

19 January 2015

**Fairness Opinion on the pricing of the Intercompany Loan  
Agreement between ASR Media and Sponsorship S.r.l. and  
Soccer S.a.s.**

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## 1. INTRODUCTION

Professor Riccardo Tiscini, registered at the Albo dei Dottori Commercialisti (Certified Public Accountants) of Roma, Rieti, Civitavecchia and Velletri with n. AA 004950, and registered at the Registro dei Revisori Legali (Chartered Auditors) with D.M. 25.11.1999, published on the G.U. of 17.12.1999 supplemento N.100 IV serie speciale, at n° 107738, with headquarter in Roma, Via G. Paisiello n.24, has been requested by the Internal Auditing, Risk Control and Related Parties Transaction Committee of A.S. Roma S.p.a. to express an opinion about the fairness of the interest rate in the Intercompany Loan Agreement between ASR Media and Sponsorship S.r.l. (hereinafter also “MediaCo”) and Soccer S.a.s. (hereinafter also “Soccer”).

The scope of the work is to assess the fairness of the pricing of the Intercompany Loan Agreement (hereinafter also the “Agreement”), considering the creditworthiness of the borrower and the specific contractual clauses of Agreement.

In particular, the scope of the engagement is to assess if the contractual interest rate of the Agreement is consistent with a “fair market interest rate”. The “fair market interest rate” is the interest a borrower will pay and a lender receive for a loan in an orderly arm’s length transaction between independent market participants at the date of the Agreement.

The definition of “fair market interest rate” assumes that neither the borrower nor the lender is under any pressure to complete the transaction.

It is the price that, in normal market conditions, can be normally negotiated between the parties. The price mutually agreed between the parties will reflect the fair market value, not allowing one party to extract specific advantages at the expense of the other.

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The art. 2391-bis of the Italian Civil Code provide that listed companies adopt, under principles specified by Consob in the Reg. 17221/2010, specific rules ensuring transparency and substantial and procedural fairness of related parties transactions. In assessing the fairness of the transaction, the board of directors can be assisted by independent experts.

A.S. Roma Group (both the companies MediaCo and Soccer are part of the group) adopted a specific procedure for related parties transactions.

The Audit and Risks Committee asked the assistance of an independent professional opinion in assessing the Subordinated Intercompany Loan Agreement is regulated at fair market conditions.

The Intercompany Loan Agreement is between the following two related parties:

- ASR Media and Sponsorship S.r.l., a limited liability company having its registered office in Rome, Via Emilia 47, 00187, enrolled with Register of Companies of Rome under no.13121631009, as lender (the “Lender” or “MediaCo”);
- Soccer S.a.s. di Brand Management S.r.l., an Italian società in accomandita semplice with registered office in Rome, Via Emilia 47, 00187, enrolled with the Register of Companies of Rome under no. 09305501000, as borrower (the “Borrower” or “Soccer”).

Since in a group of companies, the financial management is generally centralized, for the purpose of this opinion it is appropriate to assume that the cost of debt of soccer companies is equal to the cost of debt of their controlled subsidiaries.

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## 2. THE LOAN AGREEMENT

The Lender agrees to make available to the Borrower: (a) a euro term loan facility (Facility A) in an aggregate principal amount not to exceed a specific sum that has not been defined yet (the Commitment A); (b) a euro term loan facility (Facility B) in the amount specified in Clause [19.10] (Secured Account Waterfall) of the Facility Agreement, defined as the credit facility agreement to be entered into between MediaCo (as Borrower), A.S. Roma S.p.a. (as Parent), Goldman Sachs International (as Mandated Lead Arranger and Bookrunner), the Financial Institutions (as Original Lenders).

The purpose of the Facility A is to refinance a specified portion of the existing debt, and the purpose of Facility B is to finance the working capital requirements and for general corporate purposes.

The Facility A will be made available by the Lender to the Borrower in one cash advance by wire transfer of immediately available funds at the closing date. The Facility B will be made available by the Lender to the Borrower in one or more cash advances from time to time during the defined availability period.

The interest rate is variable, and it is a sum between: (i) the Euribor; and (ii) a Margin (Spread).

The percentage of the Margin is not defined yet, but I was made aware that the indicative price will be negotiated as follows: Euribor + 600/800 basis points, with a floor for the Euribor of 0.75%, and an original issue discount up to 3%. The effective annual interest rate is in a range between 6.75% and 9.25%, included the original issue discount.

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At the date of 19 January 2015, the Euribor value is lower than 0.75, therefore, the expected interest rate will be in a range between 6.75 and 8.75.

### **3. THE FAIR MARKET INTEREST RATE**

To assess the fairness of the effective interest rate of the Intercompany Loan Agreement, it is necessary to compare it with the Fair Market Interest Rate, estimated as the average market cost of debts of comparable companies, in the same industry and with a similar creditworthiness.

Here are presented the steps performed to estimate the Fair Market Interest Rate:

1. Selection of the business;
2. Selection of the comparable companies;
3. Companies data extraction;
4. Refining the sample for credit rating differences;
5. Calculation of the average cost of debt of the comparable companies.

1. The first step is about the selection of the business, which is “soccer teams”, since AS Roma is playing in the Football Italian League. Data are extracted from Company Websites, Investing.com, Bloomberg, in which the “soccer teams” are classified under the sub-industry Entertainment Facilities.

2. The selection of the comparable companies reduces the sample to the companies that are more similar to AS Roma. Since AS Roma is a

European listed company (on “Borsa Italiana”), it has to be compared with European listed companies operating in the soccer industry, given the differences with soccer teams in other parts of the world. For this purpose, the companies to be compared are extracted from the European listed companies operating in the soccer business, as resulting from Standard & Poor Report “What’s the Score? S&P Capital IQ’s Credit Football League”<sup>1</sup>.

Here is the soccer teams list<sup>2</sup>:

**TABLE 1: Credit Scores and PDs for Publicly-Listed European Football Clubs**

Company Name	Country	Market Signal PD	CreditModel Score
Celtic plc [AIM:CCP]	United Kingdom	0.0052%	bb
AFC Ajax NV [ENXTAM:AJAX]	Netherlands	0.0680%	b+
Manchester United plc [NYSE:MANU]	United Kingdom	0.1221%	bb
Borussia Dortmund GmbH & Co. Kommanditgesellschaft auf Aktien [XTRA:BVB]	Germany	0.2473%	bb-
Brøndbyernes IF Fodbold A/S [CPSE:BIF]	Denmark	0.7783%	ccc
Arsenal Holdings plc	United Kingdom	1.3311%	bb+
Juventus Football Club SpA [BIT:JUVE]	Italy	1.5497%	b+
GKS GieKSa Katowice Spółka Akcyjna [WSE:GKS]	Poland	2.4922%	-
S.S. Lazio S.p.A. [BIT:SSL]	Italy	2.5726%	b+
Olympique Lyonnais Groupe SA [ENXTPA:OLG]	France	3.1027%	ccc+
Sporting Clube de Portugal-Futebol, SAD [ENXTLS:SCP]	Portugal	6.1852%	ccc
Futebol Clube do Porto - Futebol, S.A.D. [ENXTLS:FCP]	Portugal	6.4569%	ccc
Silkeborg IF Invest A/S [CPSE:SIF B]	Denmark	11.6254%	ccc+
A.S. Roma S.P.A. [BIT:ASR]	Italy	13.0804%	ccc
Ruch Chorzów Spółka Akcyjna [WSE:RCW]	Poland	15.2042%	ccc
Sport Lisboa E Benfica - Futebol SAD [ENXTLS:SLBEN]	Portugal	41.7405%	ccc
Rangers International Football Club PLC [AIM:RFC]	Scotland	-	ccc+

<sup>1</sup> Author: Pavle Sabic, FRM; *Director, Credit Market Development* S&P Capital IQ. Report date: October 2014.

<sup>2</sup> Source: S&P Capital IQ platform as of 8 September 2014.

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The selected soccer teams are listed on different European markets (Netherlands, United Kingdom, Germany, France, Denmark, Scotland, Italy, Portugal, Poland).

The CreditModel<sup>3</sup> Score was used by S&P to generate the credit scores, which provide a mid - to long - term measure of creditworthiness based on a set of financial variables, as well as industry and country risk assessments.

The Market Signal Probability of Default (PD) was used by S&P to assess short-term creditworthiness for publicly-listed football clubs.

Since AS Roma plays in the Italian Market, it is appropriate to include in the sample also the soccer companies of the Italian biggest towns, comparable by size and international palmares. These are identified in the followings:

- AC Milan;
- Internazionale FC;
- Juventus FC;
- SS Lazio.

3. For the selected companies, the following financial data were extracted from the Financial Statements (as obtained from Company Websites or the website [www.investing.com](http://www.investing.com)), referring to the annual reports as of 30.06.2014:

- Financial Debts;
- Financial Interest Expenses.

The average cost of debt for any selected company was calculated as the ratio between Financial Interest Expenses and Average Financial Debts, applying the following formula:

$$\text{Financial Interest Expenses}/(\text{Financial Debts 2013} + \text{Financial Debts 2014})/2$$

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<sup>3</sup> Registered Method by S&P Capital IQ.

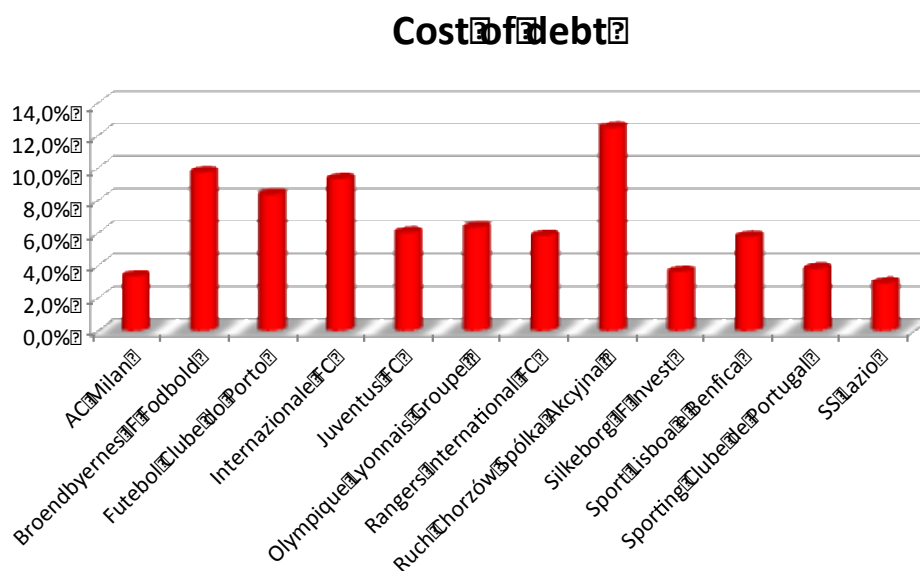


The sample of comparable companies has been reduced to soccer companies with a similar S&P CreditModel rating, plus the Italian comparables AC Milan, FC Internazionale, Juventus FC and SS Lazio.

Collected and calculated data are shown in the following table:

Soccer Team	Currency amount	Financial Debts 2014	Financial Debts 2013	Interest Expenses 2014	Cost of debt
		a	b	c	$d = c / ((a+b)/2)$
AC Milan	EUR	250.504	242.009	8.292	3,4%
Broendbyernes IF Fodbold	DKK	71.500	85.830	7.670	9,8%
Futebol Clube do Porto	EUR	139.180	95.430	9.825	8,4%
Internazionale FC	EUR	106.920	112.580	10.250	9,3%
Juventus FC	EUR	211.254	165.490	11.377	6,0%
Olympique Lyonnais Groupe	EUR	79.933	24.177	3.305	6,3%
Rangers International FC	GBP	2.450	1.650	120	5,9%
Ruch Chorzów Spółka Akcyjna	PLN	25.152	16.738	2.613	12,5%
Silkeborg IF Invest	DKK	346.350	351.210	12.670	3,6%
Sport Lisboa e Benfica	EUR	317.540	281.790	17.330	5,8%
Sporting Clube de Portugal	EUR	181.470	158.510	6.511	3,8%
SS Lazio	EUR	12.947	6.062	279	2,9%

The graph below shows the average cost of debt of the selected European listed soccer teams:

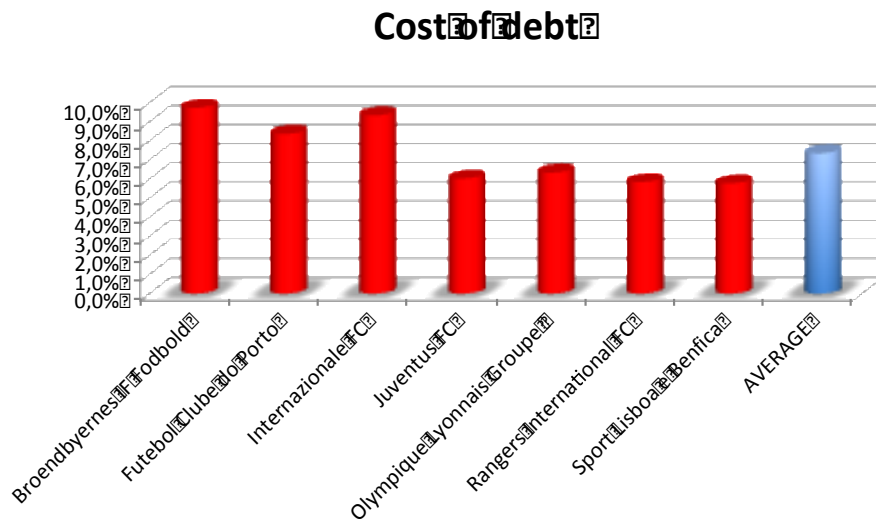


4. To increase the relevance of the analysis, the outliers have been eliminated (cost of debt < 4% or > 10% are considered outlier data).

The data of the reduced sample are shown in the following table:

Soccer Team	Cost of debt
Broendbyernes IF Fodbold	9,8%
Futebol Clube do Porto	8,4%
Internazionale FC	9,3%
Juventus FC	6,0%
Olympique Lyonnais Groupe	6,3%
Rangers International FC	5,9%
Sport Lisboa e Benfica	5,8%
<b>AVERAGE</b>	<b>7,4%</b>

The graph below shows the average cost of debt of the comparable European listed soccer teams, based only on the reduced sample, and the average of the whole sample (blu column):



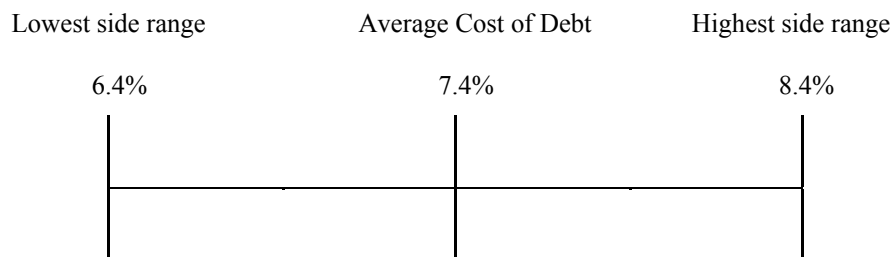
5. The average cost of debt for the selected companies is about 7.4%. This cost of debt can be then considered as a “fair market interest rate” for debtors having the same credit worthiness of AS Roma.

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The clauses of the Intercompany Loan Agreement are commonly used financing clauses; thus, they allow a comparison between the contractual interest rate and the “fair market interest rate” calculated above.

For the interest rate of the “Intercompany Loan Agreement” to be fair, it must be included in a “confidence range” around the estimated “fair market interest rate”. A “confidence range” of +/- 100 bps (1%), the same of the indicative price, is considered appropriate.

All the effective interest rates included in the range between 6.4% and 8.4% can then be considered “fair market interests rates”.



As the effective interest rate of the “Intercompany Loan Agreement” is included in the range between 6.75% and 9.25%, it is possible to assess that it includes “fair market interest rates”, up to 8.4%.

The fairness of the pricing of the “Intercompany Loan Agreement” is confirmed by comparing it with a comparable arm’s length transaction, in normal market conditions.

The “Senior Secured Term Loan” (arranged by Goldman Sachs) granted to AS Roma is a transaction between independent market participants, negotiated under normal market conditions, and, therefore, its contractual interest rate can be assumed as a “fair market interest rate”.

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The fact that the interest rate applied for the “Intercompany Loan Agreement” is equal to the interest rate applied for the “Senior Secured Term Loan”, confirm that the former is consistent with a “fair market interest rate”.

#### **4. CONCLUSION**

The above analysis allows the conclusion that the “Intercompany Loan Agreement” is contracted at “fair market conditions”, being the contractual interest rate included in the relevant range of “fair market interest rates”.

Having with the above report fulfilled the engagement, I remain available for any further clarification.

Rome, 19 January 2015

Prof. Riccardo Tiscini