
13. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Prize Fund EBITDA metric was agreed between the Teams and us, and is defined in the Current Concorde Agreement. Given the Prize Fund is set with reference to 60% of Prize Fund EBITDA, it has a significant impact on our financial results as it constitutes the substantial majority of Team Payments. "Prize Fund EBITDA" is our operating profit after the application of certain adjustments, where relevant in any year, including:

1. adjustments for certain interest costs, withholding and other taxes, depreciation and amortisation, related party transactions where certain conditions have been met, and revaluation exchange gains and losses;
2. the exclusion of the operating profit for the businesses which undertake the GP2 and GP3 businesses; and,
3. the add back of all Team Payments.

For more information on Prize Fund EBITDA, see Part 16 – 'Key contracts summary'. Prize Fund EBITDA correlates with Pre Team Share EBITDA however it is distinguished by additional adjustments as outlined above, which have historically included the deduction of immaterial advertising costs and the exclusion of the GP2 and GP3 businesses as noted.

Team Payments increased by US\$115.4 million or 21.2% from US\$545.7 million in 2009 to US\$661.1 million in 2010 primarily as a result of three significant factors. First, in 2010 we were required under the terms of the Current Concorde Agreement to include the operating profit of our advertising and sponsorship and hospitality businesses in Prize Fund EBITDA for the first time. Following our acquisition of these businesses in 2009 it was agreed with the Teams that the post-acquisition operating profits generated from the acquired businesses could be included from Prize Fund EBITDA with us not generating sufficient post-acquisition operating profits to recover the acquisition costs, together with certain related financing costs. The cost of full related recovery was reached during April 2010, and thereafter the operating profits of the acquired businesses were included in Prize Fund EBITDA, with a subsequent US\$60 million increase resulting in the size of the Prize Fund in 2010. In addition to this impact, 2010 also saw us make payments to the three new entrant Teams participating in the World Championship for the first time. Higher Team Payments in 2010 also resulted from Team Payments being lower in 2009 as a result of the release of prior year provisions taken for certain estimated costs expected to be incurred in respect of 2009. When these parties withdrew from the World Championship at the end of 2009, US\$20 million of surplus provisions were released as a credit to Team Payments.

In 2011, Team Payments totalled US\$698.5 million, as compared to US\$659.1 million in 2010, representing an increase of US\$39.4 million, or 6.0% which was driven primarily by higher Prize Fund EBITDA and the inclusion of the operating profit of our advertising and sponsorship and hospitality businesses in Prize Fund EBITDA for all of 2011 as opposed to only for the period from April to December in 2010.

Team Payments were 48.1% of our Pre Team Share EBITDA in 2009, rising to 59.5% and 59.6% in 2010 and 2011, respectively, as the operating profit of the advertising and sponsorship and hospitality businesses was included in Prize Fund EBITDA and therefore increased the Prize Fund, and payments were made to the new entrant teams. In 2012, we expect Team Payments as a percentage of Pre Team Share EBITDA to remain in line with 2011.

Under the Team Agreements and the New Concorde Agreement when entered into, total Team Payments (excluding amortisation charge for the signing fees) are expected to be approximately 63% of Pre Team Share EBITDA. These charges include elements measured with reference to 60% of our Prize Fund EBITDA, together with certain other fixed fees. In addition, signing payments of approximately US\$162.5 million payable to the Teams in connection with the entry into the Team Agreements will be charged to EBITDA on an even basis over the period 2012 to 2020 at approximately US\$22.5 million per annum. The majority of these signing payments will be cash paid in 2012 prior to the Global Offering and will be incurred prior to the completion of the Global Offering, with some smaller payments to be paid in 2013. See Part 16 – 'Key contracts summary' for further details.