

22. INCOME STATEMENT BY ANALYTICAL SEGMENT

€ THOUSAND	MEN'S FOOTBALL	WOMEN'S FOOTBALL	BASKETBALL	TOTAL
Membership fees, ticket sales and stadium revenue	100,432	58	4,007	104,497
Revenue from international and friendly matches	140,777	959	426	142,162
Broadcasting revenue	174,553	300	4,087	178,940
Marketing revenue	287,038	121	8,770	295,929
Total operating income (before disposal of non-current assets)	702,800	1,438	17,290	721,528
Cost of sales	(26,645)	(413)	(720)	(27,778)
Sports and non-sports personnel expenses	(474,997)	(2,656)	(41,377)	(519,030)
Operating expenses	(206,876)	(1,588)	(8,716)	(217,180)
Provision for liabilities and charges	(72,443)	-	-	(72,443)
Gains/(losses) on disposal of non-current assets	375,731	-	2,985	378,716
Impairment/derecognition of non-current assets	(60,814)	-	-	(60,814)
Operating profit/(loss) before depreciation and amortization (EBITDA)	236,756	(3,219)	(30,538)	202,999
Depreciation and amortization	(179,035)	(97)	(570)	(179,702)
Operating profit/(loss)	57,721	(3,316)	(31,108)	23,297
Finance income				1,148
Capitalization of borrowing costs				14,749
Finance expenses arising on implied cost of deferred payment on player acquisitions				(265)
Finance expenses arising on interest on loans, guarantee expenses and other financial expenses				(3,981)
Capitalized finance costs on the stadium loan				(14,749)
Net finance income/(expense)				(3,098)
Profit before tax				20,199
Income tax expense				(7,263)
Profit after tax				12,936

23. BUDGET OUT-TURN FOR THE 2021/2022 SEASON

€ THOUSAND	BUDGET*	OUT-TURN	VARIANCE
Membership fees, ticket sales and stadium revenue	85,535	104,497	18,962
Revenue from international and friendly matches	98,594	142,162	43,568
Broadcasting revenue	186,538	178,940	(7,598)
Marketing revenue	324,864	295,929	(28,935)
Total operating income (before disposal of non-current assets)	695,531	721,528	25,997
Cost of sales	(19,554)	(27,778)	(8,224)
Sports and non-sports personnel expenses	(401,439)	(519,030)	(117,591)
Operating expenses	(199,154)	(217,180)	(18,026)
Provision for uncollectible receivables, and for liabilities and charges	-	(72,443)	(72,443)
Gains/(losses) on disposals of non-current assets	108,086	378,716	270,630
Impairment/derecognition of non-current assets	-	(60,814)	(60,814)
Operating profit/(loss) before depreciation and amortization (EBITDA)	183,469	202,999	19,530
Depreciation and amortization	(176,932)	(179,702)	(2,770)
Operating profit/(loss)	6,537	23,297	16,760
Finance income	508	1,148	640
Capitalization of borrowing costs	13,955	14,749	794
Finance expenses arising on implied cost of deferred payment on player acquisitions	(200)	(265)	(65)
Finance expenses arising on interest on loans, guarantee expenses and other financial expenses	(4,101)	(3,981)	120
Capitalized finance costs on the stadium loan	(13,955)	(14,749)	(794)
Net finance income/(expense)	(3,793)	(3,098)	695
Profit/(loss) before tax	2,744	20,199	17,455
Income tax expense	(1,686)	(7,263)	(5,577)
Profit after tax	1,058	12,936	11,878

* The budget corresponds to Real Madrid Club de Fútbol since at the date of approval the Real Madrid Estadio subsidiary was not in operation. Therefore, there was no consolidated budget. The differences between the Club's and the Group's data for the various recurring income and expense items are insignificant.

Variance:

Positive: higher revenue, lower expense.
Negative: lower revenue, higher expense.

The main differences vis-à-vis the budget are discussed below:

The first division football team won the Champions League, La Liga and Spain's Super Cup trophies in the 2021/22 season. The first division basketball team won the Spanish Liga ACB, was EuroLeague runner up and Spain's Super Cup champion. None of these sporting achievements was budgeted -the budget had Real Madrid reaching the quarterfinals of the Champions League- resulting in higher-than-budgeted revenue, especially stadium and international match revenue, as well as higher-than-budgeted personnel expenses due to sports personnel bonuses, operating expenses due to the larger number of matches played and, particularly, expenses related to the Champions League final and title.

The COVID-19-related health crisis continued to have a significant impact on revenue in 2021/22. However, the financial impact is gradually diminishing, especially in stadium now that spectators are allowed back in. On the sales front, merchandising activity picked back up gradually, driven also by sports achievements. The pandemic led to a decline in sponsorship contract wins, but this year began with a gradual recovery, although prices and the pace of order intake felt the effects of the economic situation on several economic sectors. The COVID-19 impact resulted in nearly €90 million of lost revenue in the year. Meanwhile, hefty losses sustained by most European clubs hindered player transfers considerably and caused prices to plunge. As a result, gains on player transfers recognized by the Club in FY 2021/22 were 40% lower than those of pre-pandemic levels.

Moreover, restrictions caused from remodeling works impacted stadium revenue.

While the war in Ukraine caused inflation to rise, its impact on revenue was insignificant. On the cost side, while it did result in energy inflation, increases in costs for services and contributions to charity, so far the rise has not been significant relative to total expenses.

Against this backdrop, Club management remained focused on cost containment and actions to enhance performance

and business development in all areas. Highlights include the unbudgeted capital gain realized during the year from the Sixth Street/Legends agreement, driving an improvement in gains on disposals of non-current assets.

The Club recognized provisions for liabilities and charges that were not included in the budget and resulted in higher expenses in both personnel expenses and the amount of provisions for liabilities and charges and impairment losses on assets.

As a result of the above, the Club reported operating income of €722 million and EBITDA of €203 million, €26 million and €20 million, respectively, above budget. The Club reported EBITDA of €180 million in the year ended June 30, 2021 and €177 million in the year ended June 30, 2020. Therefore, in the three years affected by COVID-19, despite lost revenue EBITDA was higher than in FY 2018/19 (€176 million), before the onset of the pandemic. This is a testament to the Club's operational efficiency and ability to respond by taking measures to mitigate those losses.

The Club reported profit for the year of €13 million, topping the budget by €12 million after deducting amortization and depreciation charges and net financial expense, which were in line with the budget, and income tax expense. Income tax expense is obtained by applying the nominal 25% tax rate to accounting profit adjusted for non-deductible expenses in accordance with tax legislation less the amount of applicable tax credits.

With this performance, the Club managed to stay in the black in all three financial years affected by the pandemic, reporting a profit in both FY 2019/20 (€313 thousand after tax) and FY 2020/21 (€874 thousand after tax). It was one of only a handful of Europe's major clubs not to sustain losses in those two financial years; according to a UEFA study, cumulative operating losses of European clubs between FY 2019/20 and FY 2020/21 amounted to nearly €6 billion.

The Club has been profit-making in the last 21 years, enabling it to build up equity of €546 million as at June 30, 2022.