

## 22. INCOME STATEMENT BY ANALYTICAL SEGMENT

€ THOUSAND	MEN'S FOOTBALL	WOMEN'S FOOTBALL	BASKETBALL	TOTAL
Membership fees, ticket sales and stadium revenue	145,032	711	6,291	152,034
Revenue from international and friendly matches	134,748	923	1,759	137,430
Broadcasting revenue	182,773	-	4,040	186,813
Marketing revenue	351,042	5,787	9,912	366,741
<b>Total operating income (before disposal of non-current assets)</b>	<b>813,595</b>	<b>7,421</b>	<b>22,002</b>	<b>843,018</b>
Cost of sales	(42,803)	(413)	(784)	(44,000)
Sports and non-sports personnel expenses	(408,438)	(4,973)	(39,290)	(452,701)
Operating expenses	(249,938)	(2,649)	(9,712)	(262,299)
Provision for liabilities and charges	90	-	-	90
Gains/(losses) on disposal of non-current assets	104,057	-	-	104,057
Impairment/derecognition of non-current assets	(30,601)	-	(6)	(30,607)
<b>Operating profit/(loss) before depreciation and amortization (EBITDA)</b>	<b>185,962</b>	<b>(614)</b>	<b>(27,790)</b>	<b>157,558</b>
<b>Depreciation and amortization</b>	<b>(153,927)</b>	<b>(103)</b>	<b>(539)</b>	<b>(154,569)</b>
<b>Operating profit/(loss)</b>	<b>32,035</b>	<b>(717)</b>	<b>(28,329)</b>	<b>2,989</b>
Finance income				12,754
Capitalization of borrowing costs				17,917
Finance expenses arising on implied cost of deferred payment on player acquisitions				(1,551)
Finance expenses arising on interest on loans, guarantee expenses and other financial expenses				(5,615)
Capitalized finance costs on the stadium loan				(17,917)
<b>Net finance income/(expense)</b>				<b>5,588</b>
<b>Profit before tax</b>				<b>8,577</b>
Income tax expense				3,249
<b>Profit after tax</b>				<b>11,826</b>

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

€ THOUSAND	BUDGET*	OUT-TURN	VARIANCE
Membership fees, ticket sales and stadium revenue	135,260	152,034	16,774
Revenue from international and friendly matches	112,230	137,430	25,200
Broadcasting revenue	182,820	186,813	3,993
Marketing revenue	339,338	366,741	27,403
<b>Total operating income (before disposal of non-current assets)</b>	<b>769,648</b>	<b>843,018</b>	<b>73,370</b>
Cost of sales	(28,465)	(44,000)	(15,535)
Sports and non-sports personnel expenses	(440,912)	(452,701)	(11,789)
Operating expenses	(246,350)	(262,299)	(15,949)
Provision for uncollectible receivables, and for liabilities and charges	-	90	90
Gains/(losses) on disposals of non-current assets	98,110	104,057	5,947
Impairment/derecognition of non-current assets	-	(30,607)	(30,607)
<b>Operating profit/(loss) before depreciation and amortization (EBITDA)</b>	<b>152,031</b>	<b>157,558</b>	<b>5,527</b>
<b>Depreciation and amortization</b>	<b>(144,070)</b>	<b>(154,569)</b>	<b>(10,499)</b>
<b>Operating profit/(loss)</b>	<b>7,961</b>	<b>2,989</b>	<b>(4,972)</b>
Finance income	1,314	12,754	11,440
Capitalization of borrowing costs	18,128	17,917	(211)
Finance expenses arising on implied cost of deferred payment on player acquisitions	(970)	(1,551)	(581)
Finance expenses arising on interest on loans, guarantee expenses and other financial expenses	(3,336)	(5,615)	(2,279)
Capitalized finance costs on the stadium loan	(18,128)	(17,917)	211
<b>Net finance income/(expense)</b>	<b>(2,992)</b>	<b>5,588</b>	<b>8,580</b>
<b>Profit before tax</b>	<b>4,969</b>	<b>8,577</b>	<b>3,608</b>
Income tax expense	(3,242)	3,249	6,491
<b>Profit after tax</b>	<b>1,727</b>	<b>11,826</b>	<b>10,099</b>

### Variance

Positive: higher revenue, lower expense.

Negative: lower revenue, higher expense.

The main differences vis-à-vis the budget are discussed below: Any mention of the Club with respect to financial performance should be understood to refer to the Group comprising Real Madrid Club de Fútbol and Subsidiaries.

On the sports front, in the 2022/23 season the first division football team won the UEFA Super Cup, the FIFA Club World Cup and Spain's King's Cup (Copa SMR) and reached the Champion League semifinals. Meanwhile, the first division basketball team was the EuroLeague and Spain's Super Cup champion. None of these sporting achievements was budgeted -the budget had Real Madrid reaching the quarterfinals of the Champions League-resulting in higher-than-budgeted revenue, especially stadium and international match revenue, as well as higher-than-budgeted personnel expenses and sports personnel bonuses, and operating expenses due to the larger number of matches played.

As for the Club's financial performance in FY 2022/23, the pace of business activity continued to pick back up as the effects of the pandemic wore off. However, the overall economic landscape was affected by the uncertainty and impact of the war in Ukraine, especially the sharp rise in inflation, which led to rapid and considerable rises in interest rates.

Against this backdrop, Club management remained focused on cost containment and actions to enhance performance and business development in all areas.

Operating income (before disposal of non-current assets) in FY 2022/23 amounted to €843 million.

Although there were still some COVID-19-related effects and spectator capacity restrictions in the stadium due to the ongoing remodeling work, the Club was able to surpass pre-pandemic revenue for the first time (€757 million 2018/19). Because of the construction, stadium revenue was still 13% below FY 2018/19 levels, but revenue from the other business lines was considerably higher.

Revenue was 10% above budget thanks to outperformance by all business lines, including sports classification and commercial performance, as well as other operating income that was not budgeted and arose from the rulings of certain legal proceedings in favor of the club.

Personnel expenses were 3% over budget, mostly because of sports achievements and the impact of disposals and provisions recognized at the end of the reporting period.

Cost of sales and operating expenses were 11% higher than budgeted, in line with the increase in revenue and business activity.

A gain from player transfers amounting to €104 million was reported, which was 6% higher than budgeted mostly because of the impact of the unbudgeted reduction in costs derived from the favorable decisions to the Club in certain lawsuits.

Meanwhile, costs amounting to €31 million that were not budgeted were assumed for player disposals and the allowance for impairment of non-current assets.

All of this resulted in EBITDA for the Club of €158 million, €6 million higher than budgeted.

Depreciation and amortization was 7% over budget due to changes in sports personnel.

The Club obtained net finance income of €6 million compared to the net finance expense budgeted of €3 million, i.e., €9 million better than budgeted. The main reason for the improvement was the non-budgeted interest accrued from the favorable outcomes for the Club of certain lawsuits.

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.

Income tax expense is obtained by applying the nominal 25% tax rate to accounting profit adjusted for non-eligible revenue and non-deductible expenses in accordance with tax legislation less the amount of applicable tax credits. Applying this to figures for the end of the reporting period results in an income tax refund of €3 million compared to a budgeted income tax expense of €3 million; i.e., a €6 million improvement. The difference was mostly the result of the impact of unbudgeted non-eligible revenue caused by the resolution of certain lawsuits in favor of the club.

In all, the budget out-turn for FY 2022/23 included profit before tax of €12 million, €10 million higher than budgeted for the reasons explained previously.

Against a backdrop of widespread and hefty losses by the vast majority of Europe's biggest clubs from 2019/20 to 2021/22, which have continued for some of the big clubs who have already released their earnings for FY 2022/23, the Club was profit-making in all four years affected by COVID-19; i.e. 2018/19 to 2022/23, not to mention in the Club's case by the stadium remodeling work being carried out. All this was achieved by implementing measure to rein in costs and improve the business all around.

The Club has now been profit-making in the last 22 years, enabling it to build up equity of €558 million as at June 30, 2023.