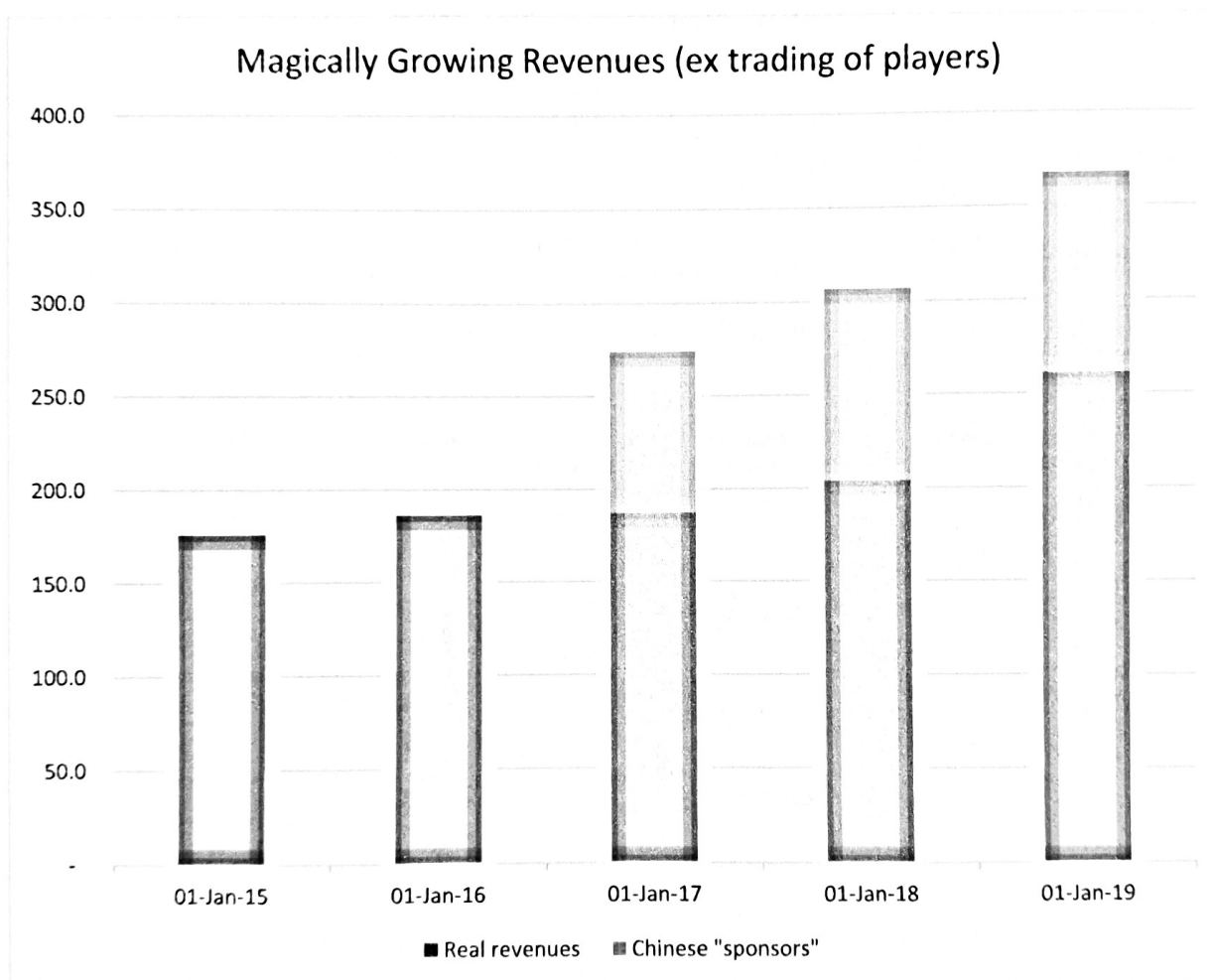


The incredible growth of revenues at Internazionale Milano Football Club

At a first review of the financial statements of the Club for the 3 years 2016-17, 2017-18, 2018-19, it appears – it is actually in plain sight if you look at the picture – that some 30% of the revenues recorded by the Club (named “Regional Sponsorships”) are dubious and as such (i) should be excluded for valuation purpose and (ii) are a potential source of liability if targeted by UEFA CFCB.



This is an outside-in assessment, made solely on publicly available data (Club’s financial statements), with the purpose of assessing the financials and the potential liabilities of the Club, without access to the contracts that are mentioned below.

In our assessment, there is no doubt the Regional Sponsorship are entirely and solely a financial support put in place by the Club owner (Suning Group). Whether this is legal or legitimate, and what could be the consequences if reviewed by CFCB, is not part of our assessment.

Revenues stated by the Club

The "core revenues" of the Club, intended as revenues excluding trading of players and marked (A) in the table below, were 176 mil Eur for the year ending on 30/06/2015 and 186 mil Eur the following year ending 30/06/2016.

The Club changed ownership in on 28/06/2016, when the Suning Group acquired the majority of shares. In the 3 years that followed, the Club was able to secure "Regional Sponsorships" in Asia for 297 mil Eur, boosting the core revenues by an astonishing 46%.

Year Ending	A) Core revenues	B) Regional Sponsorships	A+B) "Improved" Core Revenues	% B / A "Boost" from Reg Sponsors	C) Trading of players	Total revenues
	Eur mil	Eur mil	Eur mil	%	Eur mil	Eur mil
30-Jun-15	176.1		176.1	0%	20.7	196.8
30-Jun-16	186.1		186.1	0%	55.3	241.4
30-Jun-17	187.0	87.2	274.2	47%	44.0	318.2
30-Jun-18	203.7	103.2	306.9	51%	40.1	347.0
30-Jun-19	260.8	106.6	367.4	41%	49.7	417.1
3 years total	651.5	297.0	948.5	46%	133.8	1082.3

This is the description of the underlying Regional Sponsorship contracts from the Club's financial statements:

Contract	Signed on	Valid til	Counterparty	Sign-on Fee	Annual Fee	Rights sold
A	01-Sep-16	30-Jun-20	Jiangsu Suning Sport Industry Co	€ 25,000,000	€ 16,500,000	naming rights of training center plus bonuses: brand placement on training shirts 2,6mil in 2017 11,1 mil in 2018
A bis	Jun-17	one off	Jiangsu Suning Sport Industry Co	€ 25,000,000		certain additional sponsorship and co-branding rights in Asia allowing to enter into arrangements to sell Inter-branded electronics in Asia.
B	08-Feb-17	not specified	"a Chinese company"	€ 10,000,000	€ 25,000,000	"some" media rights in exclusivity for China, Malaysia, Singapore, Indonesia, Japan, Korea "sponsorship" of Inter brand in exclusivity for China, Malaysia, Singapore, Indonesia, Japan, Korea
C	2018	30-Jun-24	Beijing Yixinshijie Advertising Ltd (iMedia)	€ 23,100,000	€ 25,000,000	a portion of the rights in B)
D	01-Feb-18	30-Jun-20	Full Share Holding Ltd	€ 3,250,000	€ 10,000,000	not specified, the counterparty is active in service for tourism and education
E	01-Feb-18	30-Jun-20	King Down Investment Ltd	€ 3,250,000	€ 10,000,000	not specified, the counterparty is an online travel agent with the Donkey Mother and lvmama.com brands

Note that the counterparty in contract A) is part of the Suning Group, the Owner of the Club, while the Club seems to imply that the counterparties in B), C), D) and E) are independent third parties, not related to the Owner.

The actual payments received exceeded the nominal value stated in the contracts because of additional bonuses that materialized during the execution of the contracts.

Then, the revenue from Regional Sponsorships suddenly dried up at the beginning of the 2019-20 financial year, when the Club announced that:

- contract D and E were terminated on 1 July 2019, before the agreed expiration date,

- contract C was terminated on June 30 2019, well before the expiration date previously stated,
- the sponsorship contract with Suning (that had a hugely variable payoff, presumably because of certain bonuses) for the season 2019-20 was going to pay half the amount of the previous season, that is one quarter of the amount that was paid in the initial 2016-17 season,
- the Club says sponsorship contracts with “FullShare Holding Ltd, Lvmama e Beijing Yixinshijie Culture Development Co., Ltd had been replaced by new sponsorships contracts with partners like Lenovo PC HK Ltd, Visa Worldwide Pte Ltd., Locauto e Trenitalia”, although these Brands are not “Regional” and the rights traded are different than those state in the previous contracts with the Chinese entities.

All in all, the new ownership was able to create from day one since the take-over of the club a one-off revenue stream “from Regional Sponsors” for a staggering 297 mil Euro that accounted for 27% of the total club revenues¹ in the 3 years period that followed, of which 131.4 mil Eur were directly from a Suning’s company and 165.6 Eur mil from alleged “third parties”:

Year Ending	Total Club Revenues	Of which from "Regional Sponsors"		from Suning Group	from other Chinese Sponsors
	Eur mil	Eur mil	% of total Rev	Eur mil	Eur mil
30-Jun-15	196.8				
30-Jun-16	241.4				
30-Jun-17	318.2	87.2	27%	56.4	30.8
30-Jun-18	347.0	103.2	30%	39.1	64.1
30-Jun-19	417.1	106.6	26%	35.9	70.7
3 years total	1082.3	297.0	27%	131.4	165.6

To be noticed that the Club was operating in those 3 years under a settlement with CFCB for a previous violation of FFP.

To be noticed also the Suning Group entered a phase of financial distress in late 2019 and was bailed-out by Chinese authorities in early 2021, and that the Club has not paid salaries and fees on the due dates in several occasions in 2020.

¹ Total including trading of players

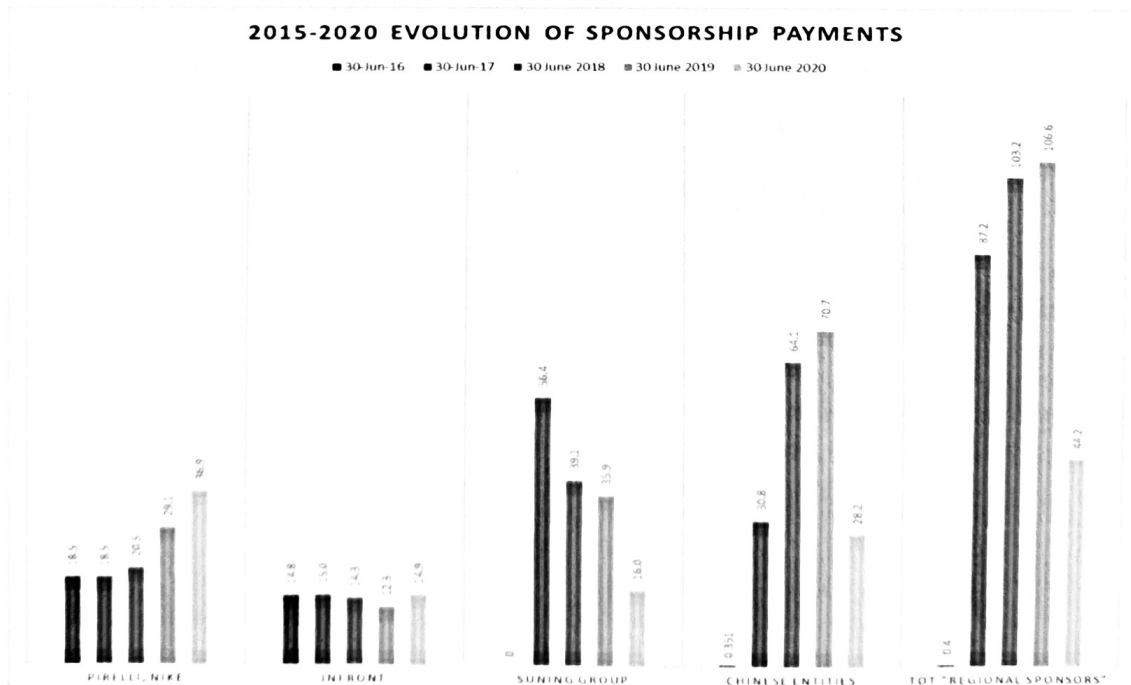
Why these revenues are improbable

i) Implausible size and pattern

The revenues from “Regional Sponsorships” are substantial, representing one third of the revenues for several years in a row, they appear from literally nothing in 2016-17 (87 mil Eur vs 351 thousand Euro the previous year), and then they seem to disappear all in a sudden, at the time when the Club has a better performance and some superstar players.

Focusing solely on the Sponsorship Revenues of the Club (cfr following table and chart), it is noticeable that:

- the shirt and technical sponsorship (Pirelli and Nike) start at the same level as they were under the previous management&ownership and then they grow as the team performance improve, with a substantial increase in the 2019/20 season when the team is finally competitive at the league and international stage;
- the contract with Infront (a well-known trader of football rights and advertising) stays flat over the years;
- the “Regional Sponsorship”, that were only 351.000,00 Euros in 2015-16 (despite the owner being an Asian holding), suddenly jump from 315 thousand Euro to 87 mil Euro, only to collapse when the team is performing better in 2019-20;
- in particular, the “Naming rights”, that are sold to a company within the Suning Group, follow a counter-intuitive pattern: from zero to 56 mil Euro the first year, apparently because of “bonuses”, but then these “bonuses” decrease when later the team performs better.



Sponsorship Type	Counterparty	30-Jun-16	30-Jun-17	30 June 2018	30 June 2019	30 June 2020
Shirt and Technical	Pirelli, Nike	18.5	18.5	20.5	29.1	36.9
EU/Global	Infront	14.8	15.0	14.3	12.3	14.9
<i>Naming Rights and Sponsorship Agreement</i>	<i>Suning Group</i>	0	56.4	39.1	35.9	16.0
<i>Other Sponsorship Agreements</i>	<i>Chinese Entities</i>	0.351	30.8	64.1	70.7	28.2
Total Regional Sponsorships	Tot "Regional Spons	0.4	87.2	103.2	106.6	44.2
Sponsorship Revenue		33.7	120.7	138.0	148.0	96.0

One should also remember that each contract has an abnormal signing fee, and despite these signing fees the Counterparties, only 24 months later, do not seem to be bothered to proceed with a sudden termination, forfeiting the initial investment.

ii) Dubious Nature

The contractual object of these transactions is loosely defined and the rights that are traded cannot possibly justify the monetary value of the contracts.

It is unheard that the naming rights of an Italian training center can be valued tens of millions per year (many times over the payment from main sponsor on the shirt!), as it is unheard that sponsorship deals in Asia can make up one third of the total revenues of an European club.

No other European top club was able to secure deals of this magnitude for rights of this kind, despite having brands far more popular than the Club in question.

Or look another way: in 2014-15 and 2015-16, under a different Asian owner, the Club had core revenues (excluding player trading) of 176-186 million. All in a sudden, the next year it is discovered that "Chinese sponsorship" are worth 100 mil per year, with 5 companies ready to pay hefty sign-on bonus ... that's really awesome: why nobody else in Italy has thought about that? Why none of these sponsors made an offer to the previous owner?

Finally, in 2019 these contracts are canceled and the Club cannot find a buyer for these very same "rights" – so the Club itself is now providing the proof about the artificial nature of those contracts.

iii) Unlikely Counterparties

The Counterparties do not seem to be specialists in commercializing football brands and rights, they have not done similar deals before nor they have attempted similar deals with other European clubs.

In fact, it does not seem that the Counterparties, after paying such a hefty sums for the rights, have put in place any activity to market or to use these rights at all in the regions of interest. It would be an unbelievable case of investing tens of millions upfront for some rights and then do nothing visible with them.

In fact, for the sponsorships where the counterparties are legitimate (Pirelli, Nike, Infront) the revenues patten is completely different: no big sign-on bonus, a normal growth that follows the team performance, no sudden terminations.

iv) Unrealistic Dynamics

Even if we were to assume that the Regional Sponsorships were legitimate commercial transactions with third parties, it is unrealistic how these contracts started and how they ended.

They all started at the same time, with huge bonuses and long-term commitments: each contract was a "hundred million contract". Then they change: some are cancelled, the one with Suning is slashed by more than half. All without litigations.

It seems unrealistic that the Club will accept an early termination, without securing a similar deal with another counterparty. As it is unrealistic that the counterparty will let the deal unwind in only 24 months, after such a huge investment that presumably was supposed to bear fruits in the long term. And it is unrealistic that three seemingly unrelated counterpart (C, D and E) would sign contracts together and terminate them before expiration on the same day, all together.

In addition, it is completely counter-intuitive, that the sponsorship contract with Suning contains "bonuses" that are anti-correlated with the Club results: it paid 56 mil in the first year, when the Club was performing poorly (and needed financial help), and it is down to 16 million when the Club is finally performing at the top of the league. (While of course the opposite happens for in the contract with the shirt sponsor and the technical sponsor, that are two legitimate well known companies).

v) Common Practice within the Group

Suning Group has a reputation for using intercompany revenues to prop up financial accounts and to run a complicated architecture of participations and interests that do not allow to track precisely the network of companies under the Suning umbrella – as it now has been exposed with the financial rescue of the Group by Chinese authorities.