

Results of the Casual List of Brazilian Football Clubs- Exercise 2007

The Brazilian accounting firm Casual Auditores Independentes, specialized in football clubs, published in July/2008 its annual survey, Casual List of Brazilian Football Clubs, with the financial information extracted from the clubs' annual financial statements in 2007 and 2006. The specialists in auditing and football clubs management from Casual Auditores analyzed the football clubs financial statements in 2007 and 2006 with annual revenues that surpassed US\$ 5.9 million in 2007. The List has 21 clubs, the same number of 2006 analysis; however two clubs didn't appear in 2007's survey, Ponte Preta and Guarani from São Paulo.

These clubs didn't reach the minimum of revenues to be in the survey and the two clubs were substituted by Juventude from the city of Caxias do Sul and Vitória from the city of Salvador.

The country economic stability made possible that in recent years the Brazilian currency had a high valuation in contrast US\$, so the survey about the biggest football clubs in Brazil had this impact, and the financial data were benefited for this. From 2005 to 2007 the "Real" valuation reached +20% in relation with US\$ and last year this valuation surpassed +12%.

Consolidated Balance Sheet

- In 2007 the 21 clubs analyzed from Casual Auditores presented Total Assets of US\$ 1.67 billion, and Fixed Assets represented 79% of this value. Total Assets grew 34% from 2006 to 2007.
- Total Liabilities of the 21 clubs reached US\$ 1.36 billion, which represented an evolution of more than 40% in comparison to 2006.
- 41% of Total Liabilities from 21 clubs analyzed represented a value that could be refinancing from a new National Lottery called "Timemania" that will help the clubs. This value reached US\$ 558 million.
- The 21 clubs analyzed presented shareholders equity of US\$ 318.7 million, 13% more than last financial exercise.



Carlos Aragaki

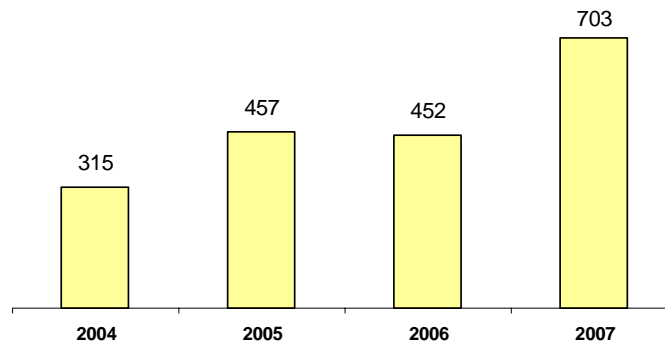
Partner at Casual Auditores Independentes

"The actual scenery didn't change the difficult to the Brazilian football clubs from the last years. Player trading again is the way to guarantee the operational activity to the clubs in Brazil as the main income source, however, the losses in general increased. The negative result in losses in 2007 was consequence of the provisions to be adapt at the new Lottery Timemania and additionally from financial expenses from loans and other debts. The end of assets revaluation with the new Law 11.638/07 will not help the losses carried forward in 2008 exercise. The solution is to improve new income resources, difficult issue, because must appear new talents each year or the expenses reduction, with an efficient management model, with a football costs control, with cheaper football teams than today, with the same sports performance. The challenge is launched!"

Revenues Generated

- In 2007 the 21 clubs from the survey generated US\$ 703 million in revenues. This result is the biggest value at the Brazilian football, that represented 0,052% from Brazilian GDP in 2007, an increase of more that 23 percentage points in contrast to 2006.
- This volume generated from the 21 biggest clubs in revenues in Brazil in 2007 represented a 55% increase than in 2006 exercise.
- The clubs generated US\$ 251 million in new resources in 2007 and with this exceptional result the Brazilian football clubs market reach US\$ 842 million last year, against US\$ 555 million in 2006, according to Casual Auditores projection.
- This good result is consequence of the income increase of the clubs and the Brazilian currency valuation in contrast with US\$.

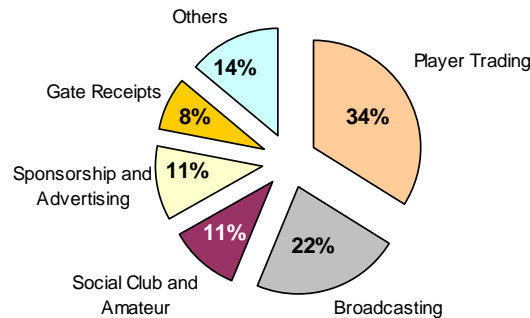
Resources Generated - 2004-2007
US\$ million



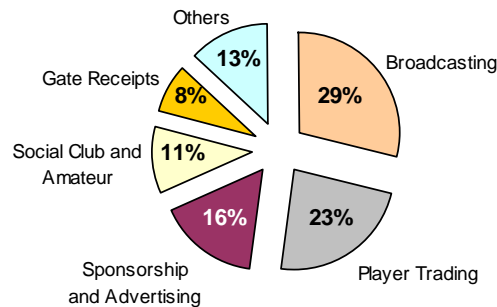
- The main reason for the huge evolution in revenues this year was the biggest earnings with players' transfers, new resources with membership campaigns, gate receipts and other revenues.
- Sponsorship / advertisement and broadcasting resources presented the smallest increase from 2006 to 2007 exercises.
- The resources generated without players transfers increased 34% and 24% of this value was represented from the no operational revenues generated from Juventude with its Training Centre sale.
- São Paulo, as in 2006, was the Brazilian football club with the biggest revenue, and it is the first time that a club from Brazil reaches US\$ 100 millions in revenues. This good result was a consequence with more resources generated by the club with player trading, new income with the Morumbi stadium, resources with royalties that surpassed US\$ 2.7 million in 2007 the biggest value at Brazilian football and other marketing resources.
- Internacional-RS for the second year was the club that generated more resources after SPFC. This result was consequence of the big earning with players transfers, membership campaign with its fans that generated US\$ 10.6 million in 2007 and increase in royalties that grew 296% form 2006 to 2007.
- Corinthians was the third at the ranking as in 2006 caused by the increase in the revenues with players' transfers that grew 291% from 2006 to 2007.
- Grêmio had a substantial increased last exercise and jumped seven positions at the ranking and became with the 4th position in revenues at Brazilian football. This excellent evolution was caused by the revenues with players' transfers, gate receipts and membership campaign with its fans that generated US\$ 9.7 million in 2007
- In % terms the clubs which had the biggest increase last exercise were Juventude with 596%, caused by its Training Centre sale that produced new US\$ 27 millions to the club, Grêmio with an increase of more than 152%, Náutico with a 135% increase and Vitória that improve its revenues in 95% from 2006 to 2007.

This is the analysis of the revenues breakdown of the 21 clubs in 2007 and the comparison with 2006.

In 2007- Total Revenue- US\$ 703 million



In 2006- Total Revenue- US\$ 452 million



- The main change in 2007 compared with 2006 financial exercise was the players transfers resources, positioned as the most important income source as in 2005. The second income source was broadcasting and the third became social club and amateur sport that surpassed sponsorship and advertising.
- Corinthians in 2007 financial statements presented reclassified data from sponsorship values and with this new information the numbers from sponsorship in 2006 had changed
- In 2007 the resources generated with players transfers surpassed US\$ 239 million, an historical result to the clubs. Internacional was responsible to 21% of this value, São Paulo 17%, Corinthians 16% and Grêmio 12%.
- The revenues with players' transfers generated by all Brazilian football clubs could reach US\$ 300 million in 2007, and with this result the players exportation generated more income to the country that traditional items as: cocoa, melon, orange, chocolate, buses, motorcycles, computers and accessories and precious and semi-precious stones.
- The volume generated by the clubs with the athletes surpassed the direct investment in Brazil made by many countries as South Korea, Italy and Norway that invested between US\$ 255 million to US\$ 265 million in 2007.



Amir Somoggi

Specialist in Football Clubs Marketing and Management, from Casual Auditores Independentes

“The results presented at our survey about the biggest Brazilian football clubs in revenues shows that the entities are still dependents on few sources of income to develop their business. This extreme dependence on players transfers, broadcasting rights and sponsorship deals, that represented 67% of all resources generated in 2007, weren’t enough to maintain a financial balance at their management. In 2007 the football expenses to the 21 clubs analyzed reached US\$ 526 millions and with the increase of other costs the clubs amplified their losses. The Brazilian football clubs market must focus in new income generation through marketing projects directly involved to the relationship with football fans, sponsorship activation actions with their strategic partners and generate new resources exploiting innovative technologies with new media contents. This continuing search of new sources of income will help the clubs to stability their management and positioning them as content and entertainment generators and not only as exportation platforms of young talents.”

Shareholders Equity

- The 21 clubs analyzed presented shareholders equity of US\$ 318.7 million, 13% more than last financial exercise. The 18 clubs with positive shareholders equity presented a value of US\$ 471.4 million, while the three clubs with negative shareholders equity a value of US\$ (152.7) million.
- This result was caused by the losses of some clubs and was mitigated with the assets revaluation that impacted the shareholders equity value, also with the profits of some clubs in 2007.
- In 2007 the assets revaluation registered at the shareholders equity represented a value of US\$ 809 million, an evolution of 38% in comparison to 2006.
- Just 5 clubs didn’t registered assets revaluation at the shareholders equity: Palmeiras, Barueri, São Caetano, Vasco da Gama and Vitória.
- Without assets revaluation, the shareholders equity value to the 21 clubs would be US\$ (490.9) million, a reduction of more than 62% from 2006.
- The clubs with biggest shareholders equity values were São Paulo US\$ 117 million, Atlético-PR US\$ 76.4 million and Palmeiras with US\$ 41.1 million. The clubs that presented negative shareholders equity were Flamengo US\$ (23.5) million, Vitória US\$ (39.8) million and Botafogo US\$(89.3) million.

Profit / (Loss) Period

- The 21 club registered Losses Period of US\$ (158.3) million, -74% in contrast to 2006. Just 6 clubs presented profits in 2007 with a consolidate value of US\$ 27.2 million, while the other 15 clubs registered losses in 2007, with a value of US\$ (185.5) million.
- This negative result in 2007 was consequence of the increase in the clubs expenses in relation of total revenues generated. In 2007 the total expenses from the 21 clubs reached a record, a value that surpassed US\$ 861 million, an increase of 59% from 2006.
- In this period the football costs increased 39%, proving that other costs enlarged as financial expenses and provisions.
- The clubs which presented the biggest profits in 2007 were Internacional US\$ 9.9 million, Grêmio US\$ 7.7 million and Juventude US\$ 5.6 million. The clubs that presented the biggest losses in 2007 were Fluminense US\$ (73.4) million, Flamengo US\$ (31.2) million and Santos US\$ (19.3) million.

Profit / (Loss) Carried Forward

- In 2007 the 21 clubs analyzed amplified their Losses Carried Forward in 46%, caused by the losses presented in 2007 exercise. The Losses Carried Forward reached in 2007 US\$ (611.2) million and the 5 clubs that presented historical profits presented a consolidate value of US\$ 32.6 million, while the 16 clubs with Losses Carried Forward a consolidate value of US\$ (643.8) million.
- The clubs which presented the biggest Profit Carried Forward were Atlético-PR US\$ 19.8 million, Juventude US\$ 5.1 million and Santos US\$ 3.9 million.
- The clubs which biggest Loss Carried Forward were Flamengo US\$ (127.5) million, Atlético-MG US\$ (112.8) million and Botafogo US\$ (110.3) million.

Profit / (Loss) Period without Player Trading

- As our survey from last year, Casual Auditores' analysis showed the Profit / (Loss) Period without Player Trading. The objective is to show the dependence that the Brazilian clubs have to equilibrate the budgets with the resources from the players' negotiations.
- In 2007 just Juventude would present profits without the player's resources, and this positive result was possible by the club's Training Centre sale.
- In 2007 the 21 clubs without the players' transfers would register consolidate losses that surpassed US\$ (384) million, that represented -106%. This result confirms the Brazilian football market actual reality, that the clubs must transfer their best players to balance their management.
- The clubs with the biggest losses without players resources were Fluminense US\$ (74.1) million, Corinthians US\$ (49.8) million, Internacional US\$ (40.3) million and São Paulo US\$ (38) million.

EBITDA

- Another data that we included last year and maintained in 2007 analysis was the EBITDA of the clubs, which represents the earning before interests, taxes, depreciation and amortization. The EBITDA has the main objective to show the entity potential cash flow. The clubs' EBITDA in 2007 for the first time registered a negative value, caused by the clubs' operational expenses increase.
- In 2007 the EBITDA for the 21 clubs was US\$ (7.9) million, a -151% reduction in comparison to 2006 financial exercise.
- This result was caused by the EBITDA decreased from Fluminense, Flamengo, Santos, Vasco and Atlético-MG.
- The clubs which registered the biggest EBITDA were Grêmio US\$ 23.3 million, Internacional US\$ 19.7 million, São Paulo US\$ 18.2 million and Juventude US\$ 6.2 million. The clubs which presented the smallest EBITDA were Fluminense US\$ (56.5) million, Flamengo US\$ (11.3) million, Vasco da Gama US\$ (5.6) million and Santos US\$ (4.9) million.



Casual Auditores Independentes S/S

Accounting firm specialized in football clubs with a Sports Business Division responsible for surveys and projections about the Football Industry in the world and in Brazil.

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