



An analysis of the economic and financial management of the sport lisboa e benfica (SLB) accounts between 2016 and 2019

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Abstract

In this work, we will make an analysis of the account reports of the Sport Lisboa e Benfica club, taking into account the accounts reports published annually by the institution on its digital platform. We will analyze the last 3 years of activity, in order to understand the development and the impact on the club financially, how the annual performance of the team affects the entity financially and how the derivations of assets can influence the planning of the following year.

The choice fell on Sport Lisboa e Benfica because it is understood that it is one of the best Portuguese clubs of today and a club with enormous relevance also in the European context of the sport, in addition to the information provided by the Annual Report of the same deserves a detailed and explanatory analysis.

The methodology used in this study was an exploratory analysis through the observation of the accounts reports of the last three sports seasons. The data used in the analysis of the SLB accounts were obtained through the official website of the sports organization.

It was possible to conclude that the club presents a sustainable economic and financial growth. An accumulation of assets and growth of gains with the modality that have allowed its connection, support and help to several social action entities.

Keywords: sport lisboa e benfica; report of accounts; economic and financial analysis; management

Introduction

Sport Lisboa e Benfica was founded on 28 February 1904 under the name Sport Lisboa. After a morning training, in some grounds in Belém, a meeting was held in the afternoon at the nearby Farmácia Franco, in which 24 elements were present, including the ten from the morning training. They are considered the founders of the Club.

The idea of forming a club was created in the previous months by the joining of two groups of elements that usually trained and played in Belém: the group of Catataus, the brothers Rosa Rodrigues, who live in the building of Farmácia Franco, and Manuel Goullade and Daniel dos Santos Brito, employees of the pharmacy; and the Association of Good, formed by former Casapianos who joined to play football, among other purposes. On December 13, 1903, the Catataus group, reinforced by some elements of the Association of Good, achieved an unexpected victory (1-0) in a match against the Pinto Basto Group.

In the lunch that followed, at Café do Gonçalves, the victorious elements celebrated the triumph (in front of a team that even included English players) and there were those who suggested the creation of a new "team", making the link then established effective. Over two and a half months, the idea took root, the Club's symbols (name, colours, emblem) were defined and the date of the meeting that would mark the birth of what would become the Glorious Sport Lisboa e Benfica was set for 28 February 1904.

On the morning of February 28th, a training session took place between 11 a.m. and 12:30 p.m. on the CP grounds between the Cais do Sodré-Cascais railway line and the back of the Duque de Loulé beach house, where the Centro Cultural de Belém is currently located. The following ten elements participated in it: António Rosa Rodrigues, Cândido Rosa Rodrigues, José Rosa Rodrigues, Daniel Brito, Eduardo Corga, Henrique Teixeira, Carlos França, Abílio Meirelles, Amadeu Rocha and Manuel Goullade. As usual after the training, these - and other - elements met for lunch in Belém, after which they went to Farmácia Franco, at Rua de Belém, n.º 20 (where today a branch of Caixa Geral de Depósitos is located), for the decisive meeting, already with the presence of other elements previously contacted, but who did not participate in the morning training. According to the list of the meeting*, they are founders of the Club, besides the ten elements present at the morning training, plus the following: António Severino, Francisco Calisto, Francisco dos Reis Gonçalves, João Gomes, João Goulão, Joaquim Almeida, Joaquim Ribeiro, Jorge Augusto Sousa, Jorge da Costa Afra, José Linhares, Manuel França, Raul Empis, Virgílio Cunha and Cosme Damião, the element that would become the main leader of the first decades of the new Club's life. These 24 elements chose among them, in this historic meeting, José Rosa Rodrigues as president, Daniel Brito as secretary and Manuel Goullade as treasurer.

Benfica is the Portuguese team that moves the most

supporters, inside and outside Portugal.

Benfica is among the most popular teams in the world with an estimated 14 million supporters. Clubs such as Sao Paulo, Flamengo and Santos, which have a large concentration of supporters in Brazil or Real Madrid, Juventus, Barcelona and Manchester United, which are popular across the border, are among the few clubs that have more than ten million supporters like Benfica.

According to a UEFA report, SL Benfica are the European club with the highest proportion of supporters in their country, accounting for 47 per cent of preferences ahead of 45 per cent for Steaua in Bucharest, Romania.

Looking back over the last 20 years, every time SL Benfica have been champions the GDP has grown. In fact, in three of the four national titles won in that period (1994, 2010 and 2014), the growth of the economy was always higher than in the previous year. In this period the only exception is 2005, as in 2004 Euro 2004 was played in Portugal. Although the club broke an 11-year fast without championships, the economy grew only 0.8%, when in 2004 it had expanded 1.6%.

Compared to the last decade, the year in which the economy grew the most was 2010, expanding 1.9%, precisely a year in which SL Benfica were champions. In 2014 the championship won also has a symbolic significance, since after three years of troika, in which FC Porto was three-time champion and the economy was always in recession (-1.3% in 2011, -3.2% in 2012 and -1.4% in 2013), 2014 marks the return of growth by 1.2%.

Looking at private consumption, the trend is very similar, because whenever Benfica was the champion, consumption performed positively. And, once again, it was only in 2005 that it grew less than in the previous year - which was, remember, the year of Euro 2004. In 1994 consumption expanded 0.8%, in 2005 2.1%, in 2010 1.9% and in 2014 around 1.3%.

Currently, Sport Lisboa e Benfica are active in the first national division, and currently occupy the top position in the Portuguese championship.

Empirical study

The 2016/2017 season is marked by the conquest of the four championships, a first in 113 years of the Club's history. However, the sporting results achieved by Benfica were not limited to this achievement, as at the beginning of the season Benfica won the Cândido Oliveira Super Cup and in the last game of the season they won the Portuguese Cup. In this way, Benfica won three of the four trophies played in Portugal, having also marked their presence in the final four of the League Cup, which means that they have maintained the ascendancy that they have been showing in the last four seasons on the Portuguese football scene.

In European competitions, Benfica overcame the group stage of the Champions League for the second time in a row, reaching the Round of 16.

In this way, Benfica SAD continued to demonstrate their ability to achieve positive sporting results, without this forcing an economic and financial imbalance. On the contrary, Benfica SAD's results, which will be presented later, demonstrate that the Company maintains a positive trend in economic and financial terms.

Brief analysis of account reports

In the first official match of the 2016/2017 season, which opposes the national champion to the winner of the Portuguese Cup of the season transata, with the intention of disputing the Super Cup Cândido Oliveira, Benfica outperformed Sporting Braga by 3-0 and began the season winning titles.

In the CTT Cup, Benfica guaranteed access to the final four after achieving three victories in the matches played with Paços de Ferreira, Vizela and Vitória de Guimarães in the group stage.

For example, Physical Education contemplates a multidimensionality of sports practices, and of contents that are object of teaching-learning. These practices, as exposed in the National Physical Education Programs, go beyond the development of physical qualities and motor and sports skills, guiding the teacher's intervention to the need to develop other aspects more related to the individual as a whole, such as health education and education for values. In this sense, physical and sporting activities should also be used with a view to the development of ethics as a system of values associated with the sporting and educational phenomenon.

The games took place at the end of January at the Estádio do Algarve. Benfica turned out to be eliminated in the semi-final by Moreirense, the team that would win the trophy, not allowing Benfica to try to revalidate this title.

Benfica finished the season in the same way they began: winning. After three years, they again reached the final of the Portuguese Cup and made it into the final game of the season. At the Estadio do Jamor, under torrential rain, Benfica beat Vitoria de Guimaraes 2-1 to claim their third title of the season, out of a total of four trophies played in Portugal.

In this way, Benfica continued, for the fourth consecutive year, to dominate the national sports panorama in the main soccer league, having in this period conquered eleven of the sixteen trophies disputed, and in all seasons conquered the main competition: the NOS League, becoming the national champion.

In the European competitions, Benfica had direct access to the group phase of the Champions League as Portuguese champion, which gave him the right to be part of the pot 1 of the draw. Having been drawn in Group B of the competition alongside Naples, Dynamo Kiev and Besiktas, Benfica achieved second place in the group with a total of eight points, the result of two wins, two draws and two defeats. For the second year running, Benfica have managed to advance past the group stage of the Champions League, a first since the competition in this format.

In conclusion, in the last four sporting seasons, the results obtained by Benfica in the competitions in which they participated were the following:

Benfica remains for the fifth consecutive year in the Top-10 of the UEFA club ranking, having finished the 2016/2017 season in ninth position.

This performance is possible due to the sporting results that Benfica has achieved in European competitions during the last seasons, namely the two European League Finals reached in the 2012/2013 and 2013/2014 seasons and the quarter-finals and eighth finals of the Champions League reached in the last 2013/2014 2014/2015 2015/2016 2016/2017 competitions.

- National League (current NOS League) Champion

- Portugal Cup Winner 1/8 Final 1/16 Final Winner
- League Cup (current CTT League) Winner
- Supertaça Cândido Oliveira - Finalist Winner
- Champions' League Group Stage 1/4 Final 1/8 Final
- Finalist Europe League - 2012/13 2013/14 2014/15 2015/16 2016/17 Club Federation Total

At the beginning of the 2016/2017 season, Benfica SAD made several investments in the acquisition of athletes' rights, among which the acquisition of all the rights of the athlete Rafael Silva (Rafa), which represented a global investment of 16.8 million euros, and the remaining 50% of the economic rights of the athlete Raúl Jiménez, who remained in the ownership of Atlético de Madrid, for a value of 12 million euros, becoming the holder of all the rights of that athlete. In addition, Benfica SAD guaranteed the hiring of the player Zivkovic and acquired the remaining 50% of the economic rights of the athlete Jardel.

These acquisitions are in addition to the hiring of Franco Cervi, André Carrillo and André Horta last season.

With regard to the sale of athlete rights, Benfica SAD carried out a number of operations during the beginning of the season that exceeded a total amount of 19 million euros, including the transfers of the athletes Néelson Oliveira, Carcela and Tiago Correia (Bebé) to Norwich, Granada and Eibar, respectively. This amount also includes the variable component foreseen in the transfer of the athlete André Gomes to Valencia, which corresponds to 25% of the capital gain obtained in the transfer of this athlete from Valencia to Barcelona, and the exercise of the right of preference of Deportivo da Corunha over the player Sidnei.

In terms of contract renewals in the 1st semester, Benfica SAD began by extending the employment relationship with the athlete Lisandro Lopez for three more seasons that is, until June 30, 2021 and, at the end of the semester, renewed with the athlete Victor Lindelof, who extended his connection with Benfica until the end of the 2020/2021 season.

In January 2017, Benfica SAD reached an agreement with Paris Saint-Germain and Wolverhampton Wanderers FC to transfer the rights of Gonçalo Guedes and Hélder Costa, respectively, for a total amount of 45 million euros.

Several interventions were made at Caixa Futebol Campus

- Replacement of the natural grass on field no. 1 (used in the official matches of the B team and the Football Training teams);
- Replacement of the synthetic turf on field no. 5 (used for training and official matches of the Football Training teams, the schools and the international area);
- Implementation of the UPS room of the data center located in the training center;
- Completion of the project phase of the hotel extension and start of its construction;
- Construction of the Benfica LAB building, with the implementation of a diversion of infrastructures in the area of the new building.

In April 2017, Benfica SAD issued a bond loan by public offer of 60 million euros, corresponding to 10 million bonds with a nominal value of 5 euros. The "Benfica SAD 2017-

2020" bonds have a duration of three years, an interest rate of 4% per year and were admitted to trading on Euronext Lisbon. The net proceeds of the offer were used to finance the Company's current business, allowing for the consolidation of liabilities over a longer period, namely through the refinancing of banking operations contracted with the New Bank.

It should be noted that no bond loan was due on this date, which represents an increase in the value invested by the capital market in Benfica SAD, as had already been the case in the previous financial year.

The success of another bond issue, in which valid demand reached 92.1 million euros, corresponding to a ratio of 1.53 to supply, reveals the confidence that investors have in Benfica SAD's evolution and project.

Analysis of the economic and financial management of the SLB

In terms of the consolidated income statement, the main highlights for the 2016/2017 financial year, which represent the Group's best ever performance, are the following:

- The net profit exceeds 44.5 million euros, which is equivalent to a growth of 118.4% compared to the previous financial year, in which it had already achieved positive results in the amount of 20.4 million euros, corresponding to the fourth consecutive financial year in which Benfica SAD shows profits;
- Operating results (including transactions of athletes' rights) reached 62.9 million euros, which means an improvement of 65.5% compared to the same period in the previous year;
- Operating income (excluding players' rights transactions) reached Euro 128.2 million, which represents an increase of 1.7% over the same period of last year, this growth being mainly justified by the increase in income resulting from the contract signed with NOS, which came into force in the current financial year, and which offset the natural decrease in income caused by the fact that the quarter-finals of the Champions League were not reached, which occurred in 2015/2016;
- The income from athletes' rights transactions amounts to 123 million euros, which means an improvement of 50.2% in relation to the previous period, with emphasis on the gains obtained with the transfers of players Gonçalo Guedes, Hélder Costa, Ederson and Victor Lindelof;
- Operating income (including transactions of players' rights) reached 251.2 million euros, which represents an increase of 20.8% compared to the same period last year and exceeds for the first time the 250 million euros barrier. It should be noted that this economic performance was achieved at the same time as sporting results, since Benfica won four national championships for the first time in its history and overcame the group stage of the Champions League for the second consecutive year.

In terms of the consolidated statement of financial position as of June 30, 2017, the compliance with article 35 of the Commercial Companies Code (CSC), the increase in assets and the decrease in liabilities should be highlighted, as detailed below

- Benfica SAD's consolidated equity shows a balance of 67.7 million euros and individual equity amounts to 70.3 million euros, which in both cases exceeds 57.5 million euros, which corresponds to 50% of the Company's share capital;
- It should be noted that, with the exception of the first financial year (2000/2001), in which Benfica SAD still had a ratio of equity to share capital of 50.9%, the Company was never in a position to comply with the stipulations of article 35 of the CSC, given that since its constitution Benfica SAD has had to assume responsibility for various contingencies of past management and has had to make important investments that would allow Benfica to recover its credibility and competitive capacity;
- In this way, the fact that Benfica SAD was able to comply with Article 35 of the CSC at the end of the year has a greater significance, being a demonstration of the trend of recovery that has been seen in recent years;
- Benfica SAD's consolidated assets amount to 506.1 million euros, which means that it has reached historic values by surpassing, for the first time, the 500 million euros barrier, a fact unprecedented in the Portuguese football panorama;
- The increase in assets represents a growth of 6.2% compared to the same period of the previous year, and this evolution is essentially explained by the sales of athletes' rights that occurred at the end of the season, which generated a significant increase in the caption of customers, and by the increase in the value of athletes' rights under intangible assets;
- The decrease in liabilities exceeds 17.1 million euros, which corresponds to a variation of 3.8%, and is mainly explained by the decrease in loans obtained;
- It should be noted that current liabilities show a decrease of 122 million euros, as the commitments with loans obtained were restructured and switched to non-current liabilities;
- Within the scope of this restructuring, bank debt shows a strong reduction for the second consecutive year, amounting to 88.9 million euros (2015/2016: 49.7 million euros), having been partially offset by the increase of 59.3 million euros in the value of bond loans by public subscription;
- Finally, the relevant increase in the caption of customers in assets, which is related to the transactions of athletes carried out at the end of the financial year 2016/2017, will allow the continuation of the reduction in liabilities throughout the financial year 2017/2018, once the respective collection has been made.

In the present work, it was decided to make a historical analysis of the economic and financial performance of Benfica SAD in the last seven years. The option to begin this analysis in the 2010/2011 financial year is related to the fact that this is the first period in which the consolidated financial statements of Benfica SAD include the income and expenses of Benfica Estádio for a full year, since the latter had been acquired for the first time during the previous year.

Operating income (excluding transactions of athletes' rights)

in the current financial year amounts to 128.2 million euros, which represents a growth of 1.7% in relation to the same period last year and the highest value ever achieved by Benfica SAD.

Income from media TV amounted to 70.7 million euros, an increase of 3.1% compared to the same period last year. These revenues are mainly related to television revenues and to the prizes distributed by UEFA within the scope of European competitions.

Television revenues, which include the home rights of Benfica's main team in the NOS League and the broadcasting and distribution rights of BTV, amount to 38.8 million euros, representing an increase of 5.3 million euros and an increase of 16% over the same period last year.

This variation is explained by the entry into force of the contract with the NOS, which has contracted a higher value than the previous model of exploitation of the television rights and BTV. It should be noted that this variation was the main responsible for the growth in operating income without transactions of athletes' rights.

The premiums distributed by UEFA exceed 31.5 million euros, which corresponds to a decrease of 10% compared to the previous season. Despite being one of the best performers in terms of UEFA's competition revenues, given that Benfica passed the group stage and played in the Champions League Round of 16, there was a natural decrease in income from this type of income as the previous season had reached the quarter-finals.

Commercial revenues amounted to 33.1 million euros, representing a decrease of 6.6% compared to the 35.4 million. This variation is justified by the reduction in revenues from cachets, given that in the pre-season 2015/2016 Benfica participated in the International Champions Cup, which generated revenues of 3 million euros that year.

The ratio of personnel expenses to operating revenues is a relevant indicator in this sector of activity, being recognized as one of the main indicators to assess the operational efficiency of football clubs or sports companies, allowing the analysis of their future viability. The lower the ratio, the greater the efficiency of the entity. Both UEFA in the context of Financial Fair Play and the European Club Association (ECA) recommend that this ratio should not exceed 70%.

According to UEFA's criteria, fee expenses should be added to personnel expenses and operating revenues should not take into account transactions with athlete rights. For the purpose of calculating the ratio, these criteria will be taken into consideration.

The result with athlete rights transactions includes:

- disposals of athlete rights (gains and losses);
- expenses associated with disposals of athletes' rights;
- Write-offs of athletes' rights and, other income and expenses related to transactions of athletes' rights.

Gains on sales of athletes' rights amounted to 105.2 million euros (2015/2016: 69.3 million euros), which is reflected in gains on sales of athletes' rights, losses on sales of athletes' rights and expenses associated with the sale of athletes' rights. Gross sales of athletes' rights amounted to Euro 156.7 million (2015/2016: Euro 84.6 million), which, net of the financial update effect, correspond to net sales of athletes' rights.

The result of sales of athletes' rights corresponds to the previous amount deducted: i) from the net book value of the athlete's rights at the date of sale; ii) from commitments with third parties; iii) from intermediation services and iv) from the retention of the Solidarity Fund Mechanism.

The intermediation services correspond to the costs incurred with sports agents who intervened in the sale of athletes' rights, which represent 7.4% of the gross sales of athletes' rights.

The result with transactions of athletes' rights amounts to 102.7 million euros (2015/2016: 66.9 million euros), as it includes other income and expenses besides those directly related with the sales of athletes' rights.

In general, the evolution has been positive throughout the financial years, with a 53.5% growth in comparison to the same period of the previous year. This variation is related to the higher number of transactions of athletes' rights of relevant value performed in the current fiscal year.

The evolution of this result has been fundamental for the improvement of the net results presented in the last financial years and for the consequent recovery of Benfica SAD's equity.

Benfica SAD's consolidated assets amount to 506.1 million euros, which means that it reaches historic values by breaking, for the first time, the 500 million euros barrier, a fact unprecedented in the Portuguese football panorama.

The increase in assets represents a growth of 6.2% compared to the same period of the previous year, and this evolution is essentially explained by the significant increase in the items of customers and other debtors and by the increase in the value of athletes' rights, which is reflected in the item intangible assets - football team.

As of June 30, 2011, Benfica's consolidated assets increased by 124 million euros, corresponding to a compound annual growth rate (CAGR) of 4.8%.

In 2016/2017, Benfica SAD made investments in the football team amounting to 69 million euros (2015/2016: 72.5 million euros), which relate to the acquisition of athletes' rights, in addition to charges for the renewal of players' sporting labour contracts. The main investments concern Rafa, Raúl Jimenez, Zivkovic, Óscar Benitez, Seferovic, Krovinovic and Vitor Lindelof.

On 30 June 2017, balances with customers and other debtors totalled 117.3 million euros, which represents an increase of 52.5% compared to 76.9 million euros at the end of the same period. This variation is essentially justified by the sales of athletic rights that occurred at the end of the 2016/2017 season.

Net debt corresponds to the value of loans obtained under liabilities, less financial assets, which correspond to the balance of the cash and cash equivalents heading and the value of the deposit to service the debt which is reflected in the heading of other financial assets.

As of June 30, 2017, Benfica SAD's net debt amounted to 262.7 million euros, a reduction of 4.6% compared to the end of the same period.

Benfica SAD's consolidated equity shows a balance of 67.7 million euros and individual equity amounts to 70.3 million euros, which means that in both cases it exceeds 57.5 million euros, which corresponds to 50% of the Company's share

capital.

The decrease in liabilities in 2016/2017 exceeds 17.1 million euros, which corresponds to a variation of 3.8%, and it should be noted that current liabilities show a decrease of 122 million euros. These variations are mainly related to the decrease in loans obtained.

Liabilities showed a growing trend until the end of the 2013/2014 financial year, which began to be reversed from that date. It should be noted that the value of liabilities at the end of the current period is lower than on 30 June 2013 and that the compound annual growth rate during this seven-year period amounts to 2.4%.

Benfica SAD increased its presence in the capital market by issuing a new bond loan, reducing its exposure to domestic banking. Thus, there was an increase of 59.3 million euros in the value of bond loans by public subscription and a strong reduction of 88.9 million euros in bank debt. It should be noted that the decrease in bank debt occurs for the second consecutive year, given that in 2015/2016 there was a reduction of EUR 49.7 million.

In addition, the type of bank debt has also changed, given that a new commercial paper programme of 61 million euros (those in force on 30 June 2016 accounted for 46.6 million euros), with a longer maturity, was carried out. On the other hand, the remaining financing obtained from domestic banks was significantly reduced, amounting to 64.5 million euros at June 30, 2017 and 167.8 million euros at the end of the same period.

The main highlights of the economic and financial results presented by Benfica SAD for the financial year 2017/2018 are as follows

- The net profit amounts to 20.6 million euros, which corresponds to the fifth consecutive financial year in which Benfica SAD shows a profit and its second-best result ever;
- The operating profit reaches 32.4 million euros, which continues to be a positive indicator of Benfica SAD's operating performance and which, similarly to the net profit, was only exceeded by the amount reached in the previous season;
- Operating income (excluding transactions of athletes' rights) exceeds 121.5 million euros, which represents a decrease of 6.7 million euros compared to the same period of the previous year, mainly justified by the sporting performance in the Champions League;
- The result of the players' rights transactions amounts to 63.8 million euro, of which the gains obtained with the transfers of Néilson Semedo, Mitroglou and João Carvalho should be highlighted;
- Gross sales of players' rights amounted to 77.6 million euro and commissions from intermediation services amounted to 4.4 million euro, which represent 5.6% of the aforementioned gross sales;
- The financial result corresponds to a negative amount of 11.5 million euros, which is equivalent to an improvement of 34.2% compared to the same period last year, the variation being mainly justified by the reduction in the Group's banking liabilities;
- Total income reached 206.2 million euros, with a

reduction of 18.7% compared to the previous financial year, in which the Company's best results ever were obtained. This decrease is mainly explained by the decrease in income from athlete rights transactions, which amounted to 77.7 million euros, and it should also be noted that Benfica SAD continues to show total income in excess of the 200 million euros mark, in line with what has happened in the last three financial years;

- On June 30th, 2018, Benfica SAD's assets amounted to 485.1 million euros, which corresponds to a decrease of 4.1% in relation to the same period of the previous year, this variation being mainly justified by the reductions in intangible assets - football team and customers and other debtors;
- Benfica SAD's liabilities decreased by 40.1 million euros during the year 2017/2018, which means that at the end of the period they reached a value of 398.3 million euros. It should be noted that the Company once again has a consolidated liability of less than 400 million euros, which was not the case since the end of the 2010/2011 financial year;
- The reduction in liabilities is mainly justified by the decrease of 110.4 million euros in the loans obtained, in comparison with the reduction in bank debt that occurred during the year, with emphasis on the voluntary early repayment of the Stadium Project Finance, the total liquidation of the Commercial Paper Programme and the non-use of the credit line available from the New Bank; R&C 2017|18 | 23
- In addition, there was a decrease of 21.7 million euros in suppliers and other creditors. Overall, these changes are partially offset by the increase in other liabilities, compared with the partial assignment and non-recourse of future claims relating to the exploitation contract of television broadcasting rights signed with NOS, whose income will be recognised in future years;
- Benfica SAD's equity as of June 30, 2018 exceeds 86.8 million euros, the highest value ever since the Company was incorporated;
- During the year 2017/2018, the equity presented an improvement of 19.1 million euros, which corresponds to the fifth consecutive year in which the net equity presents a positive variation. It should be noted that, over the last five years, the accumulated value of the recovery of Benfica SAD's equity capital already exceeds 110.6 million euros.

The net profit in 2017/2018 amounts to 20.6 million euros, which corresponds to the fifth consecutive financial year in which Benfica SAD shows a profit and its second-best result ever. Benfica SAD continues to present frankly positive economic results, despite the decrease of the result in relation to the same period of the previous year, justified by the exceptional character that the net result of 2016/2017 had for the Group. It should be noted that this virtuous cycle in economic results, which began five years ago, coincided with a phase in which Benfica achieved important sporting results and, although the 2017/2018 season was not positive in terms of title wins, the Group maintained an economic solidity that allowed it to maintain balanced accounts. During this five-

year period, Benfica SAD's net results totalled 106.8 million euros, which were fundamental to the recovery of the Group's equity, a key fact in Benfica's growth and development project.

Operating income (excluding transactions of athletes' rights) exceeded 121.5 million euros, which represents a decrease of 6.7 million euros compared to the same period last year, mainly justified by the sporting performance in the Champions League. This figure corresponds to the third best performance ever of Benfica SAD, maintaining a volume of income at the level of the last two years, in which it exceeded the 120-million-euro barrier. Media TV revenues are the most affected by the season's sporting performance, given that the income from the prizes distributed by UEFA in European competitions is down 43.3% from 31.5 million euros to 17.9 million euros. This was partially offset by the growth in television revenues, which reached 42.9 million euros, an increase of 10.6% and the historically highest value the Group achieved. As a result, media TV revenues amounted to 62.2 million euros, a decrease of 12.1% compared to the same period last year. Matchday revenues exceeded 24 million euros, which corresponds to the same amount as in the same period of the previous year, when they reached 24.4 million euros. Revenues from Champions League matches decreased 34.4% to 1.6 million euro, as a result of one less match and the sporting performance itself, and revenues from matches in national competitions, which mainly refer to the NOS League, decreased 23.1% to 4.4 million euro. However, this decrease is offset by the growth in season ticket sales, which amount to 7.5 million Euros and correspond to an increase of 1.3 million Euros. Finally, corporate revenues reached 10.5 million euros, an 8% increase compared to the same period last year, maintaining the growth trend in cabin and executive seat sales for the sixth consecutive year. Commercial revenues reached 35.3 million euros, which corresponds to a growth of 6.7% compared to the same period of the previous year, making a positive contribution to the level of operating revenues achieved and getting closer to the values reached in 2015/2016.

Media TV revenues have a weight of 51% in the operating income structure without transactions of athletes' rights. It should be noted that the contract for the exploitation of TV rights signed with NOS guarantees a strong stability of this source of revenue, since it has a duration of ten years, with even a progressive annual growth until the end of the contract. With regard to the revenue generated by the participation in European competitions, these are dependent on the sports performance of the team, and therefore may present greater volatility, as was the case in this financial year. The other half of the operating income structure without transactions of athletes' rights is divided between commercial and matchday income, which represent 29% and 20% respectively.

Media TV revenues have gained a greater weight in the income structure to the detriment of those generated by matchday, when compared with the 2010/2011 financial year, this evolution being justified by the new models of exploitation of television rights that Benfica SAD has pioneered, by the increase in revenues distributed by UEFA and by the fact that the Club has ceased to transfer any amount of membership fees to Benfica SAD.

The gain on disposals of athletes' rights amounts to 52.2 million euro (2016/2017: 105.2 million euro), which is reflected in the captions gains on disposals of athletes' rights (capital gains), losses on disposals of athletes' rights (losses) and expenses associated with the disposal of athletes' rights (commissions).

As of June 30, 2018, Benfica SAD's assets amounted to 485.1 million euros, a decrease of 4.1% compared to the same period of the previous year, this variation being mainly justified by reductions in intangible assets - football team and customers and other debtors. Group assets show a compound annual growth rate (CAGR) of 3.5%, taking into account the 103-million-euro increase recorded since June 30, 2011. Tangible assets exceed 171.8 million euros, an increase of 2.7% over the same period last year, as a result of the continuous investment made in the Group's infrastructures, namely the expansion of Caixa Futebol Campus and the remodelling of Marquês Lounge, a new stadium space for executive seats. The balance of intangible assets - football team amounts to 113.5 million euros, which represents a decrease of 8.7% on June 30, 2017, given that the investments made during the year were lower than the sum of the disinvestments occurred with the alignments of athletes' rights and the depreciation of the year. With regard to the investments made, the acquisitions of the rights of Castillo, Conti, Svilar, Ferreyra and Odysseas Vlachodimos should be highlighted, in addition to the exercise of the option of preference for the repurchase of the rights of the athlete Alfa Semedo. Balances with customers and other debtors reached 109.2 million euros, a decrease of 6.9% from 117.3 million euros at the end of the same period, mainly due to the decrease in receivables from group companies and related parties and from customers related to commercial activities. It should be noted that current balances increased by 9.3 million euro and non-current balances decreased by 17.4 million euro. On the other hand, at the date of this report a total of 49.9 million euros has already been received related only with debts from athletes' rights transactions, which is equivalent to 64.9% of the total amount of customers and other debtors recorded under current assets.

Benfica SAD's liabilities decreased by 40.1 million euros during the financial year 2017/2018, which means that at the end of the period they reached a value of 398.3 million euros. It should be noted that the Company once again has a consolidated liability of less than 400 million euros, which was not the case since the end of the 2010/2011 financial year. Thus, the downward trend that began after the end of the financial year 2013/2014 was maintained, which means that this is the second consecutive period in which liabilities decrease. The compound annual growth rate (CAGR) during this eight-year period is equivalent to only 0.7%.

The main change in liabilities relates to the overall decrease in the balances of the borrowing items, which fell by 110.4 million euros. This decrease is essentially justified by the reduction in bank debt that occurred during this year, of which the voluntary early repayment of the Stadium Project Finance, the total settlement of the Commercial Paper Programme and the non-use of the credit line available with the New Bank should be highlighted. The Group's bank debt was reduced to 15.3 million euros, which corresponds to a decrease of 87.8%

compared to the amount of 125.5 million euros reflected on June 30, 2017. Benfica SAD continues to privilege the capital market, through bond loans, as its main source of financing to the detriment of exposure to domestic banking. As of June 30, 2018, the total amount of bond loans is 153.3 million euros, which is the same amount as at the end of the previous period. It should be noted that at June 30, 2018, there were two bond loans with a repayment term of less than one year, which is why they are reflected under current liabilities.

However, one of the bond loans was repaid in July 2018, and a new loan of the same amount with a maturity of three years was issued, so current liabilities will decrease again to the detriment of non-current liabilities. Included bank loans, commercial paper and finance leases Loans obtained, Variation % Bank debt Bonds loans obtained non-current Bank debt Bonds loans interest Current loans Bank debt Bonds loans EUR 168.6 million EUR 310.4 million. Of note is the evolution that occurred in the last two financial years, in which Benfica SAD went from a weight of bank debt of 70% to 9% and, simultaneously, went from a level of funding in the market of 310.4 million euros to 168.6 million euros. During the financial year 2017/2018 there was a decrease of 21.7 million euros in the items of suppliers and other creditors, mainly justified by the reduction of debts to clubs and companies related to football. The other liabilities items suffer an increase of 92.5 million euros, compared to the partial assignment and without recourse to future claims related to the exploitation contract of television broadcasting rights signed with NOS, whose income will be recognized in future years. Benfica SAD's equity as of June 30, 2018 exceeds 86.8 million euros, reaching the highest value ever since the Company was founded. During the financial year 2017/2018, equity showed an improvement of 19.1 million euros, which corresponds to the fifth consecutive financial year in which the net worth shows a positive variation. It should be noted that, over the last five years, the accumulated value of the recovery of Benfica SAD's equity capital already exceeds 110.6 million euros. This evolution is mainly supported by the positive net results that the Group has been showing in the last five years, the accumulated value of which amounts to 106.8 million euros.

The main highlights of the economic and financial results presented by Benfica SAD in 2018/19 are as follows

- The operating profit amounts to 35.3 million euros, which represents an improvement of 8.8% compared to the same period of the previous year, remaining an indicator of positive operating performance;
- Operating income (excluding transactions of athletes' rights) reached 165.7 million euros, which corresponds to the highest value ever achieved by Benfica SAD and represents a growth of 36.3% compared to the same period of the previous year;
- This evolution in operating income is mainly justified by the entry into force of the new criteria for the distribution of bonuses in UEFA European competitions, for the 2018/21 cycle, which implied a general increase in the values to be distributed, in addition to the improvement in Benfica SAD's sporting performance in those competitions;

- The income from athlete rights transactions exceeds 70 million euros, justified by the gains obtained with the players Raúl Jiménez, Luka Jovic and Anderson Conceição (Talisca), which were ceded in the 2018/19 season, and the purchase options were exercised;
- The total income exceeds 263.3 million euros, which represents a growth of 27.7% over the same period and corresponds to the highest value ever achieved by Benfica SAD, even exceeding the amount of 253.5 million euros obtained in 2016/17;
- Assets amounted to 500.8 million euros on June 30, 2019, once again exceeding the 500 million euros mark, an increase of 3.2% compared to the end of the previous financial year, mainly justified by the increase in customer and other debtors and cash and cash equivalents items;
- Benfica SAD's liabilities decreased by 13.7 million euros during the year 2018/19, maintaining their progressive reduction trend;
- The reduction in liabilities is justified by the variation in the items of loans and suppliers and other creditors;
- It should be noted that, since June 30, 2016, liabilities have decreased by 70.9 million euros, with the expectation of maintaining this downward trend;
- Equity stood at 116.2 million euros as of June 30, 2019, which means that an important milestone has been reached for Benfica SAD: the value of equity exceeds the share capital, which corresponds to 115 million euros;
- The evolution of equity this year is equivalent to an improvement of 29.4 million euros, which corresponds to the sixth consecutive year in which the net equity shows a positive variation. It should be noted that, over the last six years, the accumulated value of the recovery of Benfica SAD's equity capital already exceeds 140 million euros;
- These results show that the strategy that has been followed by Benfica SAD, which combines sporting results with economic performance, is the correct one and is at the base of the sustained growth that has been seen in recent years.

The net profit for the period amounted to 29.4 million euros, which corresponds to an improvement of 42.8% in relation to the same period in the previous year, the sixth consecutive financial year in which Benfica SAD shows a profit and its second-best result ever;

It should be noted that the last four financial years correspond to Benfica SAD's four best net results, namely 44.5 million euros (2016/17), 29.4 million euros (2018/19), 20.6 million euros (2017/18) and 20.4 million euros (2015/16);

20.4 million (2015/16); but the trend towards positive net results began in 2013/14, which means that in these six profitable seasons, Benfica became national champion five times, which means that the proposed mission was achieved: to combine sporting results with economic results. This virtuous cycle of results has allowed Benfica SAD to create solid foundations to distinguish itself from its most direct competitors and maintain the course outlined to continue growing in Portugal and internationally.

In 2018/19, Benfica SAD has a ratio of 60%, which is below the maximum limit recommended by UEFA and demonstrates

the level of efficiency of the Company.

It should be noted that, despite the growth in personnel costs, caused by the increase in the wage bill in view of Benfica SAD's need to continue to be competitive and retain talent, and by the increase in the amount of variable remuneration justified by the sports objectives achieved, the growth in operating income, excluding transactions of athletes' rights, allowed this ratio to remain within the values of recent years.

Assets amounted to 500.8 million euros on June 30, 2019, once again exceeding the 500 million euros mark, an increase of 3.2% compared with the end of the previous financial year, mainly justified by the increase in customer and other debtors and in cash and cash equivalents.

Benfica SAD's liabilities decreased by 13.7 million euros during the financial year 2018/19, maintaining their trend of progressive reduction which is already happening for the third consecutive season. Since June 30, 2016, when liabilities reached their highest value, there has been a decrease of 70.9 million euros, which represents a decrease of 15.6%.

Equity reached 116.2 million euros as of June 30, 2019, which means that an important milestone has been reached for Benfica SAD: the value of equity exceeds the share capital, which corresponds to 115 million euros.

In 2018/19, Benfica SAD's net debt decreased by 38.3 million euros, a decrease of 23.5%. This variation is mainly explained by the reduction in the value of bond loans and the increase in the available balance under the cash and cash equivalents heading.

Conclusion

With this analysis to the accounts reports of Sport Lisboa e Benfica - Futebol, SAD, we conclude that there was a general increase from year to year in revenue and in the opposite direction a general decrease in the club's expenses.

By the way, Benfica opted at the end of the 2018/2019 season, having for that decided to sell part of the future revenues of the television rights that it ceded to NOS. It sold EUR 108 million that it would receive between 2018/19 and 2022/23 for EUR 90.8 million immediately. Thanks to this cash inflow, the incarnate reduced their bank debt from 125.5 million in June 2017 to 13.3 million euros in December 2018. This anticipated revenue from the TV contract allowed Benfica to free itself from bank debt and strengthen its equity, also outperforming its rivals: Sporting Clube de Portugal - Futebol, SAD and Futebol Clube do Porto - Futebol, SAD.

It should be noted that Sport Lisboa e Benfica - Futebol, SAD showed a net profit of 29.4 million euros in 2018/19. For the first time the Club exceeded 300 million euros in revenues, being a historic result for the club.

To conclude, to get the idea that at the moment there are times of great financial health for Sport Lisboa e Benfica - Futebol, SAD.

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