

22. INCOME STATEMENT BY ANALYTICAL SEGMENT

€ THOUSAND	FOOTBALL	BASKETBALL	TOTAL
Membership fees, ticket sales and other Stadium revenue	123,351	4,140	127,491
Revenue from international and friendly matches	104,706	868	105,574
Broadcasting revenue	145,828	2,742	148,570
Marketing revenue	326,547	6,713	333,260
Total operating income (before disposal of non-current assets)	700,432	14,463	714,895
Supplies	(20,999)	(544)	(21,543)
Sports and non-sports personnel expenses	(378,415)	(32,628)	(411,043)
Operating expenses	(208,872)	(6,599)	(215,471)
Provision for liabilities and charges	(16,729)	-	(16,729)
Operating profit/(loss) before depreciation and amortization, and disposal of non-current assets	75,417	(25,308)	50,109
Gains/(losses) on disposal of non-current assets	101,454	(231)	101,223
Impairment/derecognition of non-current assets	25,569	-	25,569
Operating profit/(loss) before depreciation and amortization (EBITDA)	202,440	(25,539)	176,901
Depreciation and amortization	(175,674)	(829)	(176,503)
Operating profit/(loss)	26,766	(26,368)	398
Net finance income/(expense)			1,453
Finance income			4,072
Finance expenses arising on implied cost of deferred payment on player acquisitions			(1,148)
Finance expenses arising on interest on loans, guarantee expenses and other financial expenses			(1,471)
Profit before tax			1,851
Income tax expense			(1,538)
Profit after tax			313

23. BUDGET OUT-TURN FOR THE 2019/2020 SEASON

€ THOUSAND	BUDGET	OUT-TURN	VARIANCE
Membership fees, ticket sales and other Stadium revenue	161,335	127,491	(33,844)
Revenue from international and friendly matches	109,685	105,574	(4,111)
Broadcasting revenue	179,828	148,570	(31,258)
Marketing revenue	371,283	333,260	(38,023)
Total operating income (before disposal of non-current assets)	822,131	714,895	(107,236)
Supplies	(29,268)	(21,543)	7,725
Sports and non-sports personnel expenses	(456,469)	(411,043)	45,426
Operating expenses	(255,365)	(215,471)	39,894
Provision for uncollectible receivables, and for liabilities and charges	-	(16,729)	(16,729)
Total operating expenses before depreciation and amortization	(741,102)	(664,786)	76,316
Operating profit/(loss) before depreciation and amortization, and disposal of non-current assets	81,029	50,109	(30,920)
Gains/(losses) on disposals of non-current assets	94,029	101,223	7,194
Impairment/derecognition of non-current assets	42,473	25,569	(16,904)
Gains/(losses) on disposals of non-current assets	136,502	126,792	(9,710)
Operating profit/(loss) before depreciation and amortization (EBITDA)	217,531	176,901	(40,630)
Depreciation and amortization	(176,478)	(176,503)	(25)
Operating profit/(loss)	41,053	398	(40,655)
Finance income	2,815	4,072	1,257
Finance expenses arising on implied cost of deferred payment on player acquisitions	(1,555)	(1,148)	407
Finance expenses arising on interest on loans, guarantee expenses and other financial expenses	(947)	(1,471)	(524)
Net finance income/(expense)	313	1,453	1,140
Profit/(loss) before tax	41,366	1,851	(39,515)
Income tax expense	(11,216)	(1,538)	9,678
Profit after tax	30,150	313	(29,837)

Variance:

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

Operating income amounted to €714,895 thousand, €107,236 thousand under budget. Virtually the entire shortfall was due to the Covid-19 effect, which resulted in €106 million of lost revenue.

Personnel expenses were €45,426 thousand lower. Most of this was the result of savings measure taken by the Club to mitigate the impact of lost revenue; e.g. first division Real Madrid football and basketball players and coaches, together with top executives of various divisions of the Club, agreed to voluntary pay cuts this year, for a total of €35.5 million, or 10% of their annual salary (which would have been 20% had the league not been completed). The other €10 million was due mainly to budgeted expenses for contingencies that did not arise.

Operating expenses, supplies and provisions were €30,891 thousand under budget. Half of the amount, €16 million, was due to lower-than-budgeted spending related directly to the loss of revenue caused by Covid-19. The other half, after setting aside provisions for potential contingencies, was due to cost-cutting measures taken by the Club to mitigate the impact of lost revenue, resulting in decreased spending of €18 million. Meanwhile, the Club spent €3.3 million more than budgeted on donations to acquire medical equipment to fight the pandemic.

Operating profit before depreciation and amortization and disposal of non-current assets amounted to €50,109 thousand, €30,920 thousand less than budgeted. Of the shortfall, €91 million was due to the loss of net revenue less the related costs caused by Covid-19, which was partly offset by saving measures and other impacts which, combined, were €60 million above budget.

Gains on player transfers totaled €101,223 thousand, outperforming the budget by €7,194 thousand thanks to higher-than-expected income on the transfers.

Impairment of non-current assets included a higher-than-budgeted expense of €16,904 thousand due to an unbudgeted correction to the estimated realizable value of certain sports intangible assets.

Operating profit before depreciation and amortization (EBITDA) amounted to €176,901 thousand, €40,630 thousand below budget.

Depreciation and amortization were largely in line with the budget, while net finance income was over budget thanks to higher interest income arising from outstanding settlements due to the Club. The stadium remodeling project did not have any impact on the income statement since the project is still under way.

Profit before tax was €1,851 thousand, €39,515 thousand below budget.

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.

After deducing income tax expense, the 2019/20 budget out-turn included profit after tax of €313 thousand, €29,837 thousand less than budgeted for the reasons explained previously.

After the contingency measures taken to mitigate the impact of the loss of revenue caused by the Covid-19 crisis, the Club ended 2019/20 near break-even (€0.3 million).