

## 5. Intangible sporting assets

This heading includes the player acquisition rights and other similar concepts. The movements in this heading during the 2017/18 and 2016/17 seasons are as follows:

<u>June 30, 2018:</u>	Thousands of euros			
	6/30/2017	Additions and charges	Derecognitions, disposals and decreases	6/30/2018
<b>Cost:</b>				
Soccer	418,437	347,430	(77,960)	687,907
Basketball	4,604	1,857	(2,961)	3,500
Handball	1,695	1,050	(825)	1,920
Roller Hockey and other sports	555	90	(90)	555
Advances	3,450	5,316	(2,900)	5,866
<b>Total cost</b>	<b>428,741</b>	<b>355,743</b>	<b>(84,736)</b>	<b>699,748</b>
<b>Accumulated amortization:</b>				
Soccer	(183,625)	(116,611)	56,799	(243,437)
Basketball	(2,476)	(1,567)	2,469	(1,574)
Handball	(947)	(367)	439	(875)
Roller Hockey and other sports	(441)	(131)	90	(482)
<b>Total accumulated amortization</b>	<b>(187,489)</b>	<b>(118,676)</b>	<b>59,797</b>	<b>(246,368)</b>
<b>Impairment:</b>				
Soccer	(4,955)	(12,042)	14,497	(2,500)
<b>Total impairment</b>	<b>(4,955)</b>	<b>(12,042)</b>	<b>14,497</b>	<b>(2,500)</b>
<b>Total net amount</b>	<b>236,297</b>	<b>225,025</b>	<b>(10,442)</b>	<b>450,880</b>

<u>June 30, 2017:</u>	Thousands of euros			
	6/30/2016	Additions and charges	Derecognitions, disposals and decreases	6/30/2017
<b>Cost:</b>				
Soccer	348,899	118,086	(48,548)	418,457
Basketball	2,525	3,553	(1,474)	4,604
Handball	1,460	390	(155)	1,695
Roller Hockey and other sports	459	96	-	555
Advances	5,150	2,000	(3,700)	3,450
<b>Total cost</b>	<b>358,493</b>	<b>124,125</b>	<b>(53,877)</b>	<b>428,741</b>
<b>Accumulated amortization:</b>				
Soccer	(154,004)	(65,128)	35,507	(183,625)
Basketball	(1,692)	(1,595)	811	(2,476)
Handball	(858)	(244)	155	(947)
Roller Hockey and other sports	(363)	(78)	-	(441)
<b>Total accumulated amortization</b>	<b>(156,917)</b>	<b>(67,045)</b>	<b>36,473</b>	<b>(187,489)</b>
<b>Impairment:</b>				
Soccer	-	(8,564)	3,609	(4,955)
<b>Total impairment</b>	<b>-</b>	<b>(8,564)</b>	<b>3,609</b>	<b>(4,955)</b>
<b>Total net amount</b>	<b>201,576</b>	<b>48,516</b>	<b>(13,795)</b>	<b>236,297</b>

Player acquisition rights are considered as an expense in future seasons, net of the effect of impairment provisions, in accordance with the following estimate:

	Thousands of euros	
	6/30/2018	6/30/2017
<b>Season:</b>		
2017-2018	-	74,734
2018-2019	129,512	69,103
2019-2020	122,317	53,491
2020-2021	103,288	43,924
2021-2022 and subsequent seasons	98,263	-
<b>Total</b>	<b>453,380</b>	<b>241,252</b>

The most significant additions for the year correspond to the acquisition of players' registration rights amounting to 334,774 thousand euros (115,370 thousand euros at June 30, 2017).

At June 30, 2018 and 2017 there are contingent liabilities derived from the agreements reached with other clubs for the acquisition of the registration rights of players belonging to the first team, which are subject to the fulfillment of several conditions. The probability of occurrence depends on uncertain future events, with a maximum payable amount of 118 million euros based on the contractual agreements applicable at June 30, 2018 (40 million euros at June 30, 2017). Additionally, there are agreements with clubs over which the Club has contingent accounts receivable related to players that have been sold or loaned for a maximum amount of 5 million euros (6 million euros at June 30, 2017).

Additionally, the Club retains pre-emption rights over certain players amounting to 5,866 thousand euros (3,450 thousand euros at June 30, 2017). The Board of Directors and sport management of the Club consider that there is no indication that these pre-emption rights may be impaired.

Disposals for the current year mainly correspond to the sale of players, which have generated profit of 205,636 thousand euros, recorded in the "Gains/(losses) on disposals" heading in the accompanying income statement (profit of 21,963 thousand euros at June 30, 2017). Additionally, during the current year, the employment contracts with several players have been terminated, resulting in a loss of 1,413 thousand euros (4,364 thousand euros at June 30, 2017).

Also, the "Gains/(losses) on disposals" heading in the accompanying income statement includes other profit amounting to 3,553 thousand euros (4,115 thousand euros at June 30, 2017), mainly generated as a result of collections of variable amounts for the sporting performance agreed in the agreements for the sale of registration rights and for the sale of players who belonged to the Club in prior years.

Subsequent to June 30, 2018 and prior to the date these financial statements were authorized for issue, the Club signed the agreement for the acquisition of one player's registration rights for an amount of 31 million euros plus 9 million euros that depend on several variables. Additionally, the Club has paid the escape clause amounting to 36 million euros in one player's employment contract.

The Board of Directors is not aware of any situations that require the recognition of significant impairment losses at June 30, 2018 other than those recorded in the accompanying financial statements.

The average term of the employment contracts with the squad that can be registered with Spanish Professional Soccer League is 5 years.

At June 30, 2018 and 2017, the Club's fully amortized intangible sporting assets amount to 1,648 and 2,484 thousand euros, respectively.

The players are hired under an employment contract drawn up in conformity with Royal Decree 1006/1985 of June 26, regulating the special employment relationship of sports professionals, under the general scheme.

Income from the loan and training of players recorded under the "Other operating income" heading in the income statement during the year 2017/18 amounts to 1,177 thousand euros (5,721 thousand euros in the year 2016/17).