatian national team apart from seventy-three goals in 104 appearances for Dinamo Zagreb, Eduardo was the Croatian League's top scorer in both 2006 and 2007 and was voted the Croatian Player of the Year in 2004 and 2006. Also during the summer, Arsenal signed Bacary Sagna from Auxerre, who was recently called up into the French national squad. Polish international goalkeeper Lukasz Fabianski, who was voted best goalkeeper in the Polish League for both 2006 and 2007 and won the Polish League Championship with Legia Warsaw in 2005-06, was another player acquired by Arsenal. Just at the end of player transfers, the Club signed Lassana Diarra, a multi-functional player, from Chelsea.

Player transfer is a common phenomenon in this industry, the main reason being higher wages and contract values. The team's biggest loss in recent times has been the departure of Thierry Henry to FC Barcelona. Henry had contributed substantially to the club since joining it in August 1999. He was the club's all-time leading goal scorer with 226 goals to his credit, and won various titles for the team and numerous individual awards. Freddie Ljungberg, Jose Antonio Reyes, and Jeremie Aliadiere were the other players who left the team recently. Such high profile exits create an imbalance in the team, but Arsenal has sustained these shocks and the team has continued with its superior performance on the field. The team's manager, Arsène Wenger, has guided the team to seven major trophies since his arrival in 1996. His contract has been renewed through 2011 and he remains a big asset for the team.

Season Performance - On the Field

The team ended the 2006-07 season finishing fourth in the Premiership for the second successive season. This enabled it to qualify for the UEFA Champions League for the tenth consecutive season, proving the team's consistency over the long term.

In the UEFA Champions League, Arsenal's top place finish against strong competitors like Hamburg, CSKA Moscow and Porto was impressive. Unfortunately, this early form was not continued, and the team lost the first knockout round to PSV Eindhoven. In the FA Cup, the club's victories over Liverpool and Bolton Wanderers in the previous two rounds were blocked by the defeat to Blackburn Rovers. The club's victories in start up matches have been appreciated by fans; however, it needs to play better in important matches leading to larger fame of the Team Arsenal.



The potential of the club's younger players has caused great excitement amongst supporters. The young players on the team were instrumental in taking the team to the finals of the Carling Cup. Interest in the youngsters is demonstrated by the FA Youth Cup record attendance of 38,187 for the Arsenal youth team's semi-final first leg at Emirates Stadium against Manchester United. In the future, this could help the company generate revenue from the retail business boosted by the two new stores.

The FA Women's Premier League saw phenomenal performance by the Arsenal Ladies, who won all 22 matches followed by victories in the League Cup and FA Women's Cup. The team also became the first British side to win the UEFA Women's Cup.

All teams of the club are playing well, displaying lower risk to the income generation in the near term. However, if Arsenal's main team proves its caliber by winning more important matches and getting closer to finals, the revenue stream can boost with increase in attendance. This will also help push the group's ticket sales, attract more sponsors and escalate merchandising sales.

Recent Performance Highlights

The club's new home, Emirates Stadium remains to be the focus of financial highlights, which has driven revenues to staggering heights. The group's turnover touched £200 million, up by 46.35 percent, which was largely due to gate and other match day revenues which increased by 105.46 percent. Retail revenues, which hold a small piece in the revenue pie, also showed improvement on account of new stores openings and higher match attendance. This was partly offset by broadcasting revenue on account of early exit from the UEFA Championship last season. The club's peripheral business of property development increased manifold to £23.8 million due to the sale of the development site at Drayton Park. The commercial segment also saw an increase in revenue due to the club's shirt and stadium naming rights.

The club's overall operating expenses increased 25.7 percent mainly due to rise in staff costs, apart from property development and other expenses. However, operating margin of 11.64 percent against the previous year's loss of 2.87 percent showed great improvement. This was largely on account of lower staff increases, in comparison with the rise in match day revenues and commercials. Net income was, however, down by 64.36 percent due to lower player transfer income and substantially higher interest expense.

In 2007, the interest cost was a whopping £36.7 million. This includes £21.4 million of exceptional finance cost as a consequence of the refinancing of the stadium funding debt.

Capital Projects

Emirates Stadium

The club recently shifted its home ground to Emirates Stadium from Highbury. The 2006-07 season has been the first at Emirates Stadium, which has helped to increase the capacity by 22,000 to about 60,355 seats for every game. With average attendance of more than 59,900, the stadium has helped produce average match day revenue of around £3.1 million per match, an increase of 97 percent compared to Highbury. This has enabled the total match day revenue to touch £90 million, thus making the gate and other match day revenues the largest revenue segment of the group. The naming rights deal with Emirates Airline worth £42 million has also generated significant additional revenue.

Arsenal's £430 million capital expenditures in Emirates Stadium remains the largest investment. The investment resulted in the group incurring debt of £260 million, raised through a project finance loan, later replaced by a credit wrapped bond with a fixed interest rate. The new loan is availed at 5.14 percent for £210 million and another £50 million at 5.97 percent. Arsenal's annual cash requirement of servicing the debt is £20 million, which looks significant considering the club's operating profit of £26.9 million in 2007. The group is, however, confident of increasing its revenue stream strongly considering the long-term benefits of the stadium and its revenue generating capacity.

Capital Structure

Arsenal recently raised debt for development of Emirates Stadium which has led the debt equity ratio to alarming figures. The 3:1 leverage is surely not in the club's long term target zone and remains an area of concern. This has also led the interest coverage ratio to around 1.75 times, displaying the risks in case of a bad season. While the group believes that increase in revenue due to substantially bigger stadium and its associated earnings will take care of the risk, the recent player transfers could pose a threat to its winning streak.

Secured loans comprise 75 percent of the total debt which was mainly raised in the current year for stadium development. Thus, it is evident that the company expects and requires the new stadium to remain a strong revenue driver.

Major Shareholdings	
Lady Nina Bracewell-Smith	15.9%
D.D. Fiszman	24.1%
Red and White Securities Limited	21.0%
KSE UK Inc.	12.2%

Arsenal's equity is mainly held by the directors, who in all hold around 45 percent of the shares, thus having a hold on the club's decision making. Other major shareholders include KSE UK, and Red and White Sec, whose chairman is the former vice chairman of Arsenal. Red and White owner Alisher Usmanov was recently in the news for increasing his stake in the club to 23 percent, stating that he plans to remain a long term investor and agrees with the company's policy of reinvesting the profits.

Management Profile

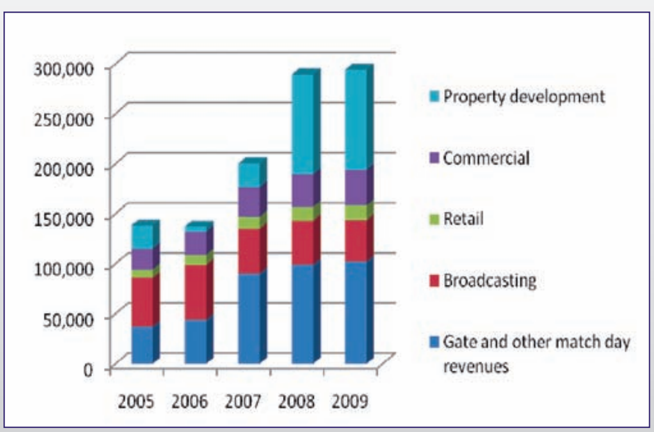
Arsenal's chairman is Mr. Peter Hill-Wood while the managing director remains Mr. Keith Edelman. Substantial investment by the board of directors demonstrates their faith in management. Management intends to reinvest profits to improve the club's facilities, thereby leading to better functioning and higher revenue generating capabilities.

Future Outlook

Arsenal is already in the second round of the UEFA Championship, and stands at the top position in the Barclays Premiership. The outlook of the team, therefore, remains positive allowing the club to play the most number of matches and improving the revenue pie from match day revenues.

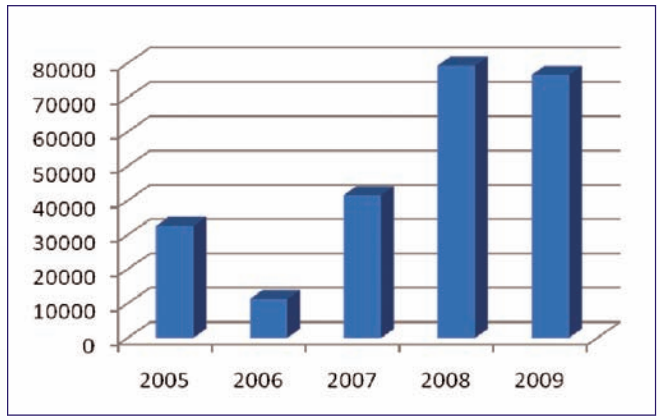
The move to Emirates Stadium is a significant achievement for Arsenal, and now it remains to be seen how the club drives the benefit and manages the risks attached thereto. Apart from the increasing ticket sales on account of higher stadium attendance, the club is taking various initiatives to improve profitability. It hopes to utilize Emirates Stadium for various other purposes, which can enable it to take advantage of the operating and financial leverage.

Fig: Revenue Projections



Management is looking for additional opportunities like the staging of international fixtures and other activities. The commercial business is also a good prospect considering the recent launch of Arsenal TV and improved relations with various partners like Emirates and other international associates. In 2007, Emirates Stadium hosted around 300 events including TV shows and wedding ceremonies.

Fig: Operating Profit



Management's efforts to grow the revenue pie looks promising.

Arsenal's Highbury and Queensland park property sales are expected to add about £90 million over the next three years. Even though this remains a secondary source of revenue, its contribution could be substantial. The group's level of debt associated with the Highbury Square project will increase over 2007-08, as construction and development work is undertaken. The first phase of apartment sale completions is scheduled for summer 2008, but management's apprehension on its completion remains an area of concern. Thus with a higher debt-equity ratio, the dependence on Team Arsenal's good performance has increased. This has led to a greater risk for the team, but at the same time, presents bright prospects for generating revenue.

Financial Projections

in £'000	2005	2006	2007	2008E	2009E
Revenues:					
Gate and other match day revenues	37,397	44,099	90,613	99200	102400
Broadcasting	48,594	54,870	44,312	44330.1659	41419.18
Retail	8,389	10,218	12,064	13270.4	14597.44
Commercial	20,703	22,796	29,518	32469.8	35716.78
Property development	23,312	5,115	23,792	100,000	100,000
Total Revenues	138,395	137,098	200,299	289,270	294,133
% Growth		-0.9%	46.1%	44.4%	1.7%
Operating Expenses:					
Depreciation	1,933	2,384	9,623	9,106	8,924
Staff costs	66,012	82,965	89,703	94,188	98,898
Cost of property sales	10,220	2,701	14,682	70,000	70,000
Other operating charges	27,599	37,725	44,677	36,667	39,690
Total	105,764	125,775	158,685	209,961	217,511
Operating profit/(loss)	32,631	11,323	41,614	79,309	76,622
Operating Margin	23.6%	8.3%	20.8%	27.4%	26.1%
Share of joint venture operating result	204	499	435		
Profit on ordinary activities before finance charges	32,835	11,822	42,049	79,309	76,622
Profit on disposal of player registrations	-12,099	3,888	229		
EBIT after player registration	20,736	15,710	42,278	79,309	76,622
Net interest payable	1,471	175	36,705	20,180	19,888
EBT	19,265	15,535	5,573	59,129	56,734
Taxes	10,972	7,983	2,757	17,739	17,020
Tax %	57.0%	51.4%	49.5%	30%	30%
Net Profit	8,293	7,552	2,816	41,390	39,714
Net profit Margin	6.0%	5.5%	1.4%	14.3%	13.5%
EPS-basic	£138.91	£127.01	45.3	665.3	638.3
Basic and Diluted shares Outstanding	59,700	62,217	62,217	62,217	62,217

OLYMPIQUE GROUPE

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Senior Executives
Chairman: Jean-Michel Aulus

Description

Olympique Lyonnais, popularly known as Lyon (or OL), are the reigning champions of France, for the sixth time running. Lyon has won six Trophées des Champions, three Ligue 2 Championships and Coupe de France titles, as well as seven participations in the UEFA Champions League. Lyon has dominated the top French level, Ligue 1, in the early years of the twenty-first century. After their second-place finish in 2001, OL won six consecutive Ligue 1 titles (2002-2007), becoming the first club in French history to do so. However, Lyon's European ambitions have meanwhile never been realized beyond the quarter-finals of the Champions League.

Olympique Lyonnais play their home matches at the 43,051 Seater Stade de Gerland, Lyon.

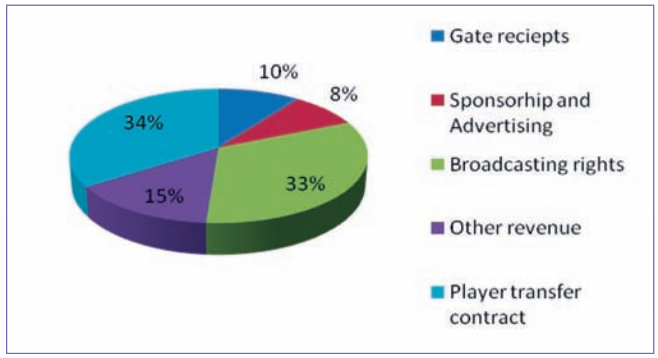
Current Price	21.25
Stock Data	
52-Week range:	26.00 – 16.01
Market Capitalization (IDR)	281.73 M
Price to Earnings (P/E)	14.63
Stock Adjusted Beta:	NA
YTD Performance	-1.3
Bloomberg / Reuters:	OLG

Business Segments				
In €million	2006	% Weight	2007	% Weight
Ticket sales		32.2%	90,613	45.2%
17.508	7.7	7.7	4.1	22.1%
Television and radio rights	127.5	56.4	92.9	49.8
Sponsorship & ads	55.4	24.5	34.5	18.5
Player registration	5.2	2.5	41.5	22.2
Other revenues	**19.9**	**8.8**	**9.9**	**5.3**
Total	**225.5**	**100**	**186.6**	**100**

Revenue Segment

The revenues are dependent on the total number of matches played by the team during the season. The participation of the team in major leagues and competitions like the French League Cup and the Champions League increases the revenue from this segment. The club has implemented price optimization and yield management at Gerald Stadium.

Fig: Revenue Breakdown



Source: Company data

Ticket revenues come mainly from the sale of season tickets and single game tickets to people watching OL games at Stade de Gerland (League 1 and UEFA Champions League). Although the club seeks to maximize season tickets, it also aims to reserve a substantial number of tickets to be sold on a game-by-game basis.

Sponsorship agreements with brands like Accor and Umbro are the essence of the sponsorship stream of revenue. Another factor which affects sponsorship is the development of hospitality seats at Gerland Stadium. Additionally, substantial revenue is generated from selling advertising space on shirts.

The broadcasting rights revenue is comprised of the rights from French clubs, Champions League and other seasonal campaigns. Seasonal campaigns like the recently concluded “Goal Scoring Challenge” add to the revenue from this stream.

Other revenue streams comprise merchandising and OL images. As the popularity of the players and the club increases, so does this stream of revenue. The company distributes a range of products such as soccer kits, soccer balls, scarves and clothing. Another component of the revenue stream comprises gains from the sale of players’ contracts to other clubs. This is recurring revenue.

The total revenue in 2006-07 increased 28.9 percent to €214.1 million driven by revenue growth from the transfer of player contracts and sponsorship and advertising revenue surge. There was also modest growth in gate receipts revenues, broadcasting rights revenue and other revenue.

Fig: Segmented Revenues

Segment heads	2005-06	2006-07	% change
Gate receipts	21	21.5	2.4%
Sponsorship and Advertising	13.9	18.1	30.2%
Broadcasting rights	68.9	69.9	1.5%
Other revenue	23.8	31	30.3%
Revenue from player transfer contract	38.4	73.5	91.4%
Total revenue	167.50	214.6	28.1%

The gate receipts revenue increased 2.4 percent to €21.5 million as the number of matches played by the team increased from twenty-six matches in 2005-06 to twenty-seven matches in 2006-07. The club's participation in the French League final compensated for the team's elimination before the quarterfinals of the Champions League.

The sponsoring and advertising revenue increased 29.8 percent to €18.1 million driven by major sponsoring contracts with Accor and Umbro along with the development of hospitality seats at Gerland Stadium.

The broadcasting rights revenue increased 1.4 percent to €69.9 million as the rise in domestic rights revenues and "the Goal Scoring Challenge" benefits offset the decrease in international revenue due to elimination of the club before the quarterfinals of the Champions League.

Other revenue increased 30.6 percent to €31.0 million driven by revenues from OL images and merchandising revenues.The revenue from transfer of player contracts increased 91.3 percent to €73.5 million. The net capital invested by the team was €5.1 million.

Fig: Expense Breakdown

Costs	2005-06	2006-07	% Change
Personnel costs	75.2	93.5	24.3%
External costs	12.4	14.1	14.1%
Purchases	16.2	17.7	9.1%
costs of player contracts	7.1	28.8	307.4%
Total expenses	140.33	186.1	32.6%

Personnel costs increased 24.3 percent to €93.4 million due to increased remuneration for better quality players and support staff.

Player Transfers

In the current 2007-08 season, the club acquired four new players and disposed of six players. The club has spent €36.6 million on acquisitions of the following players:

- Kader Keita, a versatile player who can also play on the right and left wings in midfield, was acquired from Lille OSC for €18.0 million.
- Fabio Grosso, who plays left back was acquired from Internazionale for the consideration of €7.0 million.
- Bodmer, who plays as central midfielder, was acquired from Lille OSC for €6.5 million
- Cleber Anderson who plays as a defender, was acquired from Benfica for €4.0 million.

The club received proceeds of €31.5 million from the sales of the player contracts for:

- Florent Malouda, sold to Chelsea for €21 million;
- Berthod, sold to AS Monaco for €2 million;
- Remy Riou, sold to Auxerre for €0.8 million;
- Gregory Bettiol, sold to Troyes for €0.3 million;
- A.Diarra, sold to Bordeaux for €7.8 million; and
- Wiltord, sold to Rennes for €1.5 million.

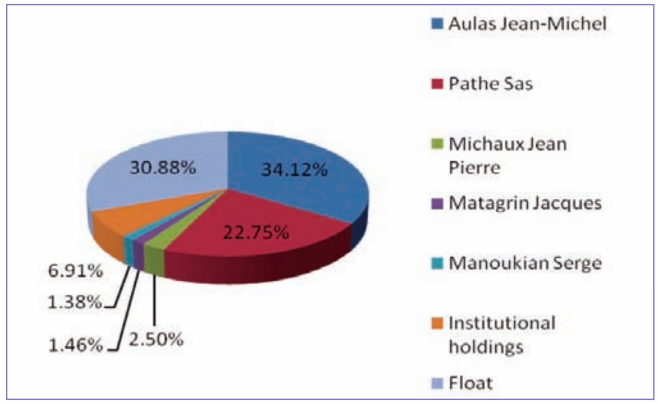
Season Performance - On the Field

Lyon was in the Group E of the Champions League along with Barcelona. Thus far in the 2007-08 season, Lyon has ten points from their six matches played. The team has performed well by drawing against Barcelona on November 27, 2007, and also won against Rangers on December 12, 2007. As of December 17, 2007, in domestic league, Lyon had thirty-eight points as it had played eighteen matches, won twelve and drawn two. Lyon scored thirty-seven goals, while only allowing fifteen.

Capital Structure

The market capitalization was €264.5 million on December 18, 2007.

Fig: Shareholding Structure



Source: Company data

Debt

Borrowings and financial liabilities (greater than one year) as of June 30, 2007, amounted to €16.6 million compared to €13.6 million in the previous year. Liabilities on acquisition of player contracts (for greater than one year) amounted to €8.0 million compared to €13.4 million in the previous year.

Net Value of Player Contract

Player contract values was €53.2 million compared to €77.5 million in the previous year.

Management Profile

Jean-Michel Aulas

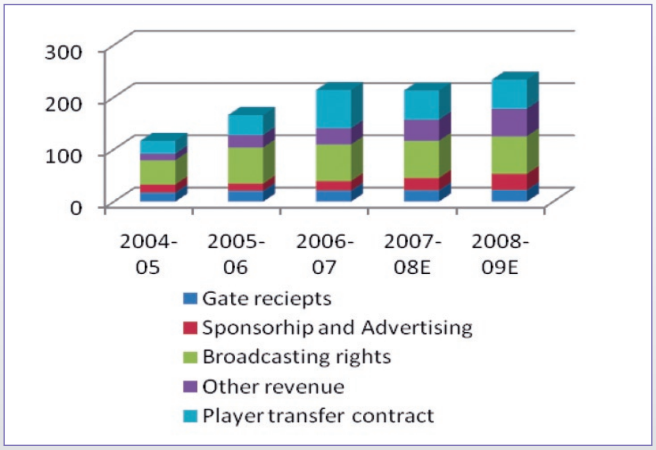
(Chairman and Chief Executive Officer)

In 1987, Mr. Jean-Michel Aulas became Chief Executive Officer of Olympique Lyonnais and became involved in professional soccer at the national level (Vice-President of the National League of Professional Football (Ligue Nationale de Football Professionnel)) and Aulas sits on the Committee of Wise Men of the Lyon Chamber of Commerce and is a commercial adviser to the Bank of France.

Future Outlook

The team has been consistently standing at the top position for the past six years in the French Domestic League. On the basis of excellent performance, Lyon consistently participates in the celebrated Champions League. Unfortunately, Lyon has never been able to get past the quarter-finals. The assumption is made that the team will be eliminated again in the quarterfinals of the Champions League. The revenue growth is assumed to remain constant for the next two years.

Fig: Revenue Projections

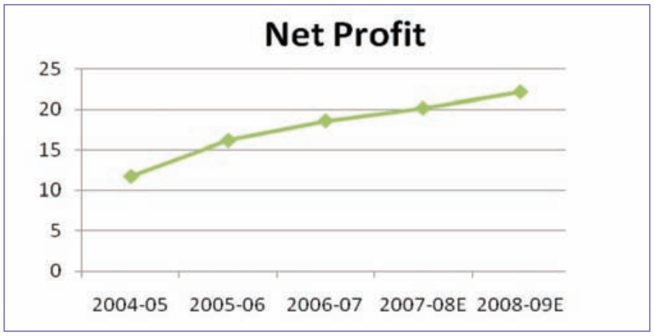


Source: Company data & projections

The club's growing popularity and the strength of the OL sports brand have led to growth in the fan base, on which all revenue growth depends.

The OL land project aims to build a modern, well-equipped stadium to host not just OL games but other types of entertainment and shows and take advantage of Lyon's brand appeal to develop sports and commercial infrastructure around the stadium.

Fig: Profit Projections



Source: Company data & projections

The new stadium will have a capacity of 60,000 spectators. It will also offer an improved range of premium seating, with a greater number of executive boxes. As a result, ticket and hospitality revenues should increase substantially. Other sports and entertainment events are planned, and so these revenues should no longer depend exclusively on OL football games. The improvement in stadium facilities should also increase per-spectator revenues compared to those at Stade de Gerland.

The OL land project is scheduled for completion in the 2010-11 season. The group's aim is to have the new stadium sponsored by a commercial partner. The group intends to grant naming rights in 2008.

The OL land project could include a range of amenities around the stadium (hotels, entertainment, a shopping center etc.), which could generate additional income independent of OL's on-field results.

The group also plans to step up the international development of the OL brand. This effort will be helped by the large number of French and foreign internationals in OL's squad, and will involve commercial initiatives targeted at certain markets (creating sales synergies with large purchasing centers outside France). It will also involve the OL website, which helps raise the club's profile in Europe and the rest of the world, along with promotional tours outside France.

Financial Projections

in €million	2005	2006	2007	2008E	2009E
Revenues:					
Gate reciepts	18	21	22	22	23
Sponsorhip and Advertising	16	14	18	24	31
Broadcasting rights	46	69	70	71	72
Other revenue	12	24	31	40	53
Player transfer contract	25	38	74	56	56
Total Revenues	117	166	214	213	234
% Growth		42.4%	28.9%	-0.5%	9.8%
Operating Expenses:					
Personnel costs	49	75	93	93	102
External costs	12	12	14	17	19
Purchases	12	16	18	20	22
Taxes other than income taxes	3	3	4	5	5
Depreciation, amortization and other provisions	1	2	1	0	0
costs of player contracts	8	7	29	19	20
amortization expenses on players	17	24	24	28	31
Other expenses	2	0	3	2	2
Total operating expenses	104	140	186	185	203
Operating Profit	12.8	25.7	28.0	28.2	31.0
EBIT	12.8	25.7	28.0	28.2	31.0
Net interest payable	0.5	1.0	1.0	1.0	1.0
EBT	12.3	24.7	27.0	27.2	30.0
Taxes	0.6	8.2	8.4	9.0	9.9
Tax %	5%	33%	31%	33%	33%
		8.2			
Net Profit	11.7	8.2	18.6	18.2	20.1
Net profit Margin	10.1%	4.9%	8.7%	8.6%	8.6%
EPS-Diluted	1.1	1.5	1.7	1.9	2.1

TOTTENHAM HOTSPUR

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Senior Executives
Executive Chairman: Daniel Levy

Description

Tottenham Hotspur Football Club is the first soccer club to be listed on the London Stock Exchange. Founded in 1882, the club has consistently played in the English Premier League.

The club performs its operations via its subsidiaries which include Tottenham Hotspur Football & Athletic Co. Ltd., a professional soccer club; White Hart Lane Stadium Limited, which is engaged in the provision of soccer entertainment; Tottenham Hotspur Finance Company Limited, an issuer of loan notes; Paxton Road Limited, Stardare Limited and Star Furnishing Limited, all three of which hold certain properties on behalf of the company.

Partnerships

The club's two main commercial partners are: MANSION, international gaming and entertainment group, the club's shirt sponsor with whom its agreement extends to another three seasons and PUMA, its technical sponsor, with whom it will work for at least four more seasons.

In 2006-07, three new official partners joined the club's commercial program: Thomas Cook, as travel services supplier; BT, as broadband supplier; and Willow Water, as water provider. Apart from these, the club also has a few other sponsors which include: Carlsberg, MBNA, Britannia, Endsleigh, TNT, BMW, Glyn Hopkin and Football Villages.

Current Price (£)	132
Stock Data	
52-Week range:	71.25-168.5
Market Capitalization (£million)	123.07
Price to Earnings (P/E)	6.49
Stock Adjusted Beta:	0.477
YTD Performance	65%
Bloomberg / Reuters:	TTNM

Business Segments				
In £'000	2006	% Weight	2007	% Weight
Gate and match day revenues	44,099	32.2%	90,613	45.2%
Broadcasting	54,870	40.0%	44,312	22.1%
Retail	10,218	7.5%	12,064	6.0%
Commercial	22,796	16.6%	29,518	14.7%
Property development	5,115	3.7%	23,792	11.9%
Total	**137,098**	**100.0%**	**200,299**	**100%**

Financials	2005	2006	2007
Sales (in '000)	138,395	137,098	200,299
Sales Growth (%)		-0.9%	46.1%
EBIT* (in '000)	105,764	125,775	158,685
EBIT Margin (%)	23.6%	8.3%	20.8%
Net Income (in '000)	8,293	7,552	2,816
Net Margin (%)	6.0%	5.5%	1.4%

*EBIT margin excludes player transfers

Championships

Since its inception in 1882, the club has won a number of championships and league matches. The club has won the FA cup eight times, the Football League Cup three times and the prestigious UEFA Cup twice. The club also won the European Cup-Winners' Cup to become the first British club to win a major European competition.

Revenue Segment

The club earns its revenues from the following segments: gate receipts, sponsorship and corporate hospitality, media and broadcasting, merchandising and other. The club's revenues for fiscal 2007 rose by 39 percent from the previous year from £74 million to £103 million, breaking the £100 million mark for the first time in the club's history. All the segments saw an increase in revenues as compared to the previous year.

Gate Receipts

Hotspur earns gate receipts via two means, the cup competitions and the Premier League. The club's performance in the cup competitions and Premier League along with its growing popularity makes this segment a major revenue contributor. For fiscal year 2007 the gate receipts made up 30 percent of the club's total revenue. The total gate receipts from the cup competitions increased to £13 million as compared to £0.1 million in the previous year. This increase was on the back of the club's performance in the three cup competitions: the UEFA Cup, the Carling Cup and the FA Cup, wherein it reached the quarter-finals, semi-finals and quarter-finals of the competitions respectively. The gate receipts from the Premier League increased by 4 percent to £18 million as compared to £17.4 million in the previous year. Moreover, the club is planning to build a new large capacity stadium which will have a positive effect on the gate receipts due to the increased number of seats.

Sponsorship & Corporate Hospitality

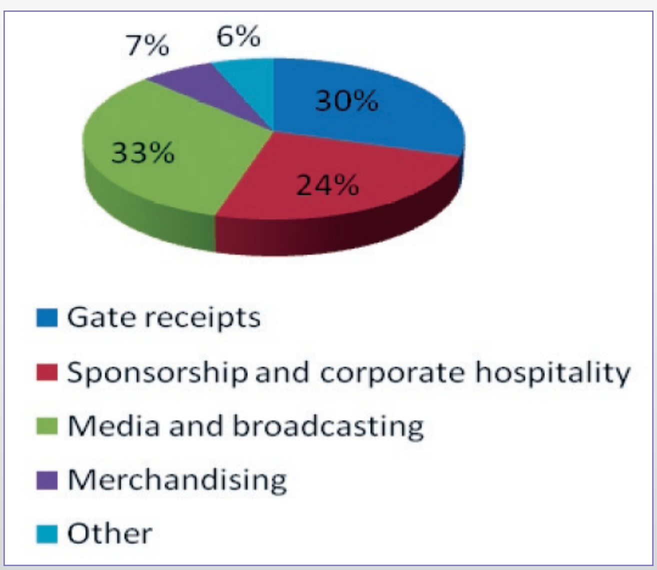
The club's sponsorship and corporate hospitality segment comprises of the sponsorship revenues received from the club's sponsors. It was one of the major contributors towards the revenues for 2007, making up 25 percent of the total revenue. The income from this segment increased 62 percent from the previous year. In the fiscal year 2006-07, two new sponsorship deals were signed by the club. The first was with MANSION who became their main sponsors, commencing a four year deal, and the second was with PUMA who signed a five year deal to be their new technical sponsor. With these new additions the revenue from sponsorships is expected to reach new highs in the coming years.

The club's highly-regarded corporate hospitality facilities are also big contributors towards revenue as the club's executive boxes and variety of executive lounge facilities were in great demand from a wide range of international, national and local businesses. The increase in the corporate hospitality income was largely aided by the eleven extra home cup matches played during the season.

Media & Broadcasting

The media and broadcasting segment is by far the biggest contributor to the revenue stream, totaling 40 percent of the total revenues in 2006-07. The segment earns its revenues from the TV coverage of matches and other TV revenues. With over 400 games being broadcasted live per season in over 204 territories, Tottenham Hotspur is one of the top five broadcasted clubs in the FAPL. Revenues from this segment increased by 17.6 percent and touched the £34 million mark. The increase was mainly due to significant TV revenues through the merit award payment and live TV match appearance fees as the club bagged the final league position of fifth place in the Premier League for the second successive season. Apart from the TV income, the prize money from the cup matches also contributed towards the increase of this segment. The TV rights revenues is expected to rise further due to the new central FAPL TV deal that comes into force this season.

Fig: Revenue Breakdown



Merchandising & Other

The merchandising segment generates revenues from the sale of the club's kits and other goods. The merchandising and other segments together contribute around 13 percent of the total revenue with merchandising alone comprising 7 percent of the total revenue. This segment is expected to grow significantly in the coming season aided by the launch of new kits, including a special kit to mark the club's 125th anniversary. Moreover, the club is expanding its retail selling space through the introduction of mobile units, which can be used at various points in and around the stadium. This segment is also expected to gather additional revenue through online sales with the increase in its international memberships.

The revenues from merchandise sales increased 36 percent to £7 million but the revenues from other segments saw a dip of 15 percent to £6 million in 2006-07.

Operating Results

The club generated an operating margin of 31 percent as the operating profit before soccer player trading and depreciation increased to £32 million. The operating expenses were kept under control as they increased only by 2 percent with player salaries being the club's biggest cost. The staff costs constituted about 49 percent of the total operating expenses in 2005-06 which were reduced to 47 percent in 2006-07. While the club expects more money to come in from the central FAPL TV deal, it is also keeping a tight control on its significant cost base.

Player Trading

Player trading has a major impact on the club's financial statements. The club is inclined towards nurturing home grown players along with buying young talent. The club has been investing heavily in the players but the sale of players coupled with strong cash flows has enabled the club to be well positioned to sustain continued investment in players and ensure it has moderate debt as a result.

The sale of Michael Carrick to Manchester United in July 2006 for £12 million along with the sales of Calum Davenport to West Ham United and Stephen Kelly to Birmingham City for £2 million and £1 million, respectively, increased the club's player trading revenue by 52 percent to £19 million. The revenues were also helped by the performance related receipts on player registrations.

The club invested £67 million in the playing squad during the year which included the signings of Dimitar Berbatov, Didier Zokora, Hossam Ahmed Mido, Pascal Chimbonda, Benoit Assou-Ekotto, Steed Malbranque, Ricardo Rocha, Darren Bent and Gareth Bale. Younes Kaboul and Kevin-Prince Boateng were added further for a total of £14 million.

The club's approach of nurturing both home grown talent and acquisitions through the transfer market has been successful for the club so far. The recent player trading activities is expected to help the team to secure future success on the pitch.

Recent Performance Highlights

The first team reached the quarter-finals of the UEFA Cup, the quarter-finals of The FA Cup, the semi-finals of the League Cup and bagged a 5th place in the Premier League and re-qualified for the UEFA Cup in 2007-08. This is a big achievement by the team and will surely improve the standing of the club in the future.

During fiscal year 2007, sixteen of the club's first team professional players were called up to represent their respective national teams. This shows that the quality of its current squad of players is very good and they have the potential to reach new highs in the coming season.

The youth academy participated in four international youth competitions and was successful in winning the prestigious Verona Tournament. During the pre-season the U18s won the Eurofoot Tournament, proving that the younger players are ready to make their position in the first team.

The team returned victorious from the pre-season tour of South Africa in the Vodacom Challenge and also established an extended association with South Africa with the announcement of its partnership with SuperSport United, a Premier Soccer League team owned by SuperSport that will see the clubs' academies working together.

Capital Projects

Soccer Training Center

The club has been planning to build a new training center at Bull's Cross, Enfield. The club had submitted a new planning application for such facility with The Planning Committee of the London Borough of Enfield, which was approved. The club has recently purchased Whitewebbs Sports Club providing it with the opportunity to significantly remodel the layout and design of the site, leading to a positive planning balance. It's a proposal which will have less impact on the Green Belt land, with only 3 percent of such lang comprised of buildings.

The Training Center is expected to play a significant role in sustaining the club's position in domestic and European competition. The Center will help the club to develop home grown talent which will be beneficial for the club as well as the national team.

The Stadium

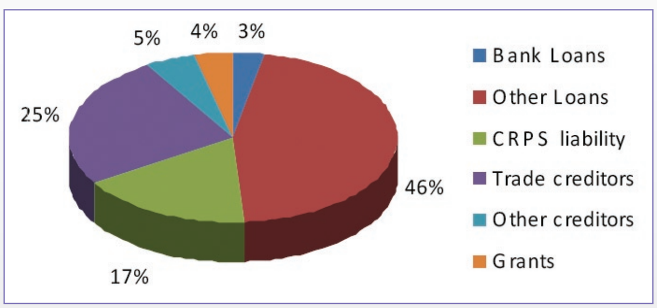
The club is working out various options for building an improved and larger capacity stadium. The club's current stadium is White Hart Lane which has a capacity of 36,236 seats.

The club has zeroed in on a limited number of potential sites in the London Boroughs of Enfield and Haringey along with considering the expansion possibilities of the existing stadium. The club has formed a team to work on this project and is in talks with council bodies, the LDA, Transport for London, the GLA, the mayor's office and local and central government officials.

Capital Structure

The club's debt to equity ratio is 1.25 which shows a healthy picture of the capital structure when comparing with Arsenal which is much bigger in size, but has a debt to equity ratio of three. The club's total debt is around £60.6 million, which is divided into the following components:

Fig: Debt Components



The bank loans are secured and charged quarterly on a reducing basis at a rate which tracks the Bank of England base rate. These loans are secured by the group's assets and on certain freehold properties, and are being repaid over twenty-three years starting from September 2004.

The club had issued £10 million secured notes at 7.29 percent and £20 million worth of secured notes at 7.29 percent in November 2002 and 2006, respectively. These together form the "other loans" part of the debt which are secured against the White Hart Lane Stadium, and future gate and corporate hospitality receipts generated at the stadium. The first part of the loans was used to repay the short-term debt and to fund the group's general working capital requirements and are repayable over twenty years starting in 2003. The second part has been set aside by the group to the First Team and the Football Training Center project and is payable over sixteen years starting in 2007.

The club's equity share capital is around £48.5 million. The club's total fully diluted share outstanding on conversion of the convertible redeemable preference shares facility (CRPS) at 2007 year end is 184,463,721 shares. The ENIC International Limited is the major shareholder of the group with 66.8 percent of the total shares outstanding. Fleming Mercantile Inv Trust holds about 4.4 percent of the shares.

Management Profile

The club's management team is highly committed and experienced. The board is responsible for the development of commercial strategy, monitoring and approval of major business matters and the approval of the financial statements. The key members of the board are:

Daniel Levy- Executive Chairman

Mr. Daniel Levy holds the Executive Chairman's post in the club. He is a graduate from Cambridge University with a First Class Honors Degree in Economics and Land Economy and has wide experience in corporate finance and retail management. Mr. Levy also holds the position of Managing Director of the ENIC Group of companies since 1995 and is a Non Executive Director of a number of other public and private companies.

Matthew Collecott- Executive Director

Mr. Matthew Collecott holds the position of the Executive Director of the ENIC Group of companies. He is a qualified chartered accountant and worked for Price Waterhouse in Europe and Africa before joining ENIC.

Mervyn Davies- Non Executive Director

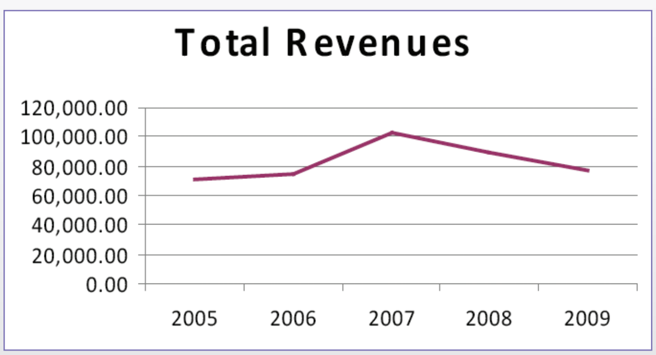
Mr. Mervyn Davies is the non executive director of the club and also serves as the Chairman of the club's audit committee and serves on the remuneration committee. He is also the Chairman of Standard Chartered PLC and a Non-Executive Director of Tesco PLC. Mr. Davies is a banker with extensive experience in London and in Asia, especially Hong Kong and China.

Future Outlook

Looking at the current 2007-08 performance of the club in the Barclay's Premier League, it looks very unlikely that the team will end up in the top six of the league. Keeping this in mind it can be assumed that the club will not qualify for the UEFA Cup in the next season. The team has played sixteen matches, winning three, drawing six and losing seven. The team currently stands in thirteenth position in the league and still has twenty-two matches to play. With the coaching change and its present performance in the Carling Cup as well as the UEFA Cup where it tops its group, it can be expected that the club will finish somewhere between sixth to fifteenth position.

Direct support for the club during 2007 reached record levels with over a million fans coming through the gates at White Hart Lane. Due to continued success of the FAPL, which continues to grow in stature, it can be safely assumed that the gate receipts from the Premier League will remain constant. Taking this fact into consideration, the gate receipts per match from the Premier League is estimated to be £0.45 million. Similarly, the club ended up fifth in the Premier League last season, due to which it could qualify for the UEFA Cup so the gate receipts from the cup competitions is estimated to be £0.6 million in 2008. But due to its ongoing poor performance in the Premier League this 2008 season, it is assumed that the club will not qualify for the UEFA Cup in 2009 and its gate receipts per match from cup competitions will fall drastically to £75,000 in the next year.

Fig: Revenue Projections



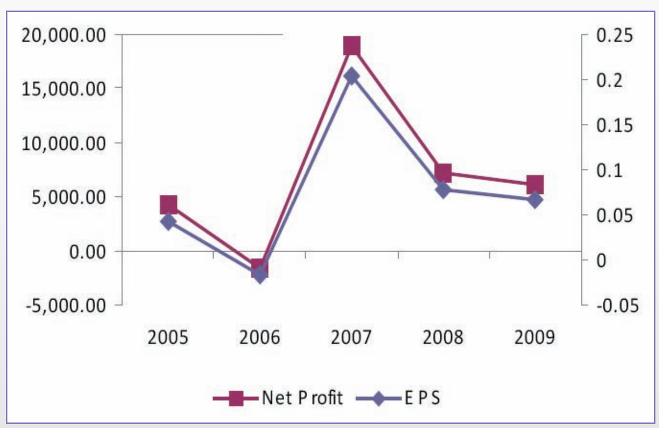
The fan base for the club has increased measurably, both domestically and on an international basis, with 4.3 million fans around the world, and 1.4 million in the UK. Almost 400 games are now broadcast live per season in over 204 territories. Tottenham Hotspur is one of the top five broadcasted clubs in the FAPL, so expect that media and broadcasting revenue per match will remain almost the same, around £0.3 million.

The club has signed two new sponsorship deals in 2006-07. The first was with MANSION who became their main sponsor, commencing a four year deal, and the second was PUMA who signed a five year deal to be their new technical sponsor. Moreover, with the increasing demand for the club's executive boxes and variety of executive lounge facilities, it is expected that the sponsorship and corporate hospitality revenue per match will remain at around £0.24 million per match for 2007-08. But due to the poor performance by the team in the current season it is expected to be around £0.2 million in 2008-09.

The continued expansion of the club's retail selling space through the introduction of mobile units, which can be used at various points in and around the stadium and the launch of new kits, including a special kit to mark the club's 125th anniversary, the merchandise revenue per match is expected to be £60,000 for the coming two years.

All the operating expenses and the profits from disposal of intangible fixed assets as the percentage of revenues are expected to be in line with previous years. The club's interest payable is expected to be around two percent of the EBIT and taxes are expected to be charged at the rate of 30 percent which is the corporate tax rate in U.K.

Fig: Net Profit & EPS Projections



Considering all the above facts, the net profit for the year ending June 2008 was estimated to be around £7.2 million and a projected £6.1 million for the year ending June 2009.

Financial Projections

in £'000	2005	2006	2007	2008E	2009E
Revenues:					
Gate receipts – Premier League	16,861.00	17,428.00	18,069.00	17,452.67	17,100.00
Gate receipts – Cup competitions	4,225.00	146.00	12,770.00	7,200.00	375.00
Sponsorship and corporate hospitality	14,249.00	15,730.00	25,427.00	23,280.00	19,400.00
Media and broadcasting	25,488.00	28,687.00	33,734.00	29,505.09	29,100.00
Merchandising	4,997.00	5,182.00	7,051.00	5,755.50	5,820.00
Other	4,730.00	6,968.00	6,040.00	6,012.46	5,820.00
Total Revenues	70,550.00	74,141.00	103,091.00	89,205.72	77,615.00
% Growth		5.1%	39.0%	-13.5%	-13.0%
Operating Expenses:					
Staff costs	33,142.00	40,656.00	43,804.00	42,908.93	37,624.59
Amortization, impairments and other net football trading income and expenditure	12,741.00	11,781.00	19,089.00	15,600.94	13,426.20
Depreciation of tangible fixed assets	1,807.00	2,226.00	2,231.00	2,297.88	2,003.10
Other operating costs	22,789.00	28,898.00	27,324.00	29,076.23	25,374.00
Total	70,479.00	83,561.00	92,448.00	89,883.98	78,427.88
Operating Profit	71.00	(9,420.00)	10,643.00	(678.26)	(812.88)
Operating Margin	0.1%	-12.7%	10.3%	-0.8%	-1.0%
Profit on disposal of intangible fixed assets	5,632.00	12,299.00	18,721.00	12,706.27	11,055.31
EBIT	5,703.00	2,879.00	29,364.00	12,028.01	10,242.43
Net interest payable	793.00	2,261.00	1,648.00	1,716.38	1,493.37
EBT	4,910.00	618.00	27,716.00	10,311.63	8,749.06
Taxes	707.00	2,193.00	8,821.00	3,093.49	2,624.72
Tax %	14%	355%	32%	30%	30%
Net Profit	4,203.00	(1,575.00)	18,895.00	7,218.14	6,124.35
Net profit Margin	6%	-2%	18%	8%	8%
EPS-basic	0.043	(0.017)	0.204	0.078	0.066
EPS-Diluted	0.022	(0.017)	0.200	0.039	0.033
Basic shares Outstanding	98,574.82	94,262.77	92,843.04	92,843.04	92,843.04
Diluted shares Outstanding	192,294.82	94,262.77	184,688.64	184,688.64	184,688.64

CELTIC PLC

Ticker	CCP
Address	Oliver Blanc Celtic Park Glasgow, G40 3RE Scotland
Website	www.celticfc.com
Contact	ph: +0871 226 1888
Senior Executives	
Executive Chairman:	Rt. Hon. Dr. John Reid

Description

Celtic, along with its subsidiaries, is principally engaged in the operation of a professional soccer club, with related and ancillary activities. The group's holding company, Celtic F.C Ltd, holds a 100% stake in The Celtic Football and Athletic Company Limited, which is involved in soccer club management and promotional services. Glasgow Eastern Developments Ltd is another subsidiary engaged in the management of the properties development business. The group's other subsidiaries include Protectevent Ltd, which operates as a stewarding and security services company. Celtic also holds an investment of 8.33% in the equity share capital of The Scottish Premier League Limited. The club's home ground, Celtic Park, is the club's largest asset and the major revenue generator.

Current Price	64
Stock Data	
52-Week range:	33.25 – 65.75
Market Capitalization (IDR)	56.61M
Price to Earnings (P/E)	3.58
Stock Adjusted Beta:	0.234
YTD Performance	-1.3
Bloomberg / Reuters:	CCP

Business Segments				
In £'000	2006	% Weight	2007	% Weight
Prof Football	26.6	46.4%	34.3	45.6%
Multimedia & Comm.	11.8	20.7%	23.2	30.8%
Merchandising	14.3	25.0%	13.3	17.8%
Stadium Enter.	2.7	4.8%	2.6	14.7%
Youth Develop-ment	1.7	3.0%	1.6	2.2%

Financials	2005	2006	2007
Sales (£million)	62.1	57.4	75.23
Sales Growth (%)		-7.7%	31%
Operating profit (£ million)	-6.2	-1.9	7.2
Operating profit Margin (%)	-10%	-3.4%	9.6%
Net Income (£million)	-9.17	-4.22	15.0
Net Margin (%)	-15%	-7%	20%

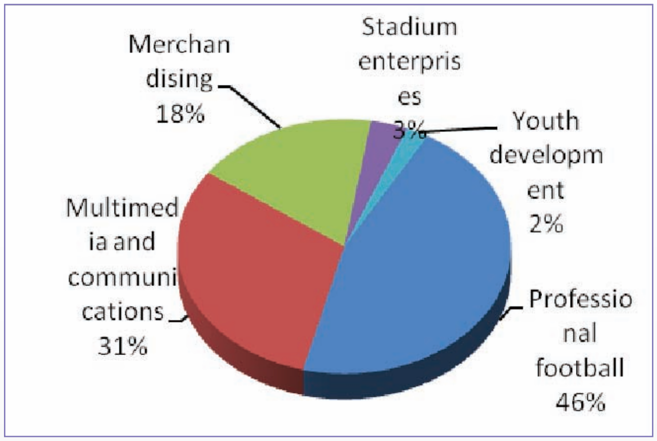
Commercial Partners

Celtic's major partners, Nike and Carling, apart from other long standing relations with Phoenix, T-Mobile, Radio Clyde and Ladbrokes, have helped attract new partners. Celtic finished its first year with Thomas Cook who is the club's travel partner, enhancing the club and supporter's travel arrangements.

The success of the Celtic FC credit card through MBNA has increased the club's partnership in the financial sector, which now includes the Soccer Savings and financial advice with Celtic FC Money, operated by Dutch company AEGON. The club's new overseas partners include Polish airline Centralwings, Spanish property partners The Village and betting partners Bluechip, which are helping to grow the brand internationally.

Revenue Segments

Fig: Revenue Breakdown



Celtic derives its revenues largely from ticket sales; however, the club has other streams providing substantial proceeds. Professional soccer, which comprises 45 percent of the club's total revenue, includes income from tickets at home and away matches, apart from match fees received from playing friendly matches. Multi-media remains another major source of revenue and includes television rights sales, sponsorship, publications, Internet products and joint marketing initiatives with commercial partners. With soccer fever catching up, various clubs have taken advantage and served their fans by selling football fashion materials. Celtic's merchandising business, which operates stores at the Celtic Park, generates revenue by exploiting the Celtic brand.

Other sources of revenue include the stadium enterprise business, which derives revenue through catering and banquet services, stewarding revenues, and hiring of Celtic Park for soccer and non-soccer events. The club's youth development operations include the running of a soccer school and the Celtic visitor center, which also contribute to the revenue pie.

Financial Highlights

The club saw exceptional numbers during the 2007 year from their participation in the UEFA Champions League and from player trading. Celtic's revenue grew by 31 percent to £17.83 million as a result of playing four more games due to the progression in the UEFA Champions League. Rise in revenue was largely due to the 29 percent growth in the professional soccer segment, apart from the multimedia segment rise of 95 percent.

Operating profit increased by more than three times, by around 329 percent reflecting lower increases of labor and other overhead in comparison to the group's turnover. Their total labor to revenue ratio reduced by 820bps to 48.4 percent, led by an increase in match revenues offsetting the increase in wage cost.

Other exceptional items accounted during the year include the provision for impairment to intangible assets of £2.88 million owing to certain employment contracts. This has led to the reduction of players for the club.

Football Investments & Player Transfer Activities

Celtic constantly looks at options to invest in the club by hiring players whose inclusion could be crucial to the team's success. In the 2006-07 season, the club invested £14.4 million in acquiring soccer players. This would enable the company to improve its first team squad thus leading to superior performance in domestic as well as

other European ties. The club's new signings have included Miller, Paul Hartley, Stephen Pressley, Mark Brown and Jan Vennegoor of Hesselink during the soccer season and Scott Brown, Massimo Donati, Chris Killen and Scott Macdonald following the end of the season. In addition, contracts were extended for a number of first team players, including Aiden McGeady and Darren O'Dea.

With offers to players from various clubs, transfer activity is a normal routine of any club. Celtic's recent investments in player acquisition were largely funded by the club's transfer activity. This enables it to cut costs by planned trading of players. During the season Roy Keane, Mo Camara, Stilian Petrov, Stan Varga and Ross Wallace left in 2006 through the summer transfer window with Stephen Pearson, Alan Thompson and Shaun Maloney all leaving in January 2007. Neil Lennon, David Marshall and Craig Beattie departed following the end of the season. The gain on sale of players was £9.40 million, which helped the club to cut costs and manage the high increase of wage rates.

Seasonal Highlights - On the Field

Winning the Bank of Scotland Scottish Premier League and the Tennent's Scottish FA Cup and reaching the final 16 of the UEFA Champions League, the club reached new heights in 2006-07.

During the season Celtic played fifty-three matches, winning thirty-five and losing eleven, with seven draws. The club retained the Bank of Scotland Premier League title by a significant margin for the forty-first time, sealing its place in the Championship at Kilmarnock way before the end of season. The club's victory over Dunfermline at Hampden enabled them to lift the Scottish FA Cup for the thirty-fourth time. Celtic achieved new highs in Europe by qualifying for the last sixteen of the UEFA Champions League for the first time by defeating Manchester United at its home ground. This enabled the club to increase the matches played, thereby pushing up revenue figures.

Capital Structure

With a debt to equity ratio of around 0.24:1, Celtic's capital structure is not highly leveraged. Besides, the composition of debt mainly consists of bank loans at competitive rates which has provided the group with a low cost of debt. Also the £12 million bank loan is not designated to be serviced in the recent time, thus giving the company room to breathe. Celtic's interest coverage ratio of more than fifteen times offers appropriate liquidity. Thus, any capital expenditure done by the company should be done by raising debt after employing the reserve; this would enable the company to reduce its cost of capital.

Celtic's capital shares are mainly held by directors and certain other institutions. Around 40 percent of the club's stake remains with the directors, thus giving them the power in decisive matters. Line Nominees Ltd holds around 40 percent of the company's capital share.

Management Profile

Rt. Hon. Dr John Reid, MP – Chairman

Joining the Board as an independent non-executive director in October 2007, Dr. John Reid assumed the position of the Chairman. His qualification includes a PhD in history from Sterling University.

Dr. Reid has been a Member of Parliament since 1987. His political career revolves around posts of Government Minister, Defense, Transport. In addition, he's been a Cabinet member holding various posts as a Secretary of State, and culminating as Secretary of State for Home Affairs.

Peter T Lawwell – Chief Executive

Mr. Peter T. Lawwell joined Celtic in October 2003 from his position as commercial director with Clydeport, a port facilities and service company. He has held senior positions with ICI, Hoffman-La-Roche and Scottish Coal. Currently the Non-Executive Chairman of Intelligent Office Limited, his experience in managing various companies enables smooth running of the company.

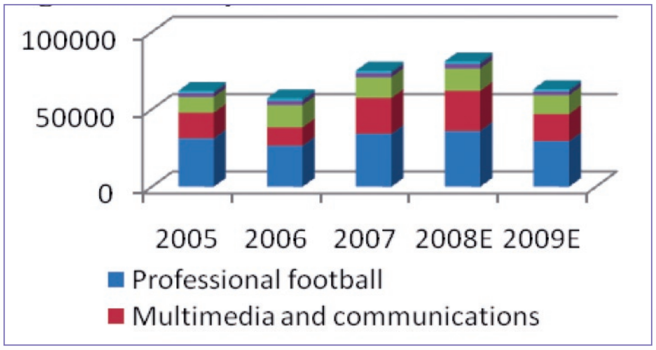
Future Outlook

Celtic has topped the Scottish Premier League and qualified for the UEFA Champions League continuously for the past two years. It is the only club that represents Scotland in the Championship. In the last season Celtic progressed to the last sixteen of the UEFA Champions League for the first time, and domestically the Tennent's Scottish Cup was secured in addition to winning the Bank of Scotland Premier league. This win has confirmed its place in the UEFA Champions League 2007-08. In the tournament the club has played eight matches which include two qualifying and six group matches. The club has already reached the last sixteen of the League and holds the second position in its group with nine points, the first being AC Milan. Looking at the current position of the club, it will play at least two more matches in the Champions League. This will be by far the best performance of the club in the UEFA Champions League.

Last season the club ended up sixteenth in the league and ended up playing fifty-three matches in all during the 2006-07 season. This not only increased Celtics fan following but also positively affected its financial performance. Going by the contributions of each segment to the club's revenue stream in the last season it can be expected that the contributions from these segments will almost be same for the year 2007-08. Looking at the current position of the club in the Champions League it is certain that the club will at least play a total of fifty-

five matches in 2007-08. Going by the current performance of the club it is expected that the revenue per match from the professional football operations will increase from £648,000 to £660,000.

Fig: Revenue Projections

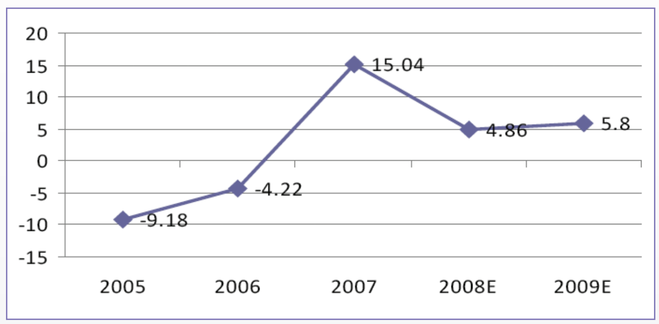


Source: Company filings, estimates

The company's contract with Nike and the launch of a new international jersey and a new away jersey, along with the successful launch of the fortieth anniversary Lisbon Lions home stadium, is expected to take the merchandising revenue from around £0.25 million in 2007 to £0.26 million in 2008. The revenue from the multimedia segment is expected to report a strong growth in the coming year as well with the launch of DVD-quality streaming video service, Channel 67 Premium. The other two segments as of 2008 are expected to remain approximately the same as the year ended June 2007.

Celtic holds the top position in the league where it has played seventeen matches in all, out of which it has won eleven, ending with thirty-six points. However, the Rangers, who have played only fifteen matches are standing at the second position with thirty-four points. As a result, the Rangers now have two games in hand but only trail Celtic by two points. If the Rangers capture first place in the League, Celtic will have to play the qualifying matches to qualify for the UEFA Champions League. Taking the worst case scenario, if the club does not qualify for the Champions League, it will end up playing only two league matches but if it qualifies, it will play at least eight matches in the Champions League which includes the two league matches. Both these cases have been taken into account in the profit projections for the year ending 2008-09. It is expected that revenue streams will be similar to the previous years, so the revenue per match from each segment has been estimated as the average of the last four years.

Fig: Profit Projections



Source: Company filings, estimates

All operating expenses and profits are expected to be in line with the previous years. The club's interest payable is expected to be around 8 percent, derived by taking the average of the rates of last three years of the creditors' amounts falling due after more than one year, which is assumed to remain constant for the coming two years. Considering all the above facts, the net profit for the year ending June 2008 is expected to be £5.36 million and that for the year ending June 2009 is projected to be £5.73 million.

Financial Projections

in £'000	2005	2006	2007	2008E	2009E
Revenues:					
Professional football	31,432	26,659	34,345	36,300	29,572
Multimedia and communications	16,604	11,889	23,199	25,850	17,595
Merchandising	10,060	14,337	13,367	14,300	12,080
Stadium enterprises	2,536	2,779	2,679	3,025	2,550
Youth development	1,536	1,747	1,647	1,760	1,551
Total Revenues	62,168	57,411	75,237	81,235	63,348
% Growth		-7.7%	31.0%	8.0%	-22.0%
Operating Expenses:					
Staff costs	37,394	32,490	36,421	44,720	33,796
Depreciation of tangible fixed assets	1,627	1,798	1,708	2,171	1,705
Other operating charges	19,047	19,386	21,154	25,053	19,580
Amortisation of intangible fixed assets	7,340	5,095	5,865	7,711	5,524
Exceptional operating expenses	2,957	579	2,879	2,597	1,696
Total operating expenses	68,365	59,348	68,027	82,253	62,302
Operating Profit	(6,197)	(1,937)	7,210	(1,018)	1,047
Operating Margin	-10.0%	-3.4%	9.6%	-1.3%	1.7%
Profit/(loss)on disposal of intangible fixed assets	(139)	(265)	9,397	8,124	6,335
Profit/(loss)on disposal of tangible fixed assets	(103)	(250)	(339)	(406)	(317)
EBIT	(6,439)	(2,452)	16,268	6,699	7,065
Net interest payable	1,294	1,770	1,228	1,332	1,332
EBT	(7,733)	(4,222)	15,040	5,368	5,733
Taxes	0	0	0	0	0
Tax %	0%	0%	0%	0%	0%
Dividends – non equity	1,445	0	0	0	0
Net Profit	(9,178)	(4,222)	15,040	5,368	5,733
Net profit Margin	-15%	-7%	20%	7%	9%

JUVENTUS FOOTBALL CLUB SPA

Ticker	JUVE
Address	Marco Re, C.so Galileo Ferraris 32 10128 Torino (TO)
Website	www.juventus.com
Contact	ph: 011 65631 fax: 011 563 1177

Senior Executives

Chairman of the board:	Giovanni Cobolli Gigli

Description

Juventus, founded on November 1, 1897, is not only one of the premier Italian soccer clubs but a marquee name in the world of soccer. It became the first club in the history of European soccer to have won all three major European trophies (UEFA Champions League, UEFA Cup Winners Cup and UEFA Cup). According to research by Italian newspaper La Repubblica, Juventus has the highest number of Italian soccer fans amounting to over 11 million. Juventus has a fan following of 21 million in Europe alone, particularly in the Mediterranean countries.

Juventus played their home games at the Stadio Olimpico di Torino while their full-time stadium, Stadio Del Appi was undergoing structural changes in preparation for the 2007-08 season.

Juventus went through a dark phase where the team had been found guilty of match fixing. The Italian Football Federation punished Juventus by relegating it to Series B and was stripped of 2005 and 2006 titles. Nine points were also deducted which meant that it could not participate in the 2006-07 UEFA Champions League. However, the club has made a comeback to Series A in 2007-08 after a gap of two seasons under former Chelsea manager Claudio Ranieri. This development augurs well for the financial and brand profile of the company.

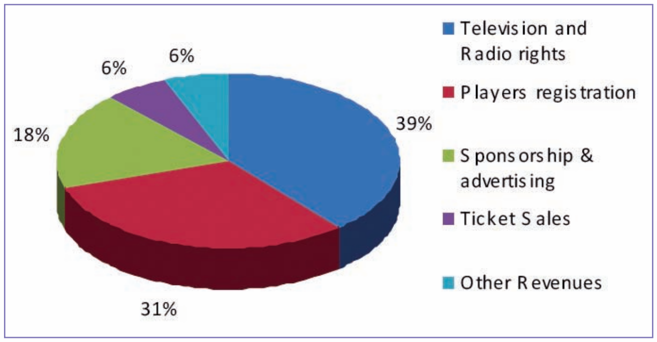
Current Price (€)	0.93
Stock Data	
52-Week range:	1.83 – 0.90
Market Capitalization (£million)	188.15M
Price to Earnings (P/E)	
Stock Adjusted Beta:	0.820
YTD Performance	-0.043
Bloomberg / Reuters:	JUVE.MI

Business Segments				
In €million	2006	% Weight	2007	% Weight
Ticket Sales	17.5	7.7	7.7	4.1
Television and radio rights	127.5	56.4	92.9	49.8
Sponsorship & ads	55.4	24.5	34.5	18.5
Player registrations	5.17	2.5	41.5	22.2
Other revenues	19.8	8.8	9.9	5.3
Total	225.4	100	186.6	100

Financials	2005	2006	2007
In €million			
Sales	205.44	-7.7%	31%
	200.72	176.77	7.2
Sales Growth (%)	12.37	-2.29	-11.93
EBIT	-20.1	-36.09	6.47
EBIT Margin (%)	-9.79	-17.98	3.66
Net Income	-3.02	-36.48	-0.93
Net Margin (%)			

Revenue Segment

Fig: Revenue Breakdown



Source: Company data

Ticket sales

Ticket sales include revenues from friendly, season and daily ticket sales. The ticket sales benefit from the number of games played by the team and by the promotion of the team to higher series. Television Rights, Radio Rights & Media Revenues. Revenue from media rights are clearly the most important source of revenue for the club. The revenues received from broadcast rights relate to home and away matches. This stream, much like ticket sales, is a function of the number of matches and their profile.

Revenues from Sponsorship & Advertising

These revenues are received from the principal sponsor of the team (currently the Fiat Group) and kit sponsors Nike. There are other brands, such as Banco Papolare, Birra Moretti and Sky Life, which are often associated with Juventus.

Revenues from Players' Registration Rights

These revenues include the revenues generated from sale and/or player sharing contracts with other teams. The player transfer campaign played a major contributor to these revenues.

Revenue streams	2005-06	2006-07	% change
Ticket sales	17.508	7.742	-55.8%
Television and radio rights	127.525	92.995	-27.1%
Sponsorship & ads	55.399	34.497	-37.7%
Player registration	5.713	41.529	626.9%
Other revenues	19.878	9.915	-50.1%
Total revenues	226.023	186.678	-17.4%

Other Revenues

These revenues include revenues from non-soccer related activities of the club, like the use of the Del Appi stadium for musical events.

Operating Results

The total revenues decreased by 17.4 percent over the previous year to €186.6 million driven by decreases in ticket sales, television and radio rights, and sponsorship advertisements but partially offset by a rise in revenue from player registration. Ticket sales decreased 55.8 percent over the previous year to €7.7 million; this was primarily due to demotion of the team to Series B. The revenues dropped because of an absence of revenue from European cups and lower ticket sales.

Television and video rights decreased 27.1 percent over the previous year to €92.9 million primarily due to non-participation in the Champion's League and renegotiation of contracts with Sky Italia.

Revenues from sponsorship and advertisements decreased 37.7 percent to €34.5 million primarily due to demotion of the team to Series B and exclusion from Champion's League.

Player registration revenues surged 626.9 percent over the previous year to €41.2 million driven by a player transfer campaign initiated by the company to get the team back into the Champion's League.

Fig: Expense Breakdown

	2005-06	2006-07	%change
External services	37.2	28.398	-23.7%
Player wages & technical costs	127.3	95.017	-25.4%
Other expenses	42.341	23.98	-43.4%
Total Operating expenses.	206.864	147.395	-28.7%

The total operating costs decreased 28.7 percent over the previous year to €147.4 million driven by declines in player wages and technical costs and external services costs.

The player wages and technical costs decreased 25.4 percent to €95.0 million mainly due to savings from the release and temporary transfer of player's registration rights. The external services costs decreased 23.7 percent over the previous year to €28.4 million due to reductions in commissions to intermediaries, costs of player's assets and wages, insurance coverage and costs related to match participation.

Seasonal Highlights

As of December 9, 2007 Juventus had played fifteen matches, won eight, lost two and drew five matches. Juventus was the third highest goal scorer at 30 goals after Inter Milan and Roma.

2007-08 Trading Campaign

Thanks to the efforts of the new team manager, Claudio Ranieri, the team managed to be promoted into the Series A, following which the company embarked on a reinforcement plan for the team. As per the first quarter results, six new players were acquired (Cardoso Mendez being one of them from Lyon) and five players were released (including Federico to ACF Florentina). The total capital invested for acquisition was €53.2 million while the proceeds received from disposals was €9.2 million. Hence the net capital invested under 2007-08 Trading Campaign was €44.0 million. Losses related to this campaign, which impacted the income statement, were €16.3 million.

Stadium under Development

In July 2007, Juventus signed an agreement with the Turin Municipality allowing it to make changes to the project for the new stadium. However, the company has not yet come to a final decision and is considering various proposals requiring different amounts of capital expenditure. Juventus may consider refurbishment projects of the Del Appi.

Season ticket Campaign 2007-2008

The campaign ended on the September 8, 2007 which sold 17,173 tickets generating gross revenue of €3.5 million.,

Debt

The net financial position was €21.7 million on June 30, 2007 compared to a negative balance of €12.9 million on June 30, 2006. The company has liquid assets of €40.5 million and a financial lease obligation of €18.8 million.

Equity

The shareholders equity as of June 30, 2007 amounted to €116.3 million.

Net Book Value of Player's Registration Rights

The book value amounted to €53.1 million on June 30, 2007 as compared to €107.4 million on June 30, 2006, net of amortization of player's registration rights.

Management Profile

Giovanni Cobolli Gigli -Chairman

A manager with years of experience in the publishing business and commerce, Mr. Giovanni Cobolli Gigli is also a diehard Juventus fan. Mr. Gigli has been Chairman and Director of Juventus Football Club Spa. since June 28, 2006.

Jean-Claude Blanc-Managing Director

Mr. Jean-Claude Blanc has been an Independent Non-Executive Director of Juventus Football Club SPA of Ifil - Finanziaria Di Partecipazioni SPA since May 11, 2005. He has been Chief Executive Officer and Managing Director of Juventus Football Club SPA since June 2006.

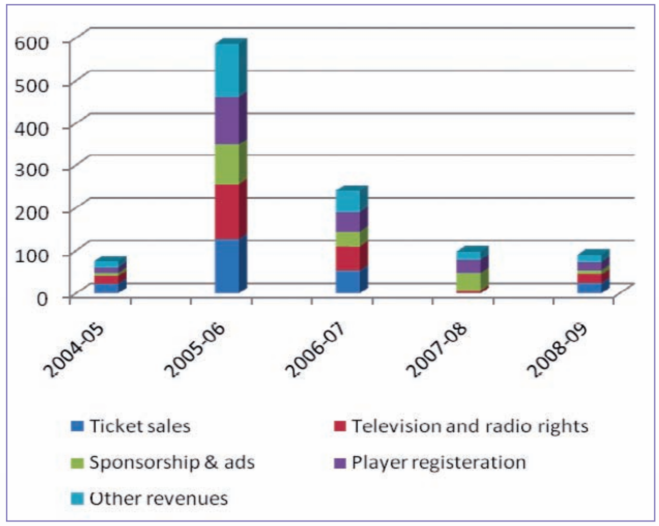
Future Outlook

The total matches played by the premier team of the club were assumed to be taken as the driver for the revenues. It is also found the progress of the team depends on the number of matches played by the team for the season. For example, the last season the team was relegated to Series B and was ousted from the Champions League and the number of matches played dropped to 45 compared to the 2005-06 season where it played 52 matches.

For the two seasons 2006-06 and 2006-07, the revenue stream per match is calculated. The average revenue per match was then used to drive the projections for the years 2007-08 and 2008-09.

The key assumption made is that the team plays 50 and 55 matches in seasons 2007-08 and 2008-09, respectively. This assumption is found to be reasonable as on December 9, 2007 the team had played fifteen matches, won eight matches, lost two matches and drew five matches.

Fig: Revenue Projections

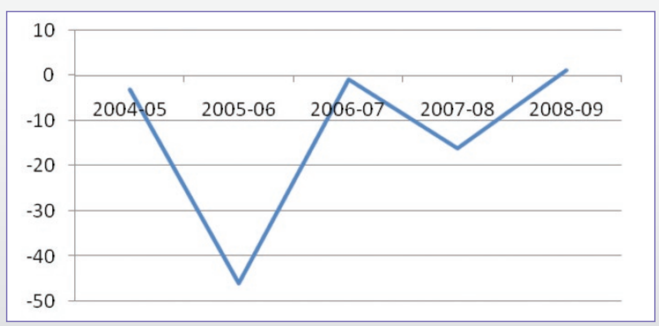


Source: Company data & projections

The team has ventured into a sponsorship agreement with the Fiat Group. Additionally, the team was promoted to the Series A, which also affected ticket sales and broadcasting rights revenue for the first quarter ending September 30, 2007.

The season ticket campaign for the 2007-08 season was concluded on September 8, 2007. 17,173 season tickets were sold for gross revenues of €6.3 million. After September 30, 2007 the contracts with the players Del Pierro Alessandro and Legrottaglie Nicola were renewed until June 30, 2010.

Fig: Profit Projections



Source: Company data & projections

On October 2, 2007 the transfer of shares of Campi Di Vinovo to Costruzioni Generali Gilradi was concluded with the receipt of the first installment of €1.1 million. As of October 2, 2007, Juventus had no shareholding in Campi Di Vinovo.

Financial Projections

in €MN	2005	2006	2007	2008E	2009E
Revenues:					
Ticket sales	22.8	17.5	7.7	12.7	14.0
Television and radio rights	128.1	127.5	93.0	113.0	124.3
Sponsorship & ads	54.0	55.4	34.5	45.8	50.4
Player registration	0.6	5.7	41.5	30.0	20.0
Other revenues	24.5	19.9	9.9	18.1	18.1
Total Revenues	229.9	226.0	186.7	219.6	226.7
% Growth		-2%	-17%	18%	3%
Operating Expenses:					
External services	30.3	37.2	28.4	32.8	31.7
player wages & technical costs	123.4	127.3	95.0	117.7	113.4
Other operating charges	96.4	42.3	24.0	53.8	58.9
Total operating expenses	250.0	206.9	147.4	204.4	204.1
Operating Profit	(20.1)	19.2	39.3	15.2	22.7
Amortization and other write downs for the players	19.5	61.3	35.1	26.3	16.4
EBIT	(0.6)	(42.1)	4.2	(11.1)	6.2
Net interest payable	2.4	3.9	5.1	5.1	5.1
EBT	(3.0)	(46.0)	(0.9)	(16.2)	1.1
Taxes	0.0	0.0	0.0	0.0	0.4
Tax %	0%	0%	0%	0%	33%
Net Profit	(3.0)	(46.0)	(0.9)	(16.2)	0.8
Net profit Margin	-1%	-20%	0%	-7%	0%
EPS-Diluted	(0.02)	(0.37)	(0.01)	(0.13)	0.01

European soccer offers several opportunities for investors seeking exposure to a relatively high risk and potentially high return asset class. While business models in Europe differ considerably than American sports leagues, they hold greater potential due to their global appeal and several emerging avenues for generating returns. While there are a number of clubs across the region that are potential investment opportunities, the UK has been most successful at attracting foreign investors due to its regulatory environment and the attractiveness of its premier clubs. There are several channels available to investors that seek to acquire stakes in clubs and other soccer related ventures that provide them with a strong exposure to the sector.

Comparative Analysis of the NFL & European Soccer

A comparative analysis of business models for the NFL and European soccer indicates some clear differences in characteristics. The NFL is the wealthiest sports league in the world and the most successful sports franchise in the US.

NFL Characteristics

In 2006, NFL revenue topped $5.8 billion. The league generates more income than any other sports league from broadcasting. It achieved this feat by redesigning the game to suit television. During that season, the league signed the richest series of TV rights deals in history, worth more than $23.9 billion through 2013. Meanwhile, game attendance broke records in 2006 when stadiums were filled to 90 percent of capacity.

The NFL, like other US professional sports leagues, is based on a franchise system:

- The number of franchises is controlled by votes, and only rarely are new franchises added.
- There is no promotion and relegation, but franchises can move to cities willing to pay to attract them or where a larger population offers better economic opportunities. Because there is no relegation, losing is not catastrophic, and teams can afford to conserve resources and record profits.
- Teams also engage in restrictive agreements, which they claim increase competitive balance but which also tend to raise profits by restricting competition.

Key to NFL Success

The key to the league's success is its revenue sharing model which ensures that NFL broadcast profits are distributed among all teams instead of being horded by a few winning franchises that received most of the broadcasters' attention. The gate receipts and other day-of-game revenues are split between opposing teams and allows each team to generate or lose some revenue based on performance, quality of venue, and in-city competition from another football franchise. Around 75 percent of the broadcast revenues go to the thirty-two franchises. Under this system and with the help of a strict salary cap, teams and their fans could realistically dream of winning any game or reaching the Super Bowl in any season.

In the NFL, it is the teams that are the brands rather than the superstar player culture that is more prevalent in many other leagues. As a result, teams can be rebuilt when players are lost due to trades, free agency or injuries and labor relations are more effectively managed. The NFL's salary cap limits player salaries to 57 percent of league revenue. However, the teams can work around this limitation by paying big signing bonuses that are amortized over the life of the contract.

Disadvantages

There are some disadvantages of the revenue sharing model. The model can encourage free-riders. The Cincinnati Bengals were the NFL's fifth-most-profitable team during the 1990s despite winning the fewest games during the decade. The team simply skimped on avoidable costs, such as talent scouts, and raked in revenues from the rest of the league.

With the NFL being the most aggressive of all major US sports, the average life of a player is only four years. As a result, the players have been unable to form strong unions which would allow them to extract better terms from the league management. The administrators' skillful negotiations with players have also ensured that they are able to prevent player wages from spiraling out of control.

The revenue sharing and cost management model has ensured that the NFL has been able to derive the full benefit of its commercial success with the average team in 2007 valued at $957 million, 7 percent more than the previous year. The league also had the highest average profitability among major American sports leagues at $17.8 million on average revenues of $204 million. The NFL clubs also lack a close revenue/value relationship due to a high level of competitive balance and relatively short seasons. Intangibles contribute considerably to the final value of these clubs.

Differences with European Soccer

While European soccer has also enjoyed considerable commercial success over the past decade, the game has also suffered from imbalances, spiraling wage costs and numerous clubs going into bankruptcy. The club business models are driven by:

Limited Revenue Sharing

Unlike the NFL, most European soccer leagues have only limited revenue sharing which allows leading clubs to garner a greater share of the proceeds, thereby often perpetuating a club hierarchy wherein a few leading clubs have a greater share of the overall revenues while a majority of other clubs derive considerably lower revenues and often have very low to no profitability.

Relegation

The system of relegation, which is not present in the NFL, is characteristic of the way European soccer leagues function. Relegation ensures that lesser performing clubs are at a significant financial disadvantage to higher performing clubs, perpetuating a vicious cycle for these lower ranked clubs. Due to their poor performance, these clubs are unable to generate sufficient revenues to invest in better talent that would in turn allow them to win matches. Relegation poses significant risks to the club's finances. The significant imbalance in revenues between leading clubs and lower ranked clubs across Europe has raised fears of reduced competition and an increase in predictability in performance between unequal teams.

History of US Investments

US investments in European soccer have almost exclusively been in English clubs. The relative freedom offered to foreign investors by English authorities and the attractiveness of the English Premier League as the most successful commercial soccer league in the world have contributed to this investment trend. The most significant investment, $1.49 billion, was made by American sports billionaire Malcom Glazer in Manchester United.

In 2006, the English club Aston Villa was acquired by Randy Lerner, who owns the NFL's Cleveland Browns, for $119 million. The most recent acquisition by a US investor was the takeover of five-time European champion Liverpool in 2007, for $428.5 million. The new owners of the club are George Gillett, who owns the NHL's Montreal Canadiens, and Tom Hicks, owner of the Dallas Stars and the Texas Rangers.

The West London club, Arsenal, may also potentially face a hostile takeover bid from Colorado businessman Stan Kroenke who currently holds a 12.19 percent stake in the club and is closely associated with David Dean, the former Vice Chairman of the club who also holds a 14.6 percent stake in the club. The stake was acquired by Kroenke for $128.1 million.

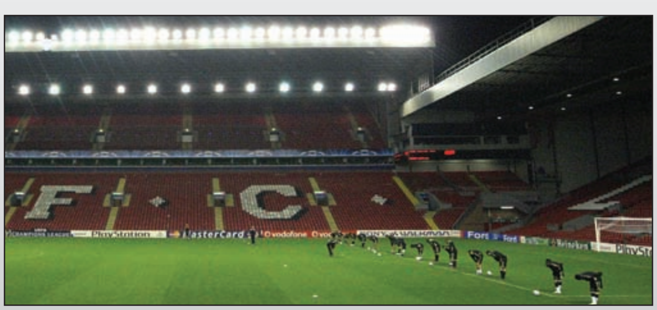
Outside the UK, foreign investment in European leagues is very limited as the investment environment is not sufficiently friendly to foreign investors. Local restrictions and prevailing ownership structures in some regions are other factors which have resulted in limited foreign interest in clubs outside the UK. Cultural and linguistic differences have also contributed to the lack of sufficient interest in continental Europe among US investors.

Although foreigners have faced criticism from existing shareholders and fans with regard to their management style and commitment to the game, US investors are expected to continue to be attracted to European soccer, especially the Premiership clubs, driven by the glamour of the sport and financial returns from broadcasting and sponsorship opportunities. European soccer clubs are expected to increase profits over the next few years as they build new stadiums, increasing ticket and merchandising revenue. The stadium construction boom, now mature in the US, is ongoing in Europe and is expected to turn the game into a family outing, increasing revenue opportunities for clubs and providing improved prospects for investors.

Investment Channels

The continued popularity of European soccer and its commercial potential will continue to attract investors to the game. The game is likely to continue to attract millionaire businessmen, hedge funds and other financial institutions that seek to profit from the game by investing in teams as well as successful talent. Football related assets have a higher risk profile as compared to other investments avenues although they hold the promise of a potential gold mine with the right strategies and effective cost management. Investments in clubs, which provide the most obvious means of gaining exposure to this industry, may however prove difficult due to local regulations and ownership structures.

Other means of investing in the sector include debt deals, investments in players or teams, public offerings and private placements.



Football Funds

Some hedge funds which operate in high risk, high return assets provide exposure to soccer clubs and players. Investors can subscribe to such funds to gain exposure to the European soccer industry. Investments in players and teams through these funds do carry some risks such as injuries and even relegation for teams. If a player sustains major injuries during the course of the contract which renders him unavailable during the contract period, then the investment may result in considerable losses. Another greater threat to returns from such funds is the relegation of the teams in which investments have been made. Relegation will result in significant losses from potential match day revenues and commercial income. One such example is the Singer & Friedlander's Football Fund, in which investors lost 75 percent of their original capital. Recently, UK-registered funds such as Sports Asset Capital and Hero Investments have offered a stake in soccer players' transfer rights in the same way that consumer goods companies often own a player's image rights.

Investments in Soccer Bonds

Investments in securitized debt issued by soccer clubs is one mode for investors seeking exposure to European soccer. Between late 1999 and 2003 there were a number of soccer securitizations in the UK that raised millions of pounds for the clubs. Insolvencies, however, are a major risk while considering such investments as there have been weaknesses in the legal and financial structures of these securitizations in the past. The recent improvements in soccer finances, however, may encourage a revival of this investment channel. Benign conditions in the bond markets are also a major factor in allowing for these transactions. Arsenal instigated the largest football securitization to date, in July 2006, raising £260 million.

Investors in securitized soccer bonds can buy the bonds if they are rated as 'Investment Grade' securities by the credit rating agencies and therefore offer investors reasonable rates of return. Credit rating agencies such as Moody's Investor Service, Fitch and the Standard and Poor's Corporation provide investors with an assessment of the riskiness of the securities by assigning grades to securities.

The securitization model employed in soccer differs somewhat from the standard asset-backed securitization that is used by most other corporations. The reason for this stems largely from the type of cash flow selected by the clubs to pay off the debt. Clubs do not tend to have a significantly large static asset pool of contractual debts to securitize. Instead, their main source of revenue still tends to come from ticket sales. Therefore, in most soccer securitizations the most important selected cash flows are the anticipated future gate receipts, usually supplemented by hospitality income. The utilization of such cash flows by the clubs makes sense financially because the long-term future revenues would be helping to pay off the low cost, long-term finance that the club has raised to fund modernization or expansion of the club's stadium.

Direct Equity Infusion

Investors may also gain a direct exposure to the clubs through a negotiated acquisition of a stake from the existing promoter/management. Many clubs are owned by high net worth individuals with a passion for the sport. However, they are often unable to generate sufficient financial resources necessary to improve infrastructure and recruit and develop a strong talent pipeline.

In the last few years, a number of lower ranked clubs, especially in the UK, have gone into bankruptcy due to the huge costs of managing the teams and poor cost management. These clubs cannot access the public markets and would necessarily need to seek capital via the private placement route to rescue them. In France, Colony Capital, Butler Capital and Morgan Stanley bought PSG (Paris Saint-Germain) for €41 million from Canal Plus, the pay-TV arm of Vivendi. The deal, closed in June 2006, resulted in each party taking one-third of the business.

Acquisition of Stakes via Public Markets

Across Europe, soccer clubs have used the equity markets as a means of raising capital to fund their player and operational costs. However, the close links between on-field performance and stock price movements have meant that soccer stocks are very high risk and volatile in nature. Poor emphasis on cost management also resulted in many clubs being mired in losses and some have even gone into bankruptcy (especially in the U.K.). In countries like France, soccer clubs could not list on the stock markets due to regulations. However, this regulation was changed in 2006 followed by the listing of the country's leading club, Olympique Lyonnais. Most European soccer stocks are poorly traded and have shown poor returns over a 10 year period with considerable volatility.

In recent years, investors including many high net worth individuals acquired stakes in these listed clubs with the objective of eventually taking them private.

Investing in Broadcast & New Media

Funds can also invest in a media franchise or other business that gains significantly from the soccer industry. The rise of the pay TV market in Europe has created significant opportunities for traditional broadcasters to generate revenues from increasing viewership. The rising penetration of Internet broadband networks is also likely to provide online media firms with the opportunity to carry games to online users and also develop associated commercial content around the game.

Increasing popularity of the game in overseas markets such as Asia also provides investors with the opportunity to invest in companies that leverage growth in these new markets for European soccer. In early 2007, Broadband TV, owned by Hong Kong telecommunications firm PCCW, paid $200 million in a three-year exclusive rights agreement to broadcast England's Premier League and Europe's 2008 Championship Tournament in Asia. With 20 percent of global viewership, China offers the most significant opportunity in Asia. Chinese Internet portal, Sina.com, will carry live, online coverage of all 1,140 English Premier League matches for the next three seasons through 2010 on its broadband service. Sina also obtained the rights to provide live, online broadcast of the Italian Series A in China.