

Formula One Digital Media Limited

Strategic Report, Directors' Report and Financial Statements

for the Year Ended 31 December 2022

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Formula One Digital Media Limited

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Formula One Digital Media Limited

Glossary of abbreviated terms

The following abbreviated terms are used in the Strategic Report, Directors' Report and the Financial Statements:

(i) Abbreviations of the names of parent and subsidiary entities

"Delta Topco"	Delta Topco Limited (parent company of Formula 1)
"FOM"	Formula One Management Limited (a Formula 1 subsidiary)
"Formula 1" or "Group"	Delta Topco and its subsidiaries
"FOWC"	Formula One World Championship Limited (a Formula 1 subsidiary)
"Liberty"	Liberty Media Corporation (the ultimate parent undertaking of Formula 1)

(ii) Other abbreviations used

"the Championship"	FIA Formula One World Championship®
"CRH"	Commercial Rights Holder
"EU"	European Union
"FIA"	Fédération Internationale de l'Automobile
"FRS 101"	Financial Reporting Standard 101 'Reduced Disclosure Framework'
"GAAP"	Generally Accepted Accounting Principles
"GP"	Grand Prix™
"IAS"	International Accounting Standard
"IFRS"	International Financial Reporting Standard

Formula One Digital Media Limited

Company Information

Directors	Mr D Llowarch Ms S Woodward Hill
Registered office	No. 2 St. James's Market London SW1Y 4AH
Auditor	KPMG LLP Chartered Accountants 15 Canada Square London E14 5GL

Formula One Digital Media Limited

Strategic Report for the Year Ended 31 December 2022

The directors present their Strategic Report, Directors' Report and Financial Statements for the year ended 31 December 2022, with abbreviations used defined in the Glossary of abbreviated terms (see page 1).

Principal activity

The company's principal activity remains the sale and exploitation of digital rights and services in connection with the events of the FIA Formula One World Championship® ("the Championship").

Parent company

On 23 January 2017 the company's then ultimate parent undertaking Delta Topco Limited ("Delta Topco") was acquired by Liberty Media Corporation ("Liberty"). Delta Topco and its subsidiaries are collectively referred to herein as "Formula 1" or the "Group".

Review of the business

The company's key trading performance indicators during the year are shown below:

	2022 \$ m	2021 \$ m	Change \$ m	Change %
Turnover (see note 7)	138.4	95.5	42.9	45%
Cost of sales excluding FOWC sub-licence fees (see note 9(b))	(50.1)	(42.8)	(7.3)	17%
Administrative expenses excluding amortisation & FX (see note 9(c))	(9.7)	(5.7)	(4.0)	70%
EBITDA pre-FOWC sub-licence fees & FX	78.6	47.0	31.6	67%
FOWC sub-licence fees	(47.5)	(20.9)	(26.6)	127%
FX gains/(losses) (see note 8)	3.2	(0.5)	3.7	(740%)
EBITDA (see note 9(a))	34.3	25.6	8.7	34%
Operating profit	30.0	18.9	11.1	59%

During the year revenues grew strongly by \$42.9m (45%) to \$138.4m (2021-\$95.5m) as sales continued to be generated from a range of digital services.

The principal driver of growth was subscription-based services, principally driven by subscriptions to the company's F1TV product. Subscription revenues increased by \$38.7m (82%) to \$85.9m (2021-\$47.2m). Licence revenues increased by \$0.1m (less than 1%) to \$30.2m (2021-\$30.1m). Digital advertising revenue decreased by \$1.9m (11%) to \$14.5m (2021-\$16.3m) as there was less available inventory for use in 2022 as more was allocated for use by F1 Sponsors and Licensees, for which the company received a licence fee from a fellow Group company. Other digital media income increased by \$5.9m (308%) to \$7.8m (2021 \$1.9m) driven by growth in online ticketing revenues.

The company incurred costs of sales excluding intra-group licence fees of \$50.1m (2021-\$42.8m) in respect of the ongoing development, technical support, content creation for, and operation of, its various social and digital platforms, and costs of securing and supporting subscription to/use of those platforms, such as sales' commissions, marketing, platform hosting and support costs. The increase in costs of sales of \$7.3m (17%) was driven by higher sales commissions linked to subscription growth and continued investment in developing the company's range of digital offerings.

Formula One Digital Media Limited

Strategic Report for the Year Ended 31 December 2022

Administrative expenses excluding amortisation and FX increased by \$4.0m (72%) to \$9.7m (2021-\$5.7m), driven principally by additional IT-related development costs, leading the company to report EBITDA pre-FOWC sub-licence fees & FX totalling \$78.6m, some \$31.6m (67%) higher than the prior year (2021-\$47.0m).

Growth in the business led to a \$47.5m sub-licence fee payable to FOWC under the terms of the company's licence arrangement (2021-\$20.9m), which allows it to sell digital rights and services in connection with the Championship, and having taken account of the fee together with a foreign exchange gain for the year of \$3.2m (2021-loss of \$0.5m), the company reported EBITDA at \$34.3m, \$8.7m (34%) higher than the prior year (2021-\$25.6m).

With strong growth in the company's F1TV and other offerings, the directors are very satisfied with the strong financial performance reported for the year, and the continued investment in the development of its digital and social media platforms and products. The directors believe the company is in a sound position at the balance sheet date and well positioned to continue to develop its business in 2023.

Principal risks and uncertainties

The review of risks and uncertainties contains certain forward-looking statements. These statements have been made by the directors in good faith based on the information available to them at the time of their approval of this report. They should be treated with caution due to the inherent uncertainties arising, which relate to events, and depend on circumstances, that may or may not occur in the future.

Business risk

The directors believe that the future success of the company, together with any threat to its ability to meet its obligations, is dependent on its continued ability to exploit its digital media rights related to the Championship and its events. In that regard the directors highlight certain arrangements to which the company and other fellow Formula 1 companies are parties, which continue to support the position of the company. The directors believe the effect of the ongoing arrangements will be to allow the company to continue to meet its obligations as they fall due.

In 2001 SLEC, a fellow Group company, entered into and funded a series of agreements, the counterparties to which were itself, other Group companies and the Fédération Internationale de l'Automobile ("FIA"), and under which the FIA continues to provide regulatory services and one of the Group companies, FOWC, became the Commercial Rights Holder ("CRH") to the Championship for a period of 100 years commencing from 1 January 2011.

In August 2020, FOWC, SLEC, the FIA and the teams entered into the 2021 Concorde Agreement, securing the commitment of the teams to continue participating in the Championship from 1 January 2021 until 31 December 2025, and governing the relationship between the parties during that period. The 2021 Concorde Agreement is made up of two separate documents: (a) the 2021 Concorde Commercial Agreement between FOWC, SLEC and each of the teams; and (b) the 2021 Concorde Governance Agreement between FOWC, SLEC, the FIA and each of the teams. The 2021 Concorde Agreement provides, among other things, for the participation of the teams in the Championship during the term of the agreement, and also sets out the terms under which Formula 1 makes prize fund payments to the teams.

As noted, the company has an agreement with FOWC under which it has obtained the rights to exploit certain event based and ongoing commercial opportunities in connection with the Championship. The agreement has no fixed term, and the directors consider that providing the company effectively exploits the rights it has been granted, there is no currently foreseeable reason for the arrangements to be terminated.

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Strategic Report for the Year Ended 31 December 2022

Brexit

Fundamentally, Formula 1 is a global business with a diverse portfolio of contracts, customers and activities, relatively few of which have been affected by the terms and consequences of the UK's exit from the EU ("Brexit"). However, as Formula 1 operates its business principally through UK-based subsidiaries and a number of the Championship's events take place within the borders of the EU, Brexit and the terms of the EU-UK Trade and Cooperation Agreement ("Trade Deal") may have some degree of future operational impact on the Group. The Group therefore continues to monitor any effects from the Trade Deal on its operations, and to identify appropriate mitigating actions to prevent significant disruption to the Championship, its European events and other aspects of the Group's operations that could be affected. To date the Group has not seen any significant operational challenges relating to the movement of equipment and personnel to and from European races, having identified ways to mitigate their impact, and additional costs have been limited, but it will continue to monitor the effects of Brexit as time moves on and any further challenges arise.

Given the limited impact to date, the directors do not consider the risks to be significant and expect them to continue to be mitigated in due course, so therefore continue to believe Brexit will not have a material effect on the business.

Ukraine/Russia

Following Russia's invasion of Ukraine, it was announced that the Russian Grand Prix would not take place in 2022 and subsequently the Group terminated its contracts with the event's promoter and counterparties to other Russian-related rights' agreements. Barring the lost revenues under those terminated contracts, the war has had some effect on global logistics, contributing in part to significant inflation in freight costs, but otherwise it has had no material effect on the financial performance of the Group.

Whilst, based on current circumstances, the directors do not expect the ongoing conflict to have a significant impact on the Group's or the company's results in 2023, or beyond, management will continue to monitor developments and react as necessary to any potential risks it could face, which could include rising costs, logistical challenges, and wider political and economic factors which could adversely impact the Group's and company's revenues.

COVID-19

Following the challenges created by the global coronavirus pandemic in 2020 and 2021, as discussed in this report the company and the Group suffered no significant effects from COVID-19 in 2022, rebounding with strong financial performance supported by a full scope of operations all year round and the return to the calendar of all but one of the races that had been prevented from taking place during the earlier years of the pandemic. Whilst it has still not yet been possible to include the Chinese GP on either the 2022 or 2023 Championship calendars, the recent decision of the Chinese government to remove its remaining COVID-19 restrictions will hopefully allow a return of that event in future.

It is possible that new variants of COVID-19 could provide further operational challenges in future, but the directors believe the Group's experience of successfully finding solutions to stage Championships consisting of a significant number of events, and mitigating other operational risks arising during the pandemic would position it well to once again navigate the business through such challenges. In such circumstances, the Group is confident that it has a pool of possible alternative race locations available to it, and a good understanding of the necessary procedures to allow it to successfully deliver a significant calendar of races whilst remaining flexible in meeting any requirements and dealing with any operational restrictions that would be faced.

Whilst it is the directors' current expectation that, consistent with the experience in 2022, COVID-19 is unlikely to impact the staging of the 2023 Championship and its events, nor prevent the Group from undertaking a full scope of activities across the year, the Group will continue to monitor any developments and risks to its activities that arise from COVID-19. Should it become necessary, as before, the Group will liaise closely with its employees, the FIA, the teams, race promoters, government authorities in race jurisdictions, commercial partners and other stakeholders, considering any applicable travel and public health restrictions as well as health and safety, travel and other advice and guidance issued by the UK Government, and other national and civil governments, and will take necessary decisions with those other stakeholders to adjust plans and operating protocols, as required, to address risks as they arise.

The directors consider that the developments and factors identified above should allow the company to mitigate its principal business risks for the immediate and foreseeable future and at least the next 12 months.

Other risks

Other risks and uncertainties are regularly monitored by the directors and no significant change is expected to this activity during the forthcoming year.

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Strategic Report for the Year Ended 31 December 2022

Statement by the directors in performance of their statutory duties in accordance with section 172(1) of the Companies Act 2006

The company's directors consider, both individually and together, that they have acted in the way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its sole shareholder, Alpha Prema Limited. They have also considered the company's other stakeholders and matters set out in section 172(1)(a) to (f) of the Companies Act 2006 in the decisions taken during the financial year ended 31 December 2022.

Long term strategy and decision making

The directors of the company recognise the importance of taking decisions for the long term and analysing the likely consequence of each key decision. In taking decisions the directors seek to apply and maintain the highest standards of business conduct, and given the company has a single shareholder, the directors are not at risk of acting unfairly between its members when making them.

The company is part of a Group (Delta Topco Limited and its subsidiaries, collectively referred to herein as "Formula 1" or the "Group") and with all companies within the Group wholly owned, long term strategy is determined at the Group level with decisions and activities then delegated to its individual companies. Whilst the main objectives of the company and certain strategic decisions will be set/taken at a Group level, consideration does still need to be given to the individual interests of the company. Given that, in addition to being directors of the company, Mr Llowarch and Ms Woodward Hill are also members of the Group's executive management, being respectively its Chief Financial Officer and its Chief Legal Officer & Chief Administrative Officer, they are able to consider any decisions to be taken both in the context of the interests of the wider Group and its detailed strategy, and in the interests of the company.

The Group's strategy sets out to deliver long-term value to its ultimate owner Liberty and other stakeholders (including the company), through the principal goal of broadening and increasing the global scale and appeal of the Championship. Formula 1 aims to drive the overall value of the Championship and the Group's financial performance by:

- continuing to seek and identify opportunities to expand and develop the Championship calendar, bringing Events to attractive and/or strategically important new markets outside of Europe while continuing to build on the sport's European foundations;
- developing sponsorship revenue, through growing the Formula 1 Global Partner programme and exploring opportunities in currently underexploited product categories, together with increasing revenues from other Event-based packages;
- capturing opportunities created by media's evolution, including the growth of social media, further expansion of the F1TV product and the development of Formula 1's other digital media assets;
- engaging with new fans on a global basis and building up the entertainment experience for fans, so further driving race attendance and television viewership;
- continuing to support measures to improve the on-track competitive balance of the Championship and the long term financial stability of the participating teams; and
- improving the environmental sustainability of F1 and its related activities, continuing to target a net zero carbon footprint by 2030, 100% sustainable fuel by 2026 and sustainable race events by 2025, whilst also building on initiatives to fight inequality and improve the diversity and opportunity in F1 at all levels.

Maintaining a reputation for high standards of business conduct

The Group seeks to maintain its high business standards, ensuring that wherever its subsidiaries are operating in the world including higher risk territories, their business is conducted with integrity, and in compliance with the law and the Formula 1 Code of Conduct. The Code, which includes the Group's anti-bribery and corruption policy, continues to be adopted by each Formula 1 subsidiary, including the company, and applies to every officer and employee of the Group.

Formula One Digital Media Limited

Strategic Report for the Year Ended 31 December 2022

In addition to the requirements of its subsidiaries, officers and employees, the Group also expects third parties who perform services for Formula 1 to apply or adopt internal policies that are consistent with this Code. In that regard the Group's compliance team conduct Know Your Customer (KYC) checks and other due diligence work on any potential partners the company considers doing business with.

As the subsidiary of a US public company, Liberty, the company and the wider Group are also required to comply with additional requirements, including the Foreign Account Tax Compliance Act (FATCA) and certain aspects of the 2002 Sarbanes-Oxley Act ("SOX"). SOX requires the Group to establish and maintain robust internal control structures and procedures for financial reporting, to report on their effectiveness, and have that effectiveness tested and assessed annually by its external auditor. The conclusions of the work on SOX for the 2022 year are that the Group continues to operate a robust and effective control environment.

Engagement with key stakeholders

In addition to the company's parent and other fellow subsidiary companies of Formula 1, the directors consider the company's key stakeholders to be the fans, F1 digital subscribers, the Championship's race sponsors, key licensees, Liberty, subsidiary companies and the Group's external lenders.

The company owns and operates the F1.com website and various social media platforms, providing original written, graphic, and video content to fans of Formula 1, including news, results, live timing, and other features. The company utilises a combination of external agencies, contractors, and inhouse staff to deliver content of the highest standards, and regularly carries out research via external agencies and the F1 owned 'Fan Voice' platform to ensure that content continues to meet the demands of fans. The company works closely with its website developer, Digitas, to produce a roadmap for continued website development to meet the evolving needs of the business.

The company's primary revenue stream is F1TV, a direct-to-consumer video content platform which broadcasts the international feed of the Championship in many countries around the World, together with additional shoulder content and catch-up on demand features. The company has engaged a leading consultancy to deliver the F1TV product and to provide ongoing customer services, and regularly monitors and evaluates performance against various KPI's to ensure service quality. As well as being sold through F1.com, the company relies on several other sales platforms, including the Apple App Store, Google Play, regional telco partnership, and a variety of other, smaller platforms.

The F1.com and social platforms also deliver revenues from the provision of online advertising and branded content campaigns. The primary advertising customers are the parties that acquire sponsorship rights from FOML, many of whom receive digital advertising rights ranging from logo placement, through to full branded content campaigns. The company liaises closely with these sponsors to understand their aims and to support their activation programmes and discussions continue throughout the year to gather feedback and plan future campaigns. In addition to existing partners, surplus advertising rights are sold (to companies that do not conflict with our existing partner network) either directly, through partnerships with social media platforms such as Twitter and YouTube, or via advertising exchanges. The company utilises an in-house advertising sales team to manage advertising sales and delivery, and to oversee relationships with key partners.

The company also has several significant licensees, including EA Sports which produces the Official F1 Game, and the operator of the on-ticket sales platform on F1.com. The company maintains ongoing engagement throughout the year with its licensees to monitor and support performance, and regularly evaluates the mix of licensees to ensure alignment with Formula 1's overall strategic direction.

The directors, together with the Group's other senior management, regularly discuss material strategic and operational matters with senior Liberty executives, some of whom sit on the boards of certain Group companies, including Delta Topco Limited, and this process continued throughout 2022. As a US listed company, Liberty has significant public reporting obligations, and given Formula 1 is a material subsidiary, the Group is required to fulfil significant reporting requirements to Liberty on a quarterly and annual basis. These include the requirement for the Group to be compliant with, and report to it on, certain SOX requirements as discussed above. The Group also continues to assist Liberty with investor relations activities, contributing to Liberty's quarterly earnings calls and annual investor day.

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Strategic Report for the Year Ended 31 December 2022

There are a number of trading relationships between the subsidiary companies of Formula 1, including sub-licensing arrangements, the provision of intra-group services, various intra-group loans and other trading balances. Formula 1's subsidiaries work together to pursue and deliver the Group's strategy and targets and ensure that any intra-group arrangements are in the interests of both parties. This often requires day to day management co-operation and operational liaison to ensure the terms of any trading arrangements and the terms of any agreements relating to intra-group loans and trading balances are followed and that any required support is provided. These activities continued as per normal during 2022.

The company, together with several other Group companies, is party to and guarantees the Group's external borrowing arrangements. The Group provides quarterly management reports and compliance certificates to external lenders, holds periodic update calls and liaises on a regular basis with the agents who oversee the facilities on behalf of lenders. The Group also meets on a regular basis with the rating agencies to update them on its progress and expectations for the future.

Other stakeholder considerations

The directors recognise the importance of certain other stakeholders in the success of both the company and the Group as a whole, including the Group's employees, the Fédération Internationale de l'Automobile ("FIA") and the Championship's other key commercial partners, including its broadcasters. The Group's wider engagement with such stakeholders is discussed in the financial statements of the Group companies primarily responsible for overseeing the relevant relationships, and the section 172 (1) statements required of any of its subsidiaries are published on the Group's corporate website.

The community and the environment

In 2022 Formula 1 focused on delivering against the Sustainability Strategy which sets out the following ambitions:

- To achieve Net Zero Carbon by 2030
- To leave a legacy of positive change wherever we race
- To take steps to build a more diverse and inclusive sport by removing barriers, nurturing talent, and inspiring change.

In reflection of the growing importance of this area to the Group, our mission statement was also updated in 2022 to include innovation, inclusivity, and sustainability at the heart of our future growth and value.

Key actions in 2022 include: Creating a new internal sustainability team, publishing our first sustainability briefing note, issuing guidance and reporting obligations to our race promoters who host our events, and updating our internal policies and procedures relating to sustainability such as our Code of Conduct, Sustainability Policy and Procurement Guidelines.

The directors fully subscribe to the aims of the plan, details of which are available from the Group's corporate website, and the company will pursue any required actions to contribute to its successful delivery.

Sustainable fuels have long been a key focus for Formula 1, and great strides were made in this area during 2022. Formula 1 is aiming to bring into future regulation a next generation power unit by 2026. The current F1 hybrid engine is the most efficient in the world with 52% thermal efficiency - no other light vehicle is above 40% - but the aim is for the new generation engine to run off a newly developed 100% sustainable fuel to help the sport achieve its goal of being Net Zero Carbon by 2030. As the next step towards this ambition, 2022 regulations required cars to use E10 fuel, a mixture of 90% fossil fuel and 10% ethanol content.

Formula 1 is actively engaged in discussions with fuel companies about creating the 100% sustainable fuel in the quantities needed, as well as then scaling up production for wider social use. By spearheading the development of 100% advanced sustainable drop-in fuels, the sport can play its part in making an enormous impact on the global transport sectors' greenhouse gas emissions. The major fuel suppliers and original equipment manufacturers ("OEMS") already in the sport, together with several potential new entrants, are all supportive of this ambition and the Group is in ongoing discussions with governments about the role the fuel developed could play in not just the automotive industry, but also shipping and aviation industries. The appeal of the sustainability efforts and development on sustainable fuels and wider applied technology was visible when Volkswagen Group announced it would be entering F1 with Audi in 2026, at the time of the introduction of both the new hybrid engine regulations and 100% sustainable fuels. Formula 1 published a Sustainability Briefing Note in 2022 which provides further detail on the background and development of sustainable fuels.

Formula One Digital Media Limited

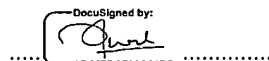
Strategic Report for the Year Ended 31 December 2022

The Group further underscored its commitment to achieve Net Zero Carbon by 2030 through creating a public and visual identity for the commitment which can be seen on corporate assets and at the track. The Net Zero by 2030 campaign is intended to raise awareness for this important area of work and to continue to engage our key stakeholders in the delivery of this commitment. In 2022, F1 again achieved Albert Certification for the broadcast production of the FORMULA 1 PIRELLI BRITISH GRAND PRIX 2022. Albert Certification, which is industry-backed and awarded by the British Academy of Film and Television Arts ("BAFTA"), is given to productions that meet sustainable credentials, tackle the environmental impact of broadcasting, and inspire audiences to act on a more sustainable future. Formula 1 first earned the accreditation in 2021.

Formula 1 announced in 2020 that the Group, together with other stakeholders in the sport, would focus specifically on creating employment and education opportunities for underrepresented groups. Following on from this commitment, in 2021, Formula 1 launched the 'Formula 1 Engineering Scholarships' programme, which supports 10 students in their undergraduate and postgraduate engineering degrees at leading universities in the UK and Italy, with additional placements for two long term apprentices from underrepresented groups within the F1 organisation in 2021, and six interns from underrepresented groups in 2022. In 2022 Formula 1 announced that it will extend its funding commitment to the Formula 1 Engineering Scholarship programme for underrepresented groups until 2025, continuing its drive to increase diversity within the sport. Additionally, the F1 Academy was announced in 2022 to maximize the opportunity and potential for young female drivers to reach the highest level in motorsport. The first season for F1 Academy will be in 2023.

As part of our commitment to leave a legacy of positive change wherever we race Formula 1 continued working with promoters to help assist and amplify numerous initiatives that benefit the local areas in the host countries that stage Championship events, and leave a positive, lasting impact. This included a number of regeneration projects, protecting surrounding flora and fauna, and making local events accessible to those in the local areas. In 2022, we formalised our process in this area by issuing guidance and reporting obligations to our race promoters who host our events. Topics in the guidance include: plastic & waste, local fan travel, wellbeing & nature, local community, energy and carbon.

Approved by the Board on 20 March 2023 and signed on its behalf by:


.....
Mr D Llowarch
Director

Formula One Digital Media Limited

Directors' Report for the Year Ended 31 December 2022

The directors present their Report and the Financial Statements for the year ended 31 December 2022.

Results and dividends

The results for the year to 31 December 2022 are shown in the Profit and Loss Account on page 16.

Matters required to be reported under section 416(4) of the Companies Act 2006

The company has chosen, as permitted under section 414C(11) of the Companies Act 2006, to discuss matters related to its key business relationships within its Strategic Report rather than the Directors' Report, as they are considered of strategic importance.

Future developments

The directors consider the developments discussed in the Strategic Report leave the company well positioned to continue to perform satisfactorily in the future.

Going concern

The company had net current assets of \$11.3m as at 31 December 2022 (2021-Net current liabilities of \$15.7m).

The company's business activities, together with the factors likely to affect its future development, its financial position and its risk exposures, are described in the Strategic Report above.

The company and its fellow Formula 1 subsidiaries have considerable financial resources together with long-term contracts with a number of customers spread across different geographic areas and industries. The company also has access to the wider resources of other Formula 1 subsidiaries, together with access to the Group's revolving credit facility ("RCF"). During 2020 and 2021 when the coronavirus pandemic had a significant impact on the Group and the company the directors identified no issues with the going concern assumption on the basis the Group and Company had access to significant liquidity and in the expectation that the business would rebound strongly once restrictions were lifted. That has indeed proved to be the case as the Group and company performed strongly as conditions eased and a normal scope of activities resumed in the second half of 2021. 2022 has subsequently seen the Group deliver record revenues and operating returns, and the company having a strong year as discussed herein.

Positive budgets for 2023 and longer term projections for the business continue to support the going concern assessment, as part of which there has also been assessment, as required, of a severe but plausible downside scenario. With the considerable easing of the effects of the coronavirus pandemic, the severe but plausible downside scenario identified by the directors assumes the emergence of a new disruptive variant of the virus, leading to a repeat of the circumstances of the 2021 season, when ongoing restrictions required the replacement of a number of events, where lower fees were received for certain of those events, and only a reduced scope of activities was possible on account of significant attendance and other restrictions in place at some events. Even if such circumstances were to repeat, the Group has shown that it is able to replace cancelled events, even at short notice, and deliver a full Championship season, whilst still generating the majority of its revenues, and the commercial progress during 2022, where core revenue contract values in many cases have grown, and with many new sponsors and business partners having been contracted since 2021, in an identical downside scenario revenues and profits in 2023 would most likely be higher. Given that the Group recorded significant EBITDA of close to \$0.5bn and positive cash flows in 2021, in a repeat of such circumstances similar, or indeed potentially better, financial results could be assumed to arise, which in turn would allow the company to meet all liabilities as they fall due during the going concern period.

When considering liquidity, the directors note that the Group has reported available cash on balance sheet of \$752.1m at 31 December 2022, and in addition continues to have access to a wholly undrawn \$500m RCF, which is available to it until January 2028.

In November 2022, the Group successfully refinanced its debt facilities, diversifying its capital structure, renewing the RCF and using balance sheet cash to reduce its gross debt from \$2.9 billion to \$2.4 billion. The new facilities have maturities in January 2028 and January 2030, with a single net debt leverage ratio applying only to the RCF and Term Loan A element of the facilities provided by a group of relationship banks, which requires net leverage to be below 6.5x when tested each quarter. Given the strong financial performance, at 31 December 2022 net leverage has reduced further to 2.7x from 4.4x at the end of 2021, so there is considerable current headroom below the test requirement.

Formula One Digital Media Limited

Directors' Report for the Year Ended 31 December 2022

The Group's performance in 2022, its expectations for 2023, falling leverage, a refreshed capital structure with no impending maturities, and continued access to significant readily available liquidity, support the directors' view that the company has adequate resources to continue to meet all liabilities as and when they fall due for a period of at least 12 months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

Environmental report

As in 2021, during 2022 the company consumed less than 40,000 kWh of energy in the UK, the energy consumption threshold set out in the Streamlined Energy and Carbon Reporting Framework implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, and is therefore not required to disclose information on energy usage and carbon reporting in these financial statements. Additional information concerning the Group's wider environmental sustainability strategy can be found in the Strategic Report.

Directors of the company

The directors who held office during the year were as follows:

Mr D Llowarch

Ms S Woodward Hill

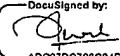
Disclosure of information to the auditor

Each director has taken the necessary steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of, and of which they know the auditor is unaware.

Reappointment of auditor

The auditor, KPMG LLP, will be deemed reappointed in accordance with section 487 of the Companies Act 2006.

Approved by the Board on 20 March 2023 and signed on its behalf by:

DocuSigned by:

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Mr D Llowarch
Director

Formula One Digital Media Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Formula One Digital Media Limited

Opinion

We have audited the financial statements of Formula One Digital Media Limited (the "company") for the year ended 31 December 2022 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and related notes, including the accounting policies in note 5.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and management and inspection of policy documentation as to the company's high-level policies and procedures to prevent and detect fraud including the company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Performing walkthroughs and obtaining understanding of key processes.
- Reading Board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

Independent Auditor's Report to the Members of Formula One Digital Media Limited

As required by auditing standards, and taking into account possible pressures to meet targets, our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment. On this audit we do not believe there is a fraud risk related to revenue recognition because contracts are typically not complex and revenue recognition, which in most cases is linked directly to specific races or an entire championship season, requires minimal judgement.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the company-wide fraud risk management.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts, those containing unexpected words or descriptions, those posted by unexpected individuals and unbalanced or non-standard format journals.
- Assessing significant accounting estimates and judgements for bias.
- Reviewed certain contracts and commission arrangements for evidence of unusual or unexpected items. Requested third party confirmations for certain contracts to confirm terms in place.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the company is subject to other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

Independent Auditor's Report to the Members of Formula One Digital Media Limited

- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 12, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the company'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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Smeulders (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

21 March 2023 | 17:27 GMT

Date:.....

Formula One Digital Media Limited

Profit and Loss Account for the Year Ended 31 December 2022

	Note	2022 \$ 000	2021 \$ 000
Turnover	7	138,355	95,535
Cost of sales		<u>(97,526)</u>	<u>(63,675)</u>
Gross profit		40,829	31,860
Administrative expenses		<u>(10,840)</u>	<u>(12,996)</u>
Profit on ordinary activities before interest	8	29,989	18,864
Interest payable and similar expenses	10	<u>(12)</u>	<u>(7)</u>
Profit before tax		29,977	18,857
Tax on profit on ordinary activities	14	<u>(5,887)</u>	<u>(3,711)</u>
Profit for the financial year		<u><u>24,090</u></u>	<u><u>15,146</u></u>

The above results were derived from continuing operations.

The notes on pages 20 to 32 form an integral part of these financial statements.

Formula One Digital Media Limited**Statement of Comprehensive Income for the Year Ended 31 December 2022**

	2022 \$ 000	2021 \$ 000
Profit for the year	24,090	15,146
Other comprehensive income, net of tax		
	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>24,090</u>	<u>15,146</u>

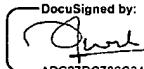
The notes on pages 20 to 32 form an integral part of these financial statements.

Formula One Digital Media Limited

(Registration number: 08915039)
Balance Sheet as at 31 December 2022

	Note	2022 \$ 000	2021 \$ 000
Fixed assets			
Intangible assets	15	15,446	18,388
Tangible fixed assets	16	<u>5</u>	<u>-</u>
		<u>15,451</u>	<u>18,388</u>
Current assets			
Debtors due within one year	17	51,209	26,140
Creditors: Amounts falling due within one year	19	<u>(39,874)</u>	<u>(41,832)</u>
Net current assets/(liabilities)		<u>11,335</u>	<u>(15,692)</u>
Net assets		<u>26,786</u>	<u>2,696</u>
Capital and reserves			
Called up share capital		-	-
Profit and Loss account		<u>26,786</u>	<u>2,696</u>
Shareholders' funds		<u>26,786</u>	<u>2,696</u>

Approved by the Board on 20 March 2023 and signed on its behalf by:

DocuSigned by:

 ADC27DC786C24D5.....
 Mr D Llowarch
 Director

The notes on pages 20 to 32 form an integral part of these financial statements.

Formula One Digital Media Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2021	-	(12,450)	(12,450)
Total comprehensive income	-	15,146	15,146
At 31 December 2021	-	2,696	2,696
Total comprehensive income	-	24,090	24,090
At 31 December 2022	-	26,786	26,786

The notes on pages 20 to 32 form an integral part of these financial statements.

Formula One Digital Media Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

The company is a private company limited by share capital, and incorporated and domiciled in England and Wales.

The address of its registered office is:

No. 2 St. James's Market

London

SW1Y 4AH

These financial statements were authorised for issue by the Board on 20 March 2023.

2 Basis of preparation

Abbreviations used in these financial statements are defined in the Glossary of abbreviated terms (see page 1).

These financial statements were prepared in accordance with FRS 101 and under historical cost accounting rules.

The financial information is presented in US dollars and all values are rounded to the nearest thousand (\$000) except where otherwise indicated.

New standards, interpretations and amendments effective

None of the new standards, interpretations and amendments adopted by the company for the first time for its annual reporting period commencing 1 January 2022 have had a material effect on the financial statements.

3 Going concern

The company had net current assets of \$11.3m as at 31 December 2022 (2021-Net current liabilities of \$15.7m).

The company's business activities, together with the factors likely to affect its future development, its financial position and its risk exposures, are described in the Strategic Report above.

The company and its fellow Formula 1 subsidiaries have considerable financial resources together with long-term contracts with a number of customers spread across different geographic areas and industries. The company also has access to the wider resources of other Formula 1 subsidiaries, together with access to the Group's revolving credit facility ("RCF"). During 2020 and 2021 when the coronavirus pandemic had a significant impact on the Group and the company the directors identified no issues with the going concern assumption on the basis the Group and Company had access to significant liquidity and in the expectation that the business would rebound strongly once restrictions were lifted. That has indeed proved to be the case as the Group and company performed strongly as conditions eased and a normal scope of activities resumed in the second half of 2021. 2022 has subsequently seen the Group deliver record revenues and operating returns, and the company having a strong year as discussed herein.

Positive budgets for 2023 and longer term projections for the business continue to support the going concern assessment, as part of which there has also been assessment, as required, of a severe but plausible downside scenario. With the considerable easing of the effects of the coronavirus pandemic, the severe but plausible downside scenario identified by the directors assumes the emergence of a new disruptive variant of the virus, leading to a repeat of the circumstances of the 2021 season, when ongoing restrictions required the replacement of a number of events, where lower fees were received for certain of those events, and only a reduced scope of activities was possible on account of significant attendance and other restrictions in place at some events. Even if such circumstances were to repeat, the Group has shown that it is able to replace cancelled events, even at short notice, and deliver a full Championship season, whilst still generating the majority of its revenues, and the commercial progress during 2022, where core revenue contract values in many cases have grown, and with many new sponsors and business partners having been contracted since 2021, in an identical downside scenario revenues and profits in 2023 would most likely be higher. Given that the Group recorded significant EBITDA of close to \$0.5bn and positive cash flows in 2021, in a repeat of such circumstances similar, or indeed potentially better, financial results could be assumed to arise, which in turn would allow the company to meet all liabilities as they fall due during the going concern period.

Formula One Digital Media Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

3 Going concern (continued)

When considering liquidity, the directors note that the Group has reported available cash on balance sheet of \$752.1m at 31 December 2022, and in addition continues to have access to a wholly undrawn \$500m RCF, which is available to it until January 2028.

In November 2022, the Group successfully refinanced its debt facilities, diversifying its capital structure, renewing the RCF and using balance sheet cash to reduce its gross debt from \$2.9 billion to \$2.4 billion. The new facilities have maturities in January 2028 and January 2030, with a single net debt leverage ratio applying only to the RCF and Term Loan A element of the facilities provided by a group of relationship banks, which requires net leverage to be below 6.5x when tested each quarter. Given the strong financial performance, at 31 December 2022 net leverage has reduced further to 2.7x from 4.4x at the end of 2021, so there is considerable current headroom below the test requirement.

The Group's performance in 2022, its expectations for 2023, falling leverage, a refreshed capital structure with no impending maturities, and continued access to significant readily available liquidity, support the directors' view that the company has adequate resources to continue to meet all liabilities as and when they fall due for a period of at least 12 months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

4 Disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B-D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

5 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Formula One Digital Media Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

5 Accounting policies (continued)

Revenue recognition

The principles in IFRS 15 Revenue from Contracts with Customers are applied to turnover recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

The company generates revenue in association with the Championship and its events, principally derived from rights arising from the sale of subscriptions to F1 TV via the F1.com website and the F1 App, the online sale of tickets and other event based experiences, digital advertising on the F1.com website and F1 social media channels and the sale and licensing of other digital rights. As such individual revenues relate either to (i) rights associated with an entire Championship season, (ii) rights related to a specific Championship event, (iii) rights related to a specific period, typically a calendar year, or (iv) the sale of other rights or services with more ad hoc performance obligations.

Revenues that relate to rights granted for an entire Championship season are recognised evenly on an event by event basis, with revenues relating to specific Championship events being recognised on the occurrence of the events concerned. Revenues that relate to grants of rights or licensing over a period of time are recognised evenly over that time period. Otherwise, revenues that do not meet these criteria are recognised when the services are provided.

The transaction price is determined by the fixed fees which are typically specified in the contract. Multi-year contracts will typically specify a fee for each Championship season, event or period, falling within each year of the contract. Where a contract contains multiple distinct performance obligations but does not specify a specific fee for each element, a separate standalone value is identified for each performance obligation, with the overall transaction price then allocated to each performance obligation in proportion to its standalone value relative to the total standalone value of all performance obligations.

Foreign currency transactions and balances

Items included in the financial statements of the company are measured using the company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the Profit and Loss account. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in the Profit and Loss account.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or the Profit and Loss account, are also recognised in other comprehensive income or the Profit and Loss account, respectively).

Formula One Digital Media Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

5 Accounting policies (continued)

Tax

The tax expense for the period comprises current tax. Tax is charged or credited to the Profit and Loss account except where it relates to items charged or credited to other comprehensive income or directly to equity, in which case the tax is recognised in other comprehensive income or in equity.

Current tax is the expected tax payable for the year based on tax rates and laws that are enacted or substantially enacted at the balance sheet date, plus any adjustments to tax payable in respect of previous periods.

Tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax assets against current tax liabilities, and the taxes relate to the same taxation authority and to the same taxable entity or to different entities which intend to settle the current tax assets and liabilities on a net basis.

Deferred tax is recognised on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts relevant for tax purposes. Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the underlying temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax is not recognised on temporary differences that arise on the initial recognition of goodwill or on the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. Deferred tax is not recognised in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the Profit and Loss account in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. The company has no intangible assets with an indefinite life.

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates with any changes made prospectively. The amortisation expense on intangible assets with finite lives is recognised in the Profit and Loss account in the expense category consistent with the function of the intangible asset, including cost of sales and administrative expenses.

Website and other digital media development costs

Website and other digital media development costs are assessed on a project by project basis and recognised as an expense when they are incurred unless all of the following conditions for capitalisation are met:

- an asset is created that can be separately identified;
- the asset is controlled by the company;
- it is technically feasible and the company intends and is able to complete the asset so that it will be available for use or sale;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset is directly attributable and can be measured reliably.

If the capitalisation conditions are met then the development costs are capitalised as intangible assets, and amortisation is charged to the Profit and Loss account over the expected economic life from the date the asset is available for use.

Formula One Digital Media Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

5 Accounting policies (continued)

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class

Website and other digital media development costs

Amortisation method and rate

over 5-8 years on a straight-line basis

Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments consist of trade debtors, accrued income, intra-group receivables, trade creditors and intra-group payables.

Financial assets and liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. The company determines the classification of financial assets and financial liabilities at initial recognition.

All financial assets and financial liabilities are initially measured at fair value except for trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient and which are measured at the transaction price determined under IFRS 15.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments classified as at amortised cost and financial assets at fair value through other comprehensive income ("FVOCI") are included within the carrying value of such instruments. Transaction costs directly attributable to the acquisition of financial instruments which are classified as fair value through profit and loss ("FVPL") are recognised immediately in the Profit and Loss account.

Financial assets

(a) Classification and subsequent measurement

All recognised financial assets are classified as either financial assets at amortised cost, FVOCI or FVPL. The company currently has no financial assets classified as either FVOCI or FVPL.

Financial assets at amortised cost

Financial assets that meet the following conditions are classified as 'financial assets at amortised cost':

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest; and
- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The asset was not acquired principally for the purpose of selling in the near term or management for short-term profit taking (held for trading).

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest rate ("EIR") method. The EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial instrument. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income or finance costs in the Profit and Loss account.

Financial assets at amortised cost are subject to impairment review. Gains and losses are recognised in the Profit and Loss account when the asset is derecognised, modified or impaired.

Formula One Digital Media Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

5 Accounting policies (continued)

(b) Impairment of financial assets

The company assesses financial assets at amortised cost for impairment and recognises an impairment loss allowance to reduce the carrying amount of the assets. The impairment loss, as required by IFRS 9, is based on expected credit losses (“ECL”) and reflects forward looking information. The ECL is first recognised on the date of initial recognition of the asset.

The simplified approach is used under IFRS 9 for assessing the potential impairment of short-term trade receivables, long-term trade receivables, accrued income and lease receivables, with the general approach used for other financial assets.

The simplified approach:

Under IFRS 9’s simplified approach, the impairment loss is based on credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL) and is calculated, for a class of assets, as the weighted average of credit losses where the weights are the probabilities of default. Factors such as historical credit loss experience, future economic climate and forward-looking factors specific to the debtors are taken into account when estimating the probability of default.

The general approach:

Impairments are assessed and recognised in three stages to reflect the potential variation in credit quality of financial assets:

-Stage 1: items that have not deteriorated significantly in credit quality since initial recognition. For these items, the ECL is based on credit losses that result from default events that are possible within the next 12 months (a 12 month ECL) and is calculated as lifetime losses from default inside 12 months weighted by the probability of default in 12 months

-Stage 2: items that have deteriorated significantly in credit quality since initial recognition but do not have objective evidence of a credit loss event. For these items, the ECL is equal to a lifetime ECL and interest is calculated based on the gross carrying value of the asset

-Stage 3: items that have objective evidence of impairment at the reporting date. For these items the ECL is also equal to a lifetime ECL but the interest is calculated based on the net carrying value of the asset.

The amount of credit loss is calculated as the present value of estimated cash shortfalls discounted at the financial asset’s original EIR.

(c) Financial assets held by the company

(i) Trade debtors

Trade debtors are amounts due from customers for commercial rights sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade debtors that do not contain a significant financing component or for which the company has applied the practical expedient under IFRS 15 are recognised initially at the transaction price under IFRS 15. Otherwise they are initially measured at fair value. They are subsequently measured at amortised cost less provision for impairment.

(ii) Intra-group receivables

Intra-group receivables are recognised at transaction price less any provision for impairment on receivables.

Financial liabilities

(a) Classification and subsequent measurement

All recognised financial liabilities are subsequently measured at either amortised cost or fair value. Financial liabilities that are not held for trading and are not designated as at fair value through profit and loss are classified as ‘Financial liabilities measured at amortised cost’ and are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts that are subsequently measured at amortised cost are determined based on the EIR method (see above). The company’s financial liabilities include trade and other creditors and intra-group payables. All of the company’s financial liabilities are classified as ‘Financial liabilities measured at amortised cost’.

Formula One Digital Media Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

5 Accounting policies (continued)

(i) Trade payables

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the EIR method.

(ii) Intra-group payables

Intra-group payables are initially recognised at the transaction price and subsequently measured at amortised cost using the EIR method.

6 Judgements and key sources of estimation uncertainty

The preparation of historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosures of contingent liabilities, at the end of the reporting period. Uncertainty in making these judgements, assumptions and estimates can result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In preparing the financial statements management have made certain judgements, estimates and assumptions which are considered to have a significant effect on the amounts recognised in the historical financial information and where significant uncertainty may exist, with the risk that a material adjustment to the carrying amounts of assets and liabilities may be required within the next financial year. Those judgements, estimates and assumptions are discussed below.

Intangible assets

The treatment of intangible assets is dependent on an assessment of whether costs meet the criteria for capitalisation, therefore management exercises judgement when assessing whether the capitalisation conditions are met (see note 15).

Taxation

Deferred tax assets are recognised for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and reversal of the temporary differences can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing, level and make up of future taxable profits and future tax planning strategies.)

Expected credit losses

IFRS 9 Financial Instruments requires a provision to be taken for expected credit losses. In order to determine the impairment provision required for financial assets, management assesses specific credit impaired debts and expected credit losses on a forward-looking basis. Management uses judgement to assess which specific debts are impaired. For the forward looking aspect default rates are used in this calculation and management uses judgement to incorporate historical, current and forward-looking information in order to set these default rates.

7 Turnover

Turnover from contracts with customers

Turnover represents invoiced amounts, stated net of value added tax.

The analysis of the company's turnover for the year from continuing operations is as follows:

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Notes to the Financial Statements for the Year Ended 31 December 2022

7 Turnover (continued)

	2022 \$ 000	2021 \$ 000
Subscription based services	85,867	47,214
Licensing revenue	30,198	30,070
Digital advertising sales	14,468	16,336
Other digital media rights	7,822	1,915
	<u>138,355</u>	<u>95,535</u>

Subscription based services includes turnover generated from the sale of subscriptions to the F1TV products.

Licensing revenue consists of revenue generated from the licensing of digital rights including the official F1 game, and other online and app-based racing games, plus online merchandise and eSports licences.

Digital advertising sales is revenue derived from the sale of advertising space on the f1.com website and F1 App and Other digital media rights consist of revenue generated from a number of less material event-based activities, none of which are considered individually significant to the company.

The company is exempt from the requirements of IFRS 8 to disclose segmental information.

8 Operating profit

Arrived at after charging/(crediting):

	2022 \$ 000	2021 \$ 000
Depreciation expense	2	-
Amortisation expense	4,343	6,778
Foreign exchange (gains)/losses	<u>(3,172)</u>	<u>457</u>

9 Reconciliation of non-GAAP measures

(a) EBITDA

The directors' discussion of the company's financial performance in the Strategic Report includes reference to Earnings before Interest, Taxes, Depreciation and Amortisation ("EBITDA"), a measure which is intended to assist readers in analysing the underlying performance of the company. The measure is non-GAAP in nature and therefore a reconciliation to the equivalent GAAP measure is provided below.

	2022 \$ 000	2021 \$ 000
Operating profit	29,989	18,864
Add: amortisation expense (see notes 8 and 15)	4,343	6,778
Add: depreciation expense on tangible fixed assets (see notes 8 and 16)	<u>2</u>	<u>-</u>
EBITDA	<u>34,334</u>	<u>25,642</u>

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Notes to the Financial Statements for the Year Ended 31 December 2022

9 Reconciliation of non-GAAP measures (continued)

(b) Cost of sales excluding FOWC sub-licence fees

The directors' discussion of the company's financial performance in the Strategic Report includes reference to Cost of sales excluding FOWC sub-licence fees. The measure is also non-GAAP in nature and therefore a reconciliation to the equivalent GAAP measure is provided below.

	2022 \$ 000	2021 \$ 000
Cost of sales	(97,526)	(63,675)
Add: FOWC sub-licence fees	<u>47,467</u>	<u>20,858</u>
Cost of sales excluding FOWC sub-licence fees	<u>(50,059)</u>	<u>(42,817)</u>

(c) Administrative expenses excluding amortisation & FX

The directors' discussion of the company's financial performance in the Strategic Report includes reference to Administrative expenses excluding amortisation & FX. The measure is also non-GAAP in nature and therefore a reconciliation to the equivalent GAAP measure is provided below.

	2022 \$ 000	2021 \$ 000
Administrative expenses	(10,839)	(12,996)
Add: amortisation expense (see notes 8 and 15)	4,343	6,778
Add: FX (gains)/losses (see note 8)	<u>(3,172)</u>	<u>457</u>
Administrative expenses excluding amortisation & FX	<u>(9,668)</u>	<u>(5,761)</u>

10 Interest payable

	2022 \$ 000	2021 \$ 000
Interest payable and similar expenses		
Other finance costs	<u>(12)</u>	<u>(7)</u>

11 Staff costs

The company had no employees during the year (2021-Nil), the personnel needed to perform the company's activities having been provided by FOM, a fellow Group company, under an intragroup services agreement.

12 Directors' remuneration

The company's directors are both employed by FOM, which settles their remuneration in respect of their services and responsibilities performed for the Group and its various subsidiaries. Given the directors also serve as directors of FOM, the information required to be disclosed by the Companies Act 2006 in respect of their emoluments is disclosed in full in FOM's own financial statements.

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Notes to the Financial Statements for the Year Ended 31 December 2022

13 Auditor's remuneration

	2022 \$ 000	2021 \$ 000
Audit of the financial statements	<u>18</u>	<u>18</u>

14 Taxation

Tax charged in the Profit and Loss account:

	2022 \$ 000	2021 \$ 000
Current taxation		
Payment from fellow Formula 1 subsidiaries for group taxation relief	5,650	3,563
Group relief adjustments to prior periods	<u>(4)</u>	<u>45</u>
	5,646	3,608
Foreign tax	<u>241</u>	<u>103</u>
Tax charged in the Profit and Loss account	<u>5,887</u>	<u>3,711</u>

Tax charged to the Profit and Loss account differs from tax calculated by applying the average rate of corporation tax in the UK of 19% (2021-19%) to the result before tax for the period. The differences are reconciled below:

	2022 \$ 000	2021 \$ 000
Profit before tax	<u>29,977</u>	<u>18,857</u>
Corporation tax at standard rate	5,696	3,583
Effect of different foreign tax rates	194	84
Adjustments in respect of prior periods - current tax	(4)	45
Expenses not deductible for tax purposes	<u>1</u>	<u>(1)</u>
Total tax charge	<u>5,887</u>	<u>3,711</u>

Changes in tax rates and factors affecting the future tax charge

In 2021 the UK Government announced its intention to increase the UK standard rate of corporation tax from 19% to 25%, applicable from 1 April 2023. The rate change was included in Finance Act 2021 which was granted Royal Assent on 10 June 2021.

Deferred taxation

There are \$7.4m of unused tax losses (2021-\$7.4m) for which no deferred tax asset is recognised in the balance sheet. No deferred tax asset has been recognised in respect of these amounts as based on current forecasts, it is not expected that these amounts will be set against taxable profits in the future, nor can they be used to offset taxable profits in other Group companies.

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Notes to the Financial Statements for the Year Ended 31 December 2022

15 Intangible assets

	Other intangible assets \$ 000
Cost or valuation	
At 1 January 2022	26,268
Additions	<u>1,401</u>
At 31 December 2022	<u>27,669</u>
Amortisation	
At 1 January 2022	7,880
Amortisation charge	<u>4,343</u>
At 31 December 2022	<u>12,223</u>
Carrying amount	
At 31 December 2022	<u>15,446</u>
At 31 December 2021	<u>18,388</u>

'Other intangible assets' relate to development costs of the Formula 1 website, its F1 TV Platform and the Formula 1 App.

16 Tangible fixed assets

	Plant, machinery and vehicles \$ 000	Total \$ 000
Cost or valuation		
Additions	<u>7</u>	<u>7</u>
At 31 December 2022	<u>7</u>	<u>7</u>
Depreciation		
Charge for the year	<u>2</u>	<u>2</u>
At 31 December 2022	<u>2</u>	<u>2</u>
Carrying amount		
At 31 December 2022	<u>5</u>	<u>5</u>
At 31 December 2021	<u>-</u>	<u>-</u>

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Notes to the Financial Statements for the Year Ended 31 December 2022

17 Debtors due within one year

	2022 \$ 000	2021 \$ 000
Trade debtors	1,951	1,813
Amounts due from other Formula 1 companies	29,435	5,082
Accrued income	15,239	16,652
Prepayments	1,456	506
Other debtors	153	50
Other tax recoverable	2,975	2,037
	<u>51,209</u>	<u>26,140</u>

Amounts due from other Formula 1 companies are trading balances on which no interest is charged.

No ECL has been provided on amounts due from other Formula 1 companies because under the simplified approach for receivables, the probability of default is considered to be extremely remote because the Group has considerable financial resources. Therefore the lifetime ECL is deemed to be immaterial and no impairment has been recognised.

No ECL has been provided on accrued income because under the simplified approach, the probability of default is considered to be limited on the basis that appropriate due diligence is performed on prospective customers, outstanding balances are regularly monitored, and no indicators of default have been identified, including taking account of forward-looking information. Therefore the lifetime ECL is deemed to be immaterial and no impairment has been recognised.

18 Cash and cash equivalents

The company and most of Formula 1's other subsidiaries participate together in a cash pooling arrangement operated by the Group's principal bank. Under the arrangement, each participating subsidiary's account balances are swept in real time into accounts held by FOWC, the subsidiary that acts as principal to the arrangement. Intra-group receivables or payables with FOWC are then recognised accordingly.

19 Creditors: Amounts falling due within one year

	2022 \$ 000	2021 \$ 000
Trade creditors	1,910	3,230
Accrued expenses	10,715	8,248
Amounts due to other Formula 1 companies	8,867	20,470
Social security and other taxes	732	15
Deferred income	17,650	9,869
	<u>39,874</u>	<u>41,832</u>

Amounts due to other Formula 1 companies are trading balances on which no interest is charged.

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Notes to the Financial Statements for the Year Ended 31 December 2022

20 Share capital

Allotted, called up and fully paid shares

	No.	2022 \$	No.	2021 \$
Ordinary share of \$1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

21 Commitments

Capital commitments

Capital commitments are amounts contracted for, but not provided for, in these financial statements and relate to items of property, plant and equipment. The company had capital commitments of \$Nil at 31 December 2022 (2021-\$0.1m).

Guarantees and other financial commitments

The Group's third party loan facilities and hedging arrangements are secured by fixed and floating charges (including share pledges and security over intra-group and book debts) over the present and future assets of the Group's main operating companies (of which the company is one), with cross guarantees as appropriate (including from the company).

22 Related party transactions

The company has taken advantage of the exemption under FRS 101 not to disclose transactions with wholly-owned Liberty subsidiaries.

23 Parent and ultimate parent undertaking

The company's immediate parent undertaking is Alpha Prema, a company incorporated in England and Wales and a wholly-owned subsidiary of Liberty.

As at the balance sheet date Liberty, a Nasdaq listed company incorporated in the United States of America, is the parent undertaking of the smallest and largest group for which publicly available group financial statements are prepared which include the results of the company. Liberty's consolidated accounts are publicly available from 12300 Liberty Blvd, Englewood, CO 80112, USA. Liberty is considered to be, in the opinion of the directors, the ultimate parent undertaking of the company.