

19.4. Control ratios for sporting bodies

The main ratios established in the Economic Control Regulations and other LFP mandatory standards are as follows:

Break-even point indicator

The difference between the relevant income and expenses gives the result of break-even point. The total result of break-even point will be the sum of the break-even point results for each accounting period covered by the monitoring period, that is, the T, T-1 and T-2 accounting periods, where T is the annual accounting period, for which the audited financial statements have been requested:

| | Thousands of euros | | |
|---|--------------------|-----------|-----------|
| | T | T-1 | T-2 |
| | 6/30/2018 | 6/30/2017 | 6/30/2016 |
| Relevant income | 881,714 | 691,083 | 654,371 |
| Relevant expenses | 778,245 | 582,666 | 554,672 |
| Break-even point (+ surplus, - deficit) | 103,469 | 108,417 | 99,699 |
| Total break-even point | 311,585 | - | - |
| Required break-even point | >0 | - | - |
| Conclusion | MET | - | - |

The calculation of relevant income and its reconciliation to the accompanying financial statements are as follows:

| | Thousands of euros | | |
|--|--------------------|-----------|-----------|
| | T | T-1 | T-2 |
| | 6/30/2018 | 6/30/2017 | 6/30/2016 |
| Relevant income | | | |
| Gate money | 159,286 | 140,211 | 138,165 |
| Sponsorship and advertising | 216,510 | 198,682 | 190,165 |
| Broadcasting rights | 179,464 | 175,345 | 167,798 |
| Commercial activities | 108,723 | 51,203 | 50,024 |
| Other operating income | 1,777 | 66,920 | 61,100 |
| Profit from intangible sporting assets | 203,578 | 19,648 | 35,364 |
| Financial income and currency translation differences | 1,060 | 5,073 | 974 |
| Operating grants | 100 | 235 | 221 |
| Other income not classified in the above headings | 11,216 | 33,766 | 10,552 |
| Total relevant income | 881,714 | 691,083 | 654,371 |
| Income recognized in the financial statements | | | |
| Total operating income | 913,908 | - | - |
| Total financial income | 1,060 | - | - |
| Total income recognized in the financial statements | 914,968 | - | - |
| Difference | 33,254 | - | - |
| Reconciling items | | | |
| Income from transactions not related to the professional soccer activity | 33,254 | - | - |
| Total reconciling items | 33,254 | - | - |

The calculation of relevant expenses and their reconciliation to the accompanying financial statements are as follows:

| | Thousands of euros | | |
|--|--------------------|----------------|----------------|
| | T | T-1 | T-2 |
| | 6/30/2018 | 6/30/2017 | 6/30/2016 |
| Relevant expenses | | | |
| Cost of sales / equipment | 4,525 | 3,906 | 3,890 |
| Employee remuneration expense | 462,902 | 324,285 | 322,800 |
| Other operating expenses | 164,009 | 137,241 | 127,338 |
| Amortization / Impairment of players' registration rights | 113,503 | 64,510 | 61,386 |
| Losses on the sale of players' registration rights | 200 | 3,746 | 864 |
| Finance cost and dividends | 12,912 | 4,607 | 14,152 |
| Other expenses not classified in the above headings | 20,195 | 44,370 | 24,242 |
| Total relevant expenses | 778,245 | 582,666 | 554,672 |
| Expenses recognized in the financial statements | | | |
| Total operating expenses | 881,886 | - | - |
| Total financial expenses | 12,935 | - | - |
| Total corporate income tax | 7,218 | - | - |
| Total expenses recognized in the financial statements | 902,039 | - | - |
| Difference | 123,793 | - | - |
| Reconciling items | | | |
| Depreciation / Impairment of property, plant, and equipment | 13,765 | - | - |
| Depreciation / Impairment of sporting assets | 5,173 | - | - |
| Tax expenses (corporate income tax) | 7,218 | - | - |
| Expenses from directly-attributable community development activities | 4,886 | - | - |
| Other expenses not included in the above reconciling items | 92,751 | - | - |
| Total reconciling items | 123,793 | - | - |

Indicator of employee benefits expense related to the registrable squad

It is considered that there is an indication of a potential future economic and financial imbalance when the annual economic amount of the employee benefits expense associated with the registrable squad, players and coaches of the Club is higher than 70% of the relevant income for the season, as defined in the Economic Control Regulations of LFP.

| | Thousands of euros | |
|--|--------------------|------------|
| | 6/30/2018 | 6/30/2017 |
| Employee benefits expense related to the first and second team soccer squads (*) | 473,419 | 304,995 |
| Relevant income | 881,714 | 691,083 |
| Indicator of employee benefits expense related to the registrable squad | 54% | 44% |
| Required indicator of employee benefits expense related to the registrable squad | <70% | <70% |
| Conclusion | MET | MET |

(*) It includes expenses for wages, image management companies and remuneration earned by agents.

The calculation and reconciliation of income is shown in the break-even point calculation above.

The reconciliation of the expenses associated with the registrable soccer squad with the total employee benefits expense is as follows:

| | Thousands of euros | |
|--|--------------------|----------------|
| | 6/30/2018 | 6/30/2017 |
| Employee benefits expense related to the registrable first team soccer squad (a) | 456,590 | 299,360 |
| Non-sporting soccer and structure employees benefit expense related to the first and second team soccer | 16,829 | 5,635 |
| Total employee benefits expense related to the first and second team soccer squads | 473,419 | 304,995 |
| Expenses Squad not registrable with LFP | 47,372 | 59,723 |
| Non-sporting employee benefits expense excluding those included in section (b) and registrable employee benefits expense excluding those included in section (a) | 43,440 | 39,359 |
| Total employee benefits expense | 564,231 | 404,077 |

Ratio of net debt to relevant revenue

As defined in the Regulations there is an indication of a potential economic and financial imbalance when net debt at the end of each season is higher than 100% of the entity's relevant income.

In accordance with the regulations, the amount of net debt corresponds to the sum of the net debt for sales (that is, the net amount of accounts receivable and payable for the sale of players), of the amounts pending payment for the financing facilities received from banks, related parties and third parties, of the advance collections to be accrued in more than 1 year and of the amounts payable to assets suppliers less cash and cash equivalents and temporary financial investments. Net debt does not include trade and other payables.

| | Thousands of euros | |
|--|--------------------|------------|
| | 6/30/2018 | 6/30/2017 |
| Net debt | 157,449 | (8,190) |
| Relevant income | 881,714 | 691,083 |
| Ratio of net debt to relevant revenue | 17,9% | -1,2% |
| Required ratio of net debt to relevant revenue | <100% | <100% |
| Conclusion | MET | MET |

The breakdown of net debt is as follows:

| | Thousands of euros | |
|---|--------------------|------------------|
| | 6/30/2018 | 6/30/2017 |
| Non-current payables | | |
| Bank borrowings (Note 13.1) | (16,177) | (20,000) |
| Payables to sporting entities for sales and loans of players (Note 13.3) | (97,333) | (8,000) |
| Other payables | (99) | (197) |
| Accruals (Note 15) | (16,186) | (5,261) |
| Total non-current payables | (129,795) | (33,458) |
| Current payables | | |
| Bank borrowings (Note 13.1) | (49,050) | (8,132) |
| Payables to sporting entities for sales and loans of players (Note 13.3) | (45,193) | (59,792) |
| Other payables | (1,333) | (22,646) |
| Total current payables | (95,576) | (90,570) |
| Total liabilities entries | (225,371) | (124,028) |
| Compensating assets entries | | |
| Non-current receivables from sporting entities for sales and loans of players (Notes 10.3 and 10.1) | 11,852 | 8,842 |
| Current receivables from sporting entities for sales and loans of players (Notes 10.3 and 10.1) | 15,723 | 30,562 |
| Cash and cash equivalents | 40,347 | 92,817 |
| Total compensating assets entries | 67,922 | 132,218 |
| Total | (157,449) | 8,190 |