Realmadrid

Management Report & Financial Statements

2020-2021

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2020-2021

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Management Report & Financial Statements
2020-2021

MANAGEMENT REPORT

For the year ended June 30, 2021.

The Management Report for Real Madrid Club de Fútbol, including an analysis of its earnings performance in 2020-2021, is presented below.

The effects of the COVID-19 health crisis, which first cropped up in March last year, were felt throughout 2020/21, resulting in all matches being held behind closed doors (i.e. without spectators). This resulted in lost revenue in all business lines. Stadium revenue was hit particularly hard, since there was no revenue from match attendance. Revenue from TV broadcasting rights (the Spanish football league and the UEFA Champions League) and from commercial activities (operation of the facilities, store sales and sponsorship revenue) was also affected.

Compared to pre-coronavirus levels, the Club lost close to €300 million of revenue from March 2020 to 30 June 2021, not to mention the loss of any new revenue it could have obtained had there not been a pandemic.

The Club had no choice but to implement strict cost-saving measures in all areas to make up for the lost revenue:

- Player cost-saving plan: there were no player acquisitions in 2020/21, but there were player transfers, increasing gains recognized on transfers while lowering costs.

- Reduction in personnel expenses: in both 2019/20 and 2020/21, members of the first division football and basketball teams and top executives of the various divisions agreed voluntarily to reduce their annual salary by 10%.

- Operating expense-saving plan: on top of the reduction in costs associated with lost revenue, the Club has implemented, over the 15 months of the pandemic so far, a cost-saving plan targeting a number of activities and services commissioned. This generated an additional cost saving amounting to nearly 25% of total annual pre-coronavirus expenditure.

The Club reported higher EBITDA in both 2019/20 (€177 million) and 2020/21 (€180 million) than in 2018/19 (€176 million), which was before the pandemic. This came despite a loss of nearly €300 million of revenue over the last two years due to the impact of COVID-19, and is a testament to the Club's operational efficiency and ability to respond by taking measures to mitigate those losses.

After taking measures to offset the lost revenue caused by the health crisis, the Club still ended 2020/21 with profit after tax of €874 thousand, after ending 2019/20 with profit after tax of €313 thousand. As a result, Real Madrid will be one of the few European clubs not to sustain losses in the last two years. According to a UEFA study, cumulative operating losses of European clubs between 2019/20 and 2020/21 amounted to around €6,000 million.

By delivering a profit in both 2019/20 and 2020/21, even despite the effects of the pandemic, the Club was able to boost equity slightly from the pre-coronavirus level at June 30, 2019, to €534 million at June 30, 2021.

To make up for the impact on cash flow of lost income caused by COVID-19, in April 2020 the Club took out €205 million of new bank loans, of which €155 million comprise four 5-year loans with a 1-year grace period and €50 million is a 3-year credit facility. The transactions were carried out individually with five Spanish banks with which the Club does banking, with 70% of the amounts guaranteed by Instituto de Crédito Oficial (ICO), the Spanish national finance institution, as part of efforts approved by the government to provide liquidity to companies. In 2020/21, the Club extended both the grace period and maturity of the loans by one year in accordance with RDL 34/2020 of November 17.

The Club had a net cash balance at June 30, 2021 of €122 million, excluding the stadium remodeling project.

This was after repayment of the €50 million loan during the year and no drawdowns on the credit facility.

The Club counterbalanced the loss of revenue caused by COVID-19 and the related impact on cash flow by putting in place cost-savings measures and arranging the €155 million of long-term bank loans in April 2020 described previously.

At June 30, 2021, the Club had €361 million of undrawn credit facilities which, together with its net cash position, means it can comfortably meet its payment obligations.

Net debt at June 30, 2021, excluding the stadium remodeling project, stood at €46 million, down from the year-earlier figure of €241 million; i.e. a €195 million reduction in the year.

Compared to the situation before the pandemic (June 30, 2019: net cash position of €27 million), net debt at June 30, 2021 was €73 million higher. This illustrates that the Club was able to offset nearly €300 million of lost revenue caused by the pandemic, which also decreased cash and increased debt, by implementing cost-saving measures.

The debt/EBITDA stood at 0.3.

All these figures underscore the Club's robust equity and high solvency despite the pandemic.

OUTLOOK FOR 2021/22

Looking ahead to the next year, the outlook is for the return of spectators to the stadium, but the percentage capacity allowed throughout the season remains to be seen.

Financially, current forecasts point to a gradual return to the pre-coronavirus situation. Against this backdrop, the Club intends to keep up its cost-containment efforts for the time being.

OPERATING INCOME
(before disposal of non-current assets)

Operating income amounted to €653 million in 2020/21, with all 12 months affected by the COVID-19 health crisis. This was down from €715 million in 2019/20, although only the last 3.5 months of that period were affected.

Compared to pre-coronavirus levels, the Club lost close to €300 million of revenue from March 2020 to 30 June 2021, not to mention the loss of any new revenue it could have obtained had there not been a pandemic.

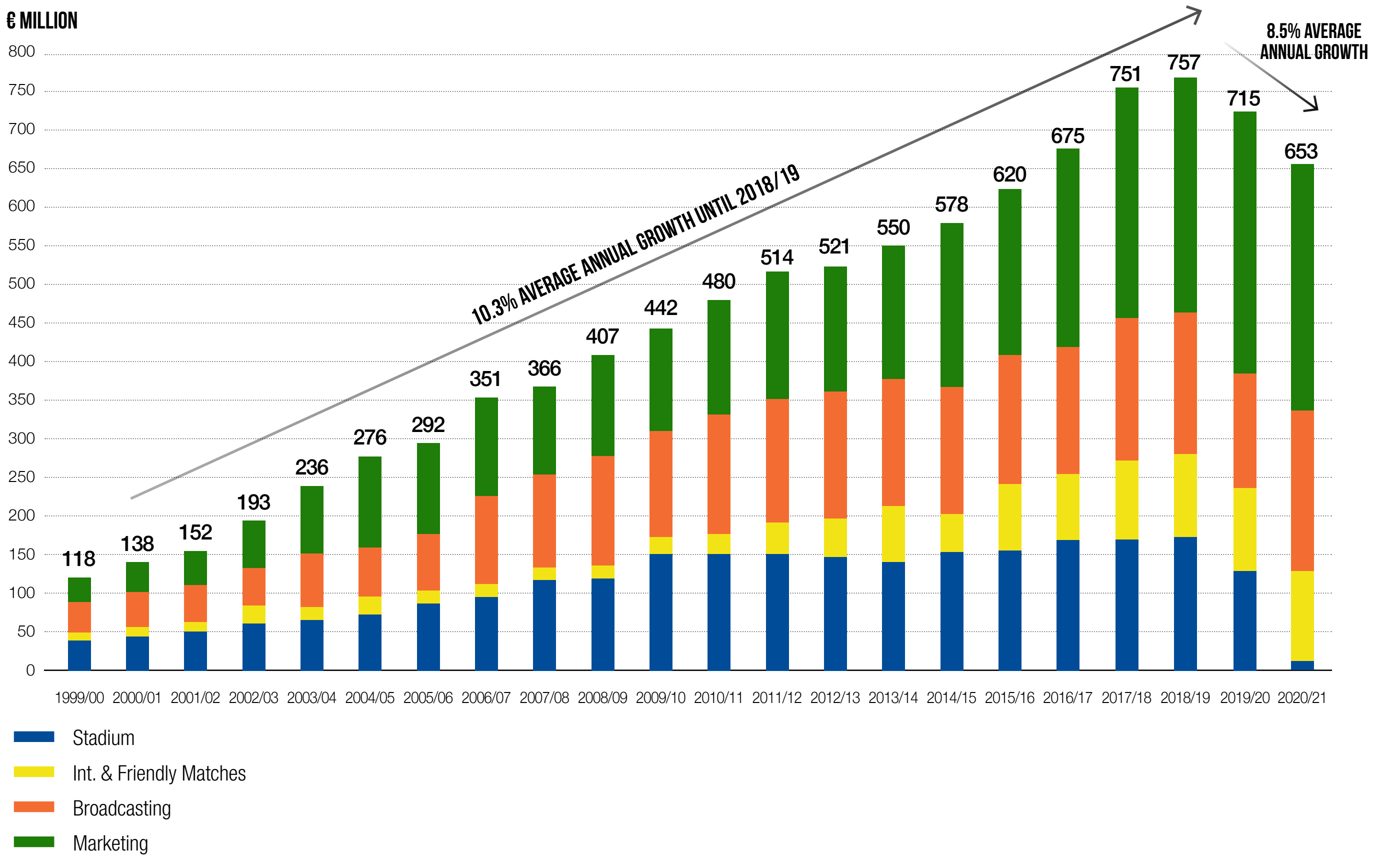
This item includes revenue from the various business lines (stadium, international and friendly matches, broadcasting, and marketing), but excludes revenue from player transfers, which is recognized in the income statement under "Gains/(losses) on disposal of non-current assets".

Regarding revenue from Club membership fees and season tickets, there was no revenue from season tickets, only membership fees were charged in 2020/21, as in 2019/20 the Club reimbursed ticket holders 25% of the annual amount since attendance to stadiums was suspended from mid-March. As a result, Club membership fees and season tickets accounted for 1.3% of total revenue in 2020/21 compared to 6.1% in 2019/20 (16.5% in 2000, 9.7% in 2009 and 7.2% in 2018/19).

In the 2000-2019 period, before the pandemic, revenue grew at an average annual rate of 10.3%. Because of the pandemic and the lost revenue caused by the situation in 2019/20 and 2020/21, the pace of average annual growth in 2000-2021 declined to 8.5%.

Going forward, promoting the Club's brand through investment in top players and international expansion are still the principal ways in which the Club can remain competitive and maintain its status as a global benchmark in football.

OPERATING INCOME
(BEFORE DISPOSAL OF NON-CURRENT ASSETS)



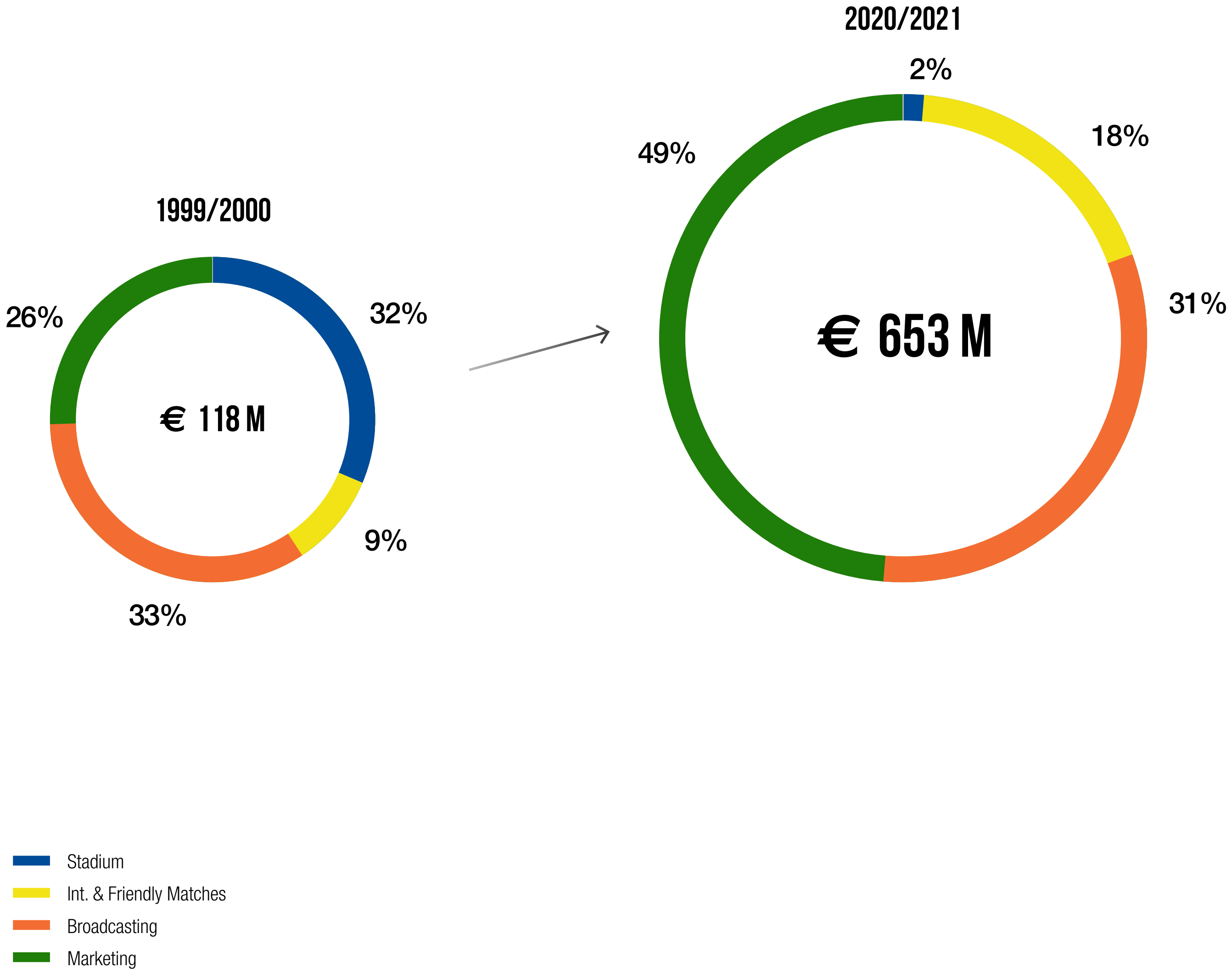
BREAKDOWN OF OPERATING INCOME
(before disposal of non-current assets)

The Club enjoys a balanced revenue mix, barring the atypical situation this year caused by COVID-19, with the three largest lines (stadium, television and marketing) each making up around a third of the total.

The Club has gradually reduced the weight of television revenue (Spanish League -La Liga- and Champions League matches) and increased the weight of other revenue sources.

This diversified stream of recurring revenues lends financial stability to the Club, cushioning the impact of potential fluctuations in revenue caused by varying performance on the sporting front or by changes in the economic landscape.

BREAKDOWN OF OPERATING INCOME
(BEFORE DISPOSAL OF NON-CURRENT ASSETS)

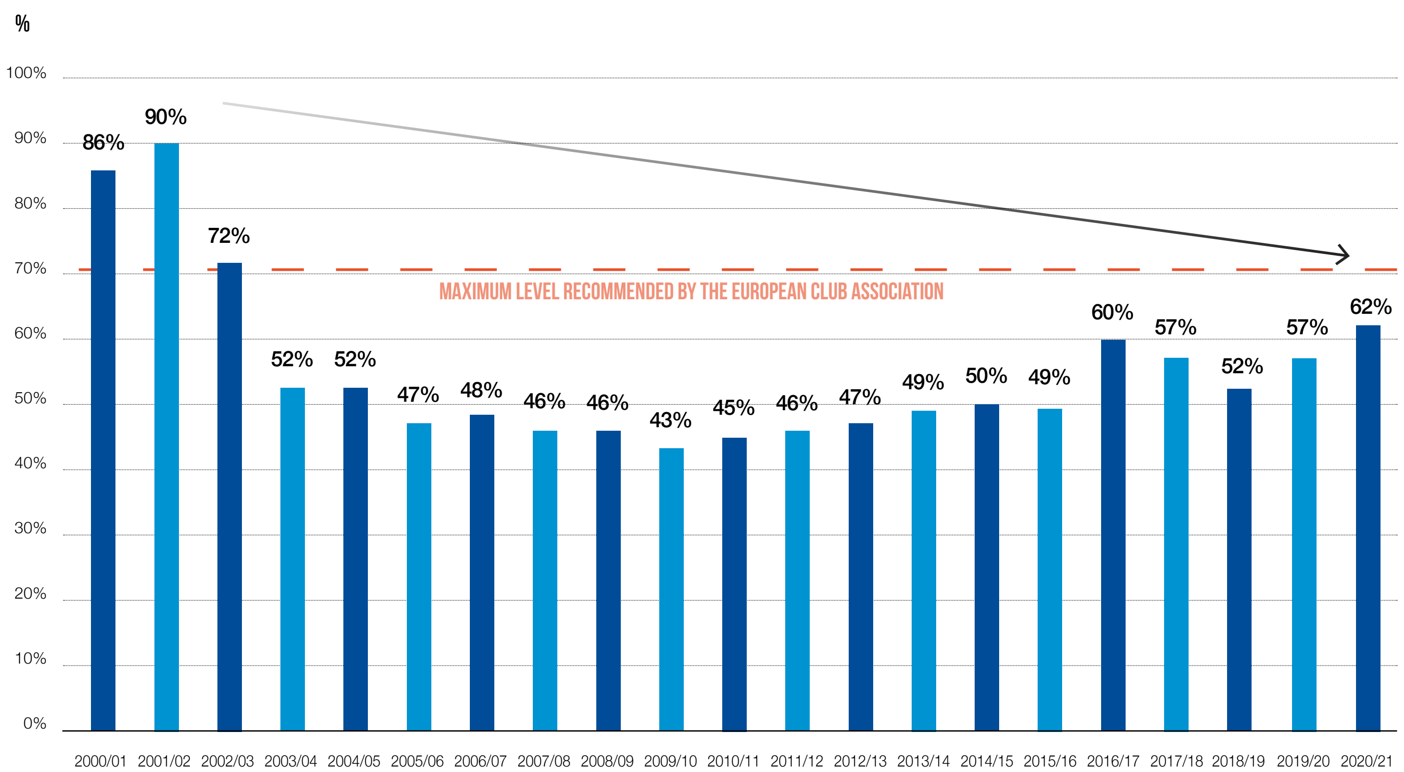


PERSONNEL EXPENSES/OPERATING INCOME: EFFICIENCY RATIO

The efficiency ratio, calculated by dividing the Club's total personnel expenses by operating income (before disposal of non-current assets), is the most widely used indicator internationally to measure a football club's operational efficiency. The lower the ratio, the more efficient the Club.

The Club's efficiency ratio in 2020/21 was 62% (2019/20: 57%). Taking into account the lost revenue in both 2019/20 and 2020/21 caused by COVID-19, the figure would be closer to 50%, which is the level considered the threshold for excellence and well below the 70% maximum level recommended by the European Club Association (ECA).

PERSONNEL EXPENSES/OPERATING INCOME: EFFICIENCY RATIO



OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)

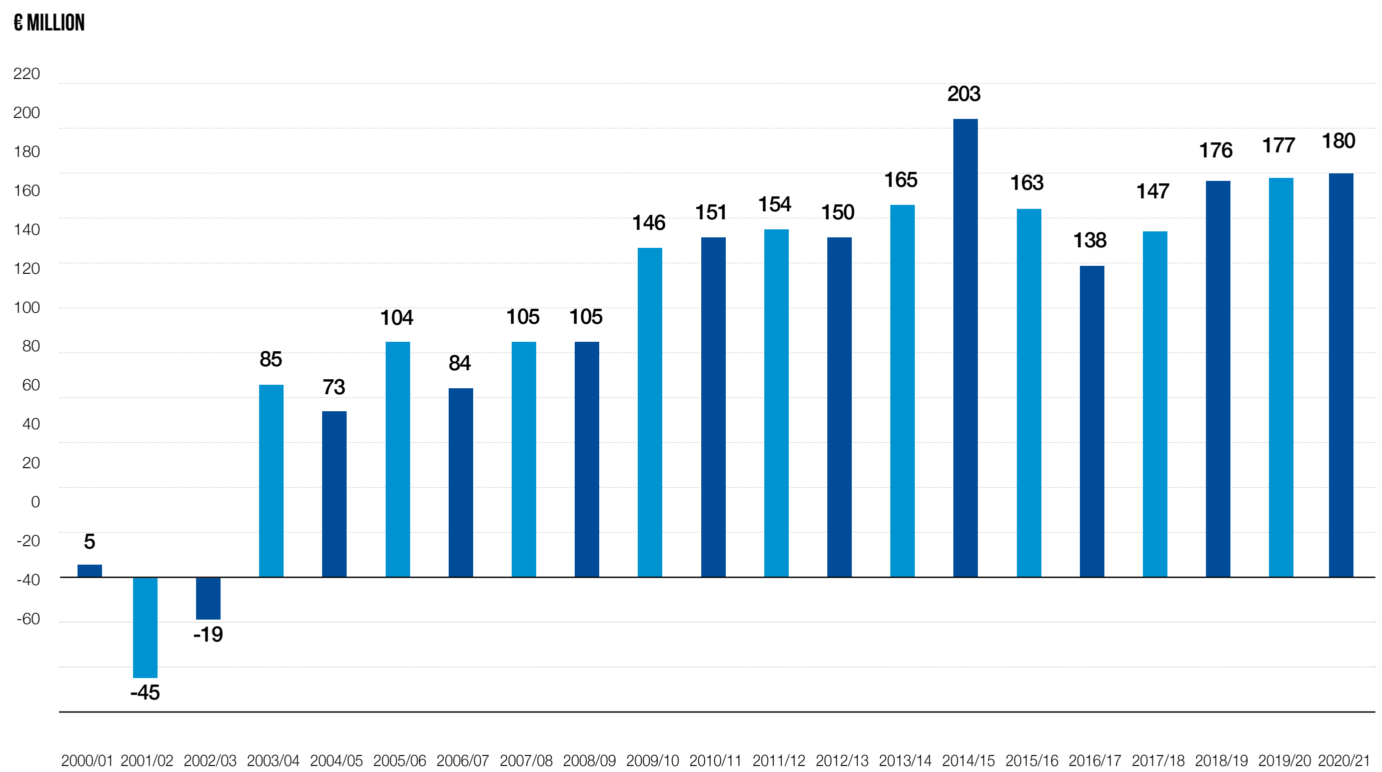
Operating profit before depreciation and amortization, or EBITDA, is the Club's earnings from operating activities after subtracting personnel and other operating expenses from the revenue obtained by the business lines, including gains or losses on player transfers and disposals of other assets.

Player transfers among football clubs is hardly an exception, but rather part of the Club's standard practice so that it can renew staff, generating proceeds than can be used to self-finance part of the cost of new additions. In 2020/2021, gains on player disposals amounted to €122 million, net of valuation adjustments (2019/20: €127 million).

EBITDA in the year totaled €180 million (2019/20: €177 million). The Club reported higher EBITDA in both 2019/20 and 2020/21 than in 2018/19, which was before the pandemic. This came despite a loss of nearly €300 million of revenue over the last two years due to the impact of COVID-19, and is a testament to the Club's operational efficiency and ability to respond by taking measures to mitigate those losses.

The EBITDA performance in recent years is the result of a financial management that pursues profitability through by combining efforts to boost revenue and rein in costs.

OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)



INCOME STATEMENT KEY HIGHLIGHTS

Operating income amounted to €653 million in 2020/21, with all 12 months affected by the COVID-19 health crisis. This was down from €715 million in 2019/20, although only the last 3.5 months of that period were affected.

Compared to pre-coronavirus levels, the Club lost close to €300 million of revenue from March 2020 to 30 June 2021, not to mention the loss of any new revenue it could have obtained had there not been a pandemic.

EBITDA in the year totaled €180 million (2019/20: €177 million). The Club reported higher EBITDA in both 2019/20 and 2020/21 than in 2018/19, which was before the pandemic. This came despite the loss of revenue over the last two years due to the impact of COVID-19 and is a testament to the Club's operational efficiency and ability to respond by taking measures to mitigate those losses.

Net profit (i.e. after interest, tax, depreciation and amortization) was €0.9 million (2019/20: €0.3 million).

In the wake of the cost-savings measures taken to offset lost revenue caused by the health crisis, the Club posted a profit for the year ended June 30, 2021, as it did the year before. As a result, Real Madrid will be one of the few European clubs not to sustain losses in the last two years. According to a UEFA study, cumulative operating losses of European clubs between 2019/20 and 2020/21 amounted to around €6,000 million.

The Club has been profit-making in the last 20 years, enabling it to build up equity of €534 million as at June 30, 2021.

INCOME STATEMENT KEY HIGHLIGHTS

€ MILLION	2019/2020	2020/2021
OPERATING INCOME	**715**	**653**
OPERATING PROFIT before depreciation and amortizacion **(EBITDA)**	**177**	**180**
PROFIT AFTER TAX	**0.3**	**0.9**

TAX BALANCE: CONTRIBUTION BY REAL MADRID TO TAX REVENUE AND SOCIAL SECURITY

Real Madrid contributed €242.9 million directly to state and local taxes, and social security in 2020/21. The breakdown by item is as follows:

€181.6 million paid in state and local income tax and social security, representing a cost of 28% of the Club's revenue; i.e. for every €100 of income, Real Madrid allocates €28 to tax and social security payments.

€61.3 million in VAT paid to the tax authorities (difference between output VAT charged to customers and input VAT paid to suppliers), arising from Real Madrid's economic activity.

At June 30, 2021, Real Madrid was current on the payment of all its tax obligations, as always.

TAX BALANCE

AMOUNTS PAID DURING THE 2019/2020 FINANCIAL YEAR	€ THOUSAND
Personnel income tax withholding and non-resident income tax (deductions from staff remuneration and image rights)	178,930
INCOME TAX	-12,885
Property and other local taxes	5,126
SOCIAL SECURITY CONTRIBUTIONS (company)	8,564
SOCIAL SECURITY CONTRIBUTIONS (employee)	1,862
TOTAL COST OF TAXES AND SOCIAL SECURITY	**181,598**
% OF REVENUE	**28%**
NET VAT PAID	**61,311**
TOTAL CONTRIBUTION BY REAL MADRID TO TAX REVENUE AND SOCIAL SECURITY	**242,909**

INVESTMENTS (EXCLUDING THE STADIUM REMODELING PROJECT)

Excluding the stadium remodeling project, the Club invested €48 million in 2020/21, of which €2 million went to the upgrade and development of facilities; €2 million to financial investments; and €45 million sports personnel. No players for the first division football team were acquired, but contingent costs accrued on acquisitions from previous years. There was also the cost of adding a new coach.

The Club self-financed the entire amount of investment in players during the year with proceeds from transfers, which amounted to €121 million. Net investment in 2020/21 in sports personnel (acquisitions - transfers) was €-77 million (€77 higher transfers than investment) compared to €184 million the year before. Average annual net investment in the 2000-2021 period was €68 million.

In addition to investing in players, the Club allocated a significant amount to building and upgrading its facilities and for technological development. In the 2000-2021 period, Real Madrid invested:

€250 million on the stadium, modernizing the facilities and enhancing their quality and functionality for spectators, as well as providing the facilities with the resources and services to broaden the stadium's commercial offering and develop the Club's IT platform. All this investment has generated a considerable annual financial return. The amount does not include the stadium remodeling project, which is disclosed separately in another section of this report.

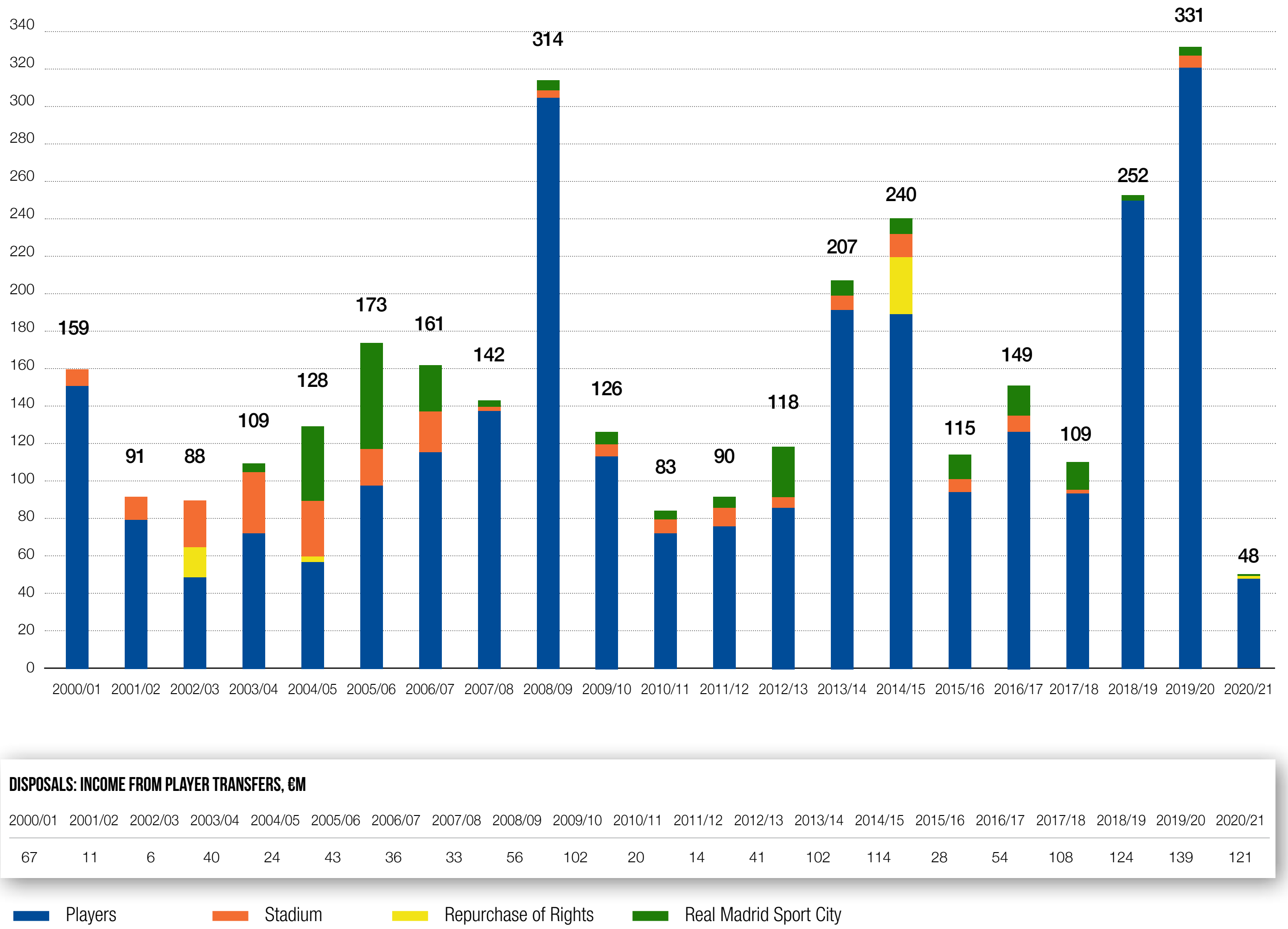
€240 million on the construction of Real Madrid City, considered the largest sports complex ever built by a football club, with a total surface area of 120 hectares, 10 times bigger than the former complex. Ideally located in one of the fastest growing areas of Madrid and with excellent public transportation, Real Madrid City is a strategic enclave and a first-rate sports and entertainment center. Noteworthy in recent years is the marked improvement made to the installations, with the construction of the first-team and youth team residences -a Club goal for many years- and a basketball training arena and two new training fields. In 2018, construction was completed on the new office building where the Club's various operating departments work, which will pave the way for a greater integration and free up space in the stadium.

Overall, these investments have helped drive Real Madrid's economic growth, social development and sports successes.

INVESTMENTS

(EXCLUDING THE STADIUM REMODELING PROJECT)

€ MILLION



DISPOSALS: INCOME FROM PLAYER TRANSFERS, €M

2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
67	11	6	40	24	43	36	33	56	102	20	14	41	102	114	28	54	108	124	139	121

SANTIAGO BERNABÉU STADIUM REMODELING PROJECT

On May 8, 2019, the Board of Directors awarded the remodeling contract to FCC Construcción, with a term of 39 months.

The remodeling work is being carried out without affecting the matches scheduled or the stadium's normal activities, barring the interruption of matches with spectators caused by the COVID-19 pandemic from March 2020, which led to matches from then until the end of the 2020/21 season being held at the Alfredo Di Stefano Stadium in the Sport City.

The new stadium will present an immersive and avant-garde image thanks to a skin of steel bands and variable lines that will allow it to illuminate and project images. The project includes a fixed and retractable roof over the playing field, protecting all seats.

The shopping center will be torn down and two new towers built on paseo de la Castellana to make the stadium safer and to make access and evacuation easier. Spectator traffic will be safer and smoother, with new ramps, escalators, elevators and more entrance doors. This reform will remove architectural barriers and make room for nearly 1,000 new seats for people with various abilities.

Work will also be carried out to enhance the entire urban surrounding, with a large square on the Castellana of more than 20,000 square meters and another on the corner of Padre Damián of 5,500 square meters. Calle Rafael Salgado Street will be turned into a pedestrian street and the entire surroundings will be improved with a project covering over 66,000 square meters.

All the spaces and galleries inside the stadium will be transformed so spectators can enjoy a new entertainment and service offering. The current museum near the La Castellana will be much bigger and a new interactive museum will be created and equipped with the latest virtual reality technologies. The experience of the Bernabéu Tour will be extended with the creation of a panoramic tour around the entire stadium and a new entertainment and food service offering, making it one of the main attractions for tourists visiting Madrid. It will be a new stadium, with new, cutting-edge stores and a broader offering and type of restaurants and gastronomic experiences.

Technology will be pioneering and an essential feature of this major reform, with a spectacular video scoreboard that will be one of the most emblematic features of the new Santiago Bernadéu Stadium. It will be a large digital stadium that turns into a large technological platform for interacting with fans, leading a real digital transformation.

The new Santiago Bernabéu Stadium is one of Real Madrid's biggest projects for the future, aiming to become a benchmark for the 21st century and an avant-garde and universal icon. It will be a modern, cutting-edge stadium, with maximum comfort and safety, using latest generation technology making it a venue where fans can feel one-of-a-kind sensations, as well as a new and important source of revenue for the Club.

The new stadium will enable the Club to continue growing. The cost will be recouped with the new revenue generated from the reform. The new Santiago Bernabéu will not only mean considerable improvement for the Club, but also its surroundings, and will enable Real Madrid to remain competitive in an increasingly tough international football environment.

To fund the remodeling project, the Real Madrid Board of Directors, under authorization by the General Assembly of Delegated Members held on September 23, 2018, arranged financing of €575 million for a term of 30 years and a fixed rate of 2.5%.

The financing was structured through a loan with three drawdowns, one in July 2019 (€100 million), one in July 2020 (€275 million) and one in July 2021 (€200 million), in line with scheduled payments for the works. The facility also includes a three-year grace period for repayment of principal. Therefore, Real Madrid will pay a fixed annual amount of €29.5 million as from July 30, 2023, until maturity on July 30, 2049.

Real Madrid closed the deal without having to provide any type of mortgage guarantee (only pledges on certain stadium revenue) or accepting any restrictions on the Club's management or debt (only compliance with a certain coverage ratio between the pledged stadium revenue and debt service), allowing it to carry out its normal activity with no impact from payment of the works.

SANTIAGO BERNABÉU STADIUM REMODELING PROJECT

€ MILLION	AT 30/06/2020	2020/2021
Investments	114	166
Cumulative		279
CASH AT JUNE 30	**10**	**144**
NET DEBT AT JUNE 30	**114**	**279**

In 2020/21, the remodeling work was not carried out while matches were being played at the Santiago Bernabéu stadium. Since fans were not allowed because of the COVID-19 pandemic, the Club held the first football team's matches behind closed doors at the Alfredo Di Stefano stadium, having secured the pertinent authorizations.

Investment accounted for in 2020/21 totaled €166 million, including the capitalized borrowing costs during the construction period. This took cumulative investment in the project as at June 30, 2021 to €279 million.

During the year, in July 2020, the Club made a second drawdown of the loan, of €275 million. The total amount drawn down as at June 30, 2021 was €375 million (the first drawdown of €100 million was made in July 2019).

Net debt arising from the stadium remodeling project at June 30, 2021 amounted to €279 million. This is the net balance between payables of €424 million (€375 million long-term loan and €49 million outstanding invoices payable) and the cash available from the project of €144 million.

CASH AND CASH EQUIVALENTS (EXCLUDING THE STADIUM REMODELING PROJECT)

The Club had a net cash balance at June 30, 2021 of €122 million, excluding the stadium remodeling project.

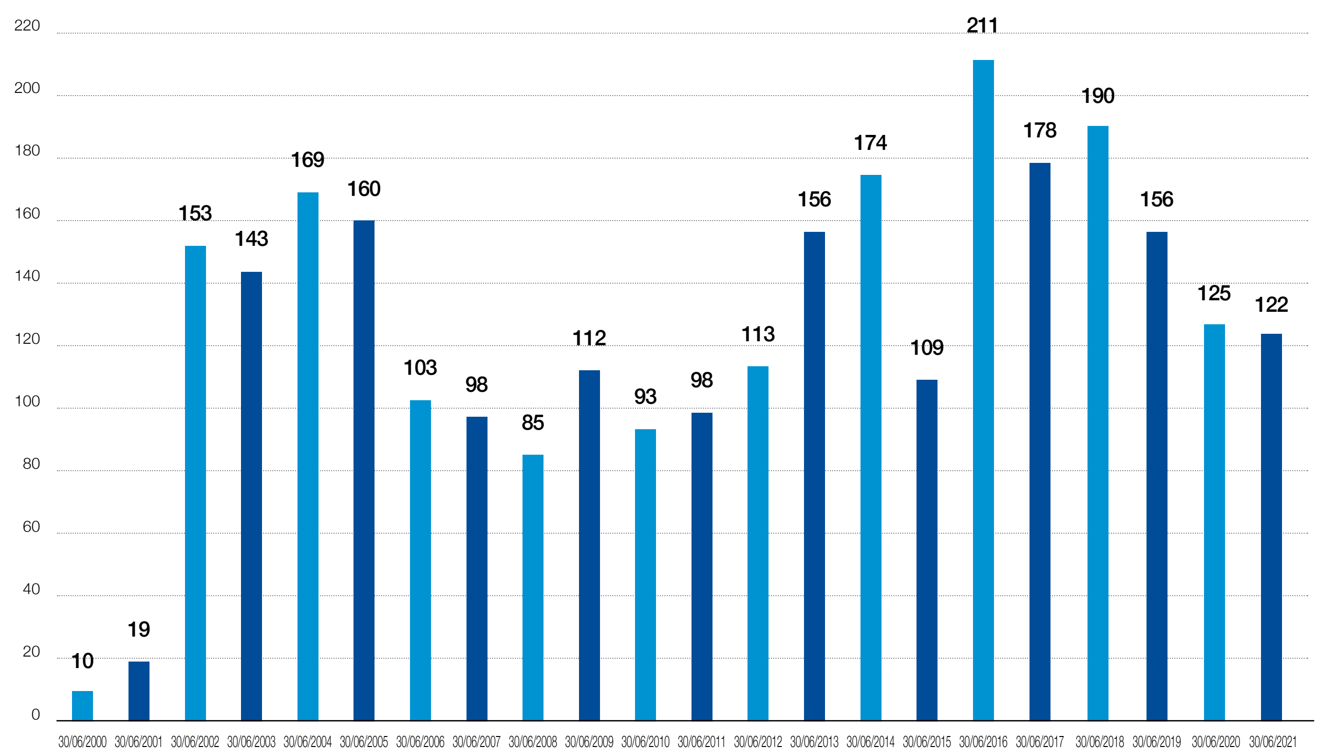
This was after repayment of a €50 million bank loan during the year and no drawdowns on the credit facility as at June 30.

The nearly €300 million of lost revenue caused by COVID-19 from March 2020 to date, which resulted in a decrease in the cash position, was offset by the Club with cost-savings measures and the four long-term bank loans taken out in April 2020, for a total of €155 million, with 70% of the amount guaranteed by ICO.

At June 30, 2021, the Club had €361 million of undrawn credit facilities which, together with its net cash position, means it can comfortably meet its payment obligations.

CASH AND CASH EQUIVALENTS
(EXCLUDING THE STADIUM REMODELING PROJECT)

€ MILLION



WORKING CAPITAL (EXCLUDING THE STADIUM REMODELING PROJECT)

Working capital (i.e. the difference between current assets and current liabilities) at June 30, 2021 can be broken down into operating working capital (€-150 million), financial working capital (€124 million) and other working capital (available-for-sale assets, provisions and taxes amounting to €1 million).

The Club's working capital is structurally negative as the nature of its operations leads to operating working capital with large creditor balances (between €-110 million and €-290 million for player registrations, net trade payable and upfront collection of membership fees and season tickets).

Significant efforts have been made in recent years to lower its negative working capital, which has gone from €-182 million in 2010 to €-25 million as at June 30, 2021. The reduction in the working capital/revenue ratio is greater: from 41% in 2010 to 4% in 2021.

This negative working capital is recurring; i.e. rolled over each year due to the intrinsic nature of operations, as reflected in the trend in balances; figures are broadly similar from year to year, with occasional variations due to operating trends each season (e.g. sport achievement prizes).

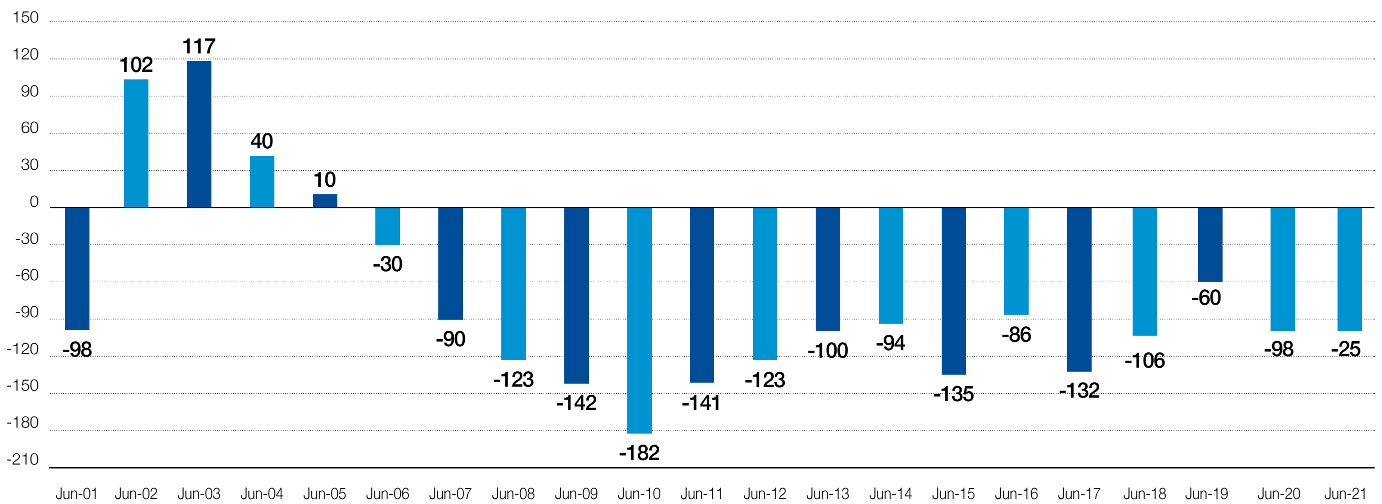
These balances are rolled over and, therefore, present similar amounts at each year-end, so they do not represent debt, or a liquidity or business continuity problem.

Due to the large volume of transactions carried out by the Club at present, the only way to offset recurring negative working capital would be to have a large positive financial working capital through a large balance of cash and cash equivalents.

Apart from exceptional requirements at specific moments, a large cash balance relative to the size of the Club's balance sheet would not be consistent with an adequate cash flow management and is not compatible with the not-for-profit status of the Club, which invests funds obtained in the development of its sports and its facilities.

WORKING CAPITAL

€ MILLION



CASH+SHORT TERM INVESTMENTS (€ MILLION)

Jun-01	Jun-02	Jun-03	Jun-04	Jun-05	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21
19	153	143	169	160	103	98	85	112	93	98	154	156	174	109	211	178	190	156	125	122

WORKING CAPITAL

€ MILLION	6/30/09	6/30/10	6/30/11	6/30/12	6/30/13	6/3014	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21
OPERATING WORKING CAPITAL													
Trade receivables + Inventories	32	58	71	66	54	46	57	67	108	103	90	163	103
Receivables from public administrations	4	1	1	1	1	1	7	0	0	0	0	0	0
Trade payables	-47	-74	-67	-75	-73	-63	-64	-66	-63	-63	-58	-35	-38
Payables to public administrations	-7	-11	-15	-13	-15	-15	-22	-15	-27	-23	-26	-15	-23
Salaries and wages payable (50% player registration, bonuses)	-50	-56	-71	-93	-82	-114	-104	-144	-197	-208	-149	-139	-135
Accruals	-48	-66	-69	-67	-60	-58	-62	-64	-85	-96	-124	-80	-57
Subtotal	**-116**	**-149**	**-151**	**-181**	**-176**	**-202**	**-189**	**-222**	**-265**	**-287**	**-267**	**-106**	**-150**
Financial Working Capital													
Cash	112	93	98	113	156	174	109	211	178	190	156	125	122
Current investments	0	0	0	41	0	0	0	0	0	0	0	0	0
Player transfer receivables	13	34	28	21	24	36	58	53	20	52	79	44	83
Bank borrowings	-24	-48	-7	-43	-26	-16	0	0	0	-10	0	-52	-2
Player transfer and other investments payable	-146	-115	-92	-74	-76	-91	-111	-131	-70	-55	-108	-128	-79
Subtotal	**-45**	**-37**	**27**	**59**	**77**	**103**	**56**	**133**	**128**	**177**	**126**	**-10**	**124**
Other													
Available-for-sale financial assets	29	0	0	0	0	0	0	0	0	0	79	7	0
Provisions	-10	-1	-1	-1	-2	-2	-3	-1	-2	-2	-2	-2	-1
Taxes	1	4	-17	0	1	7	1	5	7	6	4	13	2
Subtotal	**20**	**4**	**-18**	**-1**	**-1**	**5**	**-2**	**4**	**5**	**4**	**81**	**18**	**1**
TOTAL WORKING CAPITAL	**-142**	**-182**	**-141**	**-123**	**-100**	**-94**	**-135**	**-86**	**-132**	**-106**	**-60**	**-98**	**-25**

LIABILITIES AND GROSS DEBT (EXCLUDING THE STADIUM REMODELING PROJECT)

The Club had total liabilities at June 30, 2021, excluding the stadium remodeling project, of €628 million (2020: €778 million). This, in addition to €534 million of equity (2020: €533 million) and the liabilities related to remodeling project of €424 million (2020: €123), of which €375 million is long-term finance (2020: €100 million) and €49 million of short and long-term invoices payables (2020: €23 million), gives a total balance sheet value of €1,585 million (2020: €1,434 million).

Liabilities comprise gross debt, trade payables (€174 million at June 30, 2021 and €174 million at June 30, 2020) and other liabilities, composed of provisions, accruals, and taxes (€216 million at June 30, 2021 and €195 million at June 30, 2020).

The Club's gross debt at June 30, 2021 excluding the stadium remodeling project, in accordance with Spanish GAAP, stood at €237 million, of which €155 million corresponded to bank borrowings and €82 million to debt relating to investments in players and facilities (2020: €409 million, of which €205 million of bank borrowings and €204 million of investments).

The Club debt decreased by €172 million in 2020/21:

- Bank borrowings decreased by €50 million following repayment of a bank loan in 2020/21.
- Debt from investments decreased by €122 million following payments made on the outstanding balance of the previous year, since no acquisitions were made in 2020/21.

REAL MADRID LIABILITIES AT JUNE 30, 2020

€ MILLION	CURRENT	NON-CURRENT	TOTAL
Borrowings	**180**	**229**	**409**
Trade and other payables	174		174
Financial liabilities	**354**	**229**	**583**
Provisions	2	25	27
Deferred taxes		21	21
Current tax	0		0
Public Administrations	15		15
Accruals	84	48	132
Total other liabilities	**102**	**93**	**195**
TOTAL LIABILITIES	**456**	**322**	**778**

REAL MADRID LIABILITIES AT JUNE 30, 2021

€ MILLION	CURRENT	NON-CURRENT	TOTAL
Borrowings	**81**	**156**	**237**
Trade and other payables	174		174
Financial liabilities	**256**	**156**	**412**
Provisions	1	31	32
Deferred taxes		33	33
Current tax	0		0
Public Administrations	23		23
Accruals	58	70	128
Total other liabilities	**82**	**134**	**216**
TOTAL LIABILITIES	**337**	**290**	**628**

NET DEBT (EXCLUDING THE STADIUM REMODELING PROJECT)

Gross debt was discussed in the previous section.

However, the Club's key metric is its net debt; it does not make sense to discuss what one owes without factoring in what one owns.

Net debt is gross debt minus cash and cash equivalents, of €122 million at June 30, 2021 (2020: €125 million) and receivables from other clubs from player transfers (in keeping with a core principle of consistency, since gross debt includes amounts paid to other clubs for player acquisitions and as player acquisitions/sales are mirror sides of the business), of €139 million at June 30, 2021 (2020: €91 million), recognized in "Financial assets" in the balance sheet.

The Club includes as debt the balance of advances on income accruing in the future, which stood at €70 million at June 30, 2021 (2020: €48 million).

Net debt at June 30, 2021, stood at €46 million, down from the year-earlier figure of €241 million; i.e. a €195 million reduction in the year.

Net debt represents the external resources which, coupled with own funds, are used to fund the capital invested by the Club to carry out its activity.

NET DEBT AT JUNE 30, 2020

€ MILLION	CURRENT	NON-CURRENT	TOTAL
Payables for player transfers, works and repurchase of rights	-128	-76	-204
Player transfer receivables	44	46	91
Net investments/transfers	**-83**	**-30**	**-113**
Bank borrowings	-52	-153	-205
Cash	125	0	125
Cash advance		-48	-48
Subtotal other net debt	**73**	**-200**	**-127**
TOTAL NET DEBT	**-10**	**-230**	**-241**

NET DEBT AT JUNE 30, 2021

€ MILLION	CURRENT	NON-CURRENT	TOTAL
Payables for player transfers, works and repurchase of rights	-78	-4	-82
Player transfer receivables	83	56	139
Net investments/transfers	**5**	**52**	**57**
Bank borrowings	-2	-153	-155
Cash	122	0	122
Cash advance		-70	-70
Subtotal other net debt	**120**	**-223**	**-103**
TOTAL NET DEBT	**125**	**-171**	**-46**

MANAGEMENT BALANCE

€ MILLION	06/30/2020	06/30/2021
Players, facilities and other property	894	761
Provisions and other	-15	-31
Net operating working capital	-106	-150
TOTAL NET CAPITAL INVESTED	**774**	**580**
NET EQUITY	533	534
NET DEBT	241	46
TOTAL FUNDING SOURCES	**774**	**580**

NET DEBT
(EXCLUDING THE STADIUM REMODELING PROJECT)

Net debt at June 30, 2021, excluding the stadium remodeling project, stood at €46 million, down from the year-earlier figure of €241 million; i.e. a €195 million reduction in the year.

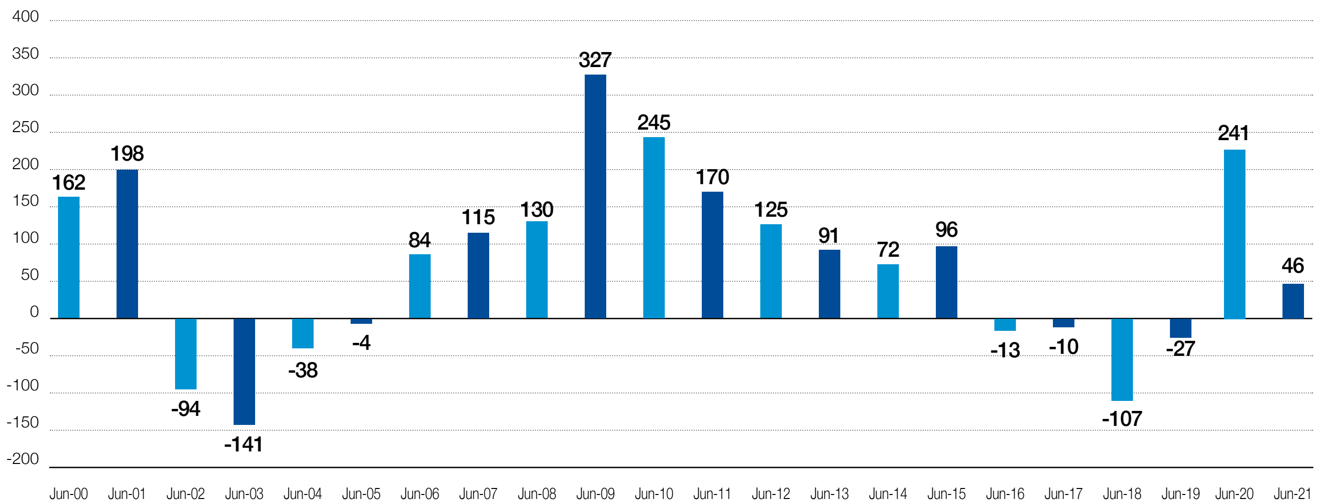
Compared to the situation before the pandemic (June 30, 2019: net cash position of €27 million), net debt at June 30, 2021 was €73 million higher. This illustrates that the Club was able to offset nearly €300 million of lost revenue caused by the pandemic, which also decreased cash and increased debt, by implementing cost-saving measures.

Since June 2009, it has made ongoing and considerable efforts to reduce debt.

Comparing debt with the Club's payment capacity represented by ordinary cash flow (measured using EBITDA: €180 million), yields a debt/EBITDA ratio—one of the most commonly used solvency indicators—at June 30, 2021 of 0.3. Even despite the pandemic, the Club's debt/EBITDA ratio is commensurate with a maximum credit rating for financial institutions.

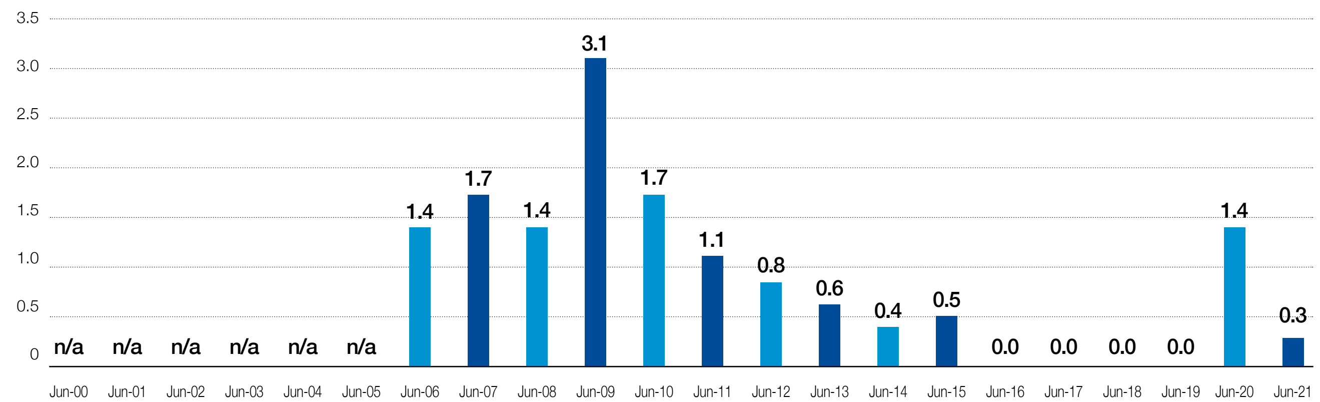
NET DEBT
(EXCLUDING THE STADIUM REMODELING PROJECT)

€ MILLION



Net debt : Bank borrowings + Payables/Receivables on acquisition/transfer of assets – Cash.
A negative sign means a net liquidity position. Debt also includes the balance of non-current advances.

NET DEBT/EBITDA RATIO



EBITDA : Operating profit before depreciation and amortization. As of 2008/09, with new Spanish GAAP, it includes gains/(losses) on disposals and impairment of non-current assets.

EQUITY

Equity represents the Club's own funds; i.e. the funds which, with borrowings, fund the Club's needs to carry out its activities.

Equity is the accounting measure of enterprise value. For an entity like Real Madrid, which does not distribute dividends, the annual change in equity relates to annual profit after tax (and any balance sheet revaluation).

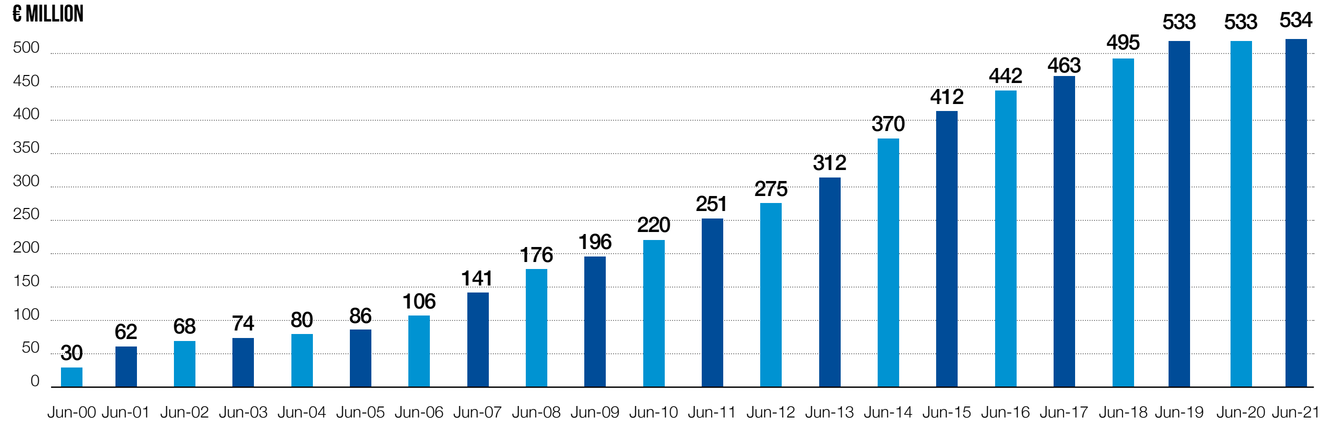
Through the profits it obtains, the Club has increased equity each year, to €534 million at June 30, 2021. By delivering a profit in both 2019/20 and 2020/21, even despite the effects of the pandemic, the Club was able to boost equity slightly from the pre-pandemic level at June 30, 2019.

The greater the amount of equity relative to debt, the higher the Club's value, solvency and financial autonomy, as capital invested is financed more by equity than debt. The debt/equity ratio is used as an indicator of solvency and financial autonomy: the lower this ratio, the higher the Club's solvency and financial autonomy.

The debt/equity ratio at June 30, 2021, excluding the stadium remodeling project, was 0.1 which, despite the effects of the pandemic, indicates maximum solvency and financial autonomy.

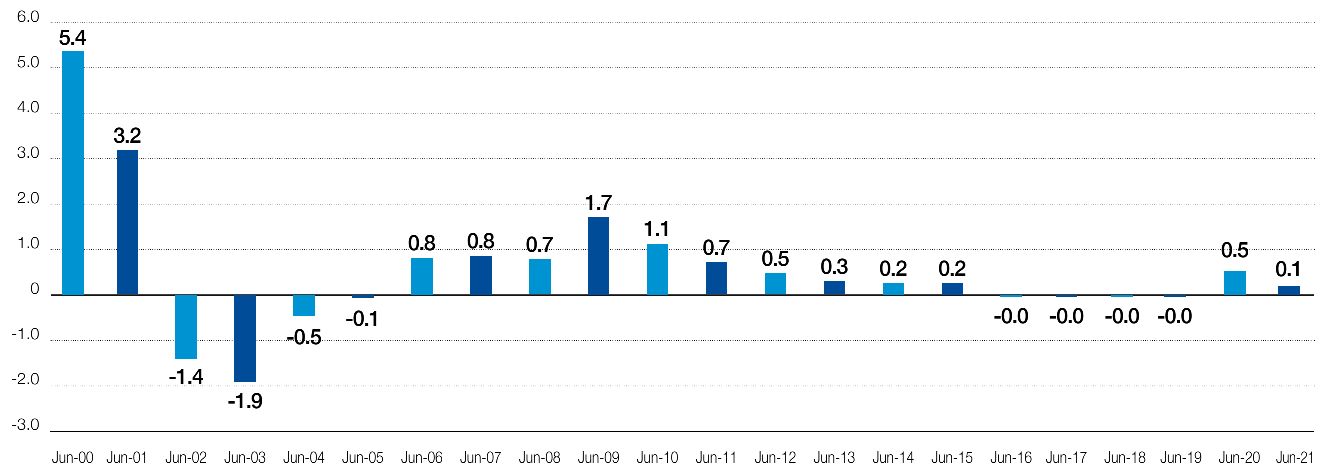
EQUITY

€ MILLION



NET DEBT/EQUITY RATIO

Net debt : Bank borrowings + Payables/Receivables on acquisition/transfer of assets – Cash.
A negative sign means a net liquidity position. Debt also includes the balance of non-current advances.



BALANCE SHEET

ASSETS

€ THOUSAND	06/30/2021	06/30/2020
Sports intangible assets	429,184	534,806
Other intangible assets	3,177	3,449
Property, plant and equipment	575,405	424,177
Investment properties	11,162	11,171
Non-current player transfers receivable	55,889	46,438
Deferred tax assets	31,816	20,173
Other financial assets	21,420	26,538
Investments in group companies	138	138
TOTAL NON-CURRENT ASSETS	**1,128,191**	**1,066,890**
Assets held for sale	0	7,461
Inventories	5,725	3,141
Current player transfers receivable	83,160	44,397
Trade receivables	97,708	160,005
Current tax assets	2,085	12,774
Cash and cash equivalents	266,474	134,945
Accruals	1,530	4,368
TOTAL CURRENT ASSETS	**456,682**	**367,091**
TOTAL ASSETS	**1,584,873**	**1,433,981**

EQUITY AND LIABILITIES

€ THOUSAND	06/30/2021	06/30/2020
Social fund and reserves	528,793	528,480
Profit (loss) for the year	874	313
CAPITAL AND RESERVES	**529,667**	**528,793**
Grants received	3,988	4,132
EQUITY	**533,655**	**532,925**
Provisions for liabilities and charges	31,243	24,682
Bank borrowings	152,676	152,649
Non-current payables for player acquisitions	3,171	75,307
Non-current payables for stadium and Real Madrid Sport City works	381,313	100,000
Payables for Repurchase of rights/other	604	799
Deferred tax liabilities	32,621	20,771
Accruals	70,059	47,798
TOTAL NON-CURRENT LIABILITIES	**671,687**	**422,006**
Provisions for liabilities and charges	970	2,333
Bank borrowings	2,299	52,292
Current payables for player acquisitions	77,125	120,763
Current payables for stadium and Real Madrid City works	43,840	30,253
Current payables for repurchase of rights	59	207
Trade and other payables	61,881	49,928
Wages and salaries payable	135,172	138,944
Accruals	58,185	84,330
TOTAL CURRENT LIABILITIES	**379,531**	**479,050**
TOTAL EQUITY AND LIABILITIES	**1,584,873**	**1,433,981**

Assets/liabilities at June 30, 2021 amounted to €1,585 million, an increase of €151 million from the year before.

Highlights on the assets side: The carrying amount of players decreased by €106 million due to amortization, since no new players for the first division football team were acquired. The value of property, plant and equipment increased by €151 million due to the net result of investment made in the year (primarily in the stadium remodeling project) less amortizations. Current- and non-current receivables for player transfers increased by €48 million due to the transfers carried out. Trade receivables decreased by €62 million due to collections of amounts deferred from certain customers the previous year because of the impact of COVID-19. The balance of cash and cash equivalents increased by €132 million due to cash related to the stadium remodeling project.

Highlights on the liability side: Bank borrowings decreased by €50 million after repayment of a loan. Outstanding payables on investments were €179 million higher. Of the total, €300 million were due to the stadium remodeling project (the amount drawn on the long-term loan increased by €275 million and short- and long-term outstanding invoices payable increased by €25million). Conversely, payables for player acquisitions and other investments decreased by €122 million thanks to payments made since no new players were acquired during the year. The balance of non-current and current provisions for contingencies increased by €5 million. The balance of non-current and current accruals (amounts received which accrue in subsequent periods) were broadly unchanged. As in June 2020, the season tickets were not charged at June 30, 2021 because of the uncertainty existing at the reporting date regarding when stadiums would reopen to spectators and the percentage capacity allowed. Equity at the end of the reporting period amounted to €534 million, up roughly €1 million from the year before (net profit for the year 2020/21).

OTHER MANAGEMENT INFORMATION

USE OF FINANCIAL INSTRUMENTS

Real Madrid has established a series of procedures and controls that make it possible to identify, measure, and manage the risks arising from financial instrument activity. Financial instrument activity exposes the Club to credit, market, and liquidity risk.

CREDIT RISK

Credit risk is the risk that a Club counterparty will not meet its contractual obligations, i.e. the possibility that financial assets will not be recovered at their carrying amount within the established time frame.

With regard to trade receivables, the Club has a procedure in place to measure, manage and control the risks arising from each of its loans. The procedure covers risk measurement and the initial authorization, ongoing monitoring of the exposure and subsequent controls. The Club, through its various departments, assesses and monitors these exposures on a monthly basis with a view to identifying risky situations and collection delays, taking the necessary precautions, including legal measures if warranted, to enable recovery of amounts past due as quickly as possible. In many cases, in order to guarantee collection of receivables, the Club often demands suitable collateral and guarantees. As a result of all these measures the Club's losses on uncollectible receivables are insignificant in relation to the its annual revenue.

The Club's investment policies establish that financial investments must be made in accordance with the following guidelines: They must be arranged with financial institutions domiciled in Spain and of renowned solvency and liquidity. Acceptable investment products include bank deposits, repos, commercial paper issued by highly solvent financial institutions, interest-bearing accounts and other similar financial products. Specifically, investment in speculative financial products or those in which the counterparty is not clearly and explicitly identified are expressly prohibited. Investments should be diversified to ensure that the risk is not significantly concentrated in any one institution. Investments in current financial assets must be liquid assets with a maturity of three months or less, with a repurchase commitment or a secondary market that guarantees their immediate liquidity if required. Compliance with these requirements minimizes investment risk and therefore the Club has seen no impairment on any of its financial investments since 2000, the first year for analysis of the Club's economic and financial performance considered in this management report.

MARKET RISK

Market risk entails interest rate risk caused by uncertainty over the future performance of the financial markets and interest rates with the consequent negative impact on the results of the Club's operations and cash flows. Financing for the stadium project is for 30 years at fixed rates, thereby eliminating any risk since the transaction is for such a long period of time. Almost the entire amount of new long-term (6-year) financing raised in 2019/20 year to cushion the impact of COVID-19 is at fixed rates and, therefore, risk-free. The Club follows an extremely prudent debt approach in the rest of the financing activities. Transactions generally entail 3-year credit facilities, and most are at floating rates indexed to the Euribor rate plus a small spread. Overall, the annual interest charge in its income statement is insignificant (2% of EBITDA) and risk in the event of a rise in interest rates is immaterial. Considering the cost that this would imply, the Club does not use hedging derivatives to manage interest rate risk.

LIQUIDITY RISK

The risk that the Club will have a shortage of funds or lack access to sufficient funds at an acceptable cost to meet its payment obligations at all times. To address this risk the Club aims to maintain sufficient available funds to carry out its operating activities and make the investments it requires at any given time. On June 30, 2021, the Club had a cash balance of €122 million (excluding the cash inherent in the stadium remodeling project) and undrawn credit lines amounting to €361 million at a highly competitive floating interest rate.

These funds, plus the cash flows generated regularly by the Club through its operating activities, allow it to comfortably meet all its payment commitments and have sufficient flexibility to make decisions on potential new investments.

OTHER MANAGEMENT INFORMATION

AVERAGE SUPPLIER PAYMENT PERIOD

The Club's average supplier payment period in 2020/21 was 51 days, below the statutory limit established in Law 15/2010 of July 5.

PERSONNEL

In 2020/21, the Club had an average of 819 employees, of which 377 were players and coaches (2019/20: 797 and 368, respectively).

At June 30, 2021, the Club had 861 employees (2020: 777), of which 421 (2020: 333) were players and coaches.

ENVIRONMENTAL INFORMATION

Given the nature of its activities, the Club has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial position and results.

Real Madrid, in compliance with its sustainability and energy efficiency policy, continues to study and carry out measures to reduce its consumption and ensure the responsible management of resources.

RESEARCH, DEVELOPMENT AND INNOVATION

Given the nature of the Club activities, its most relevant activities in this area are the innovative design of various sections of the stadium remodeling project, and the design and development of the technology platform and other tools to support its digital activities. Also included are sports health-related activities and the development of new IT tool.

TREASURY SHARES

As the Club is a sports association it has no shares and therefore no treasury shares.

EVENTS AFTER THE REPORTING PERIOD

Though not an event after the reporting period in the pure sense, noteworthy for its huge impact was the approval at the extraordinary meeting of the Council of Ministers held on June 24, to allow spectators in sports stadiums and pavilions for the start of the 2021/22 football and basketball league seasons. Nevertheless, the regional governments have the authority to determine capacity at any given time depending on how the pandemic evolves.

Strictly on the sports front, certain player rights were acquired, although the amounts of the investments were not material.

No other significant events occurred between the end of the reporting period and the date of authorization for issue of these financial statements.

OUTLOOK

Looking ahead to the next year, the outlook is for the return of spectators to the stadium, but the percentage capacity allowed throughout the season remains to be seen.

Financially, current forecasts point to a gradual return to the pre-coronavirus situation. Against this backdrop, the Club intends to keep up its cost-containment efforts for the time being.

The Club expects to build on the success of its sport model, pursuing further sports successes in football and basketball, which have set the Club apart throughout its history. This performance must be supported by an economic model that aims to achieve self-sustaining growth, where, through the combination of diversified revenue and contained costs, a profitability and financial structure are achieved to provide the solvency that enables the Club to make the investments it needs to carry out its business. Also over the course of 2021/22, the Club will continue to perform the works for the stadium remodeling project as scheduled.

FINANCIAL STATEMENTS

For the year ended June 30, 2021.

The Financial Statements of
Real Madrid Club de Fútbol is presented below.

BALANCE SHEET AT JUNE 30, 2021

ASSETS

€ THOUSAND	NOTES	6/30/2021	6/30/2020
NON-CURRENT ASSETS		**1,128,191**	**1,066,890**
Sports intangible assets	4	**429,184**	**534,806**
Other non-sports intangible assets	5	**3,177**	**3,449**
Property, plant and equipment	6	**575,405**	**424,177**
Investment properties	7	**11,162**	**11,171**
Non-current investments	8.1	**77,309**	**72,976**
Investments in group companies	1	**138**	**138**
Deferred tax assets	16	**31,816**	**20,173**
CURRENT ASSETS		**456,682**	**367.091**
Non-current assets held for sale	4.2	**-**	**7.461**
Inventories	9	**5,725**	**3.141**
Trade and other receivables	8.2	**182,953**	**217.176**
Current accruals		**1,530**	**4.368**
Cash and cash equivalents	8 and 10	**266,474**	**134.945**
TOTAL ASSETS		**1,584,873**	**1,433,981**

EQUITY AND LIABILITIES

€ THOUSAND	NOTES	6/30/2021	6/30/2020
EQUITY		**533,655**	**532,925**
Capital and reserves	11	**529,667**	**528,793**
Entity's fund		486,730	486,448
Revaluation reserve RD 7/96		8,548	8,548
Revaluation reserve law 16/2012		20,277	20,277
Capitalization reserve		13,238	13,207
Profit for the year		874	313
Grants, donations and bequests received	12	**3,988**	**4,132**
NON-CURRENT LIABILITIES		**671,687**	**422,006**
Non-current provisions	13.1	**31,243**	**24,682**
Non-current payables	14.1	**537,764**	**328,755**
Bank borrowing		152,676	152,649
Other financial liabilities		385,088	176,106
Deferred tax liabilities	16	**32,621**	**20,771**
Non-current accruals	15	**70,059**	**47,798**
CURRENT LIABILITIES		**379,531**	**479,050**
Current provisions	13.2	**970**	**2,333**
Current payables	14.2	**123,323**	**203,515**
Bank borrowings		2,299	52,292
Other financial liabilities		121,024	151,223
Trade and other payables	14.3	**197,053**	**188,872**
Current accruals	15	**58,185**	**84,330**
TOTAL EQUITY AND LIABILITIES		**1,584,873**	**1,433,981**

INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2021

€ THOUSAND	NOTES	2020/2021	2019/2020
CONTINUING OPERATIONS			
Revenue			
Membership fees, ticket sales and other stadium revenue		10,257	126,297
International and friendly matches		116,163	105,574
Broadcasting		207,709	148,570
Marketing		314,226	312,105
	17.1	**648,355**	**692,546**
Self-constructed property, plant and equipment	17.1	**-**	**1,002**
Cost of sales			
Raw materials and other consumables used	17.2	**(19,024)**	**(21,543)**
Other operating income	17.1	**1,334**	**21,155**
Player and other personnel expenses	17.3	**(402,957)**	**(411,043)**
Other operating expenses			
Losses, impairment and changes in trade provisions	17.4	158	(2,867)
Other operating expenses	17.4	(173,955)	(229,333)
		(173,797)	**(232,200)**
Depreciation and amortization	4,5,6.7	**(174,466)**	**(176,503)**
Non-financial and other capital grants	12	**192**	**192**
Provision surpluses	13.1,13.2	**3,098**	**-**
Impairment, gains/(losses) on disposal of non-current assets and other exceptional gains/(losses)			
Impairment and losses	17.5	16,467	25,569
Gains/(losses) on disposal and other	17.5	105,964	101,223
		122,431	**126,792**
RESULTS FROM OPERATING ACTIVITIES		**5,166**	**398**
Finance income			
Marketable securities and other financial instruments	17.6	1,025	4,072
Capitalization of borrowing costs	17.6	8,704	2,143
		9,729	**6,215**
Finance expenses	17.6	**(13,156)**	**(4,762)**
NET FINANCE INCOME/(EXPENSE)		**(3,427)**	**1,453**
PROFIT BEFORE TAX		**1,739**	**1,851**
Income tax expense	16.1	**(865)**	**(1,538)**
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**874**	**313**
PROFIT FOR THE YEAR		**874**	**313**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2021

A) Statement of recognized income and expense for the year ended June 30, 2021.

€ THOUSAND	NOTES	2020/2021	2019/2020
Profit for the year		**874**	**313**
Income and expense recognized directly in equity		**-**	**-**
Amounts transferred to the income statement			
Grants, donations and bequests received	12	(192)	(192)
Tax effect	12	48	48
Total amounts transferred to the income statement		**(144)**	**(144)**
Total recognized income and expense		**730**	**169**

B) Statement of total changes in equity for the year ended June 30, 2021.

€ THOUSAND	ENTITY'S FUND	REVALUATION RESERVE RD 7/96	REVALUATION RESERVE LAW 16/2012	CAPITALIZATION RESERVE	PROFIT FOR THE YEAR	TOTAL EQUITY	GRANTS, DONATIONS AND BEQUESTS RECEIVED	TOTAL EQUITY
Balance at June 30, 2019	**451,894**	**8,548**	**20,277**	**9,367**	**38,394**	**528,480**	**4,276**	**532,756**
Total recognized income and expense for the year ended June 30, 2020	-	-	-	-	313	313	(144)	169
Distribution of prior year profit	34,554	-	-	3,840	(38,394)	-	-	-
Balance at June 30, 2020	**486,448**	**8,548**	**20,277**	**13,207**	**313**	**528,793**	**4,132**	**532,925**
Total recognized income and expense for the year ended June 30, 2021	-	-	-	-	874	874	(144)	730
Distribution of prior year profit	282	-	-	31	(313)	-	-	-
Balance at June 30, 2021	**486,730**	**8,548**	**20,277**	**13,238**	**874**	**529,667**	**3,988**	**533,655**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

€ THOUSAND	NOTES	2020/2021	2019/2020
OPERATING ACTIVITIES			
Profit for the year before tax		**1,739**	**1,851**
Adjustments for:		**59,708**	**60,323**
Depreciation and amortization	4,5,6.7	174,466	176,503
Impairment losses	17.5	(16,467)	(25,569)
Change in provisions	13.1, 13.2, 17.4	5,040	13,426
Grants recognized in the income statement	12	(192)	(192)
Proceeds from derecognition and disposals of non-current assets	17.5	(105,964)	(101,223)
Finance income	17.6	(9,729)	(6,215)
Finance expenses	17.6	13,156	4,762
Other income and expenses		(602)	(1,169)
Working capital adjustments		**69,847**	**(144,538)**
Inventories		(2,876)	2,429
Trade and other receivables		73,407	(87,033)
Other current assets		2,838	586
Trade and other payables		(4,756)	(33,132)
Other current liabilities		(26,145)	(45,048)
Other non-current assets and liabilities		27,379	17,660
Other cash flows from operating activities		**9,472**	**(8,786)**
Interest paid		(3,922)	(1,319)
Interest received		457	3,503
Income tax received/(paid)		12,937	(10,970)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		**140,766**	**(91,150)**
INVESTING ACTIVITIES			
Payments for investments		**(308,728)**	**(312,050)**
Group companies and associates		-	(138)
Sports intangible assets		(160,840)	(244,167)
Other intangible assets		(747)	(1,581)
Property, plant and equipment		(147,141)	(66,164)
Investment properties		-	-
Proceeds from sale of investments		**74,491**	**127,439**
Group companies and associates		-	-
Sports intangible assets		73,685	127,426
Other intangible assets		229	-
Property, plant and equipment		577	13
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(234,237)**	**(184,611)**
FINANCING ACTIVITIES			
Proceeds from and payments for financial liability instruments		**225,000**	**255,000**
Issue of bank borrowings		-	155,000
Redemption and repayment of bank borrowings		(50,000)	-
Other borrowings		275,000	100,000
NET CASH FLOWS FROM FINANCING ACTIVITIES		**225,000**	**255,000**
EFFECT OF EXCHANGE RATE FLUCTUATIONS		**-**	**-**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**131,529**	**(20,761)**
Cash and cash equivalents at beginning of period		134,945	155,706
Cash and cash equivalents at end of period	10	266,474	134,945
		131,529	**(20,761)**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. CORPORATE INFORMATION

Real Madrid, Club de Fútbol (the “Club”) was formed in 1902 as a sports entity to engage in, and use its assets for, primarily and principally, the promotion of football at all levels and ages and, in general, of all sports.

Its sporting activities focus currently on playing and promoting football and basketball. The Club has teams competing at various levels in both of these sports, including new categories of women’s football after the merger by absorption of the women’s football club, Club Deportivo Elemental “Club Deportivo Tacón” (Note 2.6) approved at the Extraordinary General Assembly held on September 16, 2019 and executed with effect as of July 1, 2020.

At June 30, 2021 and 2020, the Club held 100% of the shares of Real Madrid Consulting (Beijing) Co, Ltd. This company was incorporated on March 24, 2015 with share capital of 150 thousand US dollars (USD) and began operations on July 1, 2015. Real Madrid Consulting (Beijing) Co, Ltd.’s core activity is to support Real Madrid’s expansion in China and other countries in Asia.

Real Madrid Club de Fútbol does not prepare consolidated financial statements with its subsidiary, Real Madrid Consulting (Beijing) Co, Ltd, in accordance with article 7 of RD 1159/2010 on the preparation of consolidated financial statements, which regulates the release of companies from the obligation to present consolidated financial statements. It considers that its interest in the subsidiary is not material, individually or collectively, with respect to the fair presentation of the equity, financial position and results of operations of the Group.

European Superleague Company, S.L., in which Real Madrid has an interest together with other European clubs, was incorporated during the current year to promote new competitions.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with Spanish GAAP (Plan General Contable) approved by Royal Decree 1514/2007, of November 16, as amended, upholding the specifics contained in Spanish GAAP applicable to sporting public limited companies (sociedades anónimas deportivas) and sports entities insofar as they do not contradict the accounting standards. The accompanying financial statements are for the year ended June 30, 2021.

The figures shown herein are in thousands of euros (€ Thousand), unless stated otherwise.

2.1 FAIR PRESENTATION

The accompanying financial statements have been prepared from the auxiliary accounting records of the Club in accordance with Spanish GAAP and other prevailing accounting legislation to present fairly the Club's equity, financial position and results of operation. The statement of cash flows was prepared to present fairly the source and use of the Club's cash flows represented by cash and cash equivalents. The accompanying financial statements have been authorized for issue by the Club's Board of Directors.

2.2 COMPARATIVE INFORMATION

In accordance with company law, for comparative purposes the Club has included, for each item of the balance sheet, the income statement, the statement of changes in equity and the statement of cash flows, in addition to figures for the year ended June 30, 2021, those for the year ended June 30, 2020.

Quantitative information for the previous year is also included in the notes to the financial statements unless an accounting standard specifically states that this is not required.

Last year, the emergency public health situation caused by the coronavirus outbreak (COVID-19) resulted in an atypical situation regarding the correlation between the sports season and the financial year. Until then, the sports season took place completely within a financial year. However, last year all sporting competitions were suspended following the declaration of the state of alarm in Spain in March 2020. Some competitions were suspended indefinitely, while others resumed in June and some were delayed until August, then in the 2020/21 year. This caused part of the sports activity of the 2019/20 season to be transferred to the 2020/21 season. As a result, in keeping with the accruals principle, certain revenue and expenses were transferred from 2019/20 to 2020/21, for amounts of €37,457 thousand and €2,090 thousand, respectively. Matches resumed behind closed doors (i.e. without spectators), so the transfer related mainly to revenue for audiovisual broadcasting rights of the Spanish football league and the UEFA Champions League, and the related direct costs, and certain revenue and expenses for winning the League for the 2019/20 season.

2.3 CRITICAL ISSUES REGARDING THE MEASUREMENT AND ESTIMATION OF UNCERTAINTIES

The Club's Board of Directors prepared the financial statements using estimates based on historical experience and other factors considered reasonable under the circumstances. The carrying amounts of assets and liabilities, which were not readily apparent from other sources, were established on the basis of these estimates. Although the Club reviews these estimates on an ongoing basis, there is a series of risks and uncertainties that depend on the future outcome of certain assumptions and considerations described herein that could result in the need to revise the carrying amounts of assets and liabilities in future periods or other disclosures contained in these notes.

Key assumptions concerning the future and other key sources of estimation uncertainty of estimates at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

- **Impairment of non-current assets and non-current assets held for sale recognized as current assets**

The measurement of non-current assets requires estimates to determine their recoverable amount (Notes 3.6) for assessing whether there is any impairment. To determine recoverable amount, where it is not possible to use a market value, the Club's directors estimate, as at the date of authorization for issue of the financial statements and whenever feasible, the present value of the estimated and probable future cash flows to be generated by the assets discounted using an appropriate discount rate. The Club makes estimates to determine fair value less costs to sell for assets classified as non-current assets held for sale (Note 3.5). These estimates are based primarily on offers received by the Club for the assets and on the analysis of comparable transactions in the market.

- **Deferred tax assets**

Deferred tax assets are recognized for the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be utilized and, accordingly, the assets recovered. To determine the amount of deferred tax assets that can be recognized, the Club's directors estimate the amounts and dates on which future taxable profits will be obtained, and the period of reversal of taxable temporary differences.

- **Provisions**

The Club makes judgments and estimates regarding the probability of occurrence of risks that could require the recognition of a provision and, where appropriate, the related amounts. A provision is recognized only when the risk is considered probable, in which case the cost that would be arising from the obligating event is estimated. On other occasions, the cost is determined after the reporting date and prior to the authorization for issue of the financial statements, once additional information and documentation has been obtained that confirms the assessment or estimate of the risk materializing at the close.

- **Calculation of fair value, value in use and present value**

Calculating fair value, value in use and present value entails, in certain cases, calculating future cash flows and making assumptions on the future amounts of the cash flows, as well as the applicable discount rates. The estimates and related assumptions are based on historical experience and various other factors considered reasonable under the circumstances.

- **Operating lease commitments — The Club as lessor**

The Club has entered into leases to carry out its business. Based on an evaluation of the terms and conditions of the arrangements, it has determined that the lessor retains all the risks and rewards of ownership of the assets. Therefore, it accounts for these arrangements as operating leases. Operating lease payments are recognized as expenses in the income statement on a straight-line basis over the lease term.

2.4 DISTRIBUTION OF PROFIT

Until the year ended June 30, 2015, the Club allocated all profit for the year to increase the balance of "Reserves".

In the wake of changes to tax legislation effective from the year ended June 30, 2016, specifically in compliance with article 25 of the Corporate Income Tax Law 27/2014, the Club set aside a reserve, called the "Capitalization reserve," earmarking 10% of the increase in equity of the previous year, up to a limit of 10% of taxable income for the year (Note 16.3).

2.5 BALANCE SHEET REVALUATION

In the 1996/1997 financial year, the Club availed of the balance sheet revaluation provided for in RD Law 7/1996, of June 7, increasing the net value of its property, plant, and equipment by €8,548 thousand. The impact on the depreciation charge for the year ended June 30, 2021 was €160 thousand (2020: €160 thousand).

Similarly, in the 2013/2014 financial year, the Club decided to avail of the revaluation provided for in Law 16/2012, of December 27, resulting in a net increase in its property, plant and equipment of €21,344 thousand. At the Extraordinary General Assembly held on September 22, 2013, the revaluations were approved, along with the ad hoc balance sheet issued by the Board of Directors. The ad hoc balance sheet and the breakdown of the revaluations of the various items of property, plant, and equipment were provided in the 2013/14 financial statements.

The impact on the depreciation charge for the year ended June 30, 2021 was €521 thousand (2020: €523 thousand).

2.6 CLUB DEPORTIVO TACÓN MERGER

On September 16, 2019, approval was given at the Extraordinary General Assembly for the merger by absorption of the Club Deportivo Elemental "Club Deportivo Tacón" with effect from July 1, 2020, with the Club acquiring by universal succession all the rights and obligations comprising the equity of the absorbed company.

Transactions carried out by the absorbed company are considered to be carried out by the Company with effect for accounting purposes from July 1, 2020. An independent expert report was not required since the Club is the absorbed company's sole shareholder.

The merger is subject to the special tax regime provided for in Chapter VII of Title VII of Law 27/2014, of November 27, on corporate income tax.

No assets were included as C.D. Tacón did not have any assets at June 30, 2020. The transaction also did not give rise to any gain or loss.

3. RECOGNITION AND MEASUREMENT STANDARDS

The main recognition and measurement standards applied by the Club in the preparation of the accompanying financial statements for the year ended June 30, 2021, are as follows:

3.1 SPORTS INTANGIBLE ASSETS

Sports intangible assets includes mainly player transfer rights (“transfers”) and the costs incurred to acquire such rights. These rights are measured at acquisition cost and amortized from the moment they are acquired on a straight-line basis over the term of each player’s contract. These intangible assets are initially recognized on the date the related acquisition agreement becomes effective.

Following initial recognition, these assets are carried at cost less accumulated amortization and any accumulated impairment.

The cost of the intermediation services in player acquisitions or renewals is recognized as an increase in the acquisition cost and amortized on a straight line basis over the life of the player’s contract.

At the end of each reporting period, these intangible assets are assessed for indications of impairment. If there is objective and clear evidence that the Club’s sports intangible assets are impaired before the date of authorization for issue of the financial statements, the related impairment loss is recognized.

Player purchase options not exercised at the end of the reporting period are measured at acquisition cost, given the difficulties inherent in estimating the options’ fair value, as there are no active market or comparable transactions for these assets.

In general, players are derecognized at the date of disposal, transfer, cancellation of the contract, or expiry of the contractual rights over the players. Even though contact may have been initiated with other clubs, agents, or the players themselves, for the purpose of negotiating their departure from the Club, and given the difficulties and uncertainties that arise before signing agreements, in general, the related gain or cost is not recognized until either the sale or transfer contract has been signed, or until the player’s contract expires, since up to that moment there is no real transfer of rights and risks incidental to ownership of the contractual rights over the Club’s players. However, if at the end of the period the Club considers that certain players meet the requirements for the related sports intangible assets to be classified as non-current assets held for sale (Note 3.5), the player is reclassified to this item and measured in accordance with the policy explained in the related note.

3.2 OTHER NON-SPORTS INTANGIBLE ASSETS

Other intangible assets are initially recognized at acquisition cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, these intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

This type of intangible asset is recognized if, and only if, it is probable that it will generate future benefits for the Club, its cost can be measured reliably and it is identifiable.

Intangible assets are amortized on a systematic basis in accordance with their estimated useful life and residual value. Amortization methods and periods are reviewed at the end of each reporting period, and adjusted prospectively where applicable. Intangible assets are tested for impairment at least at each financial period end. If any such indication exists, the company estimates the recoverable amount and recognizes the related impairment.

- **Concessions**

This item includes expenditure made to obtain the concession for certain of the Club’s activities. These arrangements are amortized on a straight-line basis over the concession term of seven years. The Club’s concession assets are fully amortized.

This line item also includes the grant of an operator’s license for free-to-air broadcasting via TDT through a HD TV channel. The license was granted to the Club by the Ministry for Industry via Ministerial Order of November 19, 2015, following a public tender held in accordance with the tender terms approved by the Council of Ministers on April 17, 2015. The amount recognized is the present value of the fees payable for use of the concession over its 15-year term, which is also its amortization period.

- **Patents, licenses, trademarks, and similar rights**

This items reflects the amounts paid to register the Club's trademark. This asset is amortized on a straight-line basis over a period of 10 years.

- **Computer software and IT platforms**

These assets are amortized on a straight-line basis over periods ranging from three to four years. Software maintenance costs are recognized as an expense when incurred.

- **Other non-sports intangible assets**

This item includes:

a) Merchandising rights

Merchandising rights includes the value of rights repurchased by the Club on June 26, 1998, for €80,070 thousand, for merchandising, rights to use the sporting facilities, and adjacent bars and restaurants, audiovisual broadcasting rights to matches in European competitions, and static and dynamic in-game advertising and sponsorship of the football and basketball teams. These rights were amortized on a straight-line basis over periods ranging from four to 21 years, which ended the previous year, and were fully amortized at June 30, 2021 and 2020.

These rights also include other management and exploitation rights repurchased by the Club in 2002/03 over several boxes located in the Santiago Bernabéu Stadium from Palcos Blancos, S.L. for €9,423 thousand. These rights were fully amortized at June 30, 2021 and 2020.

Finally, this item includes the merchandising, image, website and distribution rights repurchased by the Club from the former owners of the discontinued Real Madrid Gestión de Derechos, S.L. subsidiary for €29,610 thousand. These rights were fully amortized at June 30, 2021 and 2020.

b) Exploitation rights to stadium boxes acquired in business combinations

This item includes the rights acquired in 2002/03 arising from the business combination carried out by the Club that year with Inversiones Incas 2000, S.L. and Real Madrid Eventos Deportivos, S.L. These two companies operated a number of boxes in the Santiago Bernabéu Stadium that were acquired by the Club that year for €955 thousand and €4,029 thousand, respectively. These rights were fully amortized at June 30, 2021 and 2020.

3.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment are measured initially at cost, determined as the purchase price or production cost, including all costs and expenses related directly to the assets acquired until they are in operating condition. Cost also includes the revaluations made in accordance with legislation (Note 2.5).

After initial recognition, property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment.

Borrowing costs arising from external financing to construct property, plant and equipment accrued until assets that required more than one year to be brought into working condition are ready to enter service are included in the purchase price or production cost of the asset.

Expenses for repairs that do not extend the useful life of the assets, as well as maintenance expenses, are taken to the income statement in the year incurred. Costs incurred to enlarge or improve items of property, plant and equipment which increase capacity or productivity or extend the useful life of the asset are capitalized as an increase in the value of the asset.

When available for use, property, plant and equipment are depreciated on a straight-line basis over their estimated useful life.

The years of estimated useful life of property, plant and equipment are as follows:

	YEARS OF USEFUL LIFE
Sports stadiums and pavilions	50
Other installations, equipment and furniture	10 – 25
Other property, plant and equipment	5 – 10

The Club reviews the assets' residual value, useful lives and depreciation methods at the end of each reporting year or period and adjusts them prospectively where applicable.

Items of property, plant and equipment are derecognized on disposal or when no future economic benefits are expected from them. The gain or loss on derecognition of an item of property, plant or equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the income statement for the year or period when the asset is derecognized.

3.4 INVESTMENT PROPERTIES

Investment property include assets held to earn rentals or for capital appreciation, as well as assets that are not used in operations and do not form part of the Club's ordinary course of business. The Santiago Bernabéu Stadium facilities leased to third parties are classified as investment properties.

The criteria set out for measuring and depreciating property, plant, and equipment are applied to investment properties.

3.5 NON-CURRENT ASSETS HELD FOR SALE

The Club classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use and provided that the following requirements are met:

- the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets;
- an active program to locate a buyer has been initiated; and
- the sale is highly probable within a year from the date of classification as a non-current asset held for sale.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. These assets are not depreciated and, where necessary, the corresponding impairment is recognized so that the carrying amount does not exceed the fair value less costs to sell.

When an asset no longer meets the conditions for classification as held for sale, it is reclassified according to its nature and measured at the lower of the carrying amount before it was classified as held for sale, adjusted for any depreciation, amortization or impairment that would have been recognized had the asset not been classified as held for sale, and the recoverable amount at the reclassification date. Any difference is recognized in the income statement according to its nature.

These measurement provisions do not apply to deferred tax assets, assets arising from employee benefits and financial assets not related to equity investments in group companies, jointly controlled companies and associates included in the category of assets non-current assets held for sale, which are covered by specific standards.

Any related liabilities that may be canceled when the asset is sold are classified under "Liabilities associated with non-current assets held for sale".

3.6 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Club assesses, at least at the end of each financial year or period, whether there is an indication that a non-current asset or, where applicable, a cash-generating unit, may be impaired. If any such indication exists, the Club estimates the asset's recoverable amount and recognizes an impairment.

Impairment and any reversals thereof are recognized in the income statement. Impairment losses are reversed only if the circumstances that gave rise to the impairment cease to exist. Impairment is only reversed up to the limit of the carrying amount of the asset that would have been determined had the impairment loss not been recognized.

To determine whether there are indications of impairment, the Club carries out the following analysis:

a) **Sports intangible assets / Sports property, plant and equipment**

For sports intangible assets, the Club considers that, due to the complexity of negotiations to determine market value upon acquisition of the sports intangible asset, the lack of an active and transparent market, the difficulties identifying comparable transactions and the significant changes in market value that can occur from one day to the next as a function of player performance and/or injuries, the differing economic circumstances of the selling and buying clubs, and the stance of players/agents, among others, in general it is not possible to determine the fair value of each of these assets objectively and reasonably until their sale. Nevertheless, the Club performs a detailed (individual and collective) analysis of the value of players' potential based on certain sports and financial parameters to identify whether there are any indications that a sports intangible asset may be impaired. If any clear indication or object evidence of impairment exists, the Club's management estimates the asset's recoverable amount based on the best information available at the date of authorization for issue of the financial statements and recognizes an impairment loss.

Sports property, plant, and equipment (e.g. sports stadiums and pavilions) present the same challenges to determine the market value, as there is no active and transparent market in which comparable transactions can be identified. To assess whether these assets may be impaired, the Club analyzes whether the income from these assets is sufficient to cover the related depreciation charges and other operating expenses.

b) **Other intangible assets, other property, plant and equipment and investment property**

The recoverable amount is the higher of fair value less costs to sell and value in use. The asset is considered impaired when its carrying amount exceeds its recoverable amount. The value in use is the present value of the expected future cash flows, discounted using a market risk-free rate and adjusted for any risks specific to the asset. For those assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In addition, the Club recognizes impairment on assets classified as non-current assets held for sale (Notes 2.3, 3.1 and 3.5).

3.7 LEASES

Arrangements are classified as finance leases when the economic conditions of the lease indicate that substantially all the risks and rewards incidental to ownership of the asset are transferred. All other lease arrangements are classified as operating leases.

- **Club as lessee**
  Operating lease payments are recognized as expenses in the income statement when accrued.

- **Club as lessor**
  Rental income from operating leases is recognized in the income statement when accrued.

3.8 FINANCIAL ASSETS

- **Classification and measurement**

Financial assets are classified for measurement purposes into one of the following categories: loans and receivables, available-for-sale financial assets, and equity investments in group companies.

The Club determines the classification of its financial assets at initial recognition and reviews the classification at the end of each financial year or reporting period.

a) **Loans and receivables**

The Club recognizes in this category trade and non-trade receivables, which include financial assets with fixed or determinable payments not traded in an active market for which the Company expects to recover all of its initial investment, for reasons other than credit deterioration.

Loans and receivables are initially measured at fair value. In the absence of evidence to the contrary, this is the transaction price, which is equivalent to the fair value of the consideration given plus directly attributable transaction costs.

The financial assets included in this category are subsequently measured at amortized cost. Nonetheless, trade receivables falling due within one year for which there is no contractual interest rate, and loans and advances to personnel, expected to be collected in the short term are measured initially and subsequently at their nominal amount, provided that the effect of not discounting the cash flows is not material.

Security deposits provided on operating leases are measured at the amount given, which does not differ significantly from fair value.

Amounts received or past-due amounts receivable related to multi-year contracts for the transfer of certain rights or the rendering of services that are deferred over time are recognized in the balance sheet on the liabilities side under “Non-current accruals” or “Current accruals” and, for the most part, taken to profit or loss on a straight-line basis over the life of the related contracts.

These amounts are classified as current (less than a year) or non-current (more than a year) depending on the period of settlement.

b) Available-for-sale financial assets

This category includes equity instruments not classified in any other financial asset category.

These assets are initially measured at fair value. In the absence of evidence to the contrary, this is the transaction price, which is equivalent to the fair value of the consideration given plus directly attributable transaction costs.

Available-for-sale assets are subsequently measured at fair value, without deducting any transaction costs incurred on disposal. Changes in fair value are accounted for directly in equity until the financial asset is derecognized or impaired, and subsequently in the income statement. Investments in equity instruments for which the fair value cannot be estimated reliably are measured at cost less any accumulated impairment.

- **Derecognition**

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or have been transferred, provided that substantially all the risks and rewards of ownership have been transferred.

If the Club has neither transferred nor retained substantially all the risks and rewards, it derecognizes the financial asset when it has not retained control over that asset. If the Club retains control over the asset, it continues to recognize the asset at the amount of the exposure to variability in the value of the transferred asset; that is, to the extent of its continuing involvement in the financial asset. The associated liability is also recognized.

The gain or loss on derecognition of the financial asset is determined as the difference between the consideration received net of attributable transaction costs, including any new asset obtained less any liability assumed, and the carrying amount of the financial asset, plus any accumulated amount recognized directly in equity. The gain or loss is recognized in profit or loss for the reporting period in which it arises.

3.9 IMPAIRMENT OF FINANCIAL ASSETS

The Club adjusts the carrying amount of financial assets with a charge to the income statement when there is objective evidence that the asset is impaired.

To determine impairment losses on financial assets, the Club assesses the potential loss of individual as well as groups of assets with similar risk exposure.

- **Debt instruments and other receivables**

  There is objective evidence that a debt instrument is impaired as a result of an event occurring after initial recognition and leading to a reduction or delay in estimated future cash flows.

  The Club classifies debt instruments as impaired assets (doubtful exposures) when there is objective evidence of impairment and when circumstances make it reasonable to classify collection of these assets as doubtful; these circumstances refers basically to the existence of unpaid balances, non-compliance issues, refinancing and data which evidence the possible irrecoverability of total agreed-upon future cash flows or a delay in their collection.

For financial assets measured at amortized cost, the amount of the impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate calculated upon initial recognition.

Reversals of impairment are recognized as income in the income statement up to the limit of the carrying amount of the financial asset that would have been recorded at the reversal date had the impairment loss not been recognized.

- **Equity instruments**

There is objective evidence that equity instruments are impaired as a result of one or more events that occurred after initial recognition giving rise to a failure to recover the carrying amount due to a significant or prolonged decline in the fair value.

The impairment loss is measured as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the present value of future cash flows from the investment. When estimating impairment, the investee's equity is taken into consideration, corrected for any unrealized gains existing at the measurement date. The losses are recognized in the consolidated income statement through a direct reduction in equity.

The reversal of an impairment loss is recognized in the income statement. The loss can only be reversed up to the limit of the carrying amount of the investment that would have been disclosed at the reversal date had the impairment loss not been recognized.

3.10 FINANCIAL LIABILITIES

- **Classification and measurement**

The Club determines the classification of its financial liabilities at initial recognition and reviews the classification at the end of each financial year or reporting period.

Financial liabilities are classified for measurement purposes into one of the following categories:

a) Debts and payables

This category includes financial liabilities arising on the purchase of goods and services in the course of the Club's trade operations, and non-trade payables that are not derivatives.

Financial liabilities included in this category are initially measured at fair value. In the absence of evidence to the contrary, this is the transaction price, which is equivalent to the fair value of the consideration, adjusted for directly attributable transaction costs.

The financial liabilities included in this category are subsequently measured at amortized cost. Accrued interest is recognized in the income statement using the effective interest rate method.

Nonetheless, trade payables falling due within one year for which there is no contractual interest rate expected to be paid in the short term are measured at their nominal amount, provided that the effect of not discounting the cash flows is immaterial.

b) Liabilities at fair value through profit or loss

This category includes financial derivatives not designated as hedging instruments.

These liabilities are measured initially at fair value, with any changes in fair value recognized in profit or loss for the financial year or reporting period.

- **Derecognition**

The Club derecognizes a financial liability when the obligation is extinguished.

3.11 INVENTORIES

Inventories are measured at purchase price. The purchase price comprises the amount invoiced by the seller, after deducting any discounts, rebates or other similar items, plus any additional costs incurred to bring the goods to a saleable condition.

As the Club's inventories do not require a period of more than one year to be in a saleable condition, purchase price or production cost does not include borrowing costs.

The Club uses the weighted average cost method to allocate value to inventories.

When the net realizable value of inventories is lower than cost, the Club recognizes an impairment loss with an expense in the income statement.

3.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, current accounts, short-term deposits and purchases of assets under resale agreements which meet the following criteria:

- They are convertible to cash,
- They have a maturity of three months or less from the date of acquisition,
- There is no significant risk of changes in value, and
- They form part of the Club's usual cash management strategy.

For the purposes of the statement of cash flows, cash may also include occasional overdrafts when these form an integral part of the Club's cash management.

3.13 GOVERNMENT GRANTS

Monetary grants are measured at the fair value of the consideration awarded.

Grants are classified as non-refundable when the conditions attaching to them are met, at which time they are recognized directly in equity, net of the related tax effect.

Repayable grants are recognized as liabilities until they meet the criteria for classification as non-repayable. Until then, no income is recorded.

Grants awarded to finance specific expenses are recognized as income in the reporting period in which the financed expenses are incurred. Grants awarded to acquire assets or settle liabilities are recognized as income for the reporting period in proportion with the amortization or depreciation charges for those assets.

3.14 PROVISIONS

The Club recognizes provisions when it has a present obligation (legal, contractual, constructive or tacit) arising from past events that is known before the end of the financial year or reporting period, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

In other situations where no present obligation exists yet or there is clear uncertainty with respect to the outcome of an event (e.g. claims, appeals), the Club and its legal or tax advisors assess the prospects of a future event that could result in a gain or loss for the Club. If the future occurrence of a particular event is highly probably, the resulting contingent asset or liability is estimated.

Provisions are measured at the present value of the best estimate of the amount required to settle the obligation or transfer it to a third party. Adjustments arising from the discounting of the provision are recognized as a finance expense when accrued. Provisions expiring within one year are not discounted where the financial effect is not material. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the obligation at the date of authorization for issue of the financial statements.

3.15 LIABILITIES ARISING FROM LONG-TERM EMPLOYEE BENEFITS

Neither the Club employees to which its collective labor agreement is applicable nor management are entitled to any supplementary pension benefits.

3.16 INCOME TAX

Income tax expense for the year is calculated as the sum of current tax resulting from applying the corresponding tax rate to taxable profit for the year, less deductions and other tax relief, and changes during the period in recognized deferred tax assets and liabilities. The tax expense is recognized in the income statement, except when it relates to transactions recognized directly in equity, in which case the related tax is likewise recognized in equity.

Deferred taxes are recognized for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. The tax base of an asset or liability is the amount attributed to it for tax purposes.

The tax effect of temporary differences is included in “Deferred tax assets” or “Deferred tax liabilities” on the balance sheet, as applicable.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities using the tax rates prevailing at the reporting date, including any other adjustments for taxes from prior years.

The Club recognizes deferred tax liabilities for all temporary differences, except where disallowed under prevailing tax legislation.

The Club recognizes deferred tax assets for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred assets are recognized to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized, except where disallowed by prevailing tax legislation.

At the end of each reporting period, the Club reassesses recognized and previously unrecognized deferred tax assets. Based on this analysis, the Club then derecognizes previously recorded deferred tax assets when recovery is no longer probable, or recognizes a previously unrecorded deferred tax asset to the extent that it is probable that future taxable profit will be available against which it can be utilized.

Deferred tax assets and liabilities are measured using the tax rates expected to prevail upon their reversal, based on tax legislation approved, and in accordance with the manner in which the assets are reasonably expected to be recovered and liabilities settled.

Deferred tax assets and deferred tax liabilities are not discounted and are classified as non-current assets or non-current liabilities.

3.17 CLASSIFICATION OF CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

Assets and liabilities are classified in the balance sheet as current or non-current. Accordingly, assets and liabilities are classified as current when they are associated with the Club’s normal operating cycle and it is expected that they will be sold, consumed, realized or settled within that cycle; they are expected to mature, or to be sold or realized within one year; they are held for trading; or are cash and cash equivalents whose use is not restricted for a period of over one year.

3.18 REVENUE AND EXPENSES

In accordance with the accruals principle, revenue and expenses are recognized when the goods or services represented by them take place, regardless of when actual payment or collection occurs. Amounts received in a period related to income of the subsequent period are recognized under liabilities in the balance sheet as current or non-current accruals, as appropriate.

Revenue is recognized when it is probable that the profit or economic benefits associated with the transaction will flow to the Club and the amount of revenue and costs incurred or to be incurred can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, less any trade discounts, rebates or similar items granted by the Club. The following specific recognition criteria must also be met before revenue is recognized:

- Membership fees, ticket sales and stadium revenue: recognized in the period in which they are accrued.
- Revenue from international and friendly matches, broadcasting and marketing: recognized in the period in which they are accrued.
- Interest income: recognized as the interest accrues.

3.19 FOREIGN CURRENCY TRANSACTIONS

The Club's functional and presentation currency is the euro.

Foreign currency transactions are translated into euros at the spot exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are translated at the spot rate prevailing at the reporting date.

Exchange gains or losses arising on this process and on settlement of these assets and liabilities are recognized in the income statement for the financial year or reporting period in which they occur.

3.20 JOINT OPERATIONS

In the year ended June 30, 2018, the Club signed a participation account agreement related to management of its sponsorship revenue (Note 17.1.5), as regulated by articles 239 to 243 of the Spanish Commercial Code. The Club, acting as "manager participant," recognizes any operating profit or loss related to management of its sponsorship income, calculated in accordance with the annual contribution of the "non-managing participant."

3.21 ENVIRONMENTAL ASSETS AND LIABILITIES

Expenses relating to decontamination and restoration work in contaminated areas, as well as the elimination of waste and other expenses incurred to comply with environmental protection legislation, are recognized in the year in which they are incurred, unless they correspond to purchases of assets incorporated in equity to be used over an extended period. In this case, they are recognized in the corresponding line of "Property, plant and equipment" and depreciated using the same criteria as described in Note 3.3 above.

At June 30, 2021 and 2020, the Club had not incurred any such environmental expenditure or recognized any property, plant or equipment of this kind in the balance sheet.

3.22 RELATED PARTY TRANSACTIONS

Related party transactions are measured using the same criteria described above.

The Club considers members of the Club's Board, key managers, the Real Madrid Foundation and the Chinese subsidiary Real Madrid Consulting (Beijing) Co, Ltd. as related parties.

4. SPORTS INTANGIBLE ASSETS AND NON-CURRENT ASSETS HELD FOR SALE

The breakdown and movement in sports intangible assets are as follows:

2020/2021

€ THOUSAND	OPENING BALANCE	ADDITIONS AND ALLOWANCES	DISPOSALS	TRANSFERS FROM CURRENT (*)	TRANSFERS TO CURRENT (*)	CLOSING BALANCE
Football						
Cost	953,813	44,647	(32,291)	23,937	-	990,106
Accumulated amortization	(419,600)	(158,173)	16,702	-	-	(561,071)
Impairment	-	-	-	-	-	-
Net carrying amount football	**534,213**	**(113,526)**	**(15,589)**	**23,937**	**-**	**429,035**
Basketball						
Cost	9,568	10	(668)	-	-	8,910
Accumulated amortization	(8,975)	(290)	504	-	-	(8,761)
Impairment	-	-	-	-	-	-
Net carrying amount basketball	**593**	**(280)**	**(164)**	**-**	**-**	**149**
TOTAL NET CARRYING AMOUNT	**534,806**	**(113,806)**	**(15,753)**	**23,937**	**-**	**429,184**

* Transfers to/from current = Transfers to/from non-current assets held for sale.

2019/2020

€ THOUSAND	OPENING BALANCE	ADDITIONS AND ALLOWANCES	DISPOSALS	TRANSFERS FROM CURRENT (*)	TRANSFERS TO CURRENT (*)	CLOSING BALANCE
Football						
Cost	593,601	322,764	(14,185)	87,539	(35,906)	953,813
Accumulated amortization	(283,421)	(158,865)	10,717	-	11,969	(419,600)
Impairment	-	(16,476)	-	-	16,476	-
Net carrying amount football	**310,180**	**147,423**	**(3,468)**	**87,539**	**(7,461)**	**534,213**
Basketball						
Cost	10,293	425	(1,150)	-	-	9,568
Accumulated amortization	(9,570)	(323)	918	-	-	(8,975)
Impairment	-	-	-	-	-	-
Net carrying amount basketball	**723**	**102**	**(232)**	**-**	**-**	**593**
TOTAL NET CARRYING AMOUNT	**310,903**	**147,525**	**(3,700)**	**87,539**	**(7,461)**	**534,806**

* Transfers to/from current = Transfers to/from non-current assets held for sale.

4.1 DESCRIPTION OF THE MAIN MOVEMENTS IN THE PERIOD

Additions of sports intangible assets relate to investments in new players for the professional football and basketball teams and include the amount of transfers and other acquisition costs incurred in the related transactions.

The acquisition cost recorded in the period for intermediation services was €13,968 thousand (2020: €44,785 thousand).

Transfers relate to the reclassifications explained in Note 4.2 Non-current assets held for sale.

As explained in Note 3.6, the Club recognizes impairment when there are clear indications and evidence of impairment of its sports intangible assets up to the date of authorization of the financial statements. Impairment losses are reversed only if the circumstances that gave rise to the impairment cease to exist.

In this respect, the Club, where required and based on the best information available at the date of authorization for issue of the financial statements, recognized impairment losses the previous year with a reduction to realizable value for a total of €16,476 thousand (Note 17.5).

4.2 NON-CURRENT ASSETS HELD FOR SALE

The breakdown and movement in non-current assets held for sale are as follows:

2020/2021

€ THOUSAND	OPENING BALANCE	ADDITIONS AND ALLOWANCES	DISPOSALS, REVERSALS AND AMOUNTS UTILIZED	TRANSFERS TO NON-CURRENT (*)	TRANSFERS FROM NON-CURRENT (*)	CLOSING BALANCE
Football						
Cost less amortization	23,937	-	-	(23,937)	-	-
Impairment	(16,476)	-	16,476	-	-	-
Total net carrying amount	**7,461**	**-**	**16,476**	**(23,937)**	**-**	**-**

* Transfers to/from non-current = Transfers to/from sports intangible assets.

2019/2020

€ THOUSAND	OPENING BALANCE	ADDITIONS AND ALLOWANCES	DISPOSALS, REVERSALS AND AMOUNTS UTILIZED	TRANSFERS TO NON-CURRENT (*)	TRANSFERS FROM NON-CURRENT (*)	CLOSING BALANCE
Football						
Cost less amortization	125,268	-	(37,729)	(87,539)	23,937	23,937
Impairment	(46,333)	-	46,333	-	(16,476)	(16,476)
Total net carrying amount	**78,935**	**-**	**8,604**	**(87,539)**	**7,461**	**7,461**

* Transfers to/from non-current = Transfers to/from sports intangible assets.

As explained in Note 3.5, the Club classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use and provided that the following requirements are met: the asset is available for immediate sale, an active program to locate a buyer has been initiated, and the sale is highly probable within a year. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

At the end of the previous reporting period the Club reclassified certain sports intangible assets that met these requirements to non-current assets held for sale. The net amount reclassified was €7,461 thousand. which related to the assets' fair value less costs to sell.

These assets were not derecognized in the end and since they no longer met the requirements for consideration as non-current assets held for sale, the Club reclassified them to sports intangible assets at their carrying amount before classification as non-current assets; i.e. €23,937 thousand (2020: €87,539 thousand). It also reversed €16,476 thousand of impairment losses recognized in the previous season (2020: €42,501 thousand) for these assets since the circumstances that gave rise to them no longer existed (Note 17.5).

4.3 OTHER INFORMATION

Through June 30, 2021, the Club obtained revenue of approximately €121,302 thousand (2020: €138,807 thousand) on disposals from the transfer of rights over several players to other clubs. The net gain from all disposals after deducting the carrying amount amounted to €105,549 thousand (2020: €101,210 thousand) (Note 17.5).

Fully amortized player acquisition rights at June 30, 2021 amounted to €41,254 thousand (2020: €6,025 thousand).

There were no firm investment commitments at either June 30, 2021 or June 30, 2020 There were also no firm player transfer commitments at either date.

There were no player purchase options measured at either June 30, 2021 or June 30, 2020.

The average duration of the contracts of players signed to the Professional Football League (LFP for its initials in Spanish) is five years.

The Real Madrid Club's policy is to arrange the insurance policies necessary to cover any risk to which members of its professional football and basketball squads may be exposed.

5. OTHER INTANGIBLE ASSETS

The breakdown and movement in this item are as follows:

2020/2021

€ THOUSAND	OPENING BALANCE	ADDITIONS AND ALLOWANCES	DISPOSALS	TRANSFERS	CLOSING BALANCE
Cost:					
Concessions	3,159	-	(225)	-	2,934
Patents, licenses, trademarks, and similar rights	1,861	59	(808)	-	1,112
Computer software	16,083	53	(4,304)	1,041	12,873
Other intangible assets	125,047	-	-	-	125,047
Advances	1,305	500	-	(1,041)	764
Total cost	**147,455**	**612**	**(5,337)**	**-**	**142,730**
Accumulated amortization:					
Concessions	(2,418)	(65)	-	-	(2,483)
Patents, licenses, trademarks, and similar rights	(1,288)	(108)	807	-	(589)
Computer software	(15,210)	(485)	4,304	-	(11,391)
Other intangible assets	(125,045)	-	-	-	(125,045)
Total accumulated amortization	**(143,961)**	**(658)**	**5,111**	**-**	**(139,508)**
Impairment:					
Computer software	**(45)**	**-**	**-**	**-**	**(45)**
NET CARRYING AMOUNT	**3,449**	**(46)**	**(226)**	**-**	**3,177**

2019/2020

€ THOUSAND	OPENING BALANCE	ADDITIONS AND ALLOWANCES	DISPOSALS	TRANSFERS	CLOSING BALANCE
Cost:					
Concessions	3,159	-	-	-	3,159
Patents, licenses, trademarks, and similar rights	1,805	56	-	-	1,861
Computer software	15,609	13	-	461	16,083
Other intangible assets	125,047	-	-	-	125,047
Advances	429	1,337	-	(461)	1,305
Total cost	**146,049**	**1,406**	**-**	**-**	**147,455**
Accumulated amortization:					
Concessions	(2,348)	(70)	-	-	(2,418)
Patents, licenses, trademarks, and similar rights	(1,186)	(102)	-	-	(1,288)
Computer software	(13,383)	(1,827)	-	-	(15,210)
Other intangible assets	(125,045)	-	-	-	(125,045)
Total accumulated amortization	**(141,962)**	**(1,999)**	**-**	**-**	**(143,961)**
Impairment:					
Computer software	**(45)**	**-**	**-**	**-**	**(45)**
NET CARRYING AMOUNT	**4,042**	**(593)**	**-**	**-**	**3,449**

Note 3.2 "Other intangible assets" describes the most significant operating rights held by the Club at June 30, 2021.

5.1 OTHER INFORMATION

The following table presents a summary of the cost of fully-amortized other intangible assets:

€ THOUSAND	6/30/2021	6/30/2020
Concessions	2,103	2,103
Patents, licenses, trademarks, and similar rights	-	806
Computer software	10,630	14,406
Other intangible assets	125,047	125,047
	137,780	**142,362**

6. PROPERTY, PLANT AND EQUIPMENT

The breakdown and movement in this item are as follows:

2020/2021

€ THOUSAND	OPENING BALANCE	ADDITIONS AND ALLOWANCES	DISPOSALS	TRANSFERS	CLOSING BALANCE
Cost:					
Sports stadiums and pavilions	324,264	-	(229)	359	324,394
Other land and buildings	64,699	175	-	3,239	68,113
Technical installations and other items	118,229	572	(2,533)	969	117,237
Under construction and advances	119,657	165,982	(8)	(4,567)	281,064
Total cost	**626,849**	**166,729**	**(2,770)**	**-**	**790,808**
Accumulated depreciation:					
Sports stadiums and pavilions	(108,230)	(6,896)	70	-	(115,056)
Other buildings	(10,420)	(1,763)	-	-	(12,183)
Technical installations and other items	(83,295)	(6,677)	2,535	-	(87,437)
Total accumulated depreciation	**(201,945)**	**(15,336)**	**2,605**	**-**	**(214,676)**
Impairment					
Buildings and other property, plant, and equipment	**(727)**	**-**	**-**	**-**	**(727)**
NET CARRYING AMOUNT	**424,177**	**151,393**	**(165)**	**-**	**575,405**

2019/2020

€ THOUSAND	OPENING BALANCE	ADDITIONS AND ALLOWANCES	DISPOSALS	TRANSFERS	CLOSING BALANCE
Cost:					
Sports stadiums and pavilions	323,965	-	(201)	500	324,264
Other land and buildings	64,378	35	-	286	64,699
Technical installations and other items	114,871	1,396	(83)	2,045	118,229
Under construction and advances	34,694	87,794	-	(2,831)	119,657
Total cost	**537,908**	**89,225**	**(284)**	**-**	**626,849**
Accumulated depreciation:					
Sports stadiums and pavilions	(101,408)	(6,969)	147	-	(108,230)
Other buildings	(9,002)	(1,418)	-	-	(10,420)
Technical installations and other items	(76,427)	(6,920)	52	-	(83,295)
Total accumulated depreciation	**(186,837)**	**(15,307)**	**199**	**-**	**(201,945)**
Impairment					
Buildings and other property, plant, and equipment	**(727)**	**-**	**-**	**-**	**(727)**
NET CARRYING AMOUNT	**350,344**	**73,918**	**(85)**	**-**	**424,177**

6.1 DESCRIPTION OF THE MAIN MOVEMENTS IN THE PERIOD

Aside from minor investments in the Sports City, additions in the year related entirely to work on the Santiago Bernabéu Stadium remodeling project.

On May 8, 2019, the Board of Directors awarded the remodeling contract to FCC Construcción, with a term of 39 months. The remodeling work was carried out without affecting the matches scheduled or the stadium's normal activities until they were halted due to the state of alarm for the COVID-19 pandemic declared in March 2020. After the sporting activity resumed last June, the matches were held at the Alfredo Di Stéfano Stadium without spectators, which helped execution of the work according to schedule.

The new stadium will present an immersive and avant-garde image thanks to a skin of steel bands and variable lines that will allow it to illuminate and project images. The project includes a fixed and retractable roof over the playing field, protecting all seats. The shopping center will be torn down and two new towers built on paseo de la Castellana to make the stadium safer and to make access and evacuation easier. Spectator traffic will be safer and smoother, with new ramps, escalators, elevators and more entrance doors. This reform will remove architectural barriers and make room for nearly 1,000 new seats for people with various abilities. Work will also be carried out to enhance the entire urban surrounding, with a large square on the Castellana of more than 20,000 square meters and another on the corner of Padre Damián of 5,500 square meters. Call Rafael Salgado Street will be turned into a pedestrian street and the entire surroundings will be improved with a project covering over 66,000 square meters. All the spaces and galleries inside the stadium will be transformed so spectators can enjoy a new entertainment and service offering. The current museum near the La Castellana will be much bigger and a new interactive museum will be created and equipped with the latest virtual reality technologies. The experience of the Bernabéu Tour will be extended with the creation of a panoramic tour around the entire stadium and a new entertainment and food service offering, making it one of the main attractions for tourists visiting Madrid. It will be a new stadium, with new, cutting edge stores and a broader offering and type of restaurants and gastronomic experiences. Technology will be pioneering and an essential feature of this major reform, with a spectacular video scoreboard that will be one of the most emblematic features of the new Santiago Bernadéu Stadium. It will be a large digital stadium that turns into a large technological platform for interacting with fans, leading a real digital transformation.

The new Santiago Bernabéu Stadium is one of Real Madrid's biggest projects for the future, aiming to become a benchmark for the 21st century and an avant-garde and universal icon. It will be a modern, cutting edge stadium, with maximum comfort and safety, using latest generation technology making it a venue where fans can feel one-of-a-kind sensations, as well as a new and important source of revenue for the Club. The new stadium will enable the Club to continue growing. The cost will be recouped with the new revenue generated from the reform. The new Santiago Bernabéu Stadium will not only mean considerable improvement for the Club, but also for its surroundings. It will also enable Real Madrid to remain competitive in an increasingly tough international football environment.

To fund the remodeling project, the Real Madrid Board of Directors, under authorization by the General Assembly of Delegated Members held on September 23, 2018, arranged financing of €575 million for a term of 30 years and a fixed rate of 2.5%. The financing was structured through a loan with three drawdowns, one each in July 2019, July 2020 and July 2021, in line with scheduled payments for the works. The facility also includes a three-year grace period for repayment of principal. Therefore, Real Madrid will pay a fixed annual amount of approximately €29.5 million as from July 30, 2023, until maturity on July 30, 2049. Real Madrid closed the deal without having to provide any mortgage guarantees (only pledges on certain stadium revenue) or accepting any restrictions on the Club's management or debt (only compliance with a certain coverage ratio between the pledged stadium revenue and debt service), so it can carry out its normal activity with no impact from payment of the works. At June 30, 2021, the Club made its first two drawdowns, for an aggregate amount of €375 million.

6.2 URBAN DEVELOPMENT UNITS

The Club acquired urban development units to existing plots in the Valdebebas area. These units were registered with the respective property registers (as an annotation in the original property inscription).

These development units have, for all intents and purposes, the same consideration as the land contributed, since the units are ultimately what generate the right to obtain a plot adjudication once the Reparcelling Project is prepared. In fact, both the purchase deeds and the registry inscriptions establish that these units will be applied to the resulting plot earmarked for private sports usage in the amount of 16,401.6 development units and approximately 1,200,000m2 of land under the Reparcelling Project.

Real Madrid Club de Fútbol presented these development rights to the "Parque de Valdebebas" Compensation Board, and on November 25, 2009, definite approval was received from the Madrid City Council through administrative channels for the Reparcelling Project, by virtue of which Real Madrid won the replacement plot. Real Madrid Club de Fútbol was duly registered as the owner of said plot in Madrid Property Registries 11 and 33.

Following the definitive approval of the Reparcelling Project, the Madrid taxation authorities issued payment notices to the former owners for capital gains tax arising from the increase in the value of the related urban land. These payment notices were appealed, since both the former owners and the Club disagree, given that the Club assumed the obligation to pay or put up surety for this tax in the purchase deeds. Prior to the appeals process, the Club provided the required guarantees for the amounts claimed, which total €10 million (Note 13.3). The majority of the rulings in the appeals process have been in favor of the Club. It will be able to release the bulk of the amount guaranteed once the rulings are final and the guarantee is released.

6.3 OPERATING LEASES

- **Club as lessee**

At June 30, 2021 and 2020, the Club had entered into operating leases on certain items of property, plant, and equipment, primarily buildings, technical installations and computer hardware. The lease terms range from one to five years, depending on the leased asset. In most cases, the leases are updated in accordance with the annual CPI. The Club is in no way encumbered by virtue of these leases.

Payments in the year ended June 30, 2021 on these leases amounted to €2,310 thousand (Note 17.4) (2020: €1,800 thousand).

Future minimal rentals payable under operating leases are as follows:

€ THOUSAND	6/30/2021	6/30/2020
Within one year	2,090	2,102
After one year but not more than five years	2,295	3,130
More than 5 years	-	-
	4,385	**5,232**

6.4 OTHER INFORMATION

At June 30, 2021, fully depreciated items of property, plant, and equipment, mainly technical installations, amounted to €58,093 thousand (2020: €55,496 thousand).

As explained in Note 3.3, borrowing costs in 2020/2021 amounting to €8,704 thousand were capitalized (2020: €2,143), related to the interest accrued in the period on the tranches drawn down of the loan to fund the remodeling project (Note 6.1).

At June 30, 2021, the Club had purchase commitments with suppliers for a small portion of the total estimated costs of the Santiago Bernabéu Stadium remodeling project (Note 6.1).

The Club's policy is to arrange the insurance policies necessary to cover the risks to which its property, plant and equipment are exposed.

In previous years, the Club received a grant related to assets amounting to €9,607 thousand to finance the acquisition of property, plant and equipment. The breakdown of these assets is as follows:

2020/2021

€ THOUSAND	COST	ACCUMULATED DEPRECIATION	NET CARRYING AMOUNT
Buildings	9,607	(4,290)	5,317

2019/2020

€ THOUSAND	COST	ACCUMULATED DEPRECIATION	NET CARRYING AMOUNT
Buildings	9,607	(4,097)	5,510

At June 30, 2021, this grant was recognized in equity for an amount of €3,988 thousand (Note 12) (2020: €4,132 thousand) and in deferred tax liabilities for €1,330 thousand (2020: €1,378 thousand) (Note 16.2).

7. INVESTMENT PROPERTIES

The breakdown and movement in this item are as follows:

2020/2021

€ THOUSAND	OPENING BALANCE	ADDITIONS AND ALLOWANCES	DISPOSALS	TRANSFERS	CLOSING BALANCE
Cost					
Land	13,620	-	-	-	13,620
Buildings	379	-	-	-	379
Installations	48	-	-	-	48
Construction in progress	15	-	-	-	15
Total cost	**14,062**	**-**	**-**	**-**	**14,062**
Accumulated depreciation					
Buildings	(107)	(8)	-	-	(115)
Installations	(44)	(1)	-	-	(45)
Total accumulated depreciation	**(151)**	**(9)**	**-**	**-**	**(160)**
Impairment					
Buildings	-	-	-	-	-
Land	(2,740)	-	-	-	(2,740)
Construction in progress	-	-	-	-	-
Total impairment	**(2,740)**	**-**	**-**	**-**	**(2,740)**
NET CARRYING AMOUNT	**11,171**	**(9)**	**-**	**-**	**11,162**

2019/2020

€ THOUSAND	OPENING BALANCE	ADDITIONS AND ALLOWANCES	DISPOSALS	TRANSFERS	CLOSING BALANCE
Cost					
Land	13,620	-	-	-	13,620
Buildings	379	-	-	-	379
Installations	48	-	-	-	48
Construction in progress	15	-	-	-	15
Total cost	**14,062**	**-**	**-**	**-**	**14,062**
Accumulated depreciation					
Buildings	(99)	(8)	-	-	(107)
Installations	(43)	(1)	-	-	(44)
Total accumulated depreciation	**(142)**	**(9)**	**-**	**-**	**(151)**
Impairment					
Buildings	-	-	-	-	-
Land	(2,369)	(371)	-	-	(2,740)
Construction in progress	-	-	-	-	-
Total impairment	**(2,369)**	**(371)**	**-**	**-**	**(2,740)**
NET CARRYING AMOUNT	**11,551**	**(380)**	**-**	**-**	**11,171**

"Land" includes mainly the plots related to the agreement signed with the Madrid City Council, and correspond to the sale of plots 1, zones 1 and 3, 4 and 5 zone 2 of the API 11.12 "Mercedes Arteaga, Jacinto Verdaguer" and the TER. 02. 189-A1 tertiary plot of the 4.01 UPN "Ciudad Aeroportuaria parque de Valdebebas" obtained through the segregation of the TER. 02 189-A plot.

"Buildings" includes mainly capital expenditure by the Club to equip a number of premises for hospitality and catering usage, operated by third parties which pay Real Madrid a royalty. The direct royalty revenue generated by this activity in the year ended June 30, 2021 amounted to €158 thousand (2020: €1,257 thousand).

Impairment was recognized on the real estate assets, based on market value for land and expectations regarding use for buildings.

Future minimal rentals receivable under operating leases are as follows:

€ THOUSAND	6/30/2021	6/30/2020
Within one year	158	158
After one year but not more than five years	2,631	2,431
More than five years	1,315	1,973
	4,104	**4,562**

8. FINANCIAL ASSETS

The breakdown and movement in this item are as follows:

2020/2021

€ THOUSAND	EQUITY INSTRUMENTS	LOANS AND OTHER FINANCIAL ASSETS	TOTAL
NON-CURRENT FINANCIAL ASSETS			
Non-current financial assets			
Loans and receivables:			
Non-current investments	-	74,964	74,964
Available-for-sale financial assets			
Non-current investments	2,345	-	2,345
	2,345	**74,964**	**77,309**
CURRENT FINANCIAL ASSETS			
Current financial assets			
Loans and receivables			
Trade and other receivables (*)	-	180,868	180,868
Cash and cash equivalents (Note 10)	-	266,474	266,474
	-	**447,342**	**447,342**
TOTAL FINANCIAL ASSETS	**2,345**	**522,306**	**524,651**

(*) Does not include public administrations.

2019/2020

€ THOUSAND	EQUITY INSTRUMENTS	LOANS AND OTHER FINANCIAL ASSETS	TOTAL
NON-CURRENT FINANCIAL ASSETS			
Non-current financial assets			
Loans and receivables:			
Non-current investments	-	72,631	72,631
Available-for-sale financial assets			
Non-current investments	345	-	345
	345	**72,631**	**72,976**
CURRENT FINANCIAL ASSETS			
Current financial assets			
Loans and receivables			
Trade and other receivables (*)	-	202,392	202,392
Cash and cash equivalents (Note 10)	-	134,945	134,945
	-	**337,337**	**337,337**
TOTAL FINANCIAL ASSETS	**345**	**409,968**	**410,313**

(*) Does not include public administrations.

8.1 NON-CURRENT FINANCIAL ASSETS

The breakdown and movement in this item are as follows:

2020/2021

€ THOUSAND	OPENING BALANCE	INCREASES	DISPOSALS	TRANSFERS TO CURRENT	CLOSING BALANCE
Equity instruments	345	2,000	-	-	2,345
Non-current receivables from sports entities for player transfers	46,438	60,184	-	(50,733)	55,889
Other non-current receivables	26,193	1,200	(39)	(10,278)	17,076
Other financial assets	-	3,249	-	(1,250)	1,999
Total non-current financial assets	**72,976**	**66,633**	**(39)**	**(62,261)**	**77,309**

2019/2020

€ THOUSAND	OPENING BALANCE	INCREASES	DISPOSALS	TRANSFERS TO CURRENT	CLOSING BALANCE
Equity instruments	345	-	-	-	345
Non-current receivables from sports entities for player transfers	56	75,941	-	(29,559)	46,438
Other non-current receivables	29,424	-	-	(3,231)	26,193
Total non-current financial assets	**29,825**	**75,941**	**-**	**(32,790)**	**72,976**

- "Equity instruments" includes the Club's ownership interests in several unlisted entities that organize competitions in which the Club's professional teams participate and over which the Club exercises neither control nor significant influence. The Club has measured these investments at cost rather than at fair value, as it does not have sufficient information to determine their fair value reliably.
- "Non-current receivables from sports entities for player transfers" includes the amounts receivable from a number of sports entities primarily relating to the sale of rights over professional players. These amount do not accrue explicit interest. The detail by maturity is as follows:

€ THOUSAND	6/30/2021	6/30/2020
Year 2	34,724	41,462
Year 3	9,356	4,976
Year 4 and beyond	11,809	-
	55,889	**46,438**

The aforementioned amounts are recognized using the amortized cost method, which includes the financial effect of discounting. Accrued finance income in the year ended June 30, 2021 amounted to €568 thousand (2020: €569 thousand) (Note 17.6).

Additions during the year corresponded mainly to the sale of player transfer rights. Transfers to current liabilities include balances on loans which fall due within one year from the date of the accompanying balance sheet.

- The amount of "Other non-current receivables" related mainly to sports personnel contract bonuses accruing in the long term.
- "Other financial assets" includes amounts receivable on player transfers from non-sports entities.

8.2 TRADE AND OTHER RECEIVABLES

The breakdown of "Trade and other receivables" is as follows:

€ THOUSAND	6/30/2021	6/30/2020
Trade receivables		
Stadium revenues	364	4,570
Broadcasting rights	4,905	454
Marketing revenues	42,886	108,855
	48,155	113,879
Receivables from sports entities		
Player transfers	83,160	44,397
Other	14,054	10,397
	97,214	54,794
Other financial assets		
Other receivables	1,650	-
Personnel	10,323	10,574
	11,973	10,574
Total financial assets	**157,342**	**179,247**
Current tax assets and other (Note 16)	2,085	12,774
Other receivables from public administrations (Note 16)	-	2,010
Madrid City Council for the EU Las Tablas proceedings (Note 13.4)	23,526	23,145
Total receivables from public administrations	**25,611**	**37,929**
TOTAL TRADE AND OTHER RECEIVABLES	**182,953**	**217,176**

The decrease in "Marketing revenues" was due mainly to the amounts collected during the period from deferred payment arrangements reached the previous period with sponsors due to COVID-19.

- **Trade receivables**

The balance of "Trade receivables" is presented net of impairment. The movement in impairment losses is as follows:

€ THOUSAND	6/30/2021	6/30/2020
Initial impairment	16,828	14,617
Charge for the year (Note 17.4)	2,244	3,860
Utilized (Note 17.4)	(182)	(683)
Unused amounts reversed (Note 17.4)	(2,665)	(966)
Transfer in the year	(7)	-
Final impairment	**16,218**	**16,828**

The breakdown of foreign currency balances included in this item at June 30, 2021 is as follows:

2020/2021

THOUSANDS	FOREIGN CURRENCY AMOUNT	EURO AMOUNT
US dollars	2,876	2,420
Australian dollars	24	15
Total		**2,435**

El desglose de los saldos en moneda distinta del euro a 30 de junio de 2020, incluidos en esta cuenta, es el siguiente:

2019/2020

THOUSANDS	FOREIGN CURRENCY AMOUNT	EURO AMOUNT
US dollars	1,732	1,546
Australian dollars	23	14
Total		**1,560**

- **Current receivables from sports entities**

The balance of "Current receivables from sports entities" is presented net of impairment. The movement in impairment losses is as follows:

€ THOUSAND	6/30/2021	6/30/2020
Initial impairment	179	178
Charge for the year (Note 17.4)	-	1
Utilized	-	-
Unused amounts reversed (Note 17.4)	(29)	(28)
Transfer in the year	28	28
Final impairment	**178**	**179**

"Other receivables from sports entities" at June 30, 2021 includes a balance with the Professional Football League of €6,108 thousand confirmed with the latter (2020: €4,217 thousand).

There were no significant foreign currency balances at June 30, 2021 and 2020.

9. INVENTORIES

The value of inventories in the balance sheet as at June 30, 2021 was €5,725 thousand, including a write-down of €292 thousand (2020: €3,141 thousand with no write-down).

10. CURRENT INVESTMENTS, CASH AND CASH EQUIVALENTS

The breakdown of these items is as follows:

€ THOUSAND	6/30/2021	6/30/2020
Demand current accounts	266,474	134,945
Cash and cash equivalents	**266,474**	**134,945**

The large cash balance at June 30, 2021, was mostly the result of the second drawdown, on July 30, 2020, of the loan to finance the Santiago Bernabéu stadium remodelling project, of €275,000 thousand (Note 6.1). Amounts on this loan can only be drawn down to make payments related to the project.

11. EQUITY – CAPITAL AND RESERVES

The breakdown and movement in "Capital and reserves" are shown in the statement of changes in equity.

- **Reserves**

"Reserves" consists mainly of the initial endowment and subsequent contributions arising from the distribution of profits.

In addition, the impact of the transition to the new General Accounting Plan in Spain were recognized under this item which, as required therein, must be recorded in unrestricted reserve accounts.

- **Revaluation reserve RD 7/96**

The revaluation reserve allocated by the Club in the 1996/1997 financial year may be used to offset tax losses or to increase the "Reserves" account or unrestricted reserves, once the revalued assets have been fully depreciated or derecognized from inventories.

- **Revaluation reserve law 16/2012**

In the 2013/2014 financial year the Club availed itself of the balance sheet revaluation provided in Law 16/2012 of December 27 (Note 2.5). Amounts arising from the accounting revaluations were recognized under "Revaluation Reserve Law 16/2012 of December 27". Since the period for verifying the revaluation by the Taxation Authorities has expired, the balance of this account may be used to offset losses and increase share capital, or after 10 years have transpired from the date of the balance sheet in which the revaluations were made, allocated to unrestricted reserves. This balance may only be distributed, indirectly or directly, when the revalued assets have either been fully depreciated, disposed of or derecognized.

- **Capitalization reserve**

In accordance with article 25 of Corporate Income Tax (CIT) Law 27/2014, of November 27, the Club includes in the calculation of income tax a reduction in taxable income for the year of 10% of the increase in equity of the prior year, up to 10% of taxable income for the year.

In the 2017/2018 financial year, the Club allocated the "Capitalization reserve" in compliance with the requirements of the CIT to be eligible for this reduction. This reserve is restricted for a period of five years.

12. EQUITY - GRANTS, DONATIONS, AND BEQUESTS RECEIVED

The movements in non-refundable capital grants included the consolidated statement of changes in equity are as follows:

2020/2021

€ THOUSAND	OPENING BALANCE	ADDITIONS	TAX EFFECT OF ADDITIONS	AMOUNTS TRANSFERRED TO PROFIT OR LOSS (NOTE 17.1)	TAX EFFECT OF TRANSFERS	CLOSING BALANCE
Non-refundable grants	4,132	-	-	(192)	48	3,988
Total non-refundable grants	**4,132**	**-**	**-**	**(192)**	**48**	**3,988**

2019/2020

€ THOUSAND	OPENING BALANCE	ADDITIONS	TAX EFFECT OF ADDITIONS	AMOUNTS TRANSFERRED TO PROFIT OR LOSS (NOTE 17.1)	TAX EFFECT OF TRANSFERS	CLOSING BALANCE
Non-refundable grants	4,276	-	-	(192)	48	4,132
Total non-refundable grants	**4,276**	**-**	**-**	**(192)**	**48**	**4,132**

The grants awarded are mainly grants related to assets from by sports bodies, primarily the Professional Football League, in conjunction with certain capital expenditure made by the Club during the 1996/97 season (Note 6.4).

The Club's Board believes it has fulfilled all the conditions attaching to the grants for consideration as non-refundable.

13. PROVISIONS AND CONTINGENCIES

13.1 NON-CURRENT PROVISIONS

The breakdown and the movement in this item are as follows:

2020/2021

€ THOUSAND	OPENING BALANCE	ARISING DURING THE YEAR	UTILIZED	UNUSED AMOUNTS REVERSED	NET TRANSFERS	CLOSING BALANCE
Other provisions	24,682	11,703	(2,057)	(3,096)	11	31,243
Total non-current provisions	**24,682**	**11,703**	**(2,057)**	**(3,096)**	**11**	**31,243**

2019/2020

€ THOUSAND	OPENING BALANCE	ARISING DURING THE YEAR	UTILIZED	UNUSED AMOUNTS REVERSED	NET TRANSFERS	CLOSING BALANCE
Other provisions	14,293	14,910	(3,521)	-	(1,000)	24,682
Total non-current provisions	**14,293**	**14,910**	**(3,521)**	**-**	**(1,000)**	**24,682**

During the year, the Club recognized provisions amounting to €11,703 thousand to cover risks related to property, plant and equipment (2020: €14,910 thousand to cover a variety of risks).

It also utilized €2,057 thousand of provisions for the designated purpose in 2021 (2020: €3,521 thousand).

During the year, the Club reversed €3,096 thousand of unused provisions (2020: €0) since the circumstances that gave rise to them no longer existed.

13.2 CURRENT PROVISIONS

The breakdown and the movement in this item are as follows:

2020/2021

€ THOUSAND	OPENING BALANCE	ARISING DURING THE YEAR	UTILIZED	UNUSED AMOUNTS REVERSED	NET TRANSFERS	CLOSING BALANCE
Current provisions for liabilities and charges	2,333	193	(1,543)	(2)	(11)	970
Total current provisions	**2,333**	**193**	**(1,543)**	**(2)**	**(11)**	**970**

2019/2020

€ THOUSAND	OPENING BALANCE	ARISING DURING THE YEAR	UTILIZED	UNUSED AMOUNTS REVERSED	NET TRANSFERS	CLOSING BALANCE
Current provisions for liabilities and charges	2,163	564	(1,394)	-	1,000	2,333
Total current provisions	**2,163**	**564**	**(1,394)**	**-**	**1,000**	**2,333**

13.3 GUARANTEES AND DEPOSITS GIVEN

The Club has granted guarantees and deposits to third parties for different purposes.

The breakdown of these guarantees by maturity is as follows:

€ THOUSAND	6/30/2021	6/30/2020
Indefinite	30,686	42,179
2020/2021	-	700
2022/2023	700	
Total guarantees and deposits given	**31,386**	**42,879**

The bulk of the amount drawn down on guarantees with indefinite maturity relate to guarantees issued to ensure fulfillment of the obligations related to urban work and waste treatment during the stadium remodeling project, to claims arising from settlement of tax on the increase in the value of urban land in Valdebebas (Note 6.2), and to guarantees provided to comply with the commitments of the grant of a license to broadcast an HD channel through TDT. No liabilities are expected to arise from these guarantees.

The amounts provided in the year decreased sharply thanks to the favorable rulings over claims related to Valdebebas and performance of a large portion of the obligations relating to the DTT license.

Income from season tickets is currently pledged in favor of Banco de Santander in guarantee of a credit facility maturing on July 27, 2023 (Note 14.2).

13.4 COMMITMENTS, CONTINGENT ASSETS, AND LIABILITIES

For some of the following agreements, information is provided regarding different issues without any indication of financial amounts, as this is confidential commercial information and its disclosure could be damaging for the Club.

1. Variable collection rights from different clubs and image/sponsorship contracts were recognized in the year ended June 30, 2021 amounting to €9,600 thousand (2020: €500 thousand), while payment obligations related to these variable rights amounting to €19,100 thousand were recognized (2020: €7,250 thousand).

In addition, there are potential liabilities arising from agreements with sports entities that would be triggered if certain sports objectives are achieved in future seasons. In the unlikely event that all the objectives were to be met, the maximum amount to be paid over the term of all the agreements up until their expiration would amount to €85,500 thousand (2020: €97,500 thousand). If payment were made, these amounts would be correlated to increased revenue from sports competitions, especially the Champions League.

There are also potential assets related to agreements with sports entities and sponsorship agreements that are contingent upon fulfillment of established sports objectives in future seasons. In the unlikely event that all the objectives were met, the maximum amount to be paid over the term of all the agreements up until their expiration would amount to €55,850 thousand (2020: €81,460 thousand).

2. On July 29, 2011, an agreement was signed and ratified by public deed on December 21, 2011 with the Madrid City Council legalizing the earlier agreements entered into between the two parties on May 29, 1998 and December 20, 2001.

This agreement included compensation from the Madrid City Council due to the legal impossibility of transferring the entire “Las Tablas” plot as stipulated in the agreement signed on May 29, 1998, as well as Real Madrid’s compensation for breach of the main obligation of the underground parking lot on the Paseo de la Castellana’s lateral section established in the Agreement dated December 20, 2001.

The Madrid City Council paid the compensation by transferring a plot of land located between Rafael Salgado, Paseo de la Castellana, and Concha Espina on API 05.12 “Santiago Bernabéu”, recognized in property, plant and equipment (Note 6) and Plots 1, zone 1 and 3, 4 and 5 Zone 2 of API 11.12 “Mercedes Arteaga, Jacinto Verdaguer” and the tertiary plot TER. 02 189-A1 of UNP 4.01 “Ciudad Aeroportuaria parque de Valdebebas” obtained by segregating plot TER.02 189-A. The “Mercedes Arteaga, Jacinto Verdaguer” plots and the Valdebebas tertiary plot are recognized under investment properties (Note 7).

All the property, plant, and equipment included in the scope of the agreement were appraised by the Technical Services Department of the Sub-Directorate General of Urban Adaptation under the General Directorate for Town Planning Management of the Government, Development and Housing Area.

At the end of each reporting period, the Club engages an independent expert to appraise its real estate assets, recognizing an impairment loss to reduce the carrying amount of the assets to market value where appropriate. The impairment loss in the year ended June 30, 2021, amounted to €2,740 thousand (Note 7), unchanged from the year before since the appraisal of the market value of the land was broadly unchanged.

On March 21, 2012, Madrid Federal Court of Appeals 14 upheld the request for an injunction filed regarding the agreement between the Club and the Madrid City Council on July 21, 2011, entailing suspension of enforcement of the agreement. Both the Club and the City Council appealed the injunction, and on July 12, 2012, the Administrative Appeals section of the Madrid Supreme Court handed down a sentence revoking the injunction issued by the Judge from the Madrid Court of Administrative Appeals 14, considering that there were no grounds for the injunction.

Regarding the main legal proceeding, on April 25, 2012, a claim was filed before the Court against the agreement signed on July 29, 2011, seeking its annulment and restitution of the assets to their situation prior to the signing of the agreement, along with the related cancellation of any files on register, and requiring a new appraisal of the obligations arising from the agreements signed in 1991 and 1998. The Administrative Appeals court handed down a ruling on October 10, 2013, notified on October 15, 2013, rejecting the appeal and upholding the sentence, which was ruled as final through an organization procedure dated November 20, 2013.

For its part, the European Commission notified Spain of its decision to initiate proceedings regarding alleged State aid arising from the appraisal of a plot of land located in Las Tablas (Madrid), which the Madrid City Council was forced to turn over to Real Madrid, in compliance with a land-swap agreement signed by the parties in 1998. Due to the legal impossibility of handing the plot over, it was appraised by the City Council at its value for tax purposes, and replaced by other land of equivalent value.

On July 4, 2016, the European Commission issued a decision concluding that the Club obtained an advantage of €18.4 million from the over-evaluation of a plot of land. The Club, considering that this did not constitute State aid since the Club received, via the delivery of other land, an amount equivalent to that which it was entitled to receive, appealed this decision before the General Court of the European Union, seeking the annulment of the decision.

Irrespective of the appeal, on October 28, 2016, the Club paid the City Council the required €18.4 million plus €1.9 million of late payment interest (for a total of €20.33 million).

On May 22, 2019, the General Court of the European Union issued its judgment, annulling in its entirety the contested decision of the European Commission of July 4, 2016, which concluded that the Madrid Town Council granted State aid to Real Madrid of €18.4 million. The European Commission had two months from notification of the ruling (i.e. to July 23, 2019) to bring an appeal before the European Court of Justice. It did not file an appeal, so the ruling became final during the previous period. As a result, Real Madrid claimed reimbursement of undue revenue with the Madrid City Council. It requested reimbursement of the €20.33 million paid on October 28, 2016, plus late payment interest as of that date up to the date of the reimbursement. Accordingly, the Club recognized in the income statement of the previous year the income from the reimbursement and accrued late payment interest to June 30, 2021, totaling €23,145 thousand. It recognized the related receivable from the City Council under trade and other receivables in the the balance sheet since the reimbursement has yet to be made. This year, it recognized €381 thousand of late payment interest.

3. In December 2013, the European Commission notified Spain of its decision to commence proceedings regarding alleged State aid to different Spanish football clubs, including Real Madrid Club de Fútbol, for applying legislation to this type of entity that, for tax purposes, included a lower tax rate.

On July 4, 2016, the European Commission issued a decision in which it considered that by being taxed at a lower rate, the clubs benefited by an estimated €0 to €5 million per club, the precise amount of which the Spanish authorities needed to determine on a case-by-case basis. The Club considers that the application of this legislation did not constitute state aid, since the tax benefits come in addition to other prejudices; an analysis of the years contemplated by the European Commission regarding the Club's tax returns showed that the Club would have suffered economic damage amounting to €7 million had it been taxed as a limited liability company (sociedad anónima). This favorable economic assessment for the Club was also included in the European Commission's decision of July 4, 2016. In addition, the previous year the Club was subject to a tax audit regarding the EU case by the Spanish taxation authorities. This procedure was resolved without requiring any material adjustment to the economic loss estimated by the Club. In light of this situation, in the 2016/2017 reporting period, the Club commenced a procedure to claim reimbursement of the amount of economic loss caused by the discriminatory treatment of the legislation, plus late payment interest. It subsequently filed an appeal with the Supreme Court.

On February 12, 2019, the Supreme Court issued its judgment, rejecting the appeal and considering unjustified the claim for reimbursement on the grounds that the liability suit was brought before there was any effective loss since the Commission's decision was not final as other clubs had contested it and since the procedure for recovering the State aid granted had just begun when the financial liability claim was lodged.

On February 26, 2019, the General Court of the European Union issued a judgment annulling the Commission's decision of July 4, 2016 classifying the tax regime of four Spanish professional football clubs as State aid. The Commission appealed this ruling before the Court of Justice, which on March 4, 2021 overturned the General Court's ruling.

On April 24, 2019, the taxation authorities ruled on the procedure for recovering State aid, rejecting the request for reimbursement presented by the Club. It considered that the reimbursement arises directly from the Commission decisions annulled by the General Court, so the request should be denied. In addition, the recovery of the aid is not warranted since it would imply the return of the €7 million higher amount taxed relative to the general regime claimed by the Club and recognition of tax assets for an equal amount, which would go against the purpose pursued in the proceedings of State aid.

In 2019, the Club brought an appeal before the TEAC to this judgment and is assessing the possibility of taking further legal action in defense of its claim.

4. On April 30, 2015, Royal Decree Law 5/2015 governing the joint operation of TV rights was approved. This Royal Decree became effective in the 2016/17 season, marking the first year that clubs no longer had individual rights.

Real Madrid filed an appeal against this agreement with the LFP in its Assembly held during the 2015/16 season regarding the distribution of the year's TV broadcast rights, as it considered that since the Royal Decree had not yet entered into force during the season, the distribution of the capital gains generated by the overall management of the individual contracts made by the LFP was not yet applicable. It considered that, in accordance with the LFP bylaws for the distribution of the remaining joint LFP income (e.g. sponsorships, advertising, football pool revenue), the distribution should be made by attributing 60% of income to the 20 first division clubs (an even 3% each), and 40% for the 22 second division clubs (an even 1.82% each). Failing this, Real Madrid proposed an even distribution between the 42 LFP clubs.

On May 31, 2021, Central Court 2 of the National Court of Administrative Appeals issued a ruling rejecting the Club's appeal, which the Club appealed before the National Court of Administrative Appeals. Should the appeal be accepted, for its rights related to the 2015/16 season, the Club would collect an amount in addition to that already collected under the terms of its individual contract.

5. In October of 2014, the Club signed an agreement with International Petroleum Investment Company (IPIC) as its new sponsor for the 2014/15, 2015/16 and 2016/17 seasons. In December 2014, the sponsorship agreement was partially assigned by IPIC to CEPSA. This assignment was still effective at June 30, 2017. The agreement with IPIC included the possibility of extending the sponsorship agreement for another two seasons, which occurred de facto in the 2017/18 season according to Club criteria. Therefore, last season the related invoices were issued, which are currently under dispute.

The agreement stated the possibility of IPIC having Stadium naming rights in upcoming seasons, in which case the amounts receivable and the term of the agreement would increase significantly.

The effectiveness of the naming right was contingent on acceptance by IPIC to comply with certain legal requirements regarding town planning. Although Real Madrid notified IPIC of compliance prior to June 30, 2017, this compliance is still being discussed between the parties. Therefore, in 2018, as provided for in the agreement, the Club applied for arbitration by the The International Court of Arbitration of the International Chamber of Commerce. The Club filed its suit in February 2019, with the proceedings still under way at the date of authorization for issue of the accompanying financial statements.

14. FINANCIAL LIABILITIES

The breakdown of "Financial liabilities" is as follows:

2020/2021

€ THOUSAND	BANK BORROWINGS	OTHER FINANCIAL LIABILITIES	TOTAL
NON-CURRENT FINANCIAL LIABILITIES			
Non-current financial liabilities			
Debts and payables:			
Non-current payables	152,676	385,088	537,764
	152,676	385,088	537,764
CURRENT FINANCIAL LIABILITIES			
Current financial liabilities			
Debts and payables			
Current payables	2,299	121,024	123,323
Trade and other payables (*)	-	173,568	173,568
	2,299	**294,592**	**296,891**
TOTAL FINANCIAL LIABILITIES	**154,975**	**679,680**	**834,655**

(*) Does not include public administrations.

2019/2020

€ THOUSAND	BANK BORROWINGS	OTHER FINANCIAL LIABILITIES	TOTAL
NON-CURRENT FINANCIAL LIABILITIES			
Non-current financial liabilities			
Debts and payables:			
Non-current payables	152,649	176,106	328,755
	152,649	176,106	328,755
CURRENT FINANCIAL LIABILITIES			
Current financial liabilities			
Debts and payables			
Current payables	52,292	151,223	203,515
Trade and other payables (*)	-	174,313	174,313
	52,292	**325,536**	**377,828**
TOTAL FINANCIAL LIABILITIES	**204,941**	**501,642**	**706,583**

(*) Does not include public administrations.

14.1 NON-CURRENT PAYABLES

The breakdown of "Non-current payables" is as follows:

€ THOUSAND	6/30/2021	6/30/2020
Bank borrowings	**152,676**	**152,649**
Other financial liabilities		
Suppliers of fixed assets	10,088	14,565
Sports entities for player transfers	-	61,541
Other financial liabilities	375,000	100,000
	385,088	**176,106**
TOTAL NON-CURRENT PAYABLES	**537,764**	**328,755**

- **Bank borrowings**

In April of the previous year, the Club took out four bank loans with four different banks for a total amount of €,155,000 thousand. The loans are backed by Spain's official credit institute, Instituto de Crédito Oficial (ICO), as part of the facilities provided by the government to mitigate the impact of COVID-19. These loans originally matured at 5 years, with a 1-year grace period for payment of principal. In the current period, both the grace period and the maturity were extended by one year in accordance with RDL 34/2020 of November 17.

In addition to these loans, the Club had another bank loan for €50,000 which it took out in 2018. This loan matured in March 2021 and was replaced by a long-term credit facility arranged in July 2020 with the same bank for €40,000 thousand.

In all, as at June 30, 2021, the Club had four loans with different banks for a total nominal amount of €155,000 thousand euros, with long-term maturities for a nominal amount of €152,676 thousand (2020: €205,000 thousand and €152,649 thousand, respectively).

The Club also took out a new credit facility the year before with another bank with an original maturity of three years backed by the ICO line for €50,000 thousand.

With this ICO-backed facility, the new facility taken out in July 2020 explained previously and the rest of the existing facilities, the Club had several credit facilities at June 30, 2021, all undrawn, of which €311,000 thousand are long term (2020: €328,000 thousand).

Virtually all ICO transactions are at fixed rates, while the rest are floating-rate borrowings indexed to the Euribor rate plus a market spread.

The repayment schedule for the nominal amounts of long- and short-term loans is as follows:

JUNE 30, 2021

€ THOUSAND	2021/2022	2022/2023	2023/2024	2024/2024	2025/2026	TOTAL
Bank borrowings	-	40,075	38,533	39,022	37,370	155,000

JUNE 30, 2020

€ THOUSAND	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	TOTAL
Bank borrowings	52,024	38,055	38,534	39,021	37,366	205,000

- **Other financial liabilities**

The breakdown of this item by year of maturity is as follows:

JUNE 30, 2021

€ THOUSAND	2022/2023	2023/2024	2024/2025	2025/2026	SUBSEQUENT YEARS	TOTAL
Suppliers of fixed assets	3,220	6,367	59	65	377	10,088
Sports entities for player transfers	-	-	-	-	-	-
Other financial liabilities		10,131	10,368	10,609	343,892	375,000
Total	**3,220**	**16,498**	**10,427**	**10,674**	**344,269**	**385,088**

JUNE 30, 2020

€ THOUSAND	2021/2022	2022/2023	2023/2024	2024/2025	SUBSEQUENT YEARS	TOTAL
Suppliers of fixed assets	11,506	2,336	71	78	575	14,566
Sports entities for player transfers	61,540	-	-	-	-	61,540
Other financial liabilities	-	-	2,744	2,805	94,451	100,000
Total	**73,046**	**2,336**	**2,815**	**2,883**	**95,026**	**176,106**

The balance of "Other financial liabilities" at June 30, 2021 of €375,000 thousand includes the first two drawdowns in of the loan to fund the stadium remodeling project (Note 6.1). Accrued interest at June 30, 2021 on this loan stood at €8,704 thousand (Note 6.4).

The balances of suppliers of fixed assets and sports entities for player transfers include mainly amounts owed on player acquisitions. These payables do not bear explicit interest. These amounts were measured at amortized cost, which includes the financial effect of discounting. Accrued finance expenses in the year ended June 30, 2021 amounted to €513 thousand (2020: €1,068 thousand).

There were no non-current payable balances in foreign currency at June 30, 2021 and 2020.

14.2 CURRENT PAYABLES

The breakdown of "Current payables" is as follows:

- **Bank borrowings**

€ THOUSAND	6/30/2021	6/30/2020
Bank borrowings	**2,299**	**52,292**
Other financial liabilities		
Suppliers of fixed assets	57,087	57,783
Sports entities for player transfers	63,937	93,440
	121,024	**151,223**
TOTAL CURRENT PAYABLES	**123,323**	**203,515**

As explained in Note 14.1, the Club arranged credit facilities amounting to €361,000 thousand, of which €50,000 thousand mature in the short term. At June 30, 2021 and 2020, there were no current payables since no amounts had been drawn down (the balance at June 30, 2020, related to the loan repaid during the current year as explained in Note 14.1).

- **Other financial liabilities**

The breakdown of foreign currency balances is as follows:

JUNE 30, 2021

THOUSANDS	FOREIGN CURRENCY AMOUNT	EURO AMOUNT
US dollars	26	22
Pound sterling	10	11
Saudi riyals	143	143
Swiss francs	1	1
Total		**177**

JUNE 30, 2020

THOUSANDS	FOREIGN CURRENCY AMOUNT	EURO AMOUNT
US dollars	12	11
Pound sterling	50	54
Saudi riyals	-	-
Swiss francs	-	-
Total		**65**

14.3 TRADE AND OTHER PAYABLES

The breakdown of "Trade and other payables" is as follows:

€ THOUSAND	6/30/2021	6/30/2020
Trade payables	37,645	32,747
Marketing payables	-	-
Sports entities for services rendered	750	2,622
Sports personnel	130,256	133,643
Non-sports personnel	4,916	5,301
Total financial liabilities	**173,567**	**174,313**
Other payables to public administrations (Note 16)	23,486	14,559
Current tax liabilities		-
Total payables to public administrations	**23,486**	**14,559**
TOTAL TRADE AND OTHER PAYABLES	**197,053**	**188,872**

The amount of "Sports personnel" relates primarily to remuneration payable to players and coaches of the first football team in accordance with their contracts, the terms of which stipulate that these payments are made generally in July and December. On June 30 each year, the second instalment is due, with payment, as agreed, in July of the following season.

The increase in "Other payables to public administrations" was due primarily to the impact on VAT of the change in billing dates of each of the main sponsors.

The breakdown of "Sports personnel" is as follows:

€ THOUSAND	6/30/2021	6/30/2020
First football team players and coaching staff	129,932	132,071
Other football team players and coaching staff	119	230
Basketball players and coaching staff	205	1,342
Total payables to sports personnel	**130,256**	**133,643**

14.4 WORKING CAPITAL

Working capital is the difference between current assets and current liabilities on the balance sheet.

Working capital at June 30, 2021 was a positive €77 million. This figure is normally negative, at both year-end (June 30, 2020: €-112 million, June 30, 2019: €-60 million) and the end of the first half up to December 31, 2020 (December 31, 2019: €-112 million). However, at the end of periods ending December 31, 2020 and June 30, 2021, the figure was positive due primarily to a non-recurring factor; i.e. the financing of the Santiago Bernabéu stadium remodelling.

Negative work capital is normally the result of the Group's hefty investments in property, plant and equipment, intangible assets, and sports intangible assets each year, part of which gives rise to current payables. However, the stadium reform and the related financing reversed the situation in the current year. The second tranche was drawn down during the year, taking the total amount drawn maturing in the long term to €375 million (Note 14.1). The bulk is held as cash at year-end (Note 10), with cumulative investment of approximately €279 million (Note 6). This balance of cash earmarked for the stadium remodelling will decrease considerably throughout the year as payments are made for work execution.

Stripping out the positive impact explained in the preceding paragraph, working capital is still normally negative due to the Club's inherently negative working capital. The principal factor driving negative working capital is, in line with the intrinsic workings of the Club, the large operations-driven accounts payable (purchases and services, player signings, upfront collection of membership dues/season tickets), which are recurring; i.e. renewed annually.

Current recurring payables at June 30, 2021 amounted to €255 thousand (purchases and services: €63 million; signings/other personnel: €135 million; accruals of membership dues/season tickets and other: €57 million euros), down from €299 million at December 31, 2019 (purchases and services: €154 million: signings/other personnel: €10 million; accruals of €135 million). These current recurring payables are responsible for a large part of the negative goodwill at the end of the reporting period.

These balances will be rolled over, and therefore will reflect similar amounts at each year-end. Accruals are amounts collected before the end of the previous period, which generate an accrued liability that is canceled over the entire season and does not represent any payment.

The remaining current payables at June 30, 2021 related to amounts owed for investments, which will be paid comfortably with the cash flows generated by the Club each month from operating activities, plus available cash and undrawn facilities.

In sum, important here is that once the current crisis caused by COVID-19 is overcome, the Club expects to continue generating significant operating profit (i.e. operating income higher than operating expenses) as it did in previous years, and, accordingly, generating a significant cash surplus to cover its investment commitments after meeting the payment obligations arising from its operations.

Considering the above and taking into account the forecast cash balances based on conservative assumptions for the coming seasons, and the undrawn available credit lines at June 30, 2021 of €361 million (Note 14.1), the uncertainties that may arise in terms of potential liquidity risk and the Club's financial position due to negative working capital are mitigated.

15. CURRENT AND NON-CURRENT ACCRUALS

The breakdown of these items is as follows:

€ THOUSAND	6/30/2021	6/30/2020
Non-current accruals		
Non-current advances	70,059	47,798
	70,059	**47,798**
Current accruals		
Deferred income		
Broadcasting revenue	2,440	25,993
Stadium revenue	25,015	29,480
Marketing revenue	30,730	25,129
Competition revenue	-	3,728
	58,185	**84,330**

- **Non-current advances**

This item relates primarily to discounted amounts received in advance and pending accrual arising on various marketing agreements.

- **Deferred income**

a) Broadcasting revenue
This item includes amounts collected or invoiced by the Club under agreements on audiovisual rights entered into before June 30, 2021, which accrue in 2021/22. The balance for the previous period entailed the portion of income for the 2019/20 season recognized in the 2020/21 season (Note 2.2).

b) Stadium revenue
Stadium revenue comprises mainly membership fees and season tickets and income from stadium boxes received or invoiced before June 30, 2021, which accrue in the 2021/22 season.

This year, since spectators were not allowed back in stadiums, season tickets were not issued and the stadium box contracts for the current season were not invoiced. The balance at June 30, 2021 relates to membership fees, which were collected as usual and the amount of which accrued for the 2021/22 season, and refunds for canceled matches of the 2019/20 for ticket holders and stadium box customers wishing to receive compensation for the amount of tickets and contract fees for next season.

c) Marketing revenue
The balance of this item relates to the amounts received or invoiced by the Club under business agreements entered into before June 30, 2021, which accrued in the 2021/22 season.

d) Competition revenue
The balance of this item relates to the amounts received or invoiced by the Club before June 30, 2021 on sports revenue which accrued in the 2021/22 season.

16. TAXATION

The breakdown of tax assets is as follows:

€ THOUSAND	6/30/2021	6/30/2020
VAT and similar taxes refundable	-	127
Recoverable taxes	-	1,883
Other receivables from public administrations (Note 8.2)	**-**	**2,010**
Withholdings and payments on account	2,085	12,774
Current tax assets (note 8.2)	**2,085**	**12,774**
Deferred tax assets for deductible temporary differences	7,324	12,500
Tax credits	24,492	7,673
Deferred tax assets (non-current assets)	**31,816**	**20,173**

The breakdown of tax liabilities is as follows:

€ THOUSAND	6/30/2021	6/30/2020
VAT payable	17,097	6,934
Personal income tax payable	3,155	4,476
Corporate income tax payable (non-resident income tax)	156	163
Corporate income tax payable (IRCM)	-	-
Local income tax payable	2,230	2,150
Social security payable	848	836
Other payables to public administrations (Note 14.3)	**23,486**	**14,559**
Liabilities arising from taxable temporary differences	32,621	20,771
Deferred tax liabilities	**32,621**	**20,771**

The Club is current with all its tax obligations and has no past-due amounts with the taxation authorities, or agreements with the taxation authorities for deferring any payments.

Accordingly, all amounts recognized under tax liabilities at the end of the reporting period are the result of applying ordinary tax regulations:

- VAT payable: balance payable for transactions in the month of June, with settlement on July 30.
- Personal income tax payable: balance payable for transactions in the month of June, with settlement on July 20.
- Local income tax payable: expense accrued from January to June for local taxes, mainly regarding property and business taxes, with settlement in November.
- Social Security payable: balance payable for Social Security obligations in the month of June, with settlement on July 30.
- Liabilities arising from taxable temporary differences: the balance of corporate income tax to be settled by deferred payments, in accordance with tax deferral regulations (e.g. reinvestment of profits, accelerated depreciation).

16.1 CALCULATION OF INCOME TAX EXPENSE

In accordance with prevailing tax legislation, the Club's profits are subject to a 25% tax rate. However, certain reductions to taxable profit or to tax expense may be applied.

The reconciliation of net income and expense with taxable income (tax loss) in the provision for income tax recognized at the end of each period is as follows:

2020/2021

€ THOUSAND	PROFIT/(LOSS) FOR THE YEAR	INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY
Income and expense for the year		
Continuing operations	874	-
Income tax		
Continuing operations	865	-
Income and expense for the year before tax	**1,739**	**-**
Permanent differences	**16,088**	**-**
Temporary differences		
Originating in the current year	(78,172)	-
Originating in prior years	6,551	-
	(71,621)	**-**
Preliminary taxable income	**(53,794)**	**-**
Reduction of taxable income arising from the recapitalization reserve	**-**	**-**
TAXABLE INCOME (TAX RESULT FOR THE YEAR)	**(53,794)**	**-**

2019/2020

€ THOUSAND	PROFIT/(LOSS) FOR THE YEAR	INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY
Income and expense for the year		
Continuing operations	313	-
Income tax		
Continuing operations	1,538	-
Income and expense for the year before tax	**1,851**	**-**
Permanent differences	**17,538**	**-**
Temporary differences		
Originating in the current year	(35,816)	-
Originating in prior years	3,789	-
	(32,027)	**-**
Preliminary taxable income	**(12,638)**	**-**
Reduction of taxable income arising from the recapitalization reserve	**-**	**-**
TAXABLE INCOME (TAX RESULT FOR THE YEAR)	**(12,638)**	**-**

Reconciliation of income tax expense/(income) recognized and the result of multiplying total recognized income and expenses by the applicable tax rate, differentiating the amount reported in the income statement, is as follows:

2020/2021

€ THOUSAND	PROFIT/(LOSS) FOR THE YEAR	INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY
Income and expense for the year before tax	1,739	-
Permanent differences	16,088	-
	17,827	-
Effective tax rate	25%	-
Theoretical tax charge	**4,457**	**-**
Deductions	**(3,584)**	**-**
Capitalization reserve	**(8)**	**-**
EFFECTIVE INCOME TAX EXPENSE	**865**	**-**

2019/2020

€ THOUSAND	PROFIT/(LOSS) FOR THE YEAR	INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY
Income and expense for the year before tax	1,851	-
Permanent differences	17,538	-
	19,389	-
Effective tax rate	25%	-
Theoretical tax charge	**4,847**	**-**
Deductions	**(2,349)**	**-**
Capitalization reserve	**(960)**	**-**
EFFECTIVE INCOME TAX EXPENSE	**1,538**	**-**

The breakdown of income tax expense/(income) is as follows:

2020/2021

€ THOUSAND	PROFIT/(LOSS) FOR THE YEAR	INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY
Current tax	-	-
Changes in deferred taxes		
Recognized tax losses	(13,448)	-
Adjustment of prior year tax losses	831	-
Unused tax credits and other tax relief	(3,584)	-
Unused capitalization reserve	(8)	-
Changes in deferred tax assets for deductible temporary differences	6,007	-
Adjustment of prior year deductible temporary differences	(831)	-
Changes in deferred tax liabilities for taxable temporary differences	11,898	-
Grants, donations and bequests received	-	(48)
Effective income tax expense	**865**	**(48)**

2019/2020

€ THOUSAND	PROFIT/(LOSS) FOR THE YEAR	INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY
Current tax	-	-
Changes in deferred taxes		
Recognized tax losses	(3,160)	-
Unused tax credits and other tax relief	(2,349)	-
Unused capitalization reserve	(960)	-
Changes in deferred tax assets for deductible temporary differences	6,611	-
Changes in deferred tax liabilities for taxable temporary differences	1,429	-
Grants, donations and bequests received	-	(48)
Adjustment of prior year provision for income tax	(33)	-
Effective income tax expense	**1,538**	**(48)**

The calculation of income tax recoverable or payable is as follows:

€ THOUSAND	6/30/2021	6/30/2020
Current tax	-	-
Withholdings	367	1,804
Payments on account	1,718	10,970
Current tax assets/(liabilities)	**2,085**	**12,774**

16.2 DEFERRED TAX ASSETS AND LIABILITIES

The movements in the items composing "Deferred tax assets" and "Deferred tax liabilities" are as follows:

2020/2021

€ THOUSAND		CHANGES REFLECTED IN		
	OPENING BALANCE	PROFIT/(LOSS) FOR THE YEAR	EQUITY	CLOSING BALANCE
Deferred tax assets				
Deferred tax assets for deductible temporary differences				
Provisions and other	9,639	(3,959)	-	5,680
Amortization and depreciation	2,861	(1,217)	-	1,644
Tax credits				
Unused tax credits and other tax relief	2,349	3,584	-	5,933
Unused deduction for double taxation	1,204	610	-	1,814
Tax credit for capitalization reserve (Note 16.3)	960	8	-	968
Carry forward of unused tax losses	3,160	12,617	-	15,777
	20,173	**11,643**	**-**	**31,816**
Deferred tax liabilities				
Liabilities for taxable temporary differences				
Deferred capital gains for reinvestment	2,648	(82)	-	2,566
Deferred capital gains due to deferred payment	15,531	12,015	-	27,546
Free depreciation	964	(35)	-	929
Grants (Note 6.4)	1,378	-	(48)	1,330
Other	250	-	-	250
	20,771	**11,898**	**(48)**	**32,621**

2019/2020

€ THOUSAND		CHANGES REFLECTED IN		
	OPENING BALANCE	PROFIT/(LOSS) FOR THE YEAR	EQUITY	CLOSING BALANCE
Deferred tax assets				
Deferred tax assets for deductible temporary differences				
Provisions and other	14,831	(5,192)	-	9,639
Amortization and depreciation	4,280	(1,419)	-	2,861
Tax credits				
Unused tax credits and other tax relief	-	2,349	-	2,349
Unused deduction for double taxation	-	1,204	-	1,204
Tax credit for capitalization reserve (Note 16.3)	-	960	-	960
Carry forward of unused tax losses	-	3,160	-	3,160
	19,111	**1,062**	**-**	**20,173**
Deferred tax liabilities				
Liabilities for taxable temporary differences				
Deferred capital gains for reinvestment	2,730	(82)	-	2,648
Deferred capital gains due to deferred payment	13,954	1,577	-	15,531
Free depreciation	1,030	(66)	-	964
Grants (Note 6.4)	1,426	-	(48)	1,378
Other	250	-	-	250
	19,390	**1,429**	**(48)**	**20,771**

- **Deferred tax assets - Unused tax credits and other tax relief**

At the end of each reporting period, the Club recognizes tax credits and relief to the extent that it is probable that sufficient taxable profit will be available against which they can be utilized.

In the year ended June 30, 2021, the Club recognized €3,584 thousand of unused tax credits at that date (2020: €2,349 thousand). There are no time limits on use of the credits, although the tax credit base cannot exceed 10% of taxable income.

The Club also has unused deductions for international double taxation arising from withholdings on foreign income amounting to €1,814 thousand (2020: €1,204 thousand). There are no time limits on the recovery of these withholdings through income tax, although they may not exceed 10% of the tax expense.

- **Deferred tax assets – Tax loss carryforward**

Due to changes in deductible temporary differences in the year, the Club obtained tax losses of €53,794 thousand (2020: €12,638 thousand). The Club recognized the tax credit from the tax losses for €13,448 thousand (2020: €3,160 thousand, adjusted by €831 thousand this year) since they may be offset with taxable profits obtained in the coming years, with no time limits on the carryforward. The current limit is 60% of taxable income before the reduction of the capitalization reserve.

- **Deferred tax liabilities – deferral for reinvestment**

These liabilities result from the tax treatment applicable to capital gains on certain transfers of players' federative rights, as well as on merchandising, internet, image and distribution rights transferred and on a portion of the land at the Club's former sporting complex, whose recognition in taxable income has been deferred.

The aforementioned tax treatment consisted of applying the tax credit for reinvestment of extraordinary gains provided for in article 21 of the CIT Law (Law 43/1995, of December 27) to the gains generated in financial years from 1996/97 to 2001/02 on the disposal of certain assets, thereby acquiring a commitment to reinvest the full sale proceeds at some point within the period elapsing between the year prior to the sale and the three years following it. These gains were reinvested in player federative rights, other intangible assets and items of property, plant, and equipment, as well as financial assets.

The total amount of deferred income in accordance with article 21 of the CIT Law, the recognition method and the amounts already reinvested and pending reinvestment are set out in the following table (thousands of euros):

JUNE 30, 2021

€ THOUSAND

FINANCIAL YEAR	ASSETS SOLD	DEFERRED GAIN	AMOUNT TO BE REINVESTED	AMOUNT REINVESTED	GAIN INCLUDED IN TAXABLE INCOME	GAIN PENDING INCLUSION	LAST FY FOR INCLUDING GAINS	METHOD FOR INCLUDING GAIN
1996/1997	Player federative rights	8,084	11,239	11,239	8,084	-	2006/2007	Sevenths
1997/1998	Player federative rights	3,865	5,421	5,421	3,865	-	2007/2008	Sevenths
1998/1999	Player federative rights	14,135	17,159	17,159	14,135	-	2008/2009	Sevenths
1999/2000	Player federative rights	20,358	25,142	25,142	20,358	-	2009/2010	Sevenths
2000/2001	Other rights	115,995	117,197	117,197	115,995	-	2010/2011	Sevenths
2000/2001	Player federative rights	24,523	25,243	25,243	24,523	-	2010/2011	Sevenths
2001/2002	Land	203,443	204,142	204,142	203,443	-	2011/2012	Sevenths
2001/2002	Land	15,714	15,768	15,768	5,452	10,262	2011/2051	% of depreciation of reinvested assets
Total		**406,117**	**421,311**	**421,311**	**395,855**	**10,262**		
Deferred tax (25%)						**2,566**		

JUNE 30, 2020

€ THOUSAND

FINANCIAL YEAR	ASSETS SOLD	DEFERRED GAIN	AMOUNT TO BE REINVESTED	AMOUNT REINVESTED	GAIN INCLUDED IN TAXABLE INCOME	GAIN PENDING INCLUSION	LAST FY FOR INCLUDING GAINS	METHOD FOR INCLUDING GAIN
1996/1997	Player federative rights	8,084	11,239	11,239	8,084	-	2006/2007	Sevenths
1997/1998	Player federative rights	3,865	5,421	5,421	3,865	-	2007/2008	Sevenths
1998/1999	Player federative rights	14,135	17,159	17,159	14,135	-	2008/2009	Sevenths
1999/2000	Player federative rights	20,358	25,142	25,142	20,358	-	2009/2010	Sevenths
2000/2001	Other rights	115,995	117,197	117,197	115,995	-	2010/2011	Sevenths
2000/2001	Player federative rights	24,523	25,243	25,243	24,523	-	2010/2011	Sevenths
2001/2002	Land	203,443	204,142	204,142	203,443	-	2011/2012	Sevenths
2001/2002	Land	15,714	15,768	15,768	5,123	10,591	2011/2051	% of depreciation of reinvested assets
Total		**406,117**	**421,311**	**421,311**	**395,526**	**10,591**		
Deferred tax (25%)						**2,648**		

These gains have been included in taxable income as a general rule in seven equal parts from year three, except where the proceeds were reinvested in fixed assets, in which case the income is included in taxable income in the tax periods in which the related assets are depreciated.

- **Deferred tax liabilities – Deferral of capital gains due to deferred payment**

In the 2009/10 financial year, and in accordance with article 19.4 of Legislative Royal Decree 4/2004 of the Consolidated Text of the Spanish Corporate Income Tax Law (TRLIS in Spanish), the Club decided to recognize, for tax purposes, the capital gains on asset transfers in transactions involving deferred payment based on the collections carried out

This gave rise to a deferred tax liability amounting to €19,617 thousand in the year ended June 30, 2021 (2020: €15,421 thousand) related to the deferred capital gains during the year, and the cancellation of €7,602 thousand from collection of deferred capital gains from the previous year (2020: €13,844 thousand).

- **Deferred tax liabilities - free depreciation**

Pursuant to Royal Decree Law 13/2010, of December 3, on measures designed to boost competitiveness, effective from January 1, 2011, the Club availed for the first time for the 2011/23 financial year the free depreciation of its investments in the new property, plant and equipment and investment properties covered under this law, and is not required to maintain employment, which was a condition in the previous regulation. Free depreciation generated a deferred tax amounting to €1,533 thousand in the 2011/12 financial year.

In the year ended June 30, 2021, a total of €35 thousand euros was canceled (2020: €66 thousand) related to the accounting depreciation of the assets to which free depreciation was applied.

16.3 CAPITALIZATION RESERVE

In accordance with Article 25 of Corporate Income Tax (CIT) Law 27/2014, of November 27, taxpayers that pay tax at the rate provided in sections 1 to 6 of Article 29 of the CIT will be eligible for a reduction in taxable income of 10% of the increase in capital and reserves provided the following conditions are met:

a) The increase in capital and reserves must be maintained for a period of five years from the end of the tax period to which the reduction relates, except in the event of tax losses.

b) The amount of the reduction must be appropriated to a reserve, which must appear on the face of the balance sheet as a separate heading and will be non-distributable for the aforementioned time period.

In no circumstance may the reduction in taxable income exceed 10% of taxable income for the tax period prior to the reduction and the integration referred to in section 12 of article 11 of the CIT and prior to the offset of tax losses.

To comply with its requirements, the Club set aside the related reserve within the term provided for in company law for the approval of the financial statements (see Note 2.4).

16.4 OTHER INFORMATION

- **Tax assessments 2010- 2014**

In January 2016, tax assessments were signed under protest relating to personal income tax, non-resident income tax, value added tax and corporate income tax for 2010 to 2014. The Club was notified in May 2016 of the resolutions regarding final settlement, for €10.8 million. The assessments arose due to discrepancies regarding the tax treatment of payments made by the Club for services rendered and invoiced to the Club by agents. The Spanish tax authorities considered that these payments were made on behalf of players where a relationship was deemed to exist between the agent and player. The Club expressed its disagreement and filed appeals with the Central Economic Administrative Tribunal (TEAC). However, in keeping with criteria of maximum prudence, the Club recognized the entire expense and paid the amount of the assessments in the year ended June 30, 2016.

In January 2017, the Club was notified of the commencement of penalty proceedings regarding the 2010- 2014 assessments, even those the inspections did not uncover any indications that the Club had committed an offense. The proceedings concluded with a €6.4 million settlement agreement. The Club expressed its disagreement and filed appeals with the Central Economic Administrative Tribunal (TEAC). Nevertheless, in keeping with criteria of maximum prudence the Club paid the entire amount of those assessments in 2016/17, although this did not affect accounting profit that year since it was recognized against provisions already set aside at the end of 2015/16.

The TEAC has rejected all the claims, so the Club has filed the administrative appeals before the National Court of Administrative Appeals against the decisions handed down. At the date of authorization for issue of the accompanying financial statements, a ruling on the appeals was still pending, except for VAT, which was rejected in June this year, for which the Club intends to file an administrative appeal with the Supreme Court before the legal deadline.

- **Complementary tax self-assessments in 2016 of personal income tax withholding, non-resident income tax and VAT**

As a result of the tax assessments, the Club decided, in keeping with the principle of prudence and to avoid penalties, to make additional self-assessments on payments to agents not included in the inspection period to become compliant in accordance with the administrative criteria set out in the inspection proceedings for 2011 to 2014. Specifically, it filed additional self-assessments in July and October 2016 for personal income tax, VAT and non-resident income tax for 2015 for a total of €6.1 million. As explained, the Club disagrees with the criterion used by the Tax Agency in the assessments, challenging in 2016 the previous complementary self-assessments and claiming reimbursement of the amount unduly paid.

All the requests for rectification of self-assessments of personal income tax and non-resident income tax, and part the self-assessments of VAT, for a total of €5.7 million, were absorbed under the framework of the 2014-January 2016 inspection discussed below and rejected through the settlement agreements of the inspection. Of the remaining requests for rectification of VAT self-assessments, €0.4 million were appealed by the Club before the TEAC after rejection by the Tax Agency, but they were ruled against by that court in January 2020. The Club filed administrative appeals with the National Court in May 2020, which were dismissed in June this year. The Club will file an appeal against this ruling with the Supreme Court before the legal deadline.

In keeping with criteria of maximum prudence, all these complementary self-assessments, although contested, were recognized as a cost for the Club in the related years.

- **Tax assessments 2014-January 2016**

On July 22, 2016, the Club was notified of the commencement of a tax audit of corporate income tax for the tax period from July 1, 2014 to June 30, 2016 on the enforcement procedure for state aid in relation to the European Commission's decision of July 4, 2016 regarding alleged state aid granted to four Spanish football clubs, including Real Madrid Club de Fútbol, for applying legislation to this type of entity that, for tax purposes, includes a lower tax rate (see Note 13.4.3).

The tax audit began on October 25, 2016, and subsequently expanded to include the following taxes:

ITEM	PERIOD
Income tax	7/2014 to 6/2015
Value added tax	7/2014 to 6/2015
Withholding/payments on account of personal income tax	2015 and January 2016
Withholdings on account of non-resident tax	2015 and January 2016

Therefore, the aforementioned tax audits of income tax for the 7/1/2014 to 6/30/2015 period regarding the enforcement of state aid were replaced by the new tax audits.

In January 2017, the Club signed assessments under protest for the taxes and periods indicated. As with the previous tax audits for the 2010-2014 period, this amount was due to discrepancies in the tax treatment of payments made by the Group for services rendered and invoiced to the Club by agents. After the end of the 2016/2017 financial year, the final settlement agreements in relation to these assessments for personal income tax, VAT and non-resident income tax for €1.2 million were issued. They did not have any impact on accounting profit for the 2016/17 financial year as they were recognized with a charge to provisions already set aside at the end of the 2015/16 financial year.

The Club filed appeals before the TEAC for the settlement agreements indicated (€1.2 million) and the rejection of the request for reimbursement of the complementary settlements for 2016 indicated above (€5.7 million), which were dismissed by that court. The Club filed an administrative appeal before the National Court of Administrative Appeals. In June this year, the Club received rulings against its appeals regarding the VAT self-assessment and will file an appeal for an overturn with the Supreme Court before the legal deadline. The rest of the appeals are pending resolution as at the date of authorization for issue of these financial statements.

On April 24, 2019, the taxation authorities ruled on the procedure for recovering State Aid and issued a resolution on the final settlement of 2014/15 income tax, resulting in a refund of €193 thousand to the Club. The assessments do not affect, in any significant way, the amount that the Club estimated as the damage incurred for the different tax treatment relating to the aforementioned European Commission case. The Club filed appeals with the TEAC for which, at the date of authorization for issue of the accompanying financial statements, no ruling had been issued.

- **Complementary tax self-assessments filed in January 2017 for personal income tax withholding for 2016 and VAT for 2015/16**

Again, in keeping with the same principle of prudence explained regarding the complementary tax self-assessments of 2016 and to avoid additional penalties, the Club made additional self-assessments on payments to agents not included in the inspection period to become compliant in accordance with the administrative criteria set out in the inspection proceedings for 2011 to 2014 and 2015 to 2016. Specifically, it filed additional self-assessments in January 2017 for a total of €1 million. As explained, the Club disagrees with the criterion used by the Tax Agency in the assessments, challenging in 2017 the previous complementary self-assessments and claiming reimbursement of the amount unduly paid. The Tax Agency rejected all the requests and the TEAC rejected the related appeals, prompting the Club to file additional administrative appeals with the National Court, as was the case in previous period. In June this year, the Club received rulings against its appeals regarding the VAT self-assessment and will file an appeal for an overturn with the Supreme Court before the legal deadline. The rest of the appeals are pending resolution as at the date of authorization for issue of these financial statements.

Again, in keeping with criteria of maximum prudence, all these complementary self-assessments, although contested, were recognized as a cost for the Club in the related years.

- **Complementary tax self-assessments filed subsequently for personal income tax withholding and VAT to December 2018**

Using the same criteria as before, for tax self-assessments not filed before the tax inspections for 2010 to 2014 and 2015 to 2016 had concluded, the Club followed the administrative criterion set out in the settlement agreements. However, given the dispute with the administrative criterion, it requested rectification to the assessments and reimbursement of amounts paid. Specifically, for the tax self-assessments up to December 2018 for which the request for rectification was submitted in 2019, the Club had paid, and is therefore claiming reimbursement of, a total amount of €33.4 million.

Regarding the resolution of these claims, €18 million was included in the new tax inspection commenced in July 2019, as explained below. The remaining €15.4 million has been appealed before the TEAC.

Again, in keeping with criteria of maximum prudence, all these complementary self-assessments, although contested, were recognized as a cost for the Club in the related years.

- **Other information**

On July 12, 2019, the Club was notified of the commencement of inspections for a number of taxes and tax periods. On September 6, 2019, it was notified of a change in the extension of certain tax periods. Accordingly, the taxes and taxes periods under inspection are:

ITEM	PERIOD
Income tax	7/2015 to 6/2018
Value added tax	7/2015 to 6/2018
Withholding/payments on account of investment income	7/2015 to 6/2018
Withholding/payments on account of personal income tax	2/2016 to 6/2018
Withholdings on account of non-resident tax	2/2016 to 6/2018

Regarding these periods, which are being inspected, and those open to inspection, the Club considers that there are no material contingencies that could arise from them, even those that could arise from discrepancies regarding the tax treatment of payments to agents.

This is because even though the Club completely disagreed with the criteria used by the tax authorities, as explained previously, to prevent new assessments or possible penalties, it has decided to settle the taxes and appeal the settlements.

In any event, the Club's actions will be based, as usual, on the principle of tax legality, irrespective of the amounts required for the Club's disagreement with the settlement agreements.

17. REVENUE AND EXPENSES

17.1 OPERATING INCOME

The accompanying income statement includes the following items:

€ THOUSAND	6/30/2021	6/30/2020
Revenue	648,355	692,546
Self-constructed property, plant and equipment	-	1,002
Other operating income	1,334	21,155
Grants (Note 12)	192	192
Provision surpluses (Note 13.1 and 13.2)	3,098	-
Total operating income before disposals	**652,979**	**714,895**
Gains/(losses) on disposal and other (Note 17.5)	**105,964**	**101,223**
TOTAL OPERATING INCOME	**758,943**	**816,118**

"Revenue" includes the amount of subsidies from the Professional Football League and the Spanish Professional Football Association for maintenance of stadium access points and the share of football pool revenue, amounting to €314 thousand (2020: €317 thousand).

- **Revenue**

The breakdown of the Club's revenue from continuing operations by business category and geographic market is as follows:

€ THOUSAND	6/30/2021	6/30/2020
La Liga revenue	-	42,429
King's Cup (Copa de S.M. El Rey) revenue	-	2,424
Spanish Supercup revenue	6,800	8,057
Champions League revenue	94,503	82,249
European Supercup revenue	-	-
FIFA Club World Cup revenue	-	-
Revenue from friendly matches	-	13,805
Basketball competitions revenue	611	5,208
Other revenue	14,923	17,766
Total box office and competition revenue	**116,837**	**171,938**
Total revenue from membership fees and season tickets	**8,413**	**43,595**
Total stadium revenue	**1,170**	**16,338**
Total broadcasting revenue	**207,709**	**148,570**
Revenue from store sales	8,940	22,635
Revenue from sponsorships and licenses	278,484	261,062
Advertising revenue	1,239	1,196
Other revenue	25,563	27,212
Total commercialization and advertising revenue	**314,226**	**312,105**
TOTAL REVENUE	**648,355**	**692,546**

€ THOUSAND	6/30/2021	6/30/2020
By operating segment		
Membership fees and stadium revenue	10,257	126,297
International and friendly matches	116,163	105,574
Broadcasting revenue	207,709	148,570
Marketing revenue	314,226	312,105
	648,355	**692,546**
By geographical market		
Spain	363,073	450,642
Other	285,282	241,904
	648,355	**692,546**

- **Agreements in force**

1. In the year ended June 30, 2004, an agreement was signed with Adidas to expand and improve the sportswear sponsorship rights. A new agreement was signed with Adidas in the 2011/12 season extending the sponsorship rights to the 2019/20 season and raising the minimum amounts guaranteed, as well as royalty percentages. An advance payment was received during that season which was discounted on a straight-line basis from the amounts receivable from the 2012/13 season to the 2019/20 season. This advance was recognized at its present value under "Non-current accruals" in liabilities and was gradually canceled as the corresponding contract revenue was recognized.

On May 8, 2019 Real Madrid and Adidas announced the extension of their sponsorship deal for another eight years, until June 2028. The economic effects of the contract improvement started feeding through partially as of 2019/20 and fully as of July 1, 2020.

2. In the 2011/12 season, a number of contracts were signed with Global Merchandising, an Adidas subsidiary at that time, to assign, for the 2012/23 season and until June 30, 2020, the exploitation rights for products licensed by the Club and certain retail rights in exchange for a minimum guaranteed royalty.

In the second half of the year ended June 30, 2019, Global Merchandising became a subsidiary of the Fanatics group. As a result, the Club renegotiated the terms and conditions of the agreements, seeking to strengthen control over its brands and businesses, and the oversight, control and risk mechanisms for the overall management of its businesses. The term of the agreement was unchanged, so it concluded on June 30, 2020.

Global Merchandising managed the activities, acting in its own name and on behalf of the Club in accordance with the Club's instructions and guidelines. Under the business management agreement, the Club recognized the revenue, cost of sales and inventories arising from the activities, which did not have a significant impact on its net profit.

3. On June 27, 2020, with economic effect from July 1, 2020, the Club entered into a new agreement with Legends Hospitality España, S.L.U. for management of the exploitation rights for sports material and licensed products in physical stores and on-line sales. This agreement is designed to drive business in the retail area and reinforce its management control mechanisms. It is still following the previous business, whereby Legends acts in its own name and on behalf of the Club, following its instructions and guidelines.

4. In the 2012/13 season, a sponsorship agreement was signed with Emirates Spain Branch for the 2013/14, 2014/15, 2015/16, 2016/17 and 2017/18 seasons entailing higher income than the previous sponsor's contract. This agreement was renewed during the 2016/2017 financial year and extended to the end of the 2021/2022 season, with an increase in guaranteed income for Real Madrid.

5. An agreement became effective in 2017/18 (see Note 3.20) subject to the growth and development of sponsorship revenue for an initial period of four years, with possibility of extension by one or two year in accordance with the level of achievement of certain economic terms. The agreement covers all territories and sponsorship categories, except sports and commercial sponsorships of jerseys and Stadium and training fields naming rights.

This agreement was renegotiated during the previous year, resulting in an increase in income and an extension of the potential years of validity to up to nine years.

6. In the 2016/17 season, once the individual contracts entered into by the clubs concluded, Royal Decree Law 5/2015, of April 30, governing joint exploitation of audiovisual rights of professional football competitions (first and second Spanish football divisions, the King's Cub and the Spanish Supercup) became fully effective.

The legislation establishes a joint revenue-sharing scheme based on category (first or second division), performance and social acceptance, measured by membership fees and average box office revenue, and the share of the contribution to the generation of income from the marketing of TV broadcasts.

It also establishes a mandatory contribution system (expenditure in accordance with income obtained) to sustain other football categories and associations, and to promote sports in general.

17.2 RAW MATERIALS AND OTHER CONSUMABLES USED

The detail of consumption of raw materials and other consumables during the year is as follows:

€ THOUSAND	6/30/2021	6/30/2020
Sports materials used		
Purchases	10,075	1,639
Change in inventories	(3,434)	2,565
Other consumables used		
Purchases	11,825	17,476
Change in inventories	558	(137)
Total cost of sales	**19,024**	**21,543**

The breakdown of purchases by geographic area is as follows:

€ THOUSAND	6/30/2021	6/30/2020
Spain	21,847	18,919
Intra-EU	53	196
Total	**21,900**	**19,115**

17.3 PERSONNEL EXPENSES

The breakdown of "Personnel expenses" is as follows:

EJERCICIO 2020/2021

€ THOUSAND	SALARIES AND WAGES	IMAGE RIGHTS	TERMINATION BENEFITS/ DEPARTURES	GROUP BONUSES	SOCIAL SECURITY	OTHER EMPLOYEE BENEFITS EXPENSE	TOTAL PERSONNEL EXPENSES
First football team players and coaching staff	299,213	1,625	1,450	610	605	766	304,269
Second football team players and coaching staff	6,785	-	-	-	434	-	7,219
Lower division football team players and coaching staff	6,309	-	1	-	1,227	1,311	8,848
Players and women's team coaching staff	1,701	-	-	-	335	-	2,036
Non-sports personnel	43,415	-	31	-	5,478	517	49,441
Total football	**357,423**	**1,625**	**1,482**	**610**	**8,079**	**2,594**	**371,813**
Basketball players and coaching staff	27,351	529	-	-	454	797	29,131
Non-sports basketball personnel	1,867	-	-	-	146	-	2,013
Total basketball	**29,218**	**529**	**-**	**-**	**600**	**797**	**31,144**
TOTAL PERSONNEL EXPENSES	**386,641**	**2,154**	**1,482**	**610**	**8,679**	**3,391**	**402,957**

The breakdown of personnel expenses in the preceding table between sports staff who can be registered in the LNFP (1st and 2nd division A players and coaches) and those who cannot (other football and basketball divisions) is as follows:

€ THOUSAND	SALARIES AND WAGES	IMAGE RIGHTS	TERMINATION BENEFITS/ DEPARTURES	GROUP BONUSES	SOCIAL SECURITY	OTHER EMPLOYEE BENEFITS EXPENSE	TOTAL PERSONNEL EXPENSES
Staff who can be registered in the LNFP	299,213	1,625	1,450	610	605	766	304,269
Staff who cannot be registered in the LNFP	42,146	529	1	-	2,450	2,108	47,234
Total sports personnel expenses	**341,359**	**2,154**	**1,451**	**610**	**3,055**	**2,874**	**351,503**

2019/2020

€ THOUSAND	SALARIES AND WAGES	IMAGE RIGHTS	TERMINATION BENEFITS/ DEPARTURES	GROUP BONUSES	SOCIAL SECURITY	OTHER EMPLOYEE BENEFITS EXPENSE	TOTAL PERSONNEL EXPENSES
First football team players and coaching staff	301,738	1,625	-	4,165	621	317	308,466
Second football team players and coaching staff	7,372	-	1,561	-	276	-	9,209
Lower division football team players and coaching staff	5,945	-	200	-	1,281	1,665	9,091
Non-sports personnel	45,016	-	12	-	5,378	1,245	51,651
Total football	**360,071**	**1,625**	**1,773**	**4,165**	**7,556**	**3,227**	**378,417**
Basketball players and coaching staff	26,639	637	458	1,332	478	877	30,421
Non-sports basketball personnel	2,003	-	-	60	142	-	2,205
Total basketball	**28,642**	**637**	**458**	**1,392**	**620**	**877**	**32,626**
TOTAL PERSONNEL EXPENSES	**388,713**	**2,262**	**2,231**	**5,557**	**8,176**	**4,104**	**411,043**

The breakdown of personnel expenses in the preceding table between sports staff who can be registered in the LNFP (1st and 2nd division A players and coaches) and those who cannot (other football and basketball divisions) is as follows:

€ THOUSAND	SALARIES AND WAGES	IMAGE RIGHTS	TERMINATION BENEFITS/ DEPARTURES	GROUP BONUSES	SOCIAL SECURITY	OTHER EMPLOYEE BENEFITS EXPENSE	TOTAL PERSONNEL EXPENSES
Staff who can be registered in the LNFP	301,738	1,625	-	4,165	621	317	308,466
Staff who cannot be registered in the LNFP	39,956	637	2,219	1,332	2,035	2,542	48,721
Total sports personnel expenses	**341,694**	**2,262**	**2,219**	**5,497**	**2,656**	**2,859**	**357,187**

The following table presents the total sports personnel expenses based on the budget preparation guidelines of the clubs, as well as the LPF's public limited sports companies (Sociedades anónimas deportivas or "SADS").

2020/2021

€ THOUSAND	PERSONNEL EXPENSES	DEPRECIATION AND AMORTIZATION	IMPAIRMENT AND LOSSES	(INCOME)/ EXPENSE FROM TRANSFERS	TOTAL
Staff who can be registered in the LNFP	304,269	155,684	13,039	(7,940)	465,052
Staff who cannot be registered in the LNFP	47,234	2,778	209	626	50,847
Total sports personnel expenses	**351,503**	**158,462**	**13,248**	**(7,314)**	**515,899**

2019/2020

€ THOUSAND	PERSONNEL EXPENSES	DEPRECIATION AND AMORTIZATION	IMPAIRMENT AND LOSSES	(INCOME)/ EXPENSE FROM TRANSFERS	TOTAL
Staff who can be registered in the LNFP	308,466	153,662	17,885	(10,104)	469,909
Staff who cannot be registered in the LNFP	48,721	5,528	769	(358)	54,660
Total sports personnel expenses	**357,187**	**159,190**	**18,654**	**(10,462)**	**524,569**

17.4 OTHER OPERATING EXPENSES

- **Losses, impairment and changes in trade provisions**

The breakdown of "Losses, impairment and changes in trade provisions" is as follows:

€ THOUSAND	6/30/2021	6/30/2020
Impairment of "trade receivables" (Note 8.2)	2,244	3,860
Losses on "trade receivables"	182	683
Reversal of impairment of "trade receivables" (Note 8.2)	(2,665)	(966)
Utilization of allowance for impairment of "trade receivables" (Note 8.2)	(182)	(683)
Impairment of "Current receivables from sports entities" (Note 8.2)	-	1
Reversal of impairment on "Current receivables from sports entities" (Note 8.2)	(29)	(28)
Provision for inventory write-downs	292	-
Total losses, impairment and changes in trade provisions	**(158)**	**2,867**

- **Other operating expenses**

The breakdown of "Other operating expenses" is as follows:

€ THOUSAND	6/30/2021	6/30/2020
External services	85,305	127,611
Taxes	4,420	4,470
Transport	4,732	9,874
Player transfer and acquisition expenses	1,853	2,694
Other operating expenses	77,645	84,684
Total other operating expenses	**173,955**	**229,333**

"Other operating expenses" includes the mandatory contributions regulated by Royal Decree 5/2015 (see Note 17.1.6) and provisions for certain expenses not attributable to other items.

The breakdown of "External services" is as follows:

€ THOUSAND	6/30/2021	6/30/2020
Leases of assets (Note 6.3)	2,310	1,800
Other leases, royalties and other services	27,892	50,273
Repairs and maintenance	15,287	27,541
Professional services	29,948	34,419
Insurance premiums	4,699	5,555
Advertising, publicity and public relations	3,479	5,971
Utilities	1,690	2,052
Total external services	**85,305**	**127,611**

"Other leases, royalties and other services" includes, *inter alia*, operating fees, TV production expenses, catering, hostess and event expenses, and costs of editing and mailing publications.

Most operating expense items decreased considerably from the year before due not only to the decline in activity caused by the pandemic, but also the ambitious cost-saving plan implemented in all areas of the Club.

Fees paid for audit and other review and assurance engagements provided to the Club by the audit firm are as follows:

€ THOUSAND	6/30/2021	6/30/2020
Audit	141	140
Review and assurance work	52	41
Total services	**193**	**181**

Meanwhile, fees paid in the year ended June 30, 2021 for other services provided by companies in the audit firm's international network amounted to €20 thousand (2020: €784 thousand).

17.5 IMPAIRMENT AND GAINS/(LOSSES) ON DISPOSAL OF NON-CURRENT ASSETS

The breakdown of "Impairment and gains/(losses) on disposal of non-current assets and other exceptional gains/(losses)" is as follows:

€ THOUSAND	6/30/2021	6/30/2020
Impairment and losses on sports intangible assets (Notes 4.1 and 4.2)	16,476	26,025
Impairment and losses on property, plant and equipment (Note 6)	-	(85)
Impairment and losses on investment properties (Note 7)	(9)	(371)
Total impairment and losses	**16,467**	**25,569**
Gains on disposal of sports intangible assets (Note 4.3)	105,549	101,210
Gains on disposal of non-sports intangible assets	3	-
Gains on disposal of property, plant and equipment	412	13
Gains on disposal and other (Note 17.1)	**105,964**	**101,223**
TOTAL IMPAIRMENT, GAINS/(LOSSES) ON DISPOSAL OF NON-CURRENT ASSETS AND OTHER EXCEPTIONAL GAINS/(LOSSES)	**122,431**	**126,792**

17.6 FINANCE INCOME AND EXPENSES

The breakdown of finance income and expenses is as follows:

€ THOUSAND	6/30/2021	6/30/2020
Finance income from marketable securities and other financial instruments.		
Exchange gains	20	150
Unrealized exchange gains	10	12
Other finance income	427	3,341
Finance income on remeasurement of financial assets (Note 8.1)	568	569
	1,025	**4,072**
Capitalizaton of borrowing costs (Note 6.4)	**8,704**	**2,143**
Finance expenses		
Bank service fees	-	-
Exchange losses	141	55
Unrealized exchange losses	61	4
Loan interest costs	12,441	3,555
Finance expenses on remeasurement of financial assets (Note 15)	513	1,148
	13,156	**4,762**

"Other finance income" includes the income of late-payment interest on the reimbursement arising from the the Las Tablas proceedings explained in Note 13.4.2.

"Loan interest costs" included the interest expenses on financing of the Santiago Bernabéu Stadium remodeling project (Note 6.1). These costs are recognized in the balance sheet under "Capitalization of borrowing costs".

17.7 FOREIGN CURRENCY TRANSACTIONS

Transactions carried out in currencies other than the euro are as follows:

2020/2021

€ THOUSAND

SHORT-TERM PURCHASES OF FIXED ASSETS		SALES		SERVICES RECEIVED	
CURRENCY	NOTIONAL	CURRENCY	NOTIONAL	CURRENCY	NOTIONAL
USD	-	USD	4,480	USD	162
GBP	-	GBP	114	GBP	368
CHF	-	CHF	-	CHF	3
SAR (Saudi riyals)	-	SAR (Saudi riyals)	-	SAR (Saudi riyals)	140
	-		**4,594**		**673**

2019/2020

€ THOUSAND

SHORT-TERM PURCHASES OF FIXED ASSETS		SALES		SERVICES RECEIVED	
CURRENCY	NOTIONAL	CURRENCY	NOTIONAL	CURRENCY	NOTIONAL
USD	-	USD	11,001	USD	3,311
GBP	-	GBP	97	GBP	320
CHF	-	CHF	-	CHF	1
	-		**11,098**		**3,632**

18. RELATED PARTY TRANSACTIONS

Related parties with which the Club carried out transactions in the year ended June 30, 2021, and the nature of the relationship, are as follows:

	NATURE OF THE RELATIONSHIP
Board of Directors	Directors
Senior management	Directors
Real Madrid Foundation	Shared directors between the Foundation and the Club
Real Madrid Consulting (Beijing) Co Ltd	Subsidiary

18.1 BALANCES AND TRANSACTIONS WITH REAL MADRID CONSULTING (BEIJING) CO LTD

Balances with subsidiary Real Madrid Consulting (Beijing) Co Ltd are as follows:

€ THOUSAND	6/30/2021	6/30/2020
Payables	88	88

Transactions carried out with Real Madrid Consulting (Beijing) Co Ltd during the period, all of which were on an arm's length basis, were as follows:

€ THOUSAND	6/30/2021	6/30/2020
Other operating expenses	1,120	1,239

18.2 BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The members of the Board of Directors and those holding other management positions at the Club, both those serving at the date of authorization for issue of the annual financial statements and former members, did not undertake any transactions other than in connection with the ordinary course of the Club's business.

The Club's policy is to arrange third-party liability insurance of Club directors for damages caused by acts or omission in the discharge of their directorships. The amount paid in the year ended June 30, 2021 was €28 thousand (2020: €28 thousand).

1. Director compensation

The members of the Board of Directors did not accrue any compensation for serving as directors.

At June 30, 2021 and 2020, the Club had no obligations with former or current members of the Board of Directors in respect of pensions or life insurance, nor had it extended any guarantees on their behalf.

2. Identification of and total compensation paid to senior management

In the year ended June 30, 2021, there were 48 senior executives (2020: 47), of which 44 continued to hold their directorships at June 30, 2021 (2020: 46).

Total compensation paid to executives in the year ended June 30, 2021 was €24,191 thousand (2020: €23,654 thousand).

The members of the Board of Directors at June 30, 2021 were as follows:

Chairman:
Mr. Florentino Pérez Rodríguez

1st Vice-Chairman:
Mr. Fernando Fernández Tapias

2nd Vice-Chairman:
Mr. Eduardo Fernández de Blas

3rd Vice-Chairman:
Mr. Pedro López Jiménez

Secretary:
Mr. Enrique Sánchez González

Board members:

Mr. Santiago Aguado García
Mr. Jerónimo Farré Muncharaz
Mr. Enrique Pérez Rodríguez
Mr. Manuel Cerezo Velázquez
Mr. José Sánchez Bernal
Mr. Gumersindo Santamaría Gil
Mr. Raúl Ronda Ortiz
Mr. José Manuel Otero Lastres
Mr. Nicolás Martín-Sanz García
Mr. José Luis Del Valle Pérez
Ms. Catalina Miñarro Brugarolas
Mr. Manuel Torres Gómez

18.3 REAL MADRID FOUNDATION

The Real Madrid Foundation's governing body is its Board of Trustees. According to the Foundation's bylaws, the Foundation's trustees include, among others, the members of the Board of Directors of Real Madrid Club de Fútbol.

The members of the Board of Trustees do not earn any compensation for their seats on this board.

There are commitments with the Foundation regarding contributions to fund the sustainability of the Foundation and the pursuit of its activities. Contributions in the year ended June 30, 2021 amounted to €2,871 thousand (2020: €5,862 thousand).

19. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Real Madrid has established a series of procedures and controls that make it possible to identify, measure, and manage the risks arising from financial instrument activity.

Financial instrument activity exposes the Club to credit, market, and liquidity risk.

19.1 CREDIT RISK

Credit risk is the risk that a Club counterparty will not meet its contractual obligations, i.e. the possibility that financial assets will not be recovered at their carrying amount within the established time frame.

The maximum exposure to credit risk is as follows:

€ THOUSAND	6/30/2021	6/30/2020
Non-current investments		
Non-current receivables from sports entities (Note 8.1)	55,889	46,438
Other non-current receivables (Note 8.1)	17,076	26,193
Other financial assets (Note 8.1)	1,999	-
Trade and other receivables		
Trade receivables (Note 8.2)	48,155	113,879
Current receivables from sports entities (Note 8.2)	97,214	54,794
Other financial assets (Note 8.2)	11,973	10,574
Receivables from public administrations (Note 8.2)	25,611	37,929
Cash and cash equivalents (Note 10)	266,474	134,944
	524,391	**424,751**

For the purposes of credit risk management, the Club differentiates between financial assets arising from operating activities and those arising from investing activities.

- **Operating activities**

The Club has a procedure in place to measure, manage and control the risks arising from each of its loans. The procedure covers risk measurement and the initial authorization, ongoing monitoring of the exposure and subsequent controls.

Initial measurement and authorization is based on a hierarchical credit limit authorization system. Subsequent control is automated through a system of regular warnings managed by the Club's IT system and supervised at the corresponding management levels.

The breakdown, by counterparty, of credit risk concentration of current and non-current "Receivables from sports entities" and "Group companies" is as follows:

2020/2021

	NO. OF DEBTORS	€ THOUSAND
With a balance of more than €1,000 thousand	31	228,672
With a balance of between €1,000 thousand and €500 thousand	9	6,892
With a balance of between €500 thousand and €200 thousand	12	4,335
With a balance of between €200 thousand and €100 thousand	19	2,733
With a balance of less than €100 thousand	109	2,197
Impairment		(16,396)
		228,433

2019/2020

	NO. OF DEBTORS	€ THOUSAND
With a balance of more than €1,000 thousand	28	239,430
With a balance of between €1,000 thousand and €500 thousand	10	6,410
With a balance of between €500 thousand and €200 thousand	13	4,381
With a balance of between €200 thousand and €100 thousand	17	2,591
With a balance of less than €100 thousand	154	2,451
Impairment		(17,007)
		238,256

The breakdown of these balances by age is as follows:

€ THOUSAND	6/30/2021	6/30/2020
Not due	**165,145**	**167,301**
Past due, but not impaired		
Less than 30 days	12,950	7,660
Between 30 and 60 days	8,188	21,497
Between 60 and 90 days	2,158	120
Between 90 and 120 days	937	1,360
Over 120 days	39,055	40,318
	63,288	**70,955**
Doubtful receivables	**16,396**	**17,007**
Impairment	**(16,396)**	**(17,007)**
	228,433	**238,256**

Balances past due but not impaired include the debt with the Madrid City Council for the Las Tablas proceedings (see Note 13.4.2).

The Club, through its various departments, assesses and monitors these exposures on a monthly basis with a view to identifying risky situations and collection delays, taking the necessary precautions, including legal measures if warranted, to enable recovery of amounts past due as quickly as possible. In addition, in order to guarantee collection of receivables, the Club often demands suitable collateral and guarantees.

- **Investing activities**

The Club's investment policies are established by its Finance and Administration Department to make investments under the following guidelines:

- They must be arranged with financial institutions domiciled in Spain and of renowned solvency and liquidity.
- Acceptable investment products include bank deposits, repos, commercial paper issued by highly solvent financial institutions, interest-bearing accounts and other similar

financial products. Specifically, investment in speculative financial products or those in which the counterparty is not clearly and explicitly identified are expressly prohibited.

- Investments should be diversified to ensure that the risk is not significantly concentrated in any one institution.
- Investments in current financial assets must be liquid assets with a maturity of three months or less, with a repurchase commitment or a secondary market that guarantees their immediate liquidity if required.
- The Club's power of attorney policy dictates the parameters for the use of joint and several signatures based on amount.

19.2 MARKET RISK

Interest rate risk is the potential loss arising from fluctuations in the fair value or future cash flows from assets or liabilities and to changes in the discount rates used to determine the carrying amounts of assets, especially player values.

Regarding players and estimates of their value in use, the Club performs the analysis and considers the circumstances set out in Note 3.6 when assessing potential impairment losses.

Moreover, as explained in Note 14, at June 30, 2021 the Club had several loans and credit facilities with different financial institutions, mostly with long-term maturities. The nominal amount of outstanding principal at June 30, 2021 was €155,000 thousand (2020: €205,000 thousand). Virtually the entire amount is at a fixed rate of interest.

Also, during the previous and the current year, the Club made its first two drawdowns on the loan to fund the stadium remodeling project, for a total amount of €375,000 thousand. The interest rate on this loan is fixed (see Note 6.1).

19.3 LIQUIDITY RISK

Liquidity risk is the risk that the Club will have a shortage of funds or lack access to sufficient funds at an acceptable cost to meet its payment obligations at all times. The Club's objective is to maintain sufficient available funds. Club policies establish the minimum liquidity levels required at all times.

The undiscounted contractual maturity schedule of financial liabilities is as follows:

2020/2021

€ THOUSAND	LESS THAN 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	> 5 YEARS	TOTAL
Bank borrowings	275	2,024	152,676	-	154,975
Other financial liabilities					
Suppliers of fixed assets	57,087	-	9,781	307	67,175
Payables to sports entities for player transfers	63,937	-	-	-	63,937
Other financial liabilities	-	-	41,964	333,036	375,000
Trade and other payables	193,668	3,385	-	-	197,053
	314,967	**5,409**	**204,421**	**333,343**	**858,140**

2019/2020

€ THOUSAND	LESS THAN 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	> 5 YEARS	TOTAL
Bank borrowings	6,855	45,437	152,649	-	204,941
Other financial liabilities					
Suppliers of fixed assets	53,846	3,937	14,078	489	72,350
Payables to sports entities for player transfers	86,807	6,633	61,541	-	154,981
Other financial liabilities	-	-	8,415	91,585	100,000
Trade and other payables	177,315	11,557	-	-	188,872
	324,823	**67,564**	**236,683**	**92,074**	**721,144**

However, the key metric in determining liquidity risk is the net balance between receivables and payables.

The table below summarizes the maturity profile of the Club's financial assets:

2020/2021

€ THOUSAND	LESS THAN 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	TOTAL
Trade receivables	48,145	10	-	48,155
Receivables from sports entities	88,816	3,567	60,720	153,103
Other receivables	10,323	1,650	1,999	13,972
Receivable from public administrations	-	381	25,230	25,611
	147,284	**5,608**	**87,949**	**240,841**

2019/2020

€ THOUSAND	LESS THAN 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	TOTAL
Trade receivables	80,319	33,560	-	113,879
Receivables from sports entities	39,004	15,790	46,438	101,232
Other receivables	10,574	-	-	10,574
Receivable from public administrations	2,410	22,745	12,774	37,929
	132,307	**72,095**	**59,212**	**263,614**

As indicated in Note 14.4 Working capital, a significant portion of the balance of "Trade and other payables" is recurring, i.e. renewed annually due to the intrinsic nature of the Club's business operations.

Payment commitments to suppliers of fixed assets and sports entities for player transfers are amply covered by cash inflows to be received in coming years through operating income for the year, as well as by available cash and the credit lines discussed in Note 14.

19.4 INFORMATION REGARDING DEFERRED PAYMENTS TO SUPPLIERS IN COMMERCIAL TRANSACTIONS

The table below provides information on the average payment period to suppliers in commercial transactions in accordance with the Resolution of January 29, 2016 of the Spanish Institute of Accounting and Accounts Auditing regarding disclosures in the notes to annual financial statements:

€ THOUSAND	6/30/2021	6/30/2020
Days		
Average supplier payment period	51	53
Ratio of transactions paid	49	52
Ratio of transactions outstanding	58	58
(€ Thousand)		
Total payments made	158,454	226,110
Total payments outstanding	38,395	35,369

20. OTHER INFORMATION

20.1 STRUCTURE OF PERSONNEL

Club employees by category are as follows:

2020/2021

	NUMBER OF EMPLOYEES AT JUNE 30, 2021			AVERAGE NUMBER OF EMPLOYEES IN THE PERIOD	AVERAGE NUMBER OF EMPLOYEES WITH A DISABILITY EQUAL TO OR GREATER THAN 33%
	MEN	WOMEN	TOTAL		
Senior managers	38	6	44	45	-
Middle managers	21	16	37	35	-
Players and coaching staff	393	28	421	377	1
General staff	159	134	293	295	5
Laborers	33	4	37	37	2
Permanent seasonal	26	3	29	30	-
	670	**191**	**861**	**819**	**8**

2019/2020

	NUMBER OF EMPLOYEES AT JUNE 30, 2021			AVERAGE NUMBER OF EMPLOYEES IN THE PERIOD	AVERAGE NUMBER OF EMPLOYEES WITH A DISABILITY EQUAL TO OR GREATER THAN 33%
	MEN	WOMEN	TOTAL		
Senior managers	41	5	46	42	-
Middle managers	19	14	33	31	-
Players and coaching staff	333	-	333	368	1
General staff	158	139	297	286	5
Laborers	33	4	37	37	3
Permanent seasonal	27	4	31	33	-
	611	**166**	**777**	**797**	**9**

20.2 ENVIRONMENTAL DISCLOSURES

Given the nature of its activities, the Club has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial position and results. Consequently, the notes to the accompanying financial statements do not include specific environmental disclosures.

20.3 CONTROL RATIOS ON SPORTS ORGANIZATIONS

Sports Law 10/1990, of October 15, grants professional leagues exclusive jurisdiction over the guardianship, control, and economic supervision of its associates. The National Professional Football League has carried out the above functions through governing and management bodies, in general, and the Economic Control Committee, in particular, in accordance with Article 41.4 b) of this law, and the bylaws and Book X of the General Regulations of the Spanish Professional Soccer League (LFP).

In this regard, via its the governing bodies, the LFP has set out a number of supervisory and economic-financial control standards applicable to Clubs and SADs participating in professional and national competitions organized by the LFP in conjunction with the RFEF.

The previous year, to assess the economic impact of COVID-19 on clubs, the LFP amended articles 13.1 and 20.1 of Book X of the General Regulations of the Spanish Professional Football League. According to these amendments, the calculation of the breakeven point and registration ratio required adjustments to factor in the pandemic's economic impact on clubs' relevant income and expenses.

The previous year, as at the date of authorization for issue of the financial statements, the criteria to be used for these adjustments had yet to be approved. As a result, the Club kept its standard calculation formula for the breakeven point and presented, following approval of the criteria by the competent body, a specific agree-upon procedures report in compliance with regulations. The R1 and R2 ratios necessary to join the LFP as affiliates, were not affected since they were linked to balance sheet figures at December 31, 2019 and revenue for 2018/19, and both of these periods were before the impact of COVID-19.

The main ratios established for economic control and LFP registration are discussed below, with figures adjusted, where applicable, for the impact of the pandemic using criteria established by the LFP and also including the impact on figures for the previous year.

The main ratios for budget control were included in the interim financial statements for the six months ended December 31, 2020.

1. Indicators included in the LFP's Economic Control Regulations

- **Breakeven point indicator**

The breakeven point for profit or loss is the difference between relevant income and expenses, adjusted, where appropriate, by any qualifications quantified in the auditor's report. The total breakeven point for profit or loss is the sum of the breakeven points for profit or loss of each accounting period in the period monitored; i.e. T, T-1 and T-2, where T is the annual accounting period for which the audited financial statements were requested.

€ THOUSAND	6/30/2021	6/30/2020	6/30/2019
Relevant income	933,065	908,095	848,002
Relevant expenses	745,036	793,191	740,439
Breakeven point (+ surplus - deficit)	188,029	114,904	107,563
Total breakeven point	**410,496**		
Required breakeven point	>0		
	COMPLIES		

The calculation of relevant income and the reconciliation of relevant income with the accompanying financial statements is provided below:

€ THOUSAND	T 6/30/2021	T-1 6/30/2020	T-2 6/30/2019
Relevant income			
Revenue	648,355	692,546	755,128
Other operating income	1,334	22,157	1,947
Grants recognized in the income statement	192	192	192
Provision surpluses	3,098	-	-
Gains on disposal of player registrations	118,797	103,388	105,976
Gain on disposal of property, plant and equipment/investment property	415	13	-
Finance income	9,729	6,215	795
Less: Income from youth member activities	-	(37)	(66)
Less: Women's football income	(394)	-	-
Less: Basketball income	(11,153)	(14,463)	(15,970)
Less: Proceeds from disposal of property, plant and equipment/investment property	(415)	(13)	-
Less: Non-monetary financial income	(8,704)	(2,143)	-
Plus: COVID-19 impact	176,595	101,534	-
Less: COVID-19 impact on basketball income	(4,784)	(1,294)	-
Total relevant income	**933,065**	**908,095**	**848,002**
Income per financial statements			
Total operating income (Note 17.1)	758,943	816,118	855,815
Total finance income (Note 17.6)	9,729	6,215	795
Total income per financial statements	**768,672**	**822,333**	**856,610**
Difference	**164,393**	**85,762**	**(8,608)**
Reconciling items:			
Income from youth member activities	-	(37)	(66)
Women's football income	(394)	-	-
Basketball income	(11,153)	(14,463)	(15,970)
Proceeds from disposal of property, plant and equipment/investment property	(415)	(13)	-
Net losses on disposals	13,248	2,178	7,428
Non-monetary financial income	(8,704)	(2,143)	-
COVID-19 impact	176,595	101,534	-
Adjustment for COVID-19 impact on basketball	(4,784)	(1,294)	-
Total reconciling items:	**164,393**	**85,762**	**(8,608)**

The calculation of relevant expenses and the reconciliation of relevant expenses with the accompanying financial statements is provided below:

€ THOUSAND	T 6/30/2021	T-1 6/30/2020	T-2 6/30/2019
Relevant expenses			
Cost of sales/materials	19,024	21,543	24,305
Employee benefits expense	402,957	411,043	394,221
Other operating expenses	173,797	232,200	214,564
Depreciation and amortization	174,466	176,503	122,061
Write-down and losses on disposal of player registrations	(3,228)	(23,847)	53,761
Impairment losses and derecognitions of other intangible assets, property, plant and equipment, and investment property	9	456	45
Finance and dividend costs	13,156	4,762	1,599
Less: Non-identifiable youth activity expenses	(6,483)	(7,257)	(7,365)
Less: Expenses from community development activities	(2,882)	(5,873)	(2,768)
Less: Depreciation/write-down of other intangible assets, property, plant and equipment, and investment property	(16,012)	(17,771)	(18,046)
Less: Cost directly attributable to the construction of property, plant, and equipment	(8,704)	(2,143)	-
Less: Women's football expenses	(3,384)	-	-
Less: Other basketball expenses	(29,538)	(40,327)	(41,938)
Less: COVID-19 impact	33,450	44,707	-
Plus: COVID-19 impact on basketball income	(1,592)	(805)	-
Total relevant expenses	**745,036**	**793,191**	**740,439**
Expenses per the financial statements			
Cost of sales	19,024	21,543	24,305
Player and other personnel expenses	402,957	411,043	394,221
Other operating expenses	173,797	232,200	214,564
Depreciation and amortization	174,466	176,503	122,061
Impairment and losses	(16,467)	(25,569)	46,378
Finance expenses	13,156	4,762	1,599
Total expenses per financial statements	**766,933**	**820,482**	**803,128**
Difference	**(21,897)**	**(27,291)**	**(62,689)**
Reconciling items:			
Non-identifiable youth activity expenses	(6,483)	(7,257)	(7,365)
Expenses from community development activities	(2,882)	(5,873)	(2,768)
Depreciation/write-down of other intangible assets, property, plant and equipment, and investment property	(16,012)	(17,771)	(18,046)
Women's football expenses	(3,384)	-	-
Basketball expenses	(29,538)	(40,327)	(41,938)
Net losses on disposals of player registrations	13,248	2,178	7,428
Costs attributable to the construction of property, plant, and equipment	(8,704)	(2,143)	-
COVID-19 impact	33,450	44,707	-
Adjustment for COVID-19 impact on basketball	(1,592)	(805)	-
Total reconciling items:	**(21,897)**	**(27,291)**	**(62,689)**

- **First football team personnel expenses indicator**

When the total annual amount of personnel expenses associated with Clubs' and SADS' first football team staff, players and coaches exceeds 70% of relevant income for the season, as defined in the LFP's Economic Control Regulations, this is considered to be an indication of a possible future economic-financial imbalance.

€ THOUSAND	6/30/2021	6/30/2020
First football team personnel expenses	307,006	310,491
Relevant income	761,254	807,855
First football team personnel expenses indicator	**40%**	**38%**
Required first football team personnel expenses indicator	<70%	<70%
	COMPLIES	**COMPLIES**

The calculation and reconciliation of relevant income is the same as the calculation of the breakeven point above:

The reconciliation of first football team personnel expenses and total personnel expenses is provided below:

€ THOUSAND	6/30/2021	6/30/2020
First football team sports personnel expenses	304,269	308,466
First football team non-sports personnel expenses	2,737	2,025
Total first football team personnel expenses	**307,006**	**310,491**
Youth football team personnel expenses	16,067	18,300
Women's football team personnel expenses	2,036	-
Basketball personnel expenses	31,144	32,626
Non-sports football personnel expenses and overheads not related to the first football team	46,704	49,626
Total personnel expenses per financial statements	**402,957**	**411,043**

- **Net debt/relevant income ratio**

When net debt at June 30 of each sports season exceeds 100% of the entity's relevant income for that season, this is considered be indicative of a possible future economic-financial imbalance, as defined in Regulations.

According to regulation definitions, the amount of net debt corresponds to the sum of net debt for club transfers (i.e. net of receivables and payables for player transfers), net debt from loans (i.e. bank overdrafts and borrowings, loans from owners and related parties, advanced payments to be accrued in a period of more than year, and finance leases less cash, cash equivalents and non-current investments) plus payables to suppliers of fixed assets. Net debt does not include trade or other payables. Also excluded are outstanding payments on investments in property, plant and equipment for the construction, refurbishment, renovation or substantial ugrade to sports facilities that meet certain requirements in regulations.

€ THOUSAND	6/30/2021	6/30/2020
Total net debt	46,421	240,588
Relevant income	761,254	807,855
Net debt/relevant income ratio	**6.1%**	**29.8%**
Required net debt/relevant income ratio	<100%	<100%
	COMPLIES	**COMPLIES**

The breakdown of net debt is as follows:

€ THOUSAND	6/30/2021	6/30/2020
Non-current bank borrowings	152,676	152,649
Non-current payables to sports entities	-	61,541
Other non-current payables	385,088	114,565
Non-current advances received	70,059	47,798
Current bank borrowings	2,299	52,292
Current payables to sports entities	63,937	93,440
Other current payables	57,087	57,783
Total payables and borrowings	**731,146**	**580,068**
Cash and cash equivalents	266,474	134,945
Current receivables from transfers	83,160	44,397
Non-current receivables from transfers	55,889	46,438
Total reconciling asset items:	**405,523**	**225,780**
Adjustment for investments in stadium remodeling	**279,202**	**113,700**
TOTAL NET DEBT	**46,421**	**240,588**

- **Sustainable net debt ratio**

When relevant debt at June 30 of season T exceeds €30,000 thousand and is seven times greater than relevant profit T and T-1 (T being the season of the reporting period), this is considered to be indicative of a potential economic-financial imbalance.

Net debt is net debt less investment in property, plant and equipment or intangible assets to build, upgrade or renovate sports facilities.

Relevant profit is calculated as the difference between the relevant income and expenses calculated for breakeven excluding the impact of COVID-19.

€ THOUSAND	6/30/2021	6/30/2020	6/30/2019
Net debt	46,421	240,588	
Relevant income	761,254	807,855	848,002
Relevant expenses	713,178	749,289	740,439
Relevant profit	48,077	58,566	107,563
Average relevant profit T/T-1	53,322	83,065	
Net debt/relevant profit ratio	**0.87**	**2.90**	
Required ratio	< 7	< 7	
	COMPLIES	**COMPLIES**	

2. Ratios necessary to join the LFP as an affiliate

The LFP's bylaws state that the following ratios must be met in order to join as an affiliate. The amounts required for the Club's registration for season T relate to:

Balance sheet figures: data at December T-1
Revenue: data at June T-2

- **Ratio 1**

€ THOUSAND	SEASON OF REGISTRATION (T)	
	2021/2022	2020/2021
Non-current liabilities (*)	283,204	177,133
Current liabilities	390,532	435,781
Less: Deferred tax liabilities	(32,865)	(21,444)
Less: Cash and cash equivalents	(211,746)	(66,172)
Less: Receivables from sports entities (**)	(145,435)	(101,980)
Less: Investments in stadium remodeling	(190,150)	(76,610)
Total adjusted liabilities T-1	93,540	346,708
Revenue T-2	692,546	755,128
COVID-19 adjustment	101,534	-
Adjusted revenue T-2	794,080	755,128
Ratio 1	**0.12**	**0.46**
Required ratio 1	<3.15	<3.15
	COMPLIES	**COMPLIES**

(*) Payables falling due on or after June 30 of T+4 are not included.
(**) Receivables from sports entities due to transfers/assignments to non-current and current.

- **Ratio 2**

€ THOUSAND	SEASON OF REGISTRATION (T)	
	2021/2022	2020/2021
Current liabilities	390,532	435,781
Less: Cash and cash equivalents	(211,746)	(66,172)
Less: Payables to sports entities (*)	(91,046)	(53,160)
Less: Investments in stadium remodeling	(190,150)	(76,610)
Total adjusted current liabilities T-1	(102,410)	239,839
Revenue T-2	692,546	755,128
COVID-19 adjustment	101,534	-
Adjusted revenue T-2	794,080	755,028
Ratio 2	**(0.13)**	**0.32**
Total Ratio 2 required	<1.40	<1.40
	COMPLIES	**COMPLIES**

(*) Receivables from sports entities due to transfers/assignments to current.

21. EVENTS AFTER THE REPORTING PERIOD

Though not an event after the reporting period in the pure sense, noteworthy for its huge impact was the approval at the extraordinary meeting of the Council of Ministers held on June 24, to allow spectators in sports stadiums and pavilions for the start of the 2021/22 football and basketball league seasons. Nevertheless, the regional governments have the authority to determine capacity at any given time depending on how the pandemic evolves.

Strictly on the sports front, certain player rights were acquired, although the amounts of the investments were not material.

No other significant events occurred between the end of the reporting period and the date of authorization for issue of these financial statements.

22. INCOME STATEMENT BY ANALYTICAL SEGMENT

€ THOUSAND	FOOTBALL	BASKETBALL	TOTAL
Membership fees, ticket sales and other stadium revenue	10,394	55	10,449
Revenue from international and friendly matches	115,599	564	116,163
Broadcasting revenue	204,223	3,486	207,709
Marketing revenue	311,610	7,048	318,658
Total operating income (before disposal of non-current assets)	**641,826**	**11,153**	**652,979**
Cost of sales	(18,494)	(530)	(19,024)
Sports and non-sports personnel expenses	(371,813)	(31,144)	(402,957)
Operating expenses	(168,609)	(5,346)	(173,955)
Provision for liabilities and charges	158	-	158
Total operating expenses before depreciation and amortization	**(558,758)**	**(37,020)**	**(595,778)**
Operating profit/(loss) before depreciation and amortization, and disposal of non-current assets	**83,068**	**(25,867)**	**57,201**
Gains/(losses) on disposal of non-current assets	98,129	7,835	105,964
Impairment/derecognition of non-current assets	16,467	-	16,467
Gains/(losses) on disposals of non-current assets	**114,596**	**7,835**	**122,431**
Operating profit/(loss) before depreciation and amortization (EBITDA)	**197,664**	**(18,032)**	**179,632**
Depreciation and amortization	**(173,637)**	**(829)**	**(174,466)**
Operating profit/(loss)	**24,027**	**(18,861)**	**5,166**
Finance income			1,025
Capitalization of borrowing costs			8,704
Finance expenses arising on implied cost of deferred payment on player acquisitions			(513)
Finance expenses arising on interest on loans, guarantee expenses and other financial expenses			(3,939)
Capitalized finance costs on the stadium loan			(8,704)
Net finance income/(expense)			**(3,427)**
Profit before tax			**1,739**
Income tax expense			(865)
Profit after tax			**874**

23. BUDGET OUT-TURN FOR THE 2020/2021 SEASON

€ THOUSAND	BUDGET	OUT-TURN	VARIANCE
Membership fees, ticket sales and other stadium revenue	9,519	10,449	930
Revenue from international and friendly matches	92,520	116,163	23,643
Broadcasting revenue	212,833	207,709	(5.1234)
Marketing revenue	301,932	318,658	16,726
Total operating income (before disposal of non-current assets)	**616,803**	**652,979**	**36,175**
Cost of sales	(10,639)	(19,024)	(8,385)
Sports and non-sports personnel expenses	(448,402)	(402,957)	45,445
Operating expenses	(188,688)	(173,955)	14,733
Provision for uncollectible receivables, and for liabilities and charges	11,041	158	(10,883)
Total operating expenses before depreciation and amortization	**(636,688)**	**(595,778)**	**40,910**
Operating profit/(loss) before depreciation and amortization, and disposal of non-current assets	**(19,885)**	**57,201**	**77,085**
Gains/(losses) on disposals of non-current assets	88,387	105,964	17,577
Impairment/derecognition of non-current assets	16,476	16,467	(9)
Gains/(losses) on disposals of non-current assets	**104,863**	**122,431**	**17,568**
Operating profit/(loss) before depreciation and amortization (EBITDA)	**84,978**	**179,632**	**94,654**
Depreciation and amortization	**(173,131)**	**(174,466)**	**(1,335)**
Operating profit/(loss)	**(88,153)**	**5,166**	**93,319**
Finance income	1,390	1,025	(365)
Capitalization of borrowing costs	8,704	8,704	-
Finance expenses arising on implied cost of deferred payment on player acquisitions	(521)	(513)	8
Finance expenses arising on interest on loans, guarantee expenses and other financial expenses	(3,859)	(3,939)	(80)
Capitalized finance costs on the stadium loan	(8,704)	(8,704)	-
Net finance income/(expense)	**(2,990)**	**(3,427)**	**(437)**
Profit/(loss) before tax	**(91,143)**	**1,739**	**92,882**
Income tax expense	21,468	(865)	(22,333)
Profit after tax	**(69,675)**	**874**	**70,549**

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

Operating income amounted to €652,979 thousand, €36,175 thousand over budget.

Stadium revenue was €0.9 million higher due to a small amount of revenue from the commercial operation of the facilities (barely any amount was budgeted for this type of revenue). Moreover, revenue was strictly from the collection of membership dues. There was no revenue from box seating or VIP area season tickets since all the matches were played behind closed doors. Revenue from competitions was €23.6 million higher, driven by participation in the Champions League; the Club reached the semifinals, but the budget had it only reaching the round of 16. Market revenue topped the budget by €16.7 million, underpinned by higher-than-expected sponsorship and merchandising revenue. Conversely, broadcasting revenue was €5.1 million less than budgeted, owing to lower revenue from the share of audiovisual broadcasting rights of the Spanish football league, although this was offset to some extent by higher Champions League market pool revenue, since the Club advanced two rounds more than budgeted.

Personnel expenses were €45,445 thousand lower.

Most of this was the result of unbudgeted savings measures implemented by the Club to mitigate the impact of lost revenue; e.g. members of the first division football and basketball teams and top executives of the various divisions agreed voluntarily to reduce their annual salary by 10%, as they did the previous year. This, coupled with savings from additional departures of players during the year and other minor salary cuts, resulted in lower-than-budgeted expenditure of €31 million.

The other €14 million of the difference was due to budgeted expenses for contingencies that did not arise.

Cost of sales was €8,385 thousand over budget due to higher merchandising revenue.

Operating expenses were €14,749 thousand less than budgeted. This saving was in addition to the €27 million budgeted decrease from 2019/20. In addition to lower spending because of the reduced activity caused by the pandemic, the total €42 million reduction in expenditure was mostly the result of the cost-saving plan put in place by the Club targeting a number of activities and services commissioned.

The amount of provisions was €10,883 thousand higher than budgeted as most of the provisions recognized for potential contingencies were maintained.

Operating profit before depreciation and amortization and disposal of non-current assets amounted to €57,201 thousand, €77,085 thousand above budget.

Gains on player transfers totaled €105,964 thousand, outperforming the budget by €17,577 thousand. This was the result of the accrual of variable amounts arising from transfers carried out previously and gains on two transfers of basketball players during the year.

Impairment of non-current assets included a positive impact of €16,467 thousand, in line with the budget.

Operating profit before depreciation and amortization (EBITDA) amounted to €179,632 thousand, €94,654 thousand above budget.

The depreciation and amortization expense was €1,335 thousand over budget due to the accrual of a contingent acquisition cost.

The net finance result was in line with the budget. The borrowing cost of the stadium remodeling project financing did not have any impact on the income statement since it was capitalized as an increase in the cost of the investment since the project is still underway.

Profit before tax for the year was €1,739 thousand, €92,882 thousand above 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 2020/21 budget out-turn included profit after tax of €874 thousand, €70,549 thousand more than budgeted for the reasons explained previously.

In the wake of the cost-savings measures taken to mitigate lost revenue of nearly €300 million caused by the health crisis, the Club posted a profit for the year ended June 30, 2021, as it did the year before. As a result, Real Madrid will be one of the few European clubs not to sustain losses in the last two years. According to a UEFA study, cumulative operating losses of European clubs between 2019/20 and 2020/21 amount to around €6,000 million.

The Club has been profit-making in the last 20 years, enabling it to build up equity of €534 million as at June 30, 2021.

AUTHORIZATION FOR ISSUE OF THE FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR THE YEAR ENDED JUNE 30, 2021

In a meeting held on July 14, 2021, the members of the Board of Directors of Real Madrid Club de Fútbol authorized for issue the financial statements and management report for the financial year ended June 30, 2021, which consist of the documents preceding this certification.

CHAIRMAN

Mr. Florentino Pérez Rodríguez

VICE-CHAIRMANS

Mr. Fernando Fernández Tapias
Mr. Eduardo Fernández de Blas
Mr. Pedro López Jiménez

SECRETARY

Mr. Enrique Sánchez González

BOARD MEMBERS

Mr. Santiago Aguado García
Mr. Jerónimo Farré Muncharaz
Mr. Enrique Pérez Rodríguez
Mr. Manuel Cerezo Velázquez
Mr. José Sánchez Bernal
Mr. Gumersindo Santamaría Gil
Mr. Raúl Ronda Ortiz
Mr. José Manuel Otero Lastres
Mr. Nicolás Martín-Sanz García
Mr. José Luis del Valle Pérez
Ms. Catalina Miñarro Brugarolas
Mr. Manuel Torres Gómez

AUDIT REPORT

INDEPENDENT AUDITOR'S REPORT

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the General Assembly of Delegated Members of
REAL MADRID CLUB DE FÚTBOL

Opinion

We have audited the financial statements of REAL MADRID CLUB DE FÚTBOL (the "Club"), which comprise the balance sheet at June 30, 2021, the income statement, the statement of changes in equity, the statement of cash flows and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of REAL MADRID CLUB DE FÚTBOL at June 30, 2021, and the results of its operations and cash flows for the year then ended, in accordance with the applicable financial reporting framework (identified in Note 2) and, in particularly, the accounting principles and policies contained therein.

Basis for opinion

We carried out our audit in accordance with Spanish standards on auditing. Our responsibilities under those standards are further described in the *"Auditor's responsibilities for the audit of the financial statements"* section.

We are independent from the Club in conformity of ethical requirements, including independence, which are applicable to an audit of financial statements in Spain according to what is required by Spanish standards on auditing. In these regards, we have neither provided services different to audit of financial statements nor any situation or circumstance has concurred that, according to the aforementioned standards, had affected the necessary independence in a way it had been jeopardized.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, represent the most significant risk of material misstatement in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of sports Intangible assets

Description

In its balance sheet at 30 June 2021, the Club recognized sports intangible assets, net of amortization and impairment, amounting to 429 million euros, related to the acquisition of player transfer rights, which are amortized on a straight-line basis since the players will continue to be bound to the Club by contract. The disclosures regarding these sports intangible assets are provided in notes 3.1 and 4 of the accompanying financial statements.

The review of the abovementioned heading was a key audit matter as it involved significant judgment on the part of Club management when identifying possible indications of impairment at each reporting date, as explained in notes and 2.3, 3.1 and 3.6 to the accompanying financial statements.

Our response

As part of our audit work, we reviewed the procedures performed by the Club when capitalizing, amortizing, and identifying possible impairment, as well as assessing the reasonableness of the assumptions and sources used to reach conclusions. In addition, we reviewed the disclosures included in the financial statements required by the financial information framework applicable to the Club.

Accrual of current and non-current liabilities

Description	On a recurring basis, the Club receives considerable amounts in the year in broadcasting revenue, membership fees and season tickets, marketing and sponsorship contracts, and friendly matches, considered prepaid income as they are accrued in subsequent reporting periods (the following year in most cases), as described in Notes 3.18 and 15 to the financial statements. The Club recognizes the amounts related to this prepaid income under "Non-current accruals" and "Current accruals," as appropriate, on the liability side of the balance sheet at June 30, 2021. The appropriate accounting recognition of these accruals was a key matter for our audit given the variety of items and terms in the underlying agreements, requiring a detailed and case-by-case analysis of each. As part of our audit engagement, we reviewed the procedures followed by the Club and analysed the main agreements in order to determine whether the approach was applied on a consistent basis and to determine the reasonableness of the calculations made.
Our response	As part of our audit work we reviewed the procedures and analyzed the main contracts in order to determine the consistency of the methodology applied and the reasonableness of the calculations made. In addition, we reviewed the disclosures included in the financial statements required by the financial information framework applicable to the Club.

Other information: Management report

The other information involves exclusively the management report for the year ended June 30, 2021. The management report is the responsibility of the members of Board of Directors of REAL MADRID CLUB DE FÚTBOL and is not an integral part of the financial statements.

Our opinion on the financial statements does not cover the management report. In connection with the management report, our responsibility, as required by auditing standards, is to evaluate and report on whether the management report is consistent with the financial statements based on the knowledge obtained from the Club in the course of our audit of the financial statements, and not include other information obtained as evidence during the audit. It is also our responsibility to evaluate and report on whether the content and presentation of the management report comply with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, in accordance with the preceding paragraph, the information contained in the management report is consistent with the financial statements for the year ended June 30, 2021, and its content and presentation comply with applicable regulations.

Responsibilities of members of Board of Directors for the financial statements

Members of Board of Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework (see Note 2), and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, members of Board of Directors are responsible for assessing the Club's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Club or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Spanish standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Spanish standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Club's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by members of Board of Directors.
- Conclude on the appropriateness of members of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Club's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Club to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant matters communicated to the members of the Board of Directors of the Club, we determine those of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

BUDGET 2021-2022

REAL MADRID CLUB DE FÚTBOL
2021-2022 BUDGET

€ THOUSAND	2020/2021	BUDGET 2021/2022
Membership fees, ticket sales and other stadium revenue	10,449	85,534
Revenue from international and friendly matches	116,163	98,594
Broadcasting revenue	207,709	186,538
Marketing revenue	318,658	324,864
Total operating income (before disposal of non-current assets)	**652,979**	**695,530**
Supplies	(19,024)	(19,554)
Sports and non-sports personnel expenses	(402,957)	(401,439)
Operating expenses	(173,955)	(199,154)
Provision for uncollectible receivables, and for liabilities and charges	158	0
Total operating expenses before depreciation and amortization	**(595,778)**	**(620,147)**
Operating profit/(loss) before depreciation and amortization, and disposal of non-current assets	**57,201**	**75,384**
Gains/(losses) on disposals of non-current assets	105,964	108,086
Impairment/derecognition of non-current assets	16,467	0
Gains/(losses) on disposals of non-current assets	**122,431**	**108,086**
Profit/(loss) from operating activities before amortization and depreciation (EBITDA)	**179,632**	**183,469**
Depreciation and amortization	(174,466)	(176,932)
Operating profit/(loss)	**5,166**	**6,537**
Finance income	1,025	508
Capitalisation of finance expenses	8,704	13,955
Finance expenses arising on implied cost of deferred payment on player acquisitions	(513)	(200)
Finance expenses arising on interest on loans, guarantee expenses and other financial expenses	(3,939)	(4,101)
Capitalisation of finance expenses arising on the stadium loan	(8,704)	(13,955)
Net finance income/(expense)	**(3,427)**	**(3,793)**
Ordinary profit/(loss)	**1,739**	**2,744**
Taxes	(865)	(1,686)
PROFIT/(LOSS) BEFORE TAX	**874**	**1,058**

In 2021/22, budgeted revenue totals €695.5 million, an increase of €42.6 million (7%) over last year.

After fiscal year 2020/21, where matches were played behind closed doors, stadium budgeted revenue increases considering that matches will be held at Santiago Bernabéu - although not at full capacity - and budgeted revenue from competitions and broadcasting rights decreases, due in part to consider reaching Champions League quarter finals (semifinals last year) and to the fact that 2019/20 season ended in fiscal year 2020/21, with the corresponding allocation of income to said fiscal year.

Budgeted revenue represents a decrease of €127 million, down 15%, when compared to the budget for 2019/20, prior to the pandemic, when it totaled €822.1 million.

Recovery to the situation prior to the pandemic is not immediate, so its economic effects persist in the different business lines, to which are added the limitations derived from the stadium remodeling project.

Personnel expenses evolve according to contracts, composition of sports staff and salary containment plans. All things considered, personnel expenses decrease by €1.5 million over the last year.

Operating expenses, supplies, and provisions increase by €25.9 million, compared to previous year, in line with the evolution of Club's income and activities upon resuming stadium matches. Cost saving efforts are maintained.

After taking into account profits from disposals totaling €108.1 million (€122 million last year) budgeted EBITDA is €183.5 million (€179.6 million last year).

Budgeted amortization expense is €2.5 million more than last year due to the evolution in sports staff.

Financial expenses are budgeted at €3.8 million, in line with last year.

Financial expense arising from financing the stadium, in 2021/22 and both in 2020/21 and 2019/20, is capitalized as an increase in the cost of the investment, since it pertains to interest incurred to finance a project that is still in progress.

All things considered, profit before tax totals €2.7 million (€1.7 million last year), which, after applying the nominal tax rate of 25% and other tax legislation, reflects profit after tax of €1.1 million (€0.9 million last year).

REAL MADRID CLUB DE FÚTBOL
BUDGET BY SPORT SEGMENTS FOR THE 2021-2022 SEASON

€ THOUSAND	FOOTBALL	BASKETBALL	TOTAL
Membership fees, ticket sales and other stadium revenue	81,622	3,913	85,534
Revenue from international and friendly matches	97,994	600	98,594
Broadcasting revenue	183,124	3,414	186,538
Marketing revenue	317,547	7,317	324,864
Total operating income (before disposal of non-current assets)	**680,287**	**15,244**	**695,530**
Supplies	(18,997)	(557)	(19,554)
Sports and non-sports personnel expenses	(366,459)	(34,980)	(401,439)
Operating expenses	(191,155)	(7,999)	(199,154)
Provision for uncollectible receivables, and for liabilities and charges	0	0	0
Total operating expenses before depreciation and amortization	**(576,611)**	**(43,536)**	**(620,147)**
Operating profit/(loss) before depreciation and amortization, and disposal of non-current assets	**103,675**	**(28,292)**	**75,384**
Gains/(losses) on disposals of non-current assets	105,086	3,000	108,086
Impairment/derecognition of non-current assets	0	0	0
Gains/(losses) on disposals of non-current assets	**105,086**	**3,000**	**108,086**
Profit/(loss) from operating activities before amortization and depreciation (EBITDA)	**208,760**	**(25,292)**	**183,469**
Depreciation and amortization	(176,352)	(580)	(176,932)
Operating profit/(loss)	**32,409**	**(25,872)**	**6,537**
Finance income			508
Capitalisation of finance expenses			13,955
Finance expenses arising on implied cost of deferred payment on player acquisitions			(200)
Finance expenses arising on interest on loans, guarantee expenses and other financial expenses			(4,101)
Capitalisation of finance expenses arising on the stadium loan			(13,955)
Net finance income/(expense)			**(3,793)**
Ordinary profit/(loss)			**2,744**
Taxes			(1,686)
PROFIT/(LOSS) BEFORE TAX			**1,058**

Printed in November 2021, in Madrid
Published by: Real Madrid C.F.