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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **March 3, 2008**

LIBERTY MEDIA CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**000-51990**	**84-1288730**
(State or Other Jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

12300 Liberty Blvd.
Englewood, Colorado 80112
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: **(720) 875-5400**

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

/ / Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

/ / Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

/ / Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

/ / Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events

On March 3, 2008, Liberty Media Corporation ("Liberty") completed a reclassification of its Liberty Capital common stock whereby each share of Series A Liberty Capital common stock was reclassified as one share of the reclassified Series A Liberty Capital common stock and four shares of the new Series A Liberty Entertainment common stock, and each share of Series B Liberty Capital common stock was reclassified as one share of the reclassified Series B Liberty Capital common stock and four shares of the new Series B Liberty Entertainment common stock. The Liberty Entertainment common stock is intended to track and reflect the separate economic performance of the new Entertainment Group, which includes, among other things, Liberty's approximate 41% ownership interest in The DIRECTV Group, Inc. and its 100% ownership interests in Starz Entertainment Group, LLC, FUN Technologies, Inc. and certain regional sports television networks. The reclassified Liberty Capital common stock is intended to track and reflect the economic performance of the Capital Group, which includes, among other things, Liberty's wholly-owned subsidiaries Starz Media, LLC, Atlanta National League Baseball Club, Inc. and TruePosition, Inc.

Attached hereto as Exhibit 99.1 is Unaudited Historical Attributed Financial Information for Tracking Stock Groups for the years ended December 31, 2007, 2006 and 2005, which includes consolidating schedules with financial information for each of Liberty's tracking stock groups. This information should be read in conjunction with Liberty's consolidated financial statements which are attached hereto as Exhibit 99.3. Attached hereto as Exhibit 99.2 is Management's Discussion and Analysis of Financial Condition and Results of Operations, which includes a discussion of Liberty's consolidated results of operations and financial condition as well as discussions for each of Liberty's tracking stock groups.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit No.	Name
Exhibit 99.1	Unaudited Historical Attributed Financial Information for Tracking Stock Groups for the years ended December 31, 2007, 2006 and 2005.
Exhibit 99.2	Management's Discussion and Analysis of Financial Condition and Results of Operations.
Exhibit 99.3	Liberty Media Corporation and Subsidiaries Consolidated Financial Statements for the years ended December 31, 2007, 2006 and 2005.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: April 9, 2008

LIBERTY MEDIA CORPORATION

By: /s/ MARK E. BURTON

Name: Mark E. Burton
Title: Vice President

EXHIBIT INDEX

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QuickLinks

Item 8.01 Other Events
Item 9.01 Financial Statements and Exhibits

SIGNATURE
EXHIBIT INDEX

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 99.1

Unaudited Historical Attributed Financial Information for Tracking Stock Groups

On March 3, 2008, Liberty Media Corporation ("Liberty") completed a reclassification of its Liberty Capital common stock whereby each share of Series A Liberty Capital common stock was reclassified as one share of the reclassified Series A Liberty Capital common stock and four shares of the new Series A Liberty Entertainment common stock, and each share of Series B Liberty Capital common stock was reclassified as one share of the reclassified Series B Liberty Capital common stock and four shares of the new Series B Liberty Entertainment common stock. The Liberty Entertainment common stock is intended to track and reflect the separate economic performance of the new Entertainment Group, which includes, among other things, Liberty's approximate 41% ownership interest in The DIRECTV Group, Inc. and its 100% ownership interests in Starz Entertainment Group, LLC, FUN Technologies, Inc. and certain regional sports television networks. The reclassified Liberty Capital common stock is intended to track and reflect the economic performance of the Capital Group, which includes, among other things, Liberty's wholly-owned subsidiaries Starz Media, LLC, Atlanta National League Baseball Club, Inc. and TruePosition, Inc.

The following tables present the assets, liabilities, revenue, expenses and cash flows of Liberty and its subsidiaries as of December 31, 2007 and 2006 and for the years ended December 31, 2007, 2006 and 2005 that have been attributed to the Interactive Group, the Entertainment Group and the Capital Group, respectively. The financial information should be read in conjunction with our audited financial statements for the years ended December 31, 2007, 2006 and 2005 filed as Exhibit 99.3 to this Form 8-K. The attributed financial information presented in the tables has been prepared assuming the reclassification had been completed as of January 1, 2005.

Notwithstanding the following attribution of assets, liabilities, revenue, expenses and cash flows to the Interactive Group, the Entertainment Group and the Capital Group, the reclassification does not affect the ownership or the respective legal title to such assets or responsibility for such liabilities. We and our subsidiaries each continue to be responsible for our respective liabilities. Holders of Liberty Interactive common stock, Liberty Entertainment common stock and Liberty Capital common stock are holders of Liberty common stock and continue to be subject to risks associated with an investment in our company and all of our businesses, assets and liabilities. The reclassification of our old Liberty Capital common stock into Liberty Entertainment common stock and Liberty Capital common stock does not affect the rights of our creditors.

BALANCE SHEET INFORMATION
December 31, 2007
(unaudited)

	Attributed (note 1)				
	Interactive Group	Entertainment Group	Capital Group	Eliminations	Consolidated Liberty
			amounts in millions		
Assets					
Current assets:					
Cash and cash equivalents	$ 557	90	2,488	—	3,135
Trade and other receivables, net	1,179	183	155	—	1,517
Inventory, net	975	—	—	—	975
Program rights	—	515	—	—	515
Current deferred tax assets	149	—	—	(149)	—
Other current assets	61	5	116	(15)	167
Total current assets	2,921	793	2,759	(164)	6,309
Investments in available-for-sale securities and other cost investments (note 2)	2,044	10,652	4,873	—	17,569
Investments in affiliates, accounted for using the equity method	1,311	249	257	—	1,817
Investment in special purpose entity	—	—	750	—	750
Property and equipment, net	1,074	129	148	—	1,351
Goodwill	5,928	1,500	427	—	7,855
Trademarks	2,489	8	18	—	2,515
Other non-amortizable intangibles	—	—	173	—	173
Intangible assets subject to amortization, net	3,502	46	315	—	3,863
Other assets, at cost, net of accumulated amortization	57	431	2,959	—	3,447
Total assets	$ 19,326	13,808	12,679	(164)	45,649
Liabilities and Equity					
Current liabilities:					
Accounts payable	$ 571	6	28	—	605
Accrued interest	100	8	40	—	148
Other accrued liabilities	644	148	144	—	936
Intergroup payable (receivable)	95	(1)	(94)	—	—
Accrued stock compensation	20	164	23	—	207
Current portion of debt (note 3)	13	3	175	—	191
Current deferred tax liabilities	—	—	242	(149)	93
Other current liabilities	62	6	1,241	(15)	1,294
Total current liabilities	1,505	334	1,799	(164)	3,474
Long-term debt (note 3)	7,164	470	3,890	—	11,524
Deferred income tax liabilities (note 6)	2,670	3,521	2,267	—	8,458
Other liabilities	350	26	1,365	—	1,741
Total liabilities	11,689	4,351	9,321	(164)	25,197
Minority interests in equity of subsidiaries	107	—	759	—	866
Equity/Attributed net assets	7,530	9,457	2,599	—	19,586
Total liabilities and equity	$ 19,326	13,808	12,679	(164)	45,649

BALANCE SHEET INFORMATION
December 31, 2006
(unaudited)

	Attributed (note 1)				
	Interactive Group	Entertainment Group	Capital Group	Eliminations	Consolidated Liberty
			amounts in millions		
Assets					
Current assets:					
Cash and cash equivalents	$ 946	91	2,070	—	3,107
Trade and other receivables, net	977	177	122	—	1,276
Inventory, net	831	—	—	—	831
Program rights	—	531	—	—	531
Current deferred tax assets	159	—	—	(31)	128
Other current assets	71	5	268	—	344
Assets of discontinued operations	—	—	512	—	512
Total current assets	2,984	804	2,972	(31)	6,729
Investments in available-for-sale securities and other cost investments (note 2)	2,572	11,160	7,890	—	21,622
Investments in affiliates, accounted for using the equity method	1,358	253	231	—	1,842
Property and equipment, net	912	139	95	—	1,146
Goodwill	5,755	1,464	369	—	7,588
Trademarks	2,450	3	18	—	2,471
Intangible assets subject to amortization, net	3,756	63	91	—	3,910
Other assets, at cost, net of accumulated amortization	33	454	1,843	—	2,330
Total assets	$ 19,820	14,340	13,509	(31)	47,638
Liabilities and Equity					
Current liabilities:					
Accounts payable	$ 475	9	24	—	508
Accrued interest	136	23	55	—	214
Other accrued liabilities	637	174	64	—	875
Intergroup payable (receivable)	81	—	(81)	—	—
Accrued stock compensation	26	130	4	—	160
Current portion of debt (note 3)	11	3	100	—	114
Current deferred tax liabilities	—	—	31	(31)	—
Other current liabilities	91	12	1,494	—	1,597
Liabilities of discontinued operations	—	—	101	—	101
Total current liabilities	1,457	351	1,792	(31)	3,569
Long-term debt (note 3)	6,372	173	2,364	—	8,909
Deferred income tax liabilities (note 6)	3,057	3,703	2,901	—	9,661
Other liabilities	277	263	3,036	—	3,576
Total liabilities	11,163	4,490	10,093	(31)	25,715
Minority interests in equity of subsidiaries	96	53	141	—	290
Equity/Attributed net assets	8,561	9,797	3,275	—	21,633
Total liabilities and equity	$ 19,820	14,340	13,509	(31)	47,638

STATEMENT OF OPERATIONS INFORMATION
Year ended December 31, 2007
(unaudited)

	Attributed (note 1)			
	Interactive Group	Entertainment Group	Capital Group	Consolidated Liberty
	amounts in millions			
Revenue:				
Net retail sales	$ 7,802	—	—	7,802
Communications and programming services	—	1,136	485	1,621
	7,802	1,136	485	9,423
Operating costs and expenses:				
Cost of sales	4,921	—	—	4,921
Operating	638	725	480	1,843
Selling, general and administrative (including stock-based compensation) (notes 1, 4 and 5)	594	202	227	1,023
Depreciation and amortization	536	37	102	675
Impairment of long-lived assets	—	41	182	223
	6,689	1,005	991	8,685
Operating income (loss)	1,113	131	(506)	738
Other income (expense):				
Interest expense	(465)	(25)	(151)	(641)
Dividend and interest income	44	60	217	321
Share of earnings (losses) of affiliates, net	77	13	(68)	22
Realized and unrealized gains (losses) on financial instruments, net	(6)	14	1,261	1,269
Gains (losses) on dispositions, net	12	(1)	635	646
Other than temporary declines in fair value of investments	—	—	(33)	(33)
Other, net	1	—	(2)	(1)
	(337)	61	1,859	1,583
Earnings from continuing operations before income taxes and minority interests	776	192	1,353	2,321
Income tax benefit (expense) (note 6)	(306)	(77)	62	(321)
Minority interests in losses (earnings) of subsidiaries	(29)	21	(27)	(35)
Earnings from continuing operations	$ 441	136	1,388	1,965
Historical basic earnings from continuing operations per common share:				
Liberty Interactive common stock				$ .70
Liberty Capital common stock				$ 11.55
Pro forma basic earnings from continuing operations per common share (note 7):				
Liberty Interactive common stock				$ .70
Liberty Entertainment common stock				$ .26
Liberty Capital common stock				$ 10.75

STATEMENT OF OPERATIONS INFORMATION
Year ended December 31, 2006
(unaudited)

	Attributed (note 1)			
	Interactive Group	Entertainment Group	Capital Group	Consolidated Liberty
	amounts in millions			
Revenue:				
Net retail sales	$ 7,326	—	—	7,326
Communications and programming services	—	1,075	212	1,287
	7,326	1,075	212	8,613
Operating costs and expenses:				
Cost of sales	4,565	—	—	4,565
Operating	596	766	164	1,526
Selling, general and administrative (including stock-based compensation) (notes 1, 4 and 5)	544	143	119	806
Depreciation and amortization	491	41	50	582
Impairment of long-lived assets	—	113	—	113
	6,196	1,063	333	7,592
Operating income (loss)	1,130	12	(121)	1,021
Other income (expense):				
Interest expense	(417)	(31)	(232)	(680)
Dividend and interest income	40	61	113	214
Share of earnings of affiliates, net	47	14	30	91
Realized and unrealized gains (losses) on financial instruments, net	20	(31)	(268)	(279)
Gains on dispositions of assets, net	—	—	607	607
Other than temporary declines in fair value of investments	—	—	(4)	(4)
Other, net	23	(5)	—	18
	(287)	8	246	(33)
Earnings from continuing operations before income taxes and minority interests	843	20	125	988
Income tax benefit (expense) (note 6)	(210)	(43)	1	(252)
Minority interests in losses (earnings) of subsidiaries	(35)	10	(2)	(27)
Earnings (loss) from continuing operations	$ 598	(13)	124	709

STATEMENT OF OPERATIONS INFORMATION
Year ended December 31, 2005
(unaudited)

	Attributed (note 1)			
	Interactive Group	Entertainment Group	Capital Group	Consolidated Liberty
	amounts in millions, except per share amounts			
Revenue:				
Net retail sales	$ 6,501	—	—	6,501
Communications and programming services	—	1,004	141	1,145
	6,501	1,004	141	7,646
Operating costs and expenses:				
Cost of sales	4,112	—	—	4,112
Operating	570	706	121	1,397
Selling, general and administrative (including stock-based compensation) (notes 1, 4 and 5)	454	145	49	648
Depreciation and amortization	449	49	47	545
	5,585	900	217	6,702
Operating income (loss)	916	104	(76)	944
Other income (expense):				
Interest expense	(374)	(28)	(224)	(626)
Dividend and interest income	35	60	48	143
Share of earnings (losses) of affiliates, net	9	(17)	21	13
Realized and unrealized gains (losses) on financial instruments, net	(17)	71	203	257
Gains (losses) on dispositions of assets, net	40	—	(401)	(361)
Other than temporary declines in fair value of investments	—	(351)	(98)	(449)
Other, net	(38)	1	(2)	(39)
	(345)	(264)	(453)	(1,062)
Earnings (loss) from continuing operations before income taxes and minority interests	571	(160)	(529)	(118)
Income tax benefit (expense) (note 6)	(225)	127	224	126
Minority interests in earnings of subsidiaries	(48)	—	(3)	(51)
Earnings (loss) from continuing operations	$ 298	(33)	(308)	(43)

STATEMENT OF CASH FLOWS INFORMATION
Year ended December 31, 2007
(unaudited)

	Attributed (note 1)			
	Interactive Group	Entertainment Group	Capital Group	Consolidated Liberty
	amounts in millions			
Cash flows from operating activities:				
Net earnings	$ 441	136	1,537	2,114
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Earnings from discontinued operations	—	—	(149)	(149)
Depreciation and amortization	536	37	102	675
Impairment of long-lived assets	—	41	182	223
Stock-based compensation	35	46	12	93
Cash payments for stock-based compensation	(37)	—	(3)	(40)
Noncash interest expense	4	—	5	9
Share of losses (earnings) of affiliates, net	(77)	(13)	68	(22)
Realized and unrealized losses (gains) on financial instruments, net	6	(14)	(1,261)	(1,269)
Losses (gains) on disposition of assets, net	(12)	1	(635)	(646)
Other than temporary declines in fair value of investments	—	—	33	33
Minority interests in earnings (losses) of subsidiaries	29	(21)	27	35
Intergroup tax allocation	278	—	(278)	—
Intergroup tax payments	(321)	—	321	—
Other intergroup cash transfers, net	54	—	(54)	—
Deferred income tax expense (benefit)	(128)	48	200	120
Other noncash charges (credits), net	(1)	—	142	141
Changes in operating assets and liabilities, net of the effects of acquisitions:				
Current assets	(290)	19	(165)	(436)
Payables and other current liabilities	87	(62)	252	277
Net cash provided by operating activities	604	218	336	1,158
Cash flows from investing activities:				
Cash proceeds from dispositions	12	—	483	495
Net proceeds from settlement of financial instruments	—	—	75	75
Cash received in exchange transactions	—	—	1,154	1,154
Cash paid for acquisitions, net of cash acquired	(236)	(105)	(7)	(348)
Capital expended for property and equipment	(289)	(11)	(16)	(316)
Net sales of short term investments	—	—	34	34
Investment in special purpose entity	—	—	(750)	(750)
Net increase in restricted cash	—	—	(882)	(882)
Other investing activities, net	(74)	11	(132)	(195)
Net cash used by investing activities	(587)	(105)	(41)	(733)
Cash flows from financing activities:				
Borrowings of debt	1,112	—	757	1,869
Repayments of debt	(332)	(3)	(163)	(498)
Repurchases of Liberty common stock	(1,224)	—	(1,305)	(2,529)
Contribution from minority owner	—	—	751	751
Intergroup cash transfers, net	—	(111)	111	—
Other financing activities, net	28	—	(27)	1
Net cash provided (used) by financing activities	(416)	(114)	124	(406)
Effect of foreign currency rates on cash	10	—	(2)	8
Net cash provided by discontinued operations:				
Cash provided by operating activities	—	—	8	8
Cash used by investing activities	—	—	(9)	(9)
Change in available cash held by discontinued operations	—	—	2	2
Net cash provided by discontinued operations	—	—	1	1
Net increase (decrease) in cash and cash equivalents	(389)	(1)	418	28
Cash and cash equivalents at beginning of year	946	91	2,070	3,107
Cash and cash equivalents at end of year	$ 557	90	2,488	3,135

STATEMENT OF CASH FLOWS INFORMATION
Year ended December 31, 2006
(unaudited)

	Attributed (note 1)			
	Interactive Group	Entertainment Group	Capital Group	Consolidated Liberty
	amounts in millions			
Cash flows from operating activities:				
Net earnings (loss)	$ 511	(15)	344	840
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:				
Earnings from discontinued operations	—	—	(220)	(220)
Cumulative effect of accounting change	87	2	—	89
Depreciation and amortization	491	41	50	582
Impairment of long-lived assets	—	113	—	113
Stock-based compensation	59	2	6	67
Cash payments for stock-based compensation	(111)	—	(4)	(115)
Noncash interest expense	4	1	103	108
Share of earnings of affiliates, net	(47)	(14)	(30)	(91)
Realized and unrealized losses (gains) on financial instruments, net	(20)	31	268	279
Gains on disposition of assets, net	—	—	(607)	(607)
Other than temporary declines in fair value of investments	—	—	4	4
Minority interests in earnings (losses) of subsidiaries	35	(10)	2	27
Deferred income tax expense (benefit)	(262)	17	(220)	(465)
Other noncash charges (credits), net	(13)	5	52	44
Changes in operating assets and liabilities, net of the effects of acquisitions:				
Current assets	(219)	72	(155)	(302)
Payables and other current liabilities	38	(106)	728	660
Net cash provided by operating activities	553	139	321	1,013
Cash flows from investing activities:				
Cash proceeds from dispositions	—	—	1,322	1,322
Premium proceeds (payments) from origination of derivatives	(5)	—	64	59
Net proceeds from settlement of derivatives	—	—	101	101
Cash paid for acquisitions, net of cash acquired	(767)	(174)	(266)	(1,207)
Capital expended for property and equipment	(259)	(9)	(10)	(278)
Net sales of short term investments	23	—	264	287
Other investing activities, net	(8)	80	(241)	(169)
Net cash provided (used) by investing activities	(1,016)	(103)	1,234	115
Cash flows from financing activities:				
Borrowings of debt	3,227	—	2	3,229
Repayments of debt	(2,188)	(3)	—	(2,191)
Intergroup cash transfers, net	293	(32)	(261)	—
Repurchases of Liberty common stock	(954)	—	—	(954)
Other financing activities, net	68	5	(93)	(20)
Net cash provided (used) by financing activities	446	(30)	(352)	64
Effect of foreign currency rates on cash	18	—	—	18
Net cash provided to discontinued operations:				
Cash provided by operating activities	—	—	62	62
Cash used by investing activities	—	—	(67)	(67)
Cash provided by financing activities	—	—	6	6
Net cash provided by discontinued operations	—	—	1	1
Net increase in cash and cash equivalents	1	6	1,204	1,211
Cash and cash equivalents at beginning of year	945	85	866	1,896
Cash and cash equivalents at end of year	$ 946	91	2,070	3,107

STATEMENT OF CASH FLOWS INFORMATION
Year ended December 31, 2005
(unaudited)

	Attributed (note 1)			
	Interactive Group	Entertainment Group	Capital Group	Consolidated Liberty
	amounts in millions			
Cash flows from operating activities:				
Net earnings (loss)	$ 298	(33)	(298)	(33)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:				
Earnings from discontinued operations	—	—	(10)	(10)
Depreciation and amortization	449	49	47	545
Stock-based compensation	52	11	(11)	52
Cash payments for stock-based compensation	—	(8)	(95)	(103)
Noncash interest expense	3	1	97	101
Share of losses (earnings) of affiliates, net	(9)	17	(21)	(13)
Realized and unrealized losses (gains) on financial instruments, net	17	(71)	(203)	(257)
Losses (gains) on disposition of assets, net	(40)	—	401	361
Other than temporary declines in fair value of investments	—	351	98	449
Minority interests in earnings of subsidiaries	48	—	3	51
Deferred income tax benefit	(188)	(170)	(31)	(389)
Other noncash charges (credits), net	38	7	(4)	41
Changes in operating assets and liabilities, net of the effects of acquisitions:				
Current assets	(162)	(30)	17	(175)
Payables and other current liabilities	248	—	198	446
Net cash provided by operating activities	754	124	188	1,066
Cash flows from investing activities:				
Cash proceeds from dispositions	1	—	48	49
Premium proceeds from origination of derivatives	—	—	473	473
Net proceeds from settlement of derivatives	—	—	461	461
Capital expended for property and equipment	(153)	(10)	(5)	(168)
Net purchases of short term investments	—	—	(85)	(85)
Cash paid for acquisitions, net of cash acquired	(85)	—	(11)	(96)
Other investing activities, net	(19)	—	(12)	(31)
Net cash provided (used) by investing activities	(256)	(10)	869	603
Cash flows from financing activities:				
Borrowings of debt	800	—	61	861
Repayments of debt	(1,734)	(6)	(61)	(1,801)
Intergroup cash transfers, net	548	(88)	(460)	—
Other financing activities, net	23	—	66	89
Net cash used by financing activities	(363)	(94)	(394)	(851)
Effect of foreign currency rates on cash	(45)	—	—	(45)
Net cash provided to discontinued operations:				
Cash provided by operating activities	—	—	75	75
Cash used by investing activities	—	—	(110)	(110)
Cash provided by financing activities	—	—	11	11
Change in available cash held by discontinued operations	—	—	(177)	(177)
Net cash provided to discontinued operations	—	—	(201)	(201)
Net increase in cash and cash equivalents	90	20	462	572
Cash and cash equivalents at beginning of year	855	65	404	1,324
Cash and cash equivalents at end of year	$ 945	85	866	1,896

Notes to Historical Attributed Financial Information

(Unaudited)

(1) The assets attributed to our Interactive Group include our consolidated subsidiaries QVC, Inc, Provide Commerce, Inc., BuySeasons, Inc., Backcountry.com, Inc. and Bodybuilding.com, LLC and our interests in IAC/InterActiveCorp, GSI Commerce, Inc and Expedia. Accordingly, the accompanying attributed financial information for the Interactive Group includes our investments in IAC/InterActiveCorp, GSI and Expedia as well as the assets, liabilities, revenue, expenses and cash flows of QVC, Provide, BuySeasons, Backcountry and Bodybuilding. We have also attributed certain of our debt obligations (and related interest expense) to the Interactive Group based upon a number of factors, including the cash flow available to the Interactive Group and its ability to pay debt service and our assessment of the optimal capitalization for the Interactive Group. The specific debt obligations attributed to each of the Interactive Group, the Entertainment Group and the Capital Group are described in note 3 below. In addition, we have allocated certain corporate general and administrative expenses among the Interactive Group, the Entertainment Group and the Capital Group as described in note 4 below.

The Interactive Group focuses on video and on-line commerce businesses. Accordingly, we expect that businesses that we may acquire in the future that we believe are complementary to this strategy will also be attributed to the Interactive Group.

The Entertainment Group consists of our subsidiaries Starz Entertainment, LLC and FUN Technologies, Inc, our minority equity interests in GSN, LLC and WildBlue Communications, Inc. and approximately $500 million of cash and cash equivalents. Accordingly, the accompanying attributed financial information for the Entertainment Group includes these investments and the assets, liabilities, revenue, expenses and cash flows of these consolidated subsidiaries. We have also attributed $551 million principal amount of our publicly traded debt to the Entertainment Group. Additionally, we completed our exchange transaction with News Corporation in February 2008 pursuant to which we exchanged our minority interest in News Corporation for that company's approximate 41% interest in The DIRECTV Group, Inc., three regional sports television networks and approximately $465 million in cash. We have attributed the businesses and assets we obtained from News Corporation to the Entertainment Group.

The Entertainment Group focuses primarily on programming and communications businesses. Accordingly, we expect that businesses that we may acquire in the future that we believe are complementary to this strategy will also be attributed to the Entertainment Group.

The Capital Group consists of all of our businesses not included in the Interactive Group or the Entertainment Group including our consolidated subsidiaries Atlanta National League Baseball Club, Inc., Starz Media, LLC, Leisure Arts, Inc. and TruePosition, Inc. and several non-strategic minority equity investments. Accordingly, the accompanying attributed financial information for the Capital Group includes these investments and the assets, liabilities, revenue, expenses and cash flows of these consolidated subsidiaries. In addition, we have attributed to the Capital Group all of our notes and debentures (and related interest expense) that have not been attributed to the Interactive Group or the Entertainment Group. See note 3 below for the debt obligations attributed to the Capital Group.

Any businesses that we may acquire in the future that we do not believe will be complementary to the Interactive Group or the Entertainment Group will be attributed to the Capital Group.

While we believe the attribution methodology described above is reasonable and fair to each group, management may elect to change the attribution methodology in the future. In the event we elect to transfer assets or businesses from one group to another, such transfer would be made on a

fair value basis and would be accounted for as a short term loan unless our board of directors determines to account for it as a long-term loan or through an inter-group interest.

(2) Investments in available-for-sale securities and other cost investments are summarized as follows:

	December 31, 2007	December 31, 2006
	amounts in millions	
Interactive Group		
IAC/InterActiveCorp	$ 1,863	2,572
Other	181	—
Total attributed Interactive Group	2,044	2,572
Entertainment Group		
News Corporation	10,647	11,158
Other	5	2
Total attributed Entertainment Group	10,652	11,160
Capital Group		
Time Warner Inc. ("Time Warner") (a)	1,695	3,728
Sprint Nextel Corporation (a)	1,150	1,651
Motorola, Inc. (a)	1,187	1,522
Viacom, Inc.	333	311
Embarq Corporation (a)	216	230
Other available-for-sale equity securities (a)	104	289
Other available-for-sale debt securities	156	135
Other cost investments and related receivables	32	32
Total attributed Capital Group	4,873	7,898
Consolidated Liberty	17,569	21,630
Less short-term investments	—	(8)
	$ 17,569	21,622

(a) Includes shares pledged as collateral for share borrowing arrangements.

Notes to Historical Attributed Financial Information

(Unaudited)

(3) Debt attributed to the Interactive Group, the Entertainment Group and the Capital Group is comprised of the following:

	December 31, 2007		December 31, 2006
	Outstanding principal	Carrying value	Carrying value
	amounts in millions		
Interactive Group			
7.875% Senior Notes due 2009	$ 670	668	667
7.75% Senior Notes due 2009	233	234	234
5.7% Senior Notes due 2013	803	801	800
8.5% Senior Debentures due 2029	500	495	495
8.25% Senior Debentures due 2030	902	895	895
QVC bank credit facilities	4,023	4,023	3,225
Other subsidiary debt	61	61	67
Total Interactive Group debt	7,192	7,177	6,383
Entertainment Group			
3.25% Senior Exchangeable Debentures due 2031	551	419	119
Subsidiary debt	54	54	57
Total Entertainment Group debt	605	473	176
Capital Group			
0.75% Senior Exchangeable Debentures due 2023	1,750	1,820	1,637
4% Senior Exchangeable Debentures due 2029	869	556	254
3.75% Senior Exchangeable Debentures due 2030	810	463	234
3.5% Senior Exchangeable Debentures due 2031	501	432	238
Liberty bank facility	750	750	—
Subsidiary debt	44	44	101
Total Capital Group debt	4,724	4,065	2,464
Total debt	$ 12,521	11,715	9,023

(4) Cash and stock-based compensation expense for our corporate employees have been allocated among the Interactive Group, the Entertainment Group and the Capital Group based on the estimated percentage of time spent providing services for each group. Other general and administrative expenses are charged directly to the groups whenever possible and are otherwise allocated based on estimated usage or some other reasonably determined methodology. General and administrative costs, including stock-based compensation, allocated from the Capital Group to the Interactive Group and the Entertainment Group are as follows:

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Interactive Group	$ 17	13	5
Entertainment Group	$ 19	12	1

Notes to Historical Attributed Financial Information

(Unaudited)

While we believe that this allocation method is reasonable and fair to each group, management may elect to change the allocation methodology or percentages used to allocate general and administrative expenses in the future.

(5) Effective January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123 (revised 2004), *"Share-based Payment"* ("Statement 123R"). Statement 123R requires that we amortize the grant date fair value of our stock options and stock appreciation rights that qualify as equity awards as stock compensation expense over the vesting period of such awards. Statement 123R also requires that we record our liability awards at fair value each reporting period and that the change in fair value be reflected as stock compensation expense in our consolidated statements of operations. In connection with our adoption of Statement 123R, we recorded an $89 million transition adjustment, net of related income taxes. The transition adjustment is reflected in our consolidated statement of operations as the cumulative effect of accounting change. Stock-based compensation included in selling, general and administrative expenses in the accompanying statement of operations information is as follows:

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Interactive Group	$ 35	59	52
Entertainment Group	$ 46	2	11
Capital Group	$ 12	6	(11)

(6) We have accounted for income taxes for the Interactive Group, the Entertainment Group and the Capital Group in the accompanying attributed financial information in a manner similar to a stand-alone company basis. To the extent this methodology differs from our tax sharing policy, differences have been reflected in the attributed net assets of the groups.

Interactive Group

The Interactive Group's income tax benefit (expense) consists of:

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Current:			
Federal	$ (280)	(305)	(259)
State and local	(64)	(57)	(69)
Foreign	(90)	(110)	(85)
	(434)	(472)	(413)
Deferred:			
Federal	94	197	150
State and local	33	62	40
Foreign	1	3	(2)
	128	262	188
Income tax expense	$ (306)	(210)	(225)

Notes to Historical Attributed Financial Information

(Unaudited)

The Interactive Group's income tax benefit (expense) differs from the amounts computed by applying the U.S. federal income tax rate of 35% as a result of the following:

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Computed expected tax expense	$ (262)	(283)	(183)
Change in estimated foreign and state tax rates	(6)	132	28
State and local income taxes, net of federal income taxes	(19)	(23)	(25)
Foreign taxes, net of foreign tax credits	(10)	(20)	(29)
Change in valuation allowance affecting tax expense	5	(14)	2
Minority interest	(10)	(12)	(12)
Disqualifying disposition of incentive stock options	—	14	—
Other, net	(4)	(4)	(6)
Income tax expense	$ (306)	(210)	(225)

The tax effects of temporary differences that give rise to significant portions of the Interactive Group's deferred tax assets and deferred tax liabilities are presented below:

	December 31,	
	2007	2006
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	$ 43	35
Accrued stock compensation	11	23
Other accrued liabilities	148	161
Deferred revenue	11	—
Other future deductible amounts	100	90
Deferred tax assets	313	309
Valuation allowance	(12)	(19)
Net deferred tax assets	301	290
Deferred tax liabilities:		
Investments	594	884
Intangible assets	2,083	2,225
Other	145	79
Deferred tax liabilities	2,822	3,188
Net deferred tax liabilities	$ 2,521	2,898

Notes to Historical Attributed Financial Information

(Unaudited)

Entertainment Group

The Entertainment Group's income tax benefit (expense) consists of:

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Current:			
Federal	$ (28)	(24)	(41)
State and local	1	—	—
Foreign	(2)	(2)	(2)
	(29)	(26)	(43)
Deferred:			
Federal	(38)	(12)	161
State and local	(10)	(5)	9
Foreign	—	—	—
	(48)	(17)	170
Income tax benefit (expense)	$ (77)	(43)	127

The Entertainment Group's income tax benefit (expense) differs from the amounts computed by applying the U.S. federal income tax rate of 35% as a result of the following:

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Computed expected tax benefit (expense)	$ (75)	(10)	56
Impairment charges and amortization of goodwill not deductible for income tax purposes	(11)	(39)	—
State and local income taxes, net of federal income taxes	(6)	(3)	6
Foreign taxes	—	(1)	(1)
Change in estimated state and foreign tax rates	—	—	53
Change in valuation allowance affecting tax expense	(4)	(6)	—
Dividends received deduction	12	12	12
Other, net	7	4	1
Income tax benefit (expense)	$ (77)	(43)	127

Notes to Historical Attributed Financial Information

(Unaudited)

The tax effects of temporary differences that give rise to significant portions of the Entertainment Group's deferred tax assets and deferred tax liabilities are presented below:

	December 31,	
	2007	2006
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	$ 1	16
Accrued stock compensation	65	49
Intangible assets	47	15
Other future deductible amounts	3	27
Deferred tax assets	116	107
Valuation allowance	(33)	(18)
Net deferred tax assets	83	89
Deferred tax liabilities:		
Investments	3,396	3,567
Discount on exchangeable debentures	193	211
Other	15	14
Deferred tax liabilities	3,604	3,792
Net deferred tax liabilities	$ 3,521	3,703

Capital Group

The Capital Group's income tax benefit (expense) consists of:

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Current:			
Federal	$ 281	(184)	200
State and local	(18)	(35)	(6)
Foreign	(1)	—	(1)
	262	(219)	193
Deferred:			
Federal	(208)	177	(92)
State and local	8	42	123
Foreign	—	1	—
	(200)	220	31
Income tax benefit	$ 62	1	224

Notes to Historical Attributed Financial Information

(Unaudited)

The Capital Group's income tax benefit (expense) differs from the amounts computed by applying the U.S. federal income tax rate of 35% as a result of the following:

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Computed expected tax benefit (expense)	$ (463)	(43)	186
Nontaxable exchange of investments for subsidiaries and cash	541	—	—
State and local income taxes, net of federal income taxes	(10)	(8)	26
Foreign taxes	9	1	(1)
Change in valuation allowance affecting tax expense	(10)	96	(42)
Disposition of nondeductible goodwill in sales transactions	—	(43)	—
Change in estimated state and foreign tax rates	2	(2)	66
Other, net	(7)	—	(11)
Income tax benefit	$ 62	1	224

The tax effects of temporary differences that give rise to significant portions of the Capital Group's deferred tax assets and deferred tax liabilities are presented below:

	December 31,	
	2007	2006
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	$ 271	419
Accrued stock compensation	14	7
Other future deductible amounts	428	263
Deferred tax assets	713	689
Valuation allowance	(18)	(9)
Net deferred tax assets	695	680
Deferred tax liabilities:		
Investments	1,982	2,434
Intangible assets	248	139
Discount on exchangeable debentures	974	770
Other	—	269
Deferred tax liabilities	3,204	3,612
Net deferred tax liabilities	$ 2,509	2,932

(7) Pro forma basic earnings (loss) from continuing operations per common share has been calculated by dividing the earnings (loss) from continuing operations attributable to each of the Entertainment Group and the Capital Group by 516.4 million shares of Liberty Entertainment common stock and 129.1 million shares of Liberty Capital common stock, respectively, which are the number of shares that would have been issued if the reclassification had been completed on December 31, 2007.

Notes to Historical Attributed Financial Information

(Unaudited)

(8) The Liberty Interactive common stock, Liberty Entertainment common stock and Liberty Capital common stock have voting and conversion rights under the amended charter. Following is a summary of those rights. Holders of Series A common stock are entitled to one vote per share and holders of Series B common stock are entitled to ten votes per share. Holders of Series C common stock will be entitled to 1/100th of a vote per share in certain limited cases and will otherwise not be entitled to vote. In general, holders of Series A and Series B common stock vote as a single class. In certain limited circumstances, the board may elect to seek the approval of only the holders of common stock related to our Interactive Group, our Entertainment Group or our Capital Group.

At the option of the holder, each share of Series B common stock is convertible into one share of Series A common stock of the same group. At the discretion of our board, the common stock related to one group may be converted into common stock of the same series that is related to one of our other groups.

QuickLinks

Unaudited Historical Attributed Financial Information for Tracking Stock Groups
Notes to Historical Attributed Financial Information (Unaudited)

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 99.2

Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis provides information concerning the consolidated results of operations and financial condition of Liberty Media Corporation, as well as attributed results of operations and financial condition for each of the Interactive Group, the Entertainment Group and the Capital Group. This discussion should be read in conjunction with our consolidated financial statements for the years ended December 31, 2007, 2006 and 2005 included as Exhibit 99.3 to this Form 8-K.

Overview

We are a holding company that owns controlling and non-controlling interests in a broad range of video and on-line commerce, media, communications and entertainment companies. Our more significant operating subsidiaries, which are also our principal reportable segments, are QVC, Inc. and Starz Entertainment, LLC. QVC markets and sells a wide variety of consumer products in the United States and several foreign countries, primarily by means of televised shopping programs on the QVC networks and via the Internet through its domestic and international websites. Starz Entertainment provides premium programming distributed by cable operators, direct-to-home satellite providers, other distributors and via the Internet throughout the United States.

In 2006, we began implementing a strategy to convert investments into operating businesses. In August 2006, we exchanged our cost investment in IDT Corporation for IDT's subsidiary IDT Entertainment, which is now known as Starz Media. Also in 2006, we acquired controlling interests in Provide Commerce, Inc., FUN Technologies, Inc. and BuySeasons, Inc. In 2007, (1) we exchanged our shares of CBS Corporation Class B common stock for a subsidiary of CBS that holds WFRV and WJMN Television Station, Inc. and approximately $170 million in cash, (2) we exchanged approximately 68.5 million shares of Time Warner Inc. common stock for a subsidiary of Time Warner which holds Atlanta National League Baseball Club, Inc., Leisure Arts, Inc. and $984 million in cash and (3) we acquired a controlling interest in each of Backcountry.com, Inc. and Bodybuilding.com, LLC. In February 2008, we exchanged our investment in News Corporation for a News Corporation subsidiary which owns News Corporations' approximate 41% interest in The DIRECTV Group, three regional sports television networks and $465 million in cash (the "News Corporation Exchange").

Our "Corporate and Other" segment includes our other consolidated subsidiaries and corporate expenses. Our other consolidated subsidiaries include Provide Commerce, Inc., Starz Media, LLC, FUN Technologies, Inc., Atlanta National League Baseball Club, Inc., Leisure Arts, Inc., TruePosition, Inc., BuySeasons, Inc., Backcountry.com, Inc., Bodybuilding.com, LLC and WFRV and WJMN Television Station, Inc. ("WFRV TV Station"). Provide, which we acquired in February 2006, operates an e-commerce marketplace of websites for perishable goods, including flowers, gourmet foods, fruits and desserts. Starz Media, which we acquired in the third quarter of 2006, is focused on developing, acquiring, producing and distributing live-action and animated films and television productions for the home video, film, broadcast and direct-to-consumer markets. FUN, in which we acquired a controlling interest in March 2006, operates websites that offer casual gaming, sports information and fantasy sports services. Atlanta National League Baseball Club, Inc. ("ANLBC"), which we acquired in May 2007, owns the Atlanta Braves, a major league baseball club, as well as certain of the Atlanta Braves' minor league clubs. Leisure Arts, which we acquired in May 2007, publishes and markets needlework, craft, decorating, entertaining and other lifestyle interest "how-to" books. TruePosition provides equipment and technology that deliver location-based services to wireless users. BuySeasons, which we acquired in August 2006, operates BuyCostumes.com, an on-line retailer of costumes, accessories, décor and party supplies. Backcountry, which we acquired in June 2007, operates six websites offering outdoor and backcountry sports gear and clothing. Bodybuilding.com, which we acquired on

December 31, 2007, manages two websites related to sports nutrition, body building and fitness. WFRV TV Station, which we acquired in April 2007, is a CBS broadcast affiliate that serves Green Bay, Wisconsin and Escanaba, Michigan.

In addition to the foregoing businesses, we hold an approximate 24% interest in Expedia, Inc., which we account for as an equity method investment, and we continue to maintain significant investments and related financial instruments in public companies such as IAC/InterActiveCorp, Time Warner Inc. and Sprint Nextel Corporation, which are accounted for at their respective fair market value and are included in corporate and other.

Tracking Stocks

On May 9, 2006, we completed a restructuring pursuant to which we were organized as a new holding company, and we became the new publicly traded parent company of Liberty Media LLC, which was formerly known as Liberty Media Corporation, and which we refer to as "Old Liberty." As a result of the restructuring, all of the Old Liberty outstanding common stock was exchanged for our two new tracking stocks, Liberty Interactive common stock and Liberty Capital common stock. Each tracking stock issued in the restructuring was intended to track and reflect the economic performance of one of two groups, the Interactive Group and the Capital Group, respectively.

On October 23, 2007, our stockholders approved a group of related proposals to amend and restate our certificate of incorporation to reclassify our Liberty Capital common stock into two new tracking stocks, one to retain the designation Liberty Capital common stock and the other to be designated the Liberty Entertainment common stock. The Liberty Entertainment common stock is intended to track and reflect the separate economic performance of a newly designated Entertainment Group. The reclassification was contingent upon the completion of the News Corporation Exchange and was implemented on March 3, 2008.

A tracking stock is a type of common stock that the issuing company intends to reflect or "track" the economic performance of a particular business or "group," rather than the economic performance of the company as a whole. While the Interactive Group, the Capital Group and the Entertainment Group have separate collections of businesses, assets and liabilities attributed to them, no group is a separate legal entity and therefore cannot own assets, issue securities or enter into legally binding agreements. Holders of tracking stocks have no direct claim to the group's stock or assets and are not represented by separate boards of directors. Instead, holders of tracking stock are stockholders of the parent corporation, with a single board of directors and subject to all of the risks and liabilities of the parent corporation.

The term "Interactive Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities which we have attributed to it. The assets and businesses we have attributed to the Interactive Group are those engaged in video and on-line commerce, and include our subsidiaries QVC, Provide, BuySeasons, Backcountry and Bodybuilding and our interests in Expedia and IAC/InterActiveCorp. The Interactive Group will also include such other businesses that our board of directors may in the future determine to attribute to the Interactive Group, including such other businesses as we may acquire for the Interactive Group. In addition, we have attributed $3,108 million principal amount (as of December 31, 2007) of our senior notes and debentures to the Interactive Group.

Similarly, the term "Entertainment Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities which we have attributed to it. The Entertainment Group has attributed to it a portion of the businesses, assets and liabilities that were previously attributed to the Capital Group, including our subsidiaries Starz Entertainment and FUN, our equity interests in GSN, LLC and WildBlue Communications, Inc. and approximately $500 million of cash and $551 million principal amount (as of December 31, 2007) of our publicly-traded debt. In addition, we

have attributed to the Entertainment Group all of the businesses and assets received in the News Corporation Exchange.

The term "Capital Group" also does not represent a separate legal entity, rather it represents all of our businesses, assets and liabilities other than those which have been attributed to the Interactive Group or the Entertainment Group. Prior to the reclassification, the assets and businesses attributed to the Capital Group included our subsidiaries Starz Entertainment, Starz Media, ANLBC, FUN, TruePosition, Leisure Arts and WFRV TV Station, our equity affiliates GSN, LLC and WildBlue Communications, Inc. and our interests in News Corporation, Time Warner Inc. and Sprint Nextel Corporation. Upon implementation of the reclassification, the Capital Group has attributed to it all of our businesses, assets and liabilities not attributed to the Interactive Group or the Entertainment Group, including our subsidiaries Starz Media, ANLBC, Leisure Arts, TruePosition and WFRV TV Station, and minority equity investments in Time Warner Inc. and Sprint Nextel Corporation. The Capital Group will also include such other businesses that our board of directors may in the future determine to attribute to the Capital Group, including such other businesses as we may acquire for the Capital Group. In addition, we have attributed $3,930 million principal amount (as of December 31, 2007) of our senior exchangeable debentures and $750 million of our bank debt to the Capital Group.

The reclassification did not change the businesses, assets and liabilities attributed to our Interactive Group.

See Exhibit 99.1 to this Form 8-K for unaudited attributed financial information for our tracking stock groups.

2007 Completed Transactions

In addition to the sales of OPTV and AEG discussed under "Discontinued Operations" below, we have several other completed transactions in 2007. Among these are:

On April 16, 2007, we completed an exchange transaction (the "CBS Exchange") with CBS Corporation pursuant to which we exchanged our 7.6 million shares of CBS Class B common stock valued at $239 million for a subsidiary of CBS that holds WFRV TV Station and approximately $170 million in cash.

On May 17, 2007, we completed an exchange transaction (the "Time Warner Exchange") with Time Warner Inc. in which we exchanged approximately 68.5 million shares of Time Warner common stock valued at $1,479 million for a subsidiary of Time Warner which holds ANLBC, Leisure Arts and $984 million in cash.

On June 22, 2007, we acquired 81.3% of the outstanding capital stock of Backcountry.com, Inc. for cash consideration of $120 million, of which $11 million will be held in escrow for one year following the closing to satisfy any indemnification claims.

On December 31, 2007, we acquired 82.9% of the outstanding equity of Bodybuilding.com, LLC for cash consideration of $116 million, of which $5 million will be held in escrow for one year following the closing to satisfy any indemnification claims.

Discontinued Operations

In the fourth quarter of 2006, we committed to two separate transactions pursuant to which we intended to sell our interests in OpenTV Corp and Ascent Entertainment Group ("AEG") to unrelated third parties. The sale of OpenTV for approximately $132 million in cash was completed in January 2007. Pursuant to an agreement with OpenTV, we paid OpenTV approximately $5 million of the sales proceeds at closing and approximately $14 million of the sales proceeds on the first anniversary of the closing upon the satisfaction of certain conditions. The sale of AEG, of which the primary asset is

100% of the common stock of On Command Corporation, for $332 million in cash and 2.05 million shares of common stock of the buyer valued at approximately $50 million was completed in April 2007.

OpenTV and AEG each met the criteria of Statement of Financial Accounting Standards No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*," for classification as assets held for sale as of December 31, 2006.

On July 21, 2005, we completed the spin off of our wholly-owned subsidiary, Discovery Holding Company ("DHC"), to our shareholders. At the time of the spin off, DHC's assets were comprised of our 100% ownership interest in Ascent Media Group, our 50% ownership interest in Discovery Communications, Inc. and $200 million in cash. The spin off is intended to qualify as a tax-free spin off. We recognized no gain or loss in connection with the spin off due to the pro rata nature of the distribution.

Our consolidated financial statements and accompanying notes have been prepared to reflect OpenTV, AEG and DHC as discontinued operations. Accordingly, the assets and liabilities, revenue, costs and expenses, and cash flows of these subsidiaries have been excluded from the respective captions in the accompanying consolidated balance sheets, statements of operations, statements of comprehensive earnings (loss) and statements of cash flows and have been reported under the heading of discontinued operations in such consolidated financial statements.

Strategies and Challenges of Business Units

QVC faced several challenges in 2007 that adversely impacted revenue and operating cash flow growth. QVC intends to continue addressing those challenges in 2008. Domestically, revenue and operating cash flow growth were negatively impacted by general economic conditions, and to a lesser extent, higher precious metals prices and increased penetration of satellite television which hinders QVC's ability to gain favorable channel positioning. In the fall of 2007, QVC launched a national branding campaign to help drive awareness of its programming and products and increase revenue. In 2008, QVC intends to continue its branding campaign to the extent it yields positive results, freshen its product mix and programming, enhance and optimize its website and implement cost control measures.

In 2007, international results were negatively impacted by a number of factors. Results in Germany were hurt by increased competition and a soft retail market, as well as QVC-Germany's over-reliance on certain categories of products. In 2008, QVC-Germany intends to diversify its programming and product mix and increase its focus on underperforming product categories. In Japan, a heightened regulatory focus on health and beauty product presentations restricted QVC-Japan's ability to sell such products which have historically comprised in excess of 40% of QVC-Japan's sales. In addition, the migration of Japanese viewers from analog to digital and the resulting increase in channels available to Japanese viewers has hurt QVC's ability to obtain and retain customers. In 2008, QVC-Japan intends to stabilize the health and beauty category and grow its product categories other than health and beauty.

The key challenges to achieving these goals in both the U.S. and international markets are (1) increased competition from other home shopping and Internet retailers, (2) macro-economic conditions, (3) advancements in technology, such as video on demand and personal video recorders, which may alter TV viewing habits, (4) maintaining favorable channel positioning as digital TV penetration increases and (5) successful management transition.

In 2007, Starz Entertainment's operating cash flow improved primarily due to reductions in programming costs, and to a lesser extent, increases in revenue and cost containment initiatives. Such reductions in programming costs were achieved primarily due to lower theatrical performance of movies exhibited by Starz Entertainment. In 2008, Starz Entertainment's primary goal will be to improve operating cash flow by increasing revenue. Starz Entertainment hopes to increase revenue by

(i) improving brand awareness, (ii) selling suites of services, including high definition, on demand and linear program offerings and (iii) launching original programming on the Starz channel. Another key initiative for Starz Entertainment in 2008 is to negotiate new affiliation agreements with key distributors.

Starz Entertainment faces several key obstacles in its attempt to meet these goals, including: (1) cable operators' promotion of bundled service offerings rather than premium video services; (2) the impact on viewer habits of new technologies such as personal video recorders; (3) continued consolidation in the broadband and satellite distribution industries; and (4) an increasing number of alternative movie and programming sources.

Results of Operations

General. We provide in the tables below information regarding our Consolidated Operating Results and Other Income and Expense, as well as information regarding the contribution to those items of our reportable segments categorized by the tracking stock group to which those segments are attributed. The "corporate and other" category for each tracking stock group consists of those assets within the category which are attributed to such tracking stock group. For a more detailed discussion and analysis of the financial results of the principal reporting segments of each tracking stock group, see "Interactive Group," "Entertainment Group" and "Capital Group" below.

Consolidated Operating Results

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Revenue			
Interactive Group			
QVC	$ 7,397	7,074	6,501
Corporate and other	405	252	—
Entertainment Group			
Starz Entertainment	1,066	1,033	1,004
Corporate and other	70	42	—
Capital Group			
Starz Media	254	86	—
Corporate and other	231	126	141
Consolidated Liberty	$ 9,423	8,613	7,646
Operating Cash Flow (Deficit)			
Interactive Group			
QVC	$ 1,652	1,656	1,422
Corporate and other	32	24	(5)
Entertainment Group			
Starz Entertainment	264	186	171
Corporate and other	(9)	(18)	(7)
Capital Group			
Starz Media	(143)	(24)	—
Corporate and other	(67)	(41)	(40)
Consolidated Liberty	$ 1,729	1,783	1,541

Operating Income (Loss)			
Interactive Group			
QVC	$ 1,114	1,130	921
Corporate and other	(1)	—	(5)
Entertainment Group			
Starz Entertainment	210	163	105
Corporate and other	(79)	(151)	(1)
Capital Group			
Starz Media	(342)	(29)	—
Corporate and other	(164)	(92)	(76)
Consolidated Liberty	$ 738	1,021	944

Revenue. Our consolidated revenue increased 9.4% in 2007 and 12.6% in 2006, as compared to the corresponding prior year. The 2007 increase is due to a $323 million or 4.6% increase for QVC, our acquisition of Starz Media in August 2006 ($168 million increase), our acquisition of ANLBC in May 2007 ($159 million increase) and the combined impact of our 2006 and 2007 acquisitions of e-commerce businesses ($153 million increase). The 2006 increase is due primarily to an 8.8% or $573 million increase at QVC and our 2006 acquisitions of Provide ($220 million), Starz Media ($86 million), FUN ($42 million) and BuySeasons ($32 million). See Management's Discussion and Analysis for the Interactive Group and the Entertainment Group below for a more complete discussion of QVC's and Starz Entertainment's results of operations.

In November 2006, TruePosition signed an amendment to its existing services contract with AT&T Corp. (formerly Cingular Wireless) that requires TruePosition to develop and deliver additional software features. Because TruePosition does not have vendor specific objective evidence related to the value of these additional features, TruePosition is required to defer revenue recognition until all of the features have been delivered. TruePosition currently estimates that these features will be delivered at the end of 2008. Accordingly, absent any further contractual changes, TruePosition will not recognize any significant revenue under this contract until the first quarter of 2009. TruePosition recognized approximately $105 million of revenue under this contract in 2006 prior to signing the amendment. TruePosition's services contract with its other major customer, T-Mobile, Inc., has a similar provision which prevents TruePosition from recognizing revenue. Such contract expires in June 2008, but contains provisions allowing T-Mobile to extend. It should be noted that both AT&T and T-Mobile are paying currently for services they receive and that the aforementioned deferrals have normal gross profit margins included.

Operating Cash Flow. We define Operating Cash Flow as revenue less cost of sales, operating expenses and selling, general and administrative ("SG&A") expenses (excluding stock compensation). Our chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate our businesses and make decisions about allocating resources among our businesses. We believe this is an important indicator of the operational strength and performance of our businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows us to view operating results, perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes such costs as depreciation and amortization, stock compensation, separately disclosed litigation settlements and impairments of long-lived assets that are included in the measurement of operating income pursuant to generally accepted accounting principles ("GAAP"). Accordingly, Operating Cash Flow should be considered in addition to, but not as a

substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. See note 20 to our consolidated financial statements filed as Exhibit 99.3 to this Form 8-K for a reconciliation of Operating Cash Flow to Earnings (Loss) From Continuing Operations Before Income Taxes and Minority Interest.

Consolidated Operating Cash Flow decreased $54 million or 3.0% and increased $242 million or 15.7% in 2007 and 2006, respectively, as compared to the corresponding prior year. In 2007, operating cash flow deficits for Starz Media and TruePosition increased $119 million and $75 million, respectively, compared to 2006. These cash flow decreases were partially offset by increases for Starz Entertainment and ANLBC of $78 million and $38 million, respectively. Starz Media's operating cash flow deficit resulted from (i) the $79 million write-off of capitalized production costs due to the abandonment of certain films and downward adjustments to the revenue projections for certain TV series and other films, (ii) start up costs for Overture Films and the delay of film release dates into 2008 and (iii) lower than expected revenue for Anchor Bay, its DVD distribution division. We currently expect Starz Media to continue incurring operating cash flow deficits and operating losses for the next two to three years. TruePosition's operating cash flow deficit was due in large part to the deferral of revenue under its AT&T and T-Mobile contracts described above. QVC's operating cash flow decreased marginally in 2007. The 2006 increase in our consolidated operating cash flow is due to a $234 million or 16.5% increase at QVC and a $15 million or 8.8% increase at Starz Entertainment. Operating cash flow in 2006 for Provide of $24 million and BuySeasons of $6 million were offset by operating cash flow deficits for Starz Media of $24 million and FUN of $11 million.

Stock-based compensation. Stock-based compensation includes compensation related to (1) options and stock appreciation rights ("SARs") for shares of our common stock that are granted to certain of our officers and employees, (2) phantom stock appreciation rights ("PSARs") granted to officers and employees of certain of our subsidiaries pursuant to private equity plans and (3) amortization of restricted stock grants.

Effective January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123R (revised 2004), *"Share-Based Payment"* ("Statement 123R"). Statement 123R requires that we amortize the grant date fair value of our stock option awards that qualify as equity awards as stock compensation expense over the vesting period of such awards. Statement 123R also requires that we record our liability awards at fair value each reporting period and that the change in fair value be reflected as stock compensation expense in our consolidated statements of operations. Prior to adoption of Statement 123R, the amount of expense associated with stock-based compensation was generally based on the vesting of the related stock options and stock appreciation rights and the market price of the underlying common stock, as well as the vesting of PSARs and the equity value of the related subsidiary. The expense reflected in our consolidated financial statements was based on the market price of the underlying common stock as of the date of the financial statements.

In connection with our adoption of Statement 123R, we recorded an $89 million transition adjustment loss, net of related income taxes of $31 million, which primarily reflects the fair value of the liability portion of QVC's stock option awards at January 1, 2006. The transition adjustment is reflected in the accompanying consolidated statement of operations as the cumulative effect of accounting change. In addition, we recorded $93 million, $67 million and $52 million of stock compensation expense for the years ended December 31, 2007, 2006 and 2005, respectively. The 2006 stock compensation expense is net of a $24 million credit related to the terminations of QVC's stock option plan as described in note 15 to the accompanying consolidated financial statements. As of December 31, 2007, the total unrecognized compensation cost related to unvested Liberty equity awards was approximately $81 million. Such amount will be recognized in our consolidated statements of operations over a weighted average period of approximately 2 years.

Depreciation and amortization. Depreciation and amortization increased in 2007 and 2006 due to our acquisitions and capital expenditures partially offset by a decrease at Starz Entertainment due to certain intangibles becoming fully amortized. As the businesses we acquired in 2007 and 2006 are not capital intensive, we do not expect them to have a significant impact on our depreciation in the future.

Impairment of long-lived assets. In connection with our 2007 annual evaluation of the recoverability of Starz Media's goodwill, we estimated the fair value of Starz Media's reporting units using a combination of discounted cash flows and market comparisons and concluded that the carrying value of certain reporting units exceeded their respective fair values. Accordingly, we recognized a $182 million impairment charge related to goodwill. During the third quarter of 2007, FUN recognized a $41 million impairment loss related to its sports information segment due to new competitors in the marketplace and the resulting loss of revenue and operating income.

We acquired our interest in FUN in March 2006. Subsequent to our acquisition, the market value of FUN's stock declined significantly due to the performance of certain of FUN's subsidiaries and uncertainty surrounding government legislation of Internet gambling which we believe the market perceived as potentially impacting FUN's skill gaming business. In connection with our 2006 annual evaluation of the recoverability of FUN's goodwill, we estimated the fair value of FUN using a combination of discounted cash flows and market comparisons and concluded that the carrying value of FUN's goodwill exceeded its market value. Accordingly, we recognized a $111 million impairment charge related to goodwill and a $2 million impairment charge related to trademarks.

Operating income. We generated consolidated operating income of $738 million, $1,021 million and $944 million in 2007, 2006 and 2005, respectively. The 2007 decrease in operating income is due primarily to increased operating losses of $313 million for Starz Media and $73 million for TruePosition. These losses were partially offset by improved operating results of $83 million for FUN and $47 million for Starz Entertainment. The improvement in FUN's operating loss from $140 million to $57 million was largely due to the $113 million impairment charge recognized in 2006, compared to the $41 million impairment charge in 2007.

The 2006 increase in consolidated operating income is due to increases for QVC ($209 million) and Starz Entertainment ($58 million), partially offset by losses generated by FUN ($140 million, including the above-described impairment charges) and Starz Media ($29 million) as well as an increase in corporate stock compensation expense of $34 million due to the adoption of Statement 123R. Our operating income in 2005 is attributable to QVC ($921 million) and Starz Entertainment ($105 million) partially offset by operating losses of our other consolidated subsidiaries and corporate expenses.

Other Income and Expense

Components of Other Income (Expense) are as follows:

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Interest expense			
Interactive Group	$ (465)	(417)	(374)
Entertainment Group	(25)	(31)	(28)
Capital Group	(151)	(232)	(224)
Consolidated Liberty	$ (641)	(680)	(626)

Dividend and interest income				
Interactive Group	$	44	40	35
Entertainment Group		60	61	60
Capital Group		217	113	48
Consolidated Liberty	$	321	214	143
Share of earnings (losses) of affiliates				
Interactive Group	$	77	47	9
Entertainment Group		13	14	(17)
Capital Group		(68)	30	21
Consolidated Liberty	$	22	91	13
Realized and unrealized gains (losses) on financial instruments, net				
Interactive Group	$	(6)	20	(17)
Entertainment Group		14	(31)	71
Capital Group		1,261	(268)	203
Consolidated Liberty	$	1,269	(279)	257
Gains (losses) on dispositions, net				
Interactive Group	$	12	—	40
Entertainment Group		(1)	—	—
Capital Group		635	607	(401)
Consolidated Liberty	$	646	607	(361)
Other than temporary declines in fair value of investments				
Interactive Group	$	—	—	—
Entertainment Group		—	—	(351)
Capital Group		(33)	(4)	(98)
Consolidated Liberty	$	(33)	(4)	(449)
Other, net				
Interactive Group	$	1	23	(38)
Entertainment Group		—	(5)	1
Capital Group		(2)	—	(2)
Consolidated Liberty	$	(1)	18	(39)

Interest expense. Consolidated interest expense decreased 5.7% and increased 8.6% for the years ended December 31, 2007 and 2006, respectively, as compared to the corresponding prior year. Interest expense for the Interactive Group increased 11.5% in 2007, as compared to 2006, due to increased borrowings which were used to repurchase shares of Liberty Interactive common stock. Interest expense for the Capital Group decreased 34.9% in 2007 primarily due to our adoption of Statement of Financial Accounting Standards No. 155 ("Statement 155") on January 1, 2007. Statement 155 permits fair value remeasurement of hybrid financial instruments that contain an embedded derivative (such as our senior exchangeable debentures) that would otherwise require bifurcation. We previously reported the fair value of the call option feature of our senior exchangeable debentures separate from the long-term debt, and the long-term debt was accreted to its face amount through interest expense. Our 2006 interest expense included $95 million of such accretion. Interest expense attributable to the

Interactive Group increased 11.5% in 2006 due to increased borrowings by QVC, which were used to retire certain of our publicly-traded debt and for repurchases of Liberty Interactive common stock.

Dividend and interest income. Interest income for the Capital Group increased in 2007 and 2006 due to higher invested cash balances. The Capital Group's interest and dividend income for the year ended December 31, 2007 was comprised of interest income earned on invested cash ($164 million), dividends on available-for-sale ("AFS") securities ($17 million) and other ($36 million). Included in the Entertainment Group's 2007 interest and dividend income is $57 million related to dividends on our News Corporation common stock. As a result of the consummation of the News Corporation Exchange, our dividend income from News Corporation will be zero in future years.

Share of earnings of affiliates. Our 2007 share of earnings of affiliates for the Interactive Group is due primarily to Expedia, Inc. ($68 million), and our share of losses of affiliates for the Capital Group is due primarily to WildBlue Corporation ($54 million). Our 2006 share of earnings of affiliates are attributable to Expedia ($50 million) and other investees ($41 million). In February 2008, we completed an exchange transaction with News Corporation pursuant to which we exchanged our approximate 16% ownership interest in News Corporation for a subsidiary of News Corporation, which owns News Corporation's approximate 41% interest in The DIRECTV Group, Inc., three regional sports television networks and approximately $465 million in cash. We will account for our interest in The DIRECTV Group using the equity method of accounting, which could result in a significant increase in our share of earnings of affiliates in future periods. In this regard, The DIRECTV Group reported net income for the year ended December 31, 2007 of $1,451 million.

Realized and unrealized gains (losses) on financial instruments. Realized and unrealized gains (losses) on financial instruments are comprised of changes in the fair value of the following:

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Senior exchangeable debentures	$ 541	—	—
Equity collars	527	(59)	311
Borrowed shares	298	(32)	(205)
Exchangeable debenture call option obligations	—	(353)	172
Other derivatives	(97)	165	(21)
	$ 1,269	(279)	257

Gains (losses) on dispositions. Aggregate gains (losses) from dispositions are comprised of the following.

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Transaction			
Capital Group			
Time Warner Exchange	$ 582	—	—
CBS Exchange	31	—	—
Sale of investment in Court TV	—	303	—
Sale of investment in Freescale	—	256	—
Sale of investment in Telewest Global, Inc.	—	—	(266)
Sale of investment in Cablevisión S.A.	—	—	(188)

Other, net	22	48	53
	635	607	(401)
Entertainment and Interactive Group			
Other, net	11	—	40
	$ 646	607	(361)

In the above transactions, the gains or losses were calculated based upon the difference between the carrying value of the assets relinquished, as determined on an average cost basis, compared to the fair value of the assets received.

Other than temporary declines in fair value of investments. During 2007, 2006 and 2005, we determined that certain of our cost investments experienced other than temporary declines in value. As a result, the cost bases of such investments were adjusted to their respective fair values based primarily on quoted market prices at the date each adjustment was deemed necessary. These adjustments are reflected as other than temporary declines in fair value of investments in our consolidated statements of operations.

Income taxes. Our effective tax rate was 14.0% in 2007, 26.2% in 2006 and 74.6% in 2005. The Time Warner Exchange and the CBS Exchange, which were completed in 2007, qualify as IRC Section 355 transactions, and therefore do not trigger federal or state income tax obligations. In addition, upon consummation of the exchange transactions, deferred tax liabilities previously recorded for the difference between our book and tax bases in our Time Warner and CBS Corporation investments in the amount of $354 million were reversed with an offset to income tax benefit.

Our 2006 rate is less than the U.S. federal income tax rate of 35% due, in part, to a deferred tax benefit we recognized when we decided to effect a restructuring transaction which was effective on April 1, 2006, and which enabled us to include TruePosition in our Federal consolidated tax group on a prospective basis. As a result of this decision and considering our overall tax position, we reversed $89 million of valuation allowance recorded against TruePosition's net deferred tax assets into our statement of operations as a deferred tax benefit in 2006. This valuation allowance did not relate to net operating loss carryforwards or some other future tax deduction of TruePosition, but rather related to temporary differences caused by revenue and cost amounts that were recognized for tax purposes in prior periods, but have been deferred for financial reporting purposes until future periods. In addition, we recorded deferred tax benefits of $105 million for changes in our estimated foreign tax rate based on our projections of our ability to use foreign tax credits in the future and $25 million for changes in our estimated state tax rate used to calculate our deferred tax liabilities. These benefits were partially offset by current tax expense of $43 million on the gain on sale of Court TV for which we had higher book basis than tax basis and $39 million for impairment of goodwill that is not deductible for tax purposes. In addition, we recorded state ($34 million) and foreign ($20 million) tax expense.

Our effective tax rate in 2005 was greater than the U.S. federal income tax rate of 35% primarily due to a tax benefit of $147 million that we recorded as a result of a change in our estimated effective state and foreign tax rates. In the third quarter of 2005, we assessed our weighted average state tax rate in connection with our spin off of Discovery Holding Company. As a result of this assessment, we decreased our state tax rate used in calculating the amount of our deferred tax liabilities and recognized a deferred income tax benefit of $131 million. Also in 2005, we reduced our estimated foreign tax rate related to QVC and recognized a tax benefit of $16 million. These tax benefits were partially offset by our foreign tax expense and an increase in our valuation allowance for deferred tax assets of subsidiaries that we do not consolidate for tax purposes.

Historically, we have not made significant federal income tax payments due to our ability to use prior year net operating ("NOL") and capital losses carryforwards to offset current year taxable income. However, as a result of our February 2008 settlement with the IRS related to interest deductions on our exchangeable debentures, our NOL carryforwards were eliminated and we had taxable income in 2006 and 2007. Consequently, we will make federal tax payments of approximately $152 million for the 2007 tax year during the first quarter of 2008. Based on current projections, we expect to remit federal tax payments for the 2008 tax year and beyond.

Net earnings (loss). Our net earnings (loss) was $2,114 million, $840 million and ($33) million for the years ended December 31, 2007, 2006 and 2005, respectively, and was the result of the above-described fluctuations in our revenue and expenses. In addition, we recognized earnings from discontinued operations of $149 million, $220 million and $10 million for the years ended December 31, 2007, 2006 and 2005, respectively. Included in our 2006 earnings from discontinued operations are tax benefits of $236 million related to our excess outside tax basis in OPTV and AEG over our basis for financial reporting.

Interactive Group

The Interactive Group consists of our subsidiaries QVC, Provide, BuySeasons, Backcountry.com and Bodybuilding.com, our interests in IAC/InterActiveCorp and Expedia and $3,108 million principal amount (as of December 31, 2007) of our publicly-traded debt.

The reclassification implemented on March 3, 2008 did not affect the assets attributed to the Interactive Group.

The following discussion and analysis provides information concerning the results of operations and financial condition of the Interactive Group. Although the restructuring which resulted in the creation of the Interactive Group was not completed until May 9, 2006, the following discussion is presented as though the restructuring had been completed on January 1, 2005. The results of operations of Provide, BuySeasons and Backcountry.com are included in e-commerce businesses since their respective date of acquisition in the tables below. Fluctuations in e-commerce businesses from 2005 to 2006 to 2007 are due primarily to the acquisitions of Provide and BuySeasons in 2006 and Backcountry.com in 2007. Bodybuilding.com was acquired on December 31, 2007, and therefore, did not impact our 2007 results of operations. This discussion should be read in conjunction with (1) our consolidated financial statements and notes thereto filed as Exhibit 99.3 to this Form 8-K and (2) the Unaudited Attributed Financial Information for Tracking Stock Groups filed as Exhibit 99.1 to this Form 8-K.

Results of Operations

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Revenue			
QVC	$ 7,397	7,074	6,501
e-commerce businesses	405	252	—
Corporate and other	—	—	—
	$ 7,802	7,326	6,501
Operating Cash Flow (Deficit)			
QVC	$ 1,652	1,656	1,422
e-commerce businesses	40	30	—
Corporate and other	(8)	(6)	(5)
	$ 1,684	1,680	1,417
Operating Income (Loss)			
QVC	$ 1,114	1,130	921
e-commerce businesses	16	14	—
Corporate and other	(17)	(14)	(5)
	$ 1,113	1,130	916

QVC. QVC is a retailer of a wide range of consumer products, which are marketed and sold primarily by merchandise-focused televised shopping programs and via the Internet. In the United States, QVC's live programming is aired through its nationally televised shopping network 24 hours a day ("QVC-US"). Internationally, QVC's program services are based in the United Kingdom ("QVC-UK"), Germany ("QVC-Germany") and Japan ("QVC-Japan"). QVC-UK broadcasts 24 hours a day with 17 hours of live programming, and QVC-Germany and QVC-Japan each broadcast live 24 hours a day.

QVC's operating results are as follows:

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Net revenue	$ 7,397	7,074	6,501
Cost of sales	(4,682)	(4,426)	(4,112)
Gross profit	2,715	2,648	2,389
Operating expenses	(616)	(579)	(570)
SG&A expenses (excluding stock-based compensation)	(447)	(413)	(397)
Operating cash flow	1,652	1,656	1,422
Stock-based compensation	(22)	(50)	(52)
Depreciation and amortization	(516)	(476)	(449)
Operating income	$ 1,114	1,130	921

Net revenue is generated in the following geographical areas:

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
QVC-US	$ 5,208	4,983	4,640
QVC-UK	707	612	554
QVC-Germany	870	848	781
QVC-Japan	612	631	526
	$ 7,397	7,074	6,501

QVC's net revenue increased 4.6% and 8.8% for the years ended December 31, 2007 and 2006, respectively, as compared to the corresponding prior year. The 2007 increase in revenue is comprised of $101 million related to a 1.3% increase in the number of units shipped from 165.7 million to 167.8 million, $125 million due to a 1.6% increase in the average sales price per unit ("ASP") and a $122 million increase due to favorable foreign currency rates. These increases were partially offset by a net decrease of $25 million primarily due to an increase in estimated product returns. Returns as a percent of gross product revenue increased from 18.5% in 2006 to 18.7% in 2007.

The 2006 increase in revenue is comprised of $582 million due to a 7.3% increase in the number of units shipped from 154.4 million to 165.7 million and $88 million related to a 2.0% increase in the ASP. The revenue increases were partially offset by an $11 million decrease due to unfavorable foreign currency rates and an $86 million decrease due primarily to an increase in estimated product returns. Returns as a percent of gross product revenue increased from 18.0% in 2005 to 18.5% in 2006 due to a continued shift in the mix from home products to apparel and accessories products, which typically have higher return rates.

As noted above, during the years ended December 31, 2007 and 2006, the changes in revenue and expenses were also impacted by changes in the exchange rates for the UK pound sterling, the euro and the Japanese yen. In the event the U.S. dollar strengthens against these foreign currencies in the future, QVC's revenue and operating cash flow will be negatively impacted. The percentage increase in revenue for each of QVC's geographic areas in dollars and in local currency is as follows:

	Percentage increase (decrease) in net revenue			
	Year ended December 31, 2007		Year ended December 31, 2006	
	U.S. dollars	Local currency	U.S. dollars	Local currency
QVC-US	4.5%	4.5%	7.4%	7.4%
QVC-UK	15.5%	6.5%	10.5%	8.4%
QVC-Germany	2.6%	(5.9)%	8.6%	7.1%
QVC-Japan	(3.0)%	(2.0)%	20.0%	26.1%

Revenue for QVC-US was negatively impacted in 2007 by a slow retail environment and weakness in the gold jewelry category due to higher gold prices. QVC-Germany net revenue in local currency declined during the year ended December 31, 2007 relative to the prior year due to increased competition, a soft retail market, a 300 basis point increase in the German value added tax (VAT) rate and higher usage of markdowns in the fashion category. QVC-Japan net revenue declined in local currency during the year ended December 31, 2007, as compared to the prior year, due to the heightened regulatory focus on health and beauty product presentations beginning in March 2007, which caused QVC-Japan to remove a number of products from its programming.

The number of homes receiving QVC's services are as follows:

	Homes (in millions)		
	December 31,		
	2007	2006	2005
QVC-US	93.4	90.7	90.0
QVC-UK	21.8	19.4	17.8
QVC-Germany	37.6	37.5	37.4
QVC-Japan	21.1	18.7	16.7

The QVC service is already received by substantially all of the cable television and direct broadcast satellite homes in the U.S. and Germany. In addition, the rate of growth in households is expected to diminish in the UK and Japan. Therefore, future sales growth will primarily depend on continued additions of new customers from homes already receiving the QVC service and continued growth in sales to existing customers. QVC's future sales may also be affected by (i) the willingness of cable and satellite distributors to continue carrying QVC's programming service, (ii) QVC's ability to maintain favorable channel positioning, which may become more difficult as distributors convert analog customers to digital, (iii) changes in television viewing habits because of personal video recorders, video-on-demand and IP television and (iv) general economic conditions.

QVC's gross profit percentage was 36.7%, 37.4% and 36.7% for the years ended December 31, 2007, 2006 and 2005, respectively. The decrease in gross profit percentage in 2007 is due primarily to higher distribution costs and to a lesser extent, a higher obsolescence provision. The higher distribution costs resulted from increases in shipping rates and costs associated with new distribution centers in the U.S. and Japan for which economies of scale have not yet been achieved. The increase in the gross profit percentage in 2006 was due to higher initial margins due to a shift in the sales mix from home products to higher margin apparel and accessories products and to a lower inventory obsolescence provision.

QVC's operating expenses are comprised of commissions and license fees, order processing and customer service expense, credit card processing fees, telecommunications expense and bad debt expense. Operating expenses increased 6.4% and 1.6% for the years ended December 31, 2007 and 2006, respectively, as compared to the corresponding prior year period. These increases are primarily due to increases in sales volume. As a percentage of net revenue, operating expenses were 8.3%, 8.2% and 8.8% for 2007, 2006 and 2005, respectively. The 2007 increase in operating expenses as a percent of revenue is due primarily to an increase in bad debt expense due to higher write-offs related to QVC's installment receivables and private label credit card. Operating expenses increased at a lower rate than sales in 2006 due primarily to commissions and bad debt expense. Commissions, as a percent of net revenue decreased in 2006, as compared to 2005. The decrease in 2006 is due to a greater percentage of Internet sales for which lower commissions are required to be paid. In addition, commissions decreased as a percentage of revenue in QVC-Japan where certain distributors are paid the greater of (i) a fixed fee per subscriber and (ii) a specified percentage of sales. In 2006, more distributors started to receive payments based on sales volume rather than a fixed fee per subscriber. QVC's bad debt provision decreased as a percent of net revenue in 2006 due to lower write-offs on QVC's private label credit card. As a percent of net revenue, order processing and customer service expenses remained constant in 2006. QVC's telecommunications expenses as a percent of revenue remained consistent in 2006. Credit card processing fees remained consistent as a percent of net revenue for each of the years ended December 31, 2007, 2006 and 2005.

QVC's SG&A expenses include personnel, information technology, marketing and advertising expenses. Such expenses increased 8.2% and 4.0% during the years ended December 31, 2007 and 2006, respectively, as compared to the corresponding prior year. The 2007 increase is due primarily to (i) an $11 million increase in marketing and advertising expense related to QVC's new branding

campaign and other marketing initiatives, (ii) an $8 million increase in franchise taxes driven by the Company's settlement of certain franchise tax audit issues in 2006 which caused a $15 million reversal of franchise tax reserves in the prior year, (iii) a $5 million accrual for a legal settlement and (iv) a $5 million net increase in personnel expenses due to merit and headcount increases offset by decreased management bonus compensation. Due to the fixed cost and discretionary nature of many of these expenses, SG&A expenses increased at a lower rate than revenue in 2006. In addition, QVC settled certain franchise tax audit issues and reversed $15 million of reserves recorded in prior years.

QVC's depreciation and amortization expense increased for the years ended December 31, 2007 and 2006. Such increases are due to fixed asset and software additions.

Entertainment Group

The Entertainment Group is comprised of our subsidiaries Starz Entertainment and FUN, as well as minority equity interests in GSN and WildBlue Communications, approximately $500 million in cash and $551 million principal amount (as of December 31, 2007) of our existing publicly-traded debt. In addition, we will attribute to the Entertainment Group the approximate 41% interest in The DIRECTV Group, three RSNs and approximately $465 million in cash that we received in the News Corporation Exchange.

The following discussion and analysis provides information concerning the attributed results of operations and financial condition of the Entertainment Group and is presented as though the reclassification had been completed on January 1, 2005. This discussion should be read in conjunction with (1) our consolidated financial statements and notes thereto filed as Exhibit 99.3 to this 8-K and (2) the Unaudited Attributed Financial Information for Tracking Stock Groups filed as Exhibit 99.1 to this Form 8-K.

Results of Operations

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Revenue			
Starz Entertainment	$ 1,066	1,033	1,004
Corporate and other	70	42	—
	$ 1,136	1,075	1,004
Operating Cash Flow (Deficit)			
Starz Entertainment	$ 264	186	171
Corporate and other	(9)	(18)	(7)
	$ 255	168	164
Operating Income (Loss)			
Starz Entertainment	$ 210	163	105
Corporate and other	(79)	(151)	(1)
	$ 131	12	104

Revenue. The Entertainment Group's revenue increased $61 million or 5.7% and $71 million or 7.1% for the years ended December 31, 2007 and 2006, respectively, as compared to the corresponding prior year. The 2007 increase in corporate and other is due to a full year of operations for FUN, as well as small acquisitions made by FUN. The 2006 increase is due to Starz Entertainment, as well as our acquisition of FUN, which contributed $42 million of revenue in 2006.

Operating cash flow. The Entertainment Group's Operating Cash Flow increased $87 million or 51.8% and $4 million or 2.4% in 2007 and 2006, respectively, as compared to the corresponding prior year. FUN's operating cash flow improved $13 million in 2007. The increase for Starz Entertainment in 2006 was partially offset by an $11 million operating cash flow deficit generated by FUN.

Impairment of long-lived assets. During the third quarter of 2007, FUN recognized a $41 million impairment loss related to its sports information segment due to new competitors in the marketplace and the resulting loss of revenue and operating income. We acquired our interest in FUN in March 2006. Subsequent to our acquisition, the market value of FUN's stock declined significantly due to the performance of certain of FUN's subsidiaries and uncertainty surrounding government legislation of Internet gambling which we believe the market perceived as potentially impacting FUN's skill gaming business. In connection with our 2006 annual evaluation of the recoverability of FUN's goodwill, we received a third-party valuation, which indicated that the carrying value of FUN's goodwill exceeded its market value. Accordingly, we recognized a $111 million impairment charge related to goodwill and a $2 million impairment charge related to trademarks in the fourth quarter of 2006.

Operating income (loss). The improvement in operating income in 2007 is due to Starz Entertainment as well as the lower impairment charge recognized by FUN. The improvement in operating income for Starz Entertainment in 2006 was more than offset an by operating loss for FUN (including the aforementioned impairment losses).

Starz Entertainment. Starz Entertainment primarily provides premium programming distributed by cable operators, direct-to-home satellite providers and other distributors throughout the United States. Substantially all of Starz Entertainment's revenue is derived from the delivery of movies to subscribers under affiliation agreements with television video programming distributors. Some of Starz Entertainment's affiliation agreements provide for payments to Starz Entertainment based on the number of subscribers that receive Starz Entertainment's services. Starz Entertainment also has fixed-rate affiliation agreements with certain of its customers. Pursuant to these agreements, the customers pay an agreed-upon rate regardless of the number of subscribers. The agreed-upon rate is contractually increased annually or semi-annually as the case may be, and these agreements, expire in 2008 through 2012. During the year ended December 31, 2007, 71% of Starz Entertainment's revenue was generated by its four largest customers, Comcast, Echostar Communications, DIRECTV and Time Warner, each of which individually generated more than 10% of Starz Entertainment's revenue for such period. Starz Entertainment's affiliation agreement with DIRECTV expires in December 2008. In addition, the affiliation agreement with Time Warner has expired. Starz Entertainment is currently in negotiations with Time Warner regarding a new agreement. There can be no assurance that any new agreement with Time Warner will have economic terms comparable to the old agreement.

Starz Entertainment's operating results are as follows:

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Revenue	$ 1,066	1,033	1,004
Operating expenses	(689)	(741)	(706)
SG&A expenses	(113)	(106)	(127)
Operating cash flow	264	186	171
Stock-based compensation	(33)	3	(17)
Depreciation and amortization	(21)	(26)	(49)
Operating income	$ 210	163	105

Starz Entertainment's revenue increased 3.2% and 2.9% for the years ended December 31, 2007 and 2006, respectively, as compared to the corresponding prior year. During the third quarter of 2007, Starz Entertainment entered into a new affiliation agreement with DIRECTV which is retroactive to January 1, 2007 and extends through the end of 2008. The previous affiliation agreement with DIRECTV expired June 30, 2006. Since June 30, 2006, Starz Entertainment had recognized revenue from DIRECTV based on cash payments from DIRECTV which were at lower rates than required by the old affiliation agreement. The new affiliation agreement provides for rates that are higher than those paid by DIRECTV since June 30, 2006, but lower than the rates in the old affiliation agreement. Accordingly, in the third quarter of 2007, Starz Entertainment recognized $7 million of revenue related to 2006 based on the difference between the rates provided in the new affiliation agreement and the rates previously paid by DIRECTV.

In addition to the retroactive impact of the new DirecTV affiliation agreement noted above, the 2007 increase in revenue is due to a $26 million increase resulting from growth in the average number of subscription units for Starz Entertainment's services.

The 2006 increase in revenue is due to a $56 million increase resulting from an increase in the average number of subscription units for Starz Entertainment's services partially offset by a $27 million decrease due to a decrease in the effective rate for Starz Entertainment services.

The Starz movie service and the Encore and Thematic Multiplex channels ("EMP") movie service are the primary drivers of Starz Entertainment's revenue. Starz average subscriptions increased 7.5% and 5.7% in 2007 and 2006, respectively; and EMP average subscriptions increased 8.8% and 6.6% in 2007 and 2006, respectively. The effects on revenue of these increases in subscriptions units are somewhat mitigated by the fixed-rate affiliation agreements that Starz Entertainment has entered into in recent years. In this regard, approximately 36% of Starz Entertainment's revenue was earned under its fixed-rate affiliation agreements during the year ended December 31, 2007.

At December 31, 2007, cable, direct broadcast satellite, and other distribution represented 68.3%, 28.7% and 3.0%, respectively, of Starz Entertainment's total subscription units.

Starz Entertainment's operating expenses decreased 7.0% and increased 5.0% for the years ended December 31, 2007 and 2006, respectively, as compared to the corresponding prior year. The 2007 decrease is due primarily to a reduction in programming costs, which decreased from $703 million for the year ended December 31, 2006 to $656 million in 2007. The decrease in programming costs is due primarily to a lower effective rate for the movie titles exhibited in 2007. Such decrease was partially offset by an increase in the percentage of first-run movie exhibitions (which have a relatively higher cost per title) as compared to the number of library product exhibitions. In addition to the foregoing programming cost reductions, Starz Entertainment reversed an accrual in the amount of $7 million for music copyright fees in the third quarter of 2007 as a result of a settlement with a music copyright authority. Starz Entertainment expects it 2008 programming expenses to be comparable to the 2007 amount as lower license fees for movies are expected to be offset by costs for original programming.

The 2006 increase in operating expenses is due primarily to an increase in programming costs from $668 million in 2005 to $703 million in 2006. The 2006 programming increase is due primarily to $63 million of additional amortization of deposits previously made under certain of its output arrangements. Such amortization was partially offset by a lower cost per title for movies under certain license agreements and a decrease in programming costs due to a lower percentage of first-run movie exhibitions (which have a relatively higher cost per title) as compared to the number of library product exhibitions.

Starz Entertainment's SG&A expenses increased 6.6% and decreased 16.5% during 2007 and 2006, respectively, as compared to the corresponding prior year. The 2007 increase is due primarily to increases in personnel costs and marketing expenses. The 2006 decrease is due primarily to lower sales

and marketing expenses of $18 million due to the elimination of certain marketing support commitments under the Comcast affiliation agreement and less marketing with other affiliates, partially offset by marketing expenses related to the commercial launch of Starz Entertainment's Internet product.

Starz Entertainment has outstanding phantom stock appreciation rights held by its former chief executive officer. Starz Entertainment also has a long-term incentive plan for certain members of its current management team. Compensation relating to the phantom stock appreciation rights and the long-term incentive plan has been recorded based upon the estimated fair value of Starz Entertainment. The amount of expense associated with the phantom stock appreciation rights and the long-term incentive plan is generally based on the change in the fair value of Starz Entertainment.

Capital Group

The Capital Group is comprised of our subsidiaries and assets not attributed to the Interactive Group or the Entertainment Group, including controlling interests in Starz Media, ANLBC, TruePosition, Leisure Arts and WFRV TV Station, as well as minority investments in Time Warner Inc., Sprint Nextel Corporation and other public and private companies. In addition, we have attributed $3,930 million principal amount (as of December 31, 2007) of our senior exchangeable debentures and $750 million of our bank debt to the Capital Group.

The following discussion and analysis provides information concerning the attributed results of operations and financial condition of the Capital Group. The following discussion is presented as though the restructuring and the reclassification had been completed on January 1, 2005. This discussion should be read in conjunction with (1) our consolidated financial statements and notes thereto filed as Exhibit 99.3 to this Form 8-K and (2) the Unaudited Attributed Financial Information for Tracking Stock Groups filed as Exhibit 99.1 to this Form 8-K.

Results of Operations

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Revenue			
Starz Media	$ 254	86	—
Corporate and other	231	126	141
	$ 485	212	141
Operating Cash Flow Deficit			
Starz Media	$ (143)	(24)	—
Corporate and other	(67)	(41)	(40)
	$ (210)	(65)	(40)
Operating Loss			
Starz Media	$ (342)	(29)	—
Corporate and other	(164)	(92)	(76)
	$ (506)	(121)	(76)

Revenue. The Capital Group's combined revenue increased over 100% and 50.4% for the years ended December 31, 2007 and 2006, respectively, as compared to the corresponding prior year. The 2007 increase in corporate and other revenue is due primarily to a full year of revenue for Starz Media, which increased $168 million, and our acquisition of ANLBC, which generated $159 million of revenue.

These increases were partially offset by an $88 million decrease for TruePosition as further described below. The 2006 increase in combined revenue is due to Starz Media.

In November 2006, TruePosition signed an amendment to its existing services contract with AT&T Corp. (formerly Cingular Wireless) that requires TruePosition to develop and deliver additional software features. Because TruePosition does not have vendor specific objective evidence related to the value of these additional features, TruePosition is required to defer revenue recognition until all of the features have been delivered. TruePosition currently estimates that these features will be delivered at the end of 2008. Accordingly, absent any further contractual changes, TruePosition will not recognize any significant revenue under this contract until the first quarter of 2009. TruePosition recognized approximately $105 million of revenue under this contract in 2006 prior to signing the amendment. TruePosition's services contract with its other major customer, T-Mobile, Inc., has a similar provision which prevents TruePosition from recognizing revenue. Such contract expires in June 2008, but contains provisions allowing T-Mobile to extend. It should be noted that both AT&T and T-Mobile are paying currently for services they receive and that the aforementioned deferrals have normal gross profit margins included.

Operating cash flow. The Capital Group's Operating Cash Flow decreased $145 million and $25 million in 2007 and 2006, respectively, as compared to the corresponding prior year. In 2007, operating cash flow deficits for Starz Media and TruePosition increased $119 million and $75 million, respectively, as compared to 2006. These operating cash flow decreases were partially offset by an increase for ANLBC of $38 million. We acquired ANLBC in May 2007, and therefore, did not own it during the first quarter of the year when ANLBC operates at a loss as no revenue is earned during this period. ANLBC's full year 2007 operating cash flow was approximately $23 million. Starz Media's operating cash flow deficit resulted from (i) the $79 million write-off of capitalized production costs due to the abandonment of certain films and downward adjustments to the revenue projections for certain TV series and other films, (ii) start up costs for Overture Films and the delay of film release dates into 2008 and (iii) lower than expected revenue for Anchor Bay, its DVD distribution division. We currently expect Starz Media to continue incurring operating cash flow deficits and operating losses for the next two to three years. TruePosition's operating cash flow deficit was due in large part to the deferral of revenue under its AT&T and T-Mobile contracts described above. The 2006 decrease in combined operating cash flow is due primarily to an operating cash flow deficit generated by Starz Media, as advertising costs for the animated film *Everyone's Hero* exceeded the revenue it earned.

Impairment of long-lived assets. In connection with our 2007 annual evaluation of the recoverability of Starz Media's goodwill, we estimated the fair value of Starz Media's reporting units using a combination of discounted cash flows and market comparisons and concluded that the carrying value of certain reporting units exceeded their respective fair values. Accordingly, we recognized a $182 million impairment charge related to goodwill.

Operating loss. The Capital Group's operating losses increased in 2007 and 2006. The 2007 increase is due primarily to increased operating losses of $313 million for Starz Media and $73 million for TruePosition. The 2006 increase in operating loss was due to our acquisition of Starz Media, as well as an increase in corporate stock compensation expense.

Liquidity and Capital Resources

While the Interactive Group, the Entertainment Group and the Capital Group are not separate legal entities and the assets and liabilities attributed to each group remain assets and liabilities of our consolidated company, we manage the liquidity and financial resources of each group separately. Keeping in mind that assets of one group may be used to satisfy liabilities of the other group, the following discussion assumes, consistent with management expectations, that future liquidity needs of each group will be funded by the financial resources attributed to each respective group.

The following are potential sources of liquidity for each group to the extent the identified asset or transaction has been attributed to such group: available cash balances, cash generated by the operating activities of our subsidiaries (to the extent such cash exceeds the working capital needs of the subsidiaries and is not otherwise restricted), proceeds from asset sales, monetization of our public investment portfolio (including derivatives), debt and equity issuances, and dividend and interest receipts.

Interactive Group. During the year ended December 31, 2007, the Interactive Group's primary uses of cash were the repurchase of outstanding Liberty Interactive common stock ($1,224 million), funding the acquisitions of Backcountry ($120 million) and Bodybuilding ($116 million), capital expenditures ($289 million), tax payments to the Capital Group ($321 million) and debt repayments ($332 million). Since the issuance of our tracking stocks, our board of directors has authorized a share repurchase program pursuant to which we can repurchase up to $3 billion of outstanding shares of Liberty Interactive common stock in the open market or in privately negotiated transactions, from time to time, subject to market conditions. During the year ended December 31, 2007, we repurchased 36.9 million shares of Liberty Interactive Series A common stock in the open market for aggregate cash consideration of $740 million. In addition, in June 2007, we completed a tender offer pursuant to which we accepted for purchase 19.42 million shares of Series A Liberty Interactive common stock at a price of $24.95 per share, or aggregate cash consideration of $484 million. Cumulatively, we have repurchased an aggregate of $2,178 million of Liberty Interactive common stock pursuant to our stock repurchase program. We may alter or terminate the stock repurchase program at any time.

The Interactive Group's uses of cash in 2007 were primarily funded with cash from operations and borrowings under QVC's credit facilities. As of December 31, 2007, the Interactive Group had a cash balance of $557 million.

The projected uses of Interactive Group cash for 2008 include approximately $465 million for interest payments on QVC debt and parent debt attributed to the Interactive Group, $340 million for the purchase of additional shares of IAC, which we completed in January 2008, $210 million for capital expenditures, additional tax payments to the Capital Group and additional repurchases of Liberty Interactive common stock. In addition, we may make additional investments in existing or new businesses and attribute such investments to the Interactive Group. However, we do not have any commitments to make new investments at this time.

As of December 31, 2007, the aggregate commitments under the QVC credit agreements were $5.25 billion, and outstanding borrowings aggregated $4.023 billion, which borrowings were increased to fund the purchase of additional shares of IAC noted above. QVC's ability to borrow the unused capacity is dependent on its continuing compliance with the covenants contained in the agreements at the time of, and after giving effect to, a requested borrowing.

Entertainment Group. The Entertainment Group's primary uses of cash during the year ended December 31, 2007 were repayment of a portion of Starz Entertainment's intercompany debt to the Capital Group and the buyout of the minority holders in FUN. The Entertainment Group's primary use of cash for the year ended December 31, 2006 was the acquisition of FUN ($200 million). These investing and financing activities were funded with cash from operations and cash transfers from the Capital Group.

The Entertainment Group's future sources of liquidity are expected to be cash transferred from the Capital Group upon completion of the reclassification, cash on hand, cash provided by the operating activities of the subsidiaries attributed to the Entertainment Group and the cash received in the New Corporation Exchange.

We may make additional investments in existing or new businesses and attribute such investments to the Entertainment Group. However, we do not have any commitments to make new investments at this time.

Capital Group. During the year ended December 31, 2007, the Capital Group's primary uses of cash were the repurchase of Series A Liberty Capital common stock as described below ($1,305 million) and debt repayments ($163 million).

In connection with the issuance of our tracking stocks, our board of directors authorized a share repurchase program pursuant to which we could repurchase up to $1 billion of outstanding shares of Liberty Capital common stock in the open market or in privately negotiated transactions, from time to time, subject to market conditions. That amount was increased to approximately $1.3 billion in connection with a tender offer for Liberty Capital stock described below. In May 2007, our board of directors authorized the repurchase of an additional $1 billion of Liberty Capital common stock. We may alter or terminate the program at any time.

In order to implement our share repurchase program for Liberty Capital common stock, we completed a tender offer on April 5, 2007, pursuant to which we accepted for purchase 11.54 million shares of Series A Liberty Capital common stock at a price of $113.00 per share or aggregate cash consideration of $1,305 million (including transaction costs). We funded the cash consideration with available cash on hand.

The Capital Group's sources of liquidity for the year ended December 31, 2007 include cash from the Time Warner Exchange ($984 million) and the CBS Exchange ($170 million), cash proceeds from the sale of AEG ($332 million) and OPTV ($112 million), tax payments from the Interactive Group ($321 million) and intercompany debt payments from Starz Entertainment and available cash on hand.

In addition, in April 2007, we borrowed $750 million of bank financing with an interest rate of LIBOR plus an applicable margin. Such funds are not available for general corporate purposes. We intend to invest such proceeds in a portfolio of selected debt and mezzanine-level instruments of companies in the telecommunications, media and technology sectors that we believe have favorable risk/return profiles. Although no assurance can be given, we expect to make such investments over the next 18-24 months. See note 8 to the accompanying consolidated financial statements for a discussion of the Investment Fund to which this bank facility relates.

The projected uses of Capital Group cash for 2008 include $500 million to be transferred to the Entertainment Group upon completion of the reclassification, approximately $180 million by Starz Media for the acquisition and production of films and television productions, approximately $134 million for interest payments on debt attributed to the Capital Group and $152 million for federal tax payments for our 2007 tax year. We may also make additional investments in existing or new businesses and attribute such investments to the Capital Group. However, we do not have any commitments to make new investments at this time. In addition, we expect to generate taxable income in 2008 and beyond and that we will make related federal tax payments.

In addition to the foregoing expected uses of cash, the holders of our 0.75% Senior Exchangeable Debentures due 2023, which have an aggregate principal amount of approximately $1.75 billion, have the right to put such debentures to us at 100% of par during the period from February 25, 2008 to March 24, 2008 for payment on March 31, 2008. We notified our bondholders that we would pay cash for any debentures that are validly tendered pursuant to the put right. Holders of approximately $486 million principal amount of debentures surrendered them for repurchase. We funded the cash purchase price with committed funds obtained from financing involving certain of our equity derivatives, as further described below.

We expect that the Capital Group's investing and financing activities will be funded with a combination of cash on hand, cash provided by operating activities, tax payments from the Interactive

Group, proceeds from collar expirations and dispositions of non-strategic assets. At December 31, 2007, the Capital Group's sources of liquidity include $2,578 million in cash and cash equivalents and $4,979 million of non-strategic AFS securities including related derivatives. To the extent the Capital Group recognizes any taxable gains from the sale of assets or the expiration of derivative instruments, we may incur current tax expense and be required to make tax payments, thereby reducing any cash proceeds attributable to the Capital Group.

Our derivatives ("AFS Derivatives") related to certain of our AFS investments provide the Capital Group with an additional source of liquidity. Based on the put price and assuming we deliver owned or borrowed shares to settle each of the AFS Derivatives as they mature and excluding any provision for income taxes, the Capital Group would have attributed to it cash proceeds of approximately $21 million in 2008, $1,223 million in 2009, $1,674 million in 2010 and $446 million in 2011 upon settlement of its AFS Derivatives.

Prior to the maturity of our equity derivatives, the terms of certain of the equity derivatives allow borrowings against the future put option proceeds at LIBOR or LIBOR plus an applicable spread, as the case may be. As of December 31, 2007, such borrowing capacity aggregated approximately $3,364 million. Such borrowings would reduce the cash proceeds upon settlement noted in the preceding paragraph. Upon completion of the News Corporation Exchange in February 2008, such borrowing capacity was reduced by $916 million.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Entertainment Group

The following contingencies and obligations have been attributed to the Entertainment Group:

Starz Entertainment has entered into agreements with a number of motion picture producers which obligate Starz Entertainment to pay fees ("Programming Fees") for the rights to exhibit certain films that are released by these producers. The unpaid balance under agreements for film rights related to films that were available for exhibition by Starz Entertainment at December 31, 2007 is reflected as a liability in the accompanying consolidated balance sheet. The balance due as of December 31, 2007 is payable as follows: $99 million in 2008; $13 million in 2009; and $6 million thereafter.

Starz Entertainment has also contracted to pay Programming Fees for the rights to exhibit films that have been released theatrically, but are not available for exhibition by Starz Entertainment until some future date. These amounts have not been accrued at December 31, 2007. Starz Entertainment's estimate of amounts payable under these agreements is as follows: $482 million in 2008; $158 million in 2009; $102 million in 2010; $101 million in 2011; $94 million in 2012 and $178 million thereafter.

In addition, Starz Entertainment is obligated to pay Programming Fees for all qualifying films that are released theatrically in the United States by studios owned by The Walt Disney Company through 2012 and all qualifying films that are released theatrically in the United States by studios owned by Sony Pictures Entertainment ("Sony") through 2013. Films are generally available to Starz Entertainment for exhibition 10 - 12 months after their theatrical release. The Programming Fees to be paid by Starz Entertainment are based on the quantity and domestic theatrical exhibition receipts of qualifying films. As these films have not yet been released in theatres, Starz Entertainment is unable to estimate the amounts to be paid under these output agreements. However, such amounts are expected to be significant.

In connection with an option exercised by Sony to extend the Sony contract through 2013, Starz Entertainment has agreed to pay Sony a total of $190 million in four annual installments of $47.5 million beginning in 2011. Starz Entertainment's payments to Sony will be amortized ratably over the three-year period beginning in 2012.

Liberty guarantees Starz Entertainment's film licensing obligations under certain of its studio output agreements. At December 31, 2007, Liberty's guarantees for studio output obligations for films released by such date aggregated $793 million. While the guarantee amount for films not yet released is not determinable, such amount is expected to be significant. As noted above, Starz Entertainment has recognized the liability for a portion of its obligations under the output agreements. As this represents a commitment of Starz Entertainment, a consolidated subsidiary of ours, we have not recorded a separate liability for our guarantees of these obligations.

Capital Group

The following contingencies and obligations have been attributed to the Capital Group:

The Atlanta Braves and certain of their players and coaches have entered into long-term employment contracts whereby such individuals' compensation is guaranteed. Amounts due under guaranteed contracts as of December 31, 2007 aggregated $125 million, which is payable as follows: $63 million in 2008, $31 million in 2009 and $31 million thereafter. In addition to the foregoing amounts, certain players and coaches may earn incentive compensation under the terms of their employment contracts.

Entertainment Group, Capital Group and Interactive Group

In connection with agreements for the sale of certain assets, we typically retain liabilities that relate to events occurring prior to the sale, such as tax, environmental, litigation and employment matters. We generally indemnify the purchaser in the event that a third party asserts a claim against the purchaser that relates to a liability retained by us. These types of indemnification guarantees typically extend for a number of years. We are unable to estimate the maximum potential liability for these types of indemnification guarantees as the sale agreements typically do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, we have not made any significant indemnification payments under such agreements and no amount has been accrued in the accompanying consolidated financial statements with respect to these indemnification guarantees.

We have contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Although it is reasonably possible we may incur losses upon conclusion of such matters, an estimate of any loss or range of loss cannot be made. In the opinion of management, it is expected that amounts, if any, which may be required to satisfy such contingencies will not be material in relation to the accompanying consolidated financial statements.

Information concerning the amount and timing of required payments, both accrued and off-balance sheet, under our contractual obligations at December 31, 2007 is summarized below:

	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
	amounts in millions				
Attributed Entertainment Group contractual obligations					
Long-term debt(1)	$ 605	3	7	8	587
Interest payments(2)	444	21	42	42	339
Operating lease obligations	15	3	4	2	6
Programming Fees(3)	1,233	581	279	195	178
Total Entertainment Group	2,297	608	332	247	1,110
Attributed Capital Group contractual obligations					
Long-term debt(1)	4,724	36	8	768	3,912
Interest payments(2)	2,033	134	254	216	1,429
Long-term financial instruments	1,280	1,183	33	64	—
Operating lease obligations	76	11	21	16	28
Purchase orders and other obligations	224	224	—	—	—
Total Capital Group	8,337	1,588	316	1,064	5,369
Attributed Interactive Group contractual obligations					
Long-term debt(1)	7,192	13	928	4,034	2,217
Interest payments(2)	3,682	465	830	388	1,999
Long-term financial instruments	79	—	—	79	—
Operating lease obligations	79	23	36	16	4
Purchase orders and other obligations	1,072	1,072	—	—	—
Total Interactive Group	12,104	1,573	1,794	4,517	4,220
Consolidated contractual obligations					
Long-term debt(1)	12,521	52	943	4,810	6,716
Interest payments(2)	6,159	620	1,126	646	3,767
Long-term financial instruments	1,359	1,183	33	143	—
Operating lease obligations	170	37	61	34	38
Programming Fees(3)	1,233	581	279	195	178
Purchase orders and other obligations	1,296	1,296	—	—	—
Total consolidated	$ 22,738	3,769	2,442	5,828	10,699

(1) Includes all debt instruments, including the call option feature related to our exchangeable debentures. Amounts are stated at the face amount at maturity and may differ from the amounts stated in our consolidated balance sheet to the extent debt instruments (i) were issued at a discount or premium or (ii) have elements which are reported at fair value in our consolidated balance sheet. Also includes capital lease obligations. Amounts do not assume additional borrowings or refinancings of existing debt.

(2) Amounts (i) are based on our outstanding debt at December 31, 2007, (ii) assume the interest rates on our floating rate debt remain constant at the December 31, 2007 rates and (iii) assume that our existing debt is repaid at maturity.

(3) Does not include Programming Fees for films not yet released theatrically, as such amounts cannot be estimated.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157,*"Fair Value Measurements"* ("Statement 157"), which defines fair value, establishes a framework for measuring fair value under GAAP and expands disclosures about fair value measurements. Statement 157 applies to other accounting pronouncements that require or permit fair value measurements. The new guidance is effective for financial statements issued for fiscal years beginning after November 15, 2007, and for interim periods within those fiscal years. We do not expect that our adoption of Statement 157 will have a significant impact on the reported amounts of our assets and liabilities that we report at fair value in our consolidated balance sheet.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115"* ("Statement 159"). Statement 159 permits entities to choose to measure many financial instruments, such as available-for-sale securities, and certain other items at fair value and to recognize the changes in fair value of such instruments in the entity's statement of operations. Currently under Statement of Financial Accounting Standards No. 115, entities are required to recognize changes in fair value of available-for-sale securities in the balance sheet in accumulated other comprehensive earnings. Statement 159 is effective as of the beginning of an entity's fiscal year that begins after November 15, 2007. Effective January 1, 2008, we plan to apply the provisions of Statement 159 to certain of our available-for-sale securities which we consider non-strategic. As a result, changes in the fair value of the subject securities will be reported in unrealized gains/losses in our consolidated statement of operations, rather than as a component of accumulated other comprehensive earnings in our consolidated balance sheet. The fair value of such securities was $4,839 million at December 31, 2007, and the amount of unrealized gains included in other comprehensive earnings that will be included in our cumulative effect of accounting change and reclassified to retained earnings upon adoption of Statement 159 is $1,039 million.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007),*"Business Combinations"* ("Statement 141R"). Statement 141R replaces Statement of Financial Accounting Standards No. 141, *"Business Combinations"* ("Statement 141"), although it retains the fundamental requirement in Statement 141 that the acquisition method of accounting be used for all business combinations. Statement 141R establishes principles and requirements for how the acquirer in a business combination (a) recognizes and measures the assets acquired, liabilities assumed and any noncontrolling interest in the acquiree, (b) recognizes and measures the goodwill acquired in a business combination or a gain from a bargain purchase and (c) determines what information to disclose regarding the business combination. Statement 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first fiscal year after December 15, 2008.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *"Noncontrolling Interests in Consolidated Financial Statements"* ("Statement 160"). Statement 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary, commonly referred to as minority interest. Among other matters, Statement 160 requires (a) the noncontrolling interest be reported within equity in the balance sheet and (b) the amount of consolidated net income attributable to the parent and to the noncontrolling interest to be clearly presented in the statement of income. Statement 160 is effective for fiscal years beginning after December 15, 2008. Statement 160 is to be applied prospectively, except for the presentation and disclosure requirements, which shall be applied retrospectively for all periods presented. We expect that our adoption of Statement 160 in 2009 will impact the accounting for purchases and sales and the presentation of the noncontrolling interests in our subsidiaries.

Critical Accounting Estimates

The preparation of our financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Listed below are the accounting estimates that we believe are critical to our financial statements due to the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability, revenue or expense being reported. All of these accounting estimates and assumptions, as well as the resulting impact to our financial statements, have been discussed with our audit committee.

Carrying Value of Investments. Our cost and equity method investments comprise a significant portion of our total assets at each of December 31, 2007 and 2006. We account for these investments pursuant to Statement of Financial Accounting Standards No. 115, Statement of Financial Accounting Standards No. 142, Accounting Principles Board Opinion No. 18, EITF Topic 03-1 and SAB No. 59. These accounting principles require us to periodically evaluate our investments to determine if decreases in fair value below our cost bases are other than temporary. If a decline in fair value is determined to be other than temporary, we are required to reflect such decline in our consolidated statement of operations. Other than temporary declines in fair value of our cost investments are recognized on a separate line in our consolidated statement of operations, and other than temporary declines in fair value of our equity method investments are included in share of losses of affiliates in our consolidated statement of operations.

The primary factors we consider in our determination of whether declines in fair value are other than temporary are the length of time that the fair value of the investment is below our carrying value; and the financial condition, operating performance and near term prospects of the investee. In addition, we consider the reason for the decline in fair value, be it general market conditions, industry specific or investee specific; analysts' ratings and estimates of 12 month share price targets for the investee; changes in stock price or valuation subsequent to the balance sheet date; and our intent and ability to hold the investment for a period of time sufficient to allow for a recovery in fair value. Fair value of our publicly traded investments is based on the market prices of the investments at the balance sheet date. We estimate the fair value of our other cost and equity investments using a variety of methodologies, including cash flow multiples, discounted cash flow, per subscriber values, or values of comparable public or private businesses. Impairments are calculated as the difference between our carrying value and our estimate of fair value. As our assessment of the fair value of our investments and any resulting impairment losses and the timing of when to recognize such charges requires a high degree of judgment and includes significant estimates and assumptions, actual results could differ materially from our estimates and assumptions.

Our evaluation of the fair value of our investments and any resulting impairment charges are made as of the most recent balance sheet date. Changes in fair value subsequent to the balance sheet date due to the factors described above are possible. Subsequent decreases in fair value will be recognized in our consolidated statement of operations in the period in which they occur to the extent such decreases are deemed to be other than temporary. Subsequent increases in fair value will be recognized in our consolidated statement of operations only upon our ultimate disposition of the investment.

At December 31, 2007, we had unrealized holding losses of $12 million related to certain of our available-for-sale debt securities.

In connection with our adoption of Statement 159 on January 1, 2008, all changes in fair value of the investments to which we apply the provisions of Statement 159 will be recognized in our consolidated statements of operations.

Carrying Value of Long-lived Assets. Our property and equipment, intangible assets and goodwill (collectively, our "long-lived assets") also comprise a significant portion of our total assets at December 31, 2007 and 2006. We account for our long-lived assets pursuant to Statement of Financial Accounting Standards No. 142 and Statement of Financial Accounting Standards No. 144. These accounting standards require that we periodically, or upon the occurrence of certain triggering events, assess the recoverability of our long-lived assets. If the carrying value of our long-lived assets exceeds their estimated fair value, we are required to write the carrying value down to fair value. Any such writedown is included in impairment of long-lived assets in our consolidated statement of operations. A high degree of judgment is required to estimate the fair value of our long-lived assets. We may use quoted market prices, prices for similar assets, present value techniques and other valuation techniques to prepare these estimates. We may need to make estimates of future cash flows and discount rates as well as other assumptions in order to implement these valuation techniques. Accordingly, any value ultimately derived from our long-lived assets may differ from our estimate of fair value. As each of our operating segments has long-lived assets, this critical accounting policy affects the financial position and results of operations of each segment.

Retail Related Adjustments and Allowances. QVC records adjustments and allowances for sales returns, inventory obsolescence and uncollectible receivables. Each of these adjustments is estimated based on historical experience. Sales returns are calculated as a percent of sales and are netted against revenue in our consolidated statement of operations. For the years ended December 31, 2007, 2006 and 2005, sales returns represented 18.7%, 18.5% and 18.0% of QVC's gross product revenue, respectively. The inventory obsolescence reserve is calculated as a percent of QVC's inventory at the end of a reporting period based on among other factors, the age of the inventory and historical experience with liquidated inventory. The change in the reserve is included in cost of goods sold in our consolidated statements of operations. At December 31, 2007, QVC's inventory is $1,020 million and the obsolescence adjustment is $105 million. QVC's allowance for doubtful accounts is calculated as a percent of accounts receivable at the end of a reporting period, and the change in such allowance is recorded as bad debt expense in our consolidated statements of operations. At December 31, 2007, QVC's trade accounts receivable are $1,173 million, net of the allowance for doubtful accounts of $56 million. Each of these adjustments requires management judgment and may not reflect actual results.

Income Taxes. We are required to estimate the amount of tax payable or refundable for the current year and the deferred income tax liabilities and assets for the future tax consequences of events that have been reflected in our financial statements or tax returns for each taxing jurisdiction in which we operate. This process requires our management to make judgments regarding the timing and probability of the ultimate tax impact of the various agreements and transactions that we enter into. Based on these judgments we may record tax reserves or adjustments to valuation allowances on deferred tax assets to reflect the expected realizability of future tax benefits. Actual income taxes could vary from these estimates due to future changes in income tax law, significant changes in the jurisdictions in which we operate, our inability to generate sufficient future taxable income or unpredicted results from the final determination of each year's liability by taxing authorities. These changes could have a significant impact on our financial position.

Quantitative and Qualitative Disclosures about Market Risk.

We are exposed to market risk in the normal course of business due to our ongoing investing and financial activities and our subsidiaries in different foreign countries. Market risk refers to the risk of loss arising from adverse changes in stock prices, interest rates and foreign currency exchange rates. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. We have established policies, procedures and internal processes governing our management of market risks and the use of financial instruments to manage our exposure to such risks.

We are exposed to changes in interest rates primarily as a result of our borrowing and investment activities, which include investments in fixed and floating rate debt instruments and borrowings used to maintain liquidity and to fund business operations. The nature and amount of our long-term and short-term debt are expected to vary as a result of future requirements, market conditions and other factors. We manage our exposure to interest rates by entering into interest rate swap arrangements and by maintaining what we believe is an appropriate mix of fixed and variable rate debt. We believe this best protects us from interest rate risk. We have achieved this mix by (i) issuing fixed rate debt that we believe has a low stated interest rate and significant term to maturity and (ii) issuing variable rate debt with appropriate maturities and interest rates. As of December 31, 2007, the face amount of the Interactive Group's fixed rate debt (considering the effects of interest rate swap agreements) was $5,867 million, which had a weighted average interest rate of 6.3%. The Interactive Group's variable rate debt of $1,325 million had a weighted average interest rate of 6.7% at December 31, 2007. As of December 31, 2007, the face amount of the Capital Group's fixed rate debt was $4,264 million, which had a weighted average interest rate of 2.6%. The Capital Group's variable rate debt of $460 million had a weighted average interest rate of 6.0%.

Each of the Interactive Group and the Capital Group is exposed to changes in stock prices primarily as a result of our significant holdings in publicly traded securities. We continually monitor changes in stock markets, in general, and changes in the stock prices of our holdings, specifically. We believe that changes in stock prices can be expected to vary as a result of general market conditions, technological changes, specific industry changes and other factors. We use equity collars and other financial instruments to manage market risk associated with certain investment positions. These instruments are recorded at fair value based on option pricing models. Prior to consummation of the News Corporation Exchange, the Entertainment Group was also exposed to changes in stock prices, but is not expected to be subject to such risk in the future.

At December 31, 2007, the fair value of our AFS securities attributed to the Interactive Group was $2,044 million and the fair value of our AFS securities attributed to the Capital Group was $15,490 million. Had the market price of such securities been 10% lower at December 31, 2006, the aggregate value of such securities would have been $204 million and $1,549 million lower, respectively, resulting in a decrease to unrealized holding gains in other comprehensive earnings. The decrease attributable to the Capital Group would be partially offset by an increase in the value of our AFS Derivatives. Because we mark our senior exchangeable debentures to fair value each reporting date, they are also subject to market risk. Increases in the stock price of the respective underlying security generally result in higher liabilities and unrealized losses in our statement of operations.

The Interactive Group is exposed to foreign exchange rate fluctuations related primarily to the monetary assets and liabilities and the financial results of QVC's foreign subsidiaries. Assets and liabilities of foreign subsidiaries for which the functional currency is the local currency are translated into U.S. dollars at period-end exchange rates, and the statements of operations are generally translated at the average exchange rate for the period. Exchange rate fluctuations on translating foreign currency financial statements into U.S. dollars that result in unrealized gains or losses are referred to as translation adjustments. Cumulative translation adjustments are recorded in other comprehensive earnings (loss) as a separate component of stockholders' equity. Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses, which are reflected in income as unrealized (based on period-end translations) or realized upon settlement of the transactions. Cash flows from our operations in foreign countries are translated at the average rate for the period. Accordingly, the Interactive Group may experience economic loss and a negative impact on earnings and equity with respect to our holdings solely as a result of foreign currency exchange rate fluctuations.

We periodically assess the effectiveness of our derivative financial instruments. With regard to interest rate swaps, we monitor the fair value of interest rate swaps as well as the effective interest rate the interest rate swap yields, in comparison to historical interest rate trends. We believe that any losses incurred with regard to interest rate swaps would be offset by the effects of interest rate movements on the underlying debt facilities. With regard to equity collars, we monitor historical market trends relative to values currently present in the market. We believe that any unrealized losses incurred with regard to equity collars and swaps would be offset by the effects of fair value changes on the underlying assets. These measures allow our management to evaluate the success of our use of derivative instruments and to determine when to enter into or exit from derivative instruments.

Our derivative instruments are executed with counterparties who are well known major financial institutions with high credit ratings. While we believe these derivative instruments effectively manage the risks highlighted above, they are subject to counterparty credit risk. Counterparty credit risk is the risk that the counterparty is unable to perform under the terms of the derivative instrument upon settlement of the derivative instrument. To protect ourselves against credit risk associated with these counterparties we generally:

- execute our derivative instruments with several different counterparties, and
- execute equity derivative instrument agreements which contain a provision that requires the counterparty to post the "in the money" portion of the derivative instrument into a cash collateral account for our benefit, if the respective counterparty's credit rating for its senior unsecured debt were to reach certain levels, generally a rating that is below Standard & Poor's rating of A- and/or Moody's rating of A3.

Due to the importance of these derivative instruments to our risk management strategy, we actively monitor the creditworthiness of each of these counterparties. Based on our analysis, we currently consider nonperformance by any of our counterparties to be unlikely.

Our counterparty credit risk by financial institution is summarized below:

Counterparty	Aggregate fair value of derivative instruments at December 31, 2007
	amounts in millions
Counterparty A	$ 747
Counterparty B	712
	$ 1,459

QuickLinks

Management's Discussion and Analysis of Financial Condition and Results of Operations.

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 99.3

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Liberty Media Corporation:

We have audited the accompanying consolidated balance sheets of Liberty Media Corporation and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity, comprehensive earnings (loss), and cash flows for each of the years in the three-year period ended December 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Liberty Media Corporation and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

As discussed in note 4 to the accompanying consolidated financial statements, effective January 1, 2007, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 155, *Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and 140,* Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109*, and effective January 1, 2006 the Company adopted SFAS No. 123(R), *Share-Based Payment.*

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Liberty Media Corporation's internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2008 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

Denver, Colorado
February 28, 2008

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2007 and 2006

	2007	2006
	amounts in millions	
Assets		
Current assets:		
Cash and cash equivalents	$ 3,135	3,107
Trade and other receivables, net	1,517	1,276
Inventory, net	975	831
Program rights	515	531
Current deferred tax assets	—	128
Other current assets	167	344
Assets of discontinued operations (note 6)	—	512
Total current assets	6,309	6,729
Investments in available-for-sale securities and other cost investments, including $1,183 million and $1,482 million pledged as collateral for share borrowing arrangements (note 7)	17,569	21,622
Investments in affiliates, accounted for using the equity method (note 10)	1,817	1,842
Investment in special purpose entity (note 8)	750	—
Property and equipment, at cost	1,894	1,531
Accumulated depreciation	(543)	(385)
	1,351	1,146
Intangible assets not subject to amortization (note 4):		
Goodwill	7,855	7,588
Trademarks	2,515	2,471
Other	173	—
	10,543	10,059
Intangible assets subject to amortization, net (note 4)	3,863	3,910
Other assets, at cost, net of accumulated amortization (note 8)	3,447	2,330
Total assets	$ 45,649	47,638

(continued)

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)

December 31, 2007 and 2006

	2007	2006
	amounts in millions	
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 605	508
Accrued interest	148	214
Other accrued liabilities	936	875
Current portion of debt (note 11)	191	114
Accrued stock compensation	207	160
Current deferred income tax liabilities	93	—
Other current liabilities (note 9)	1,294	1,597
Liabilities of discontinued operations (note 6)	—	101
Total current liabilities	3,474	3,569
Long-term debt, including $3,690 million measured at fair value at December 31, 2007 (note 11)	11,524	8,909
Deferred income tax liabilities (note 12)	8,458	9,661
Other liabilities	1,741	3,576
Total liabilities	25,197	25,715
Minority interests in equity of subsidiaries	866	290
Stockholders' equity (note 13):		
Preferred stock, $.01 par value. Authorized 50,000,000 shares; no shares issued	—	—
Series A Liberty Capital common stock, $.01 par value. Authorized 400,000,000 shares; issued and outstanding 123,154,134 shares at December 31, 2007 and 134,503,165 shares at December 31, 2006	1	1
Series B Liberty Capital common stock, $.01 par value. Authorized 25,000,000 shares; issued and outstanding 5,988,319 shares at December 31, 2007 and 6,014,680 shares at December 31, 2006	—	—
Series A Liberty Interactive common stock, $.01 par value. Authorized 2,000,000,000 shares; issued and outstanding 568,864,900 shares at December 31, 2007 and 623,061,760 shares at December 31, 2006	6	6
Series B Liberty Interactive common stock, $.01 par value. Authorized 125,000,000 shares; issued and outstanding 29,502,405 shares at December 31, 2007 and 29,971,039 shares at December 31, 2006	—	—
Additional paid-in capital	25,637	28,112
Accumulated other comprehensive earnings, net of taxes (note 17)	4,073	5,952
Accumulated deficit	(10,131)	(12,438)
Total stockholders' equity	19,586	21,633
Commitments and contingencies (note 19)		
Total liabilities and stockholders' equity	$ 45,649	47,638

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2007, 2006 and 2005

	2007	2006	2005
	amounts in millions, except per share amounts		
Revenue:			
Net retail sales	$ 7,802	7,326	6,501
Communications and programming services	1,621	1,287	1,145
	9,423	8,613	7,646
Operating costs and expenses:			
Cost of sales	4,921	4,565	4,112
Operating	1,843	1,526	1,397
Selling, general and administrative, including stock-based compensation (note 4)	1,023	806	648
Depreciation	163	119	92
Amortization	512	463	453
Impairment of long-lived assets (note 4)	223	113	—
	8,685	7,592	6,702
Operating income	738	1,021	944
Other income (expense):			
Interest expense	(641)	(680)	(626)
Dividend and interest income	321	214	143
Share of earnings of affiliates, net	22	91	13
Realized and unrealized gains (losses) on financial instruments, net (note 9)	1,269	(279)	257
Gains (losses) on dispositions, net (notes 7 and 17)	646	607	(361)
Other than temporary declines in fair value of investments (note 7)	(33)	(4)	(449)
Other, net	(1)	18	(39)
	1,583	(33)	(1,062)
Earnings (loss) from continuing operations before income taxes and minority interest	2,321	988	(118)
Income tax benefit (expense) (note 12)	(321)	(252)	126
Minority interests in earnings of subsidiaries	(35)	(27)	(51)
Earnings (loss) from continuing operations	1,965	709	(43)
Earnings from discontinued operations, net of taxes (note 6)	149	220	10
Cumulative effect of accounting change, net of taxes (note 4)	—	(89)	—
Net earnings (loss)	$ 2,114	840	(33)
Net earnings (loss):			
Liberty Series A and Series B common stock	$ —	94	(33)
Liberty Capital common stock	1,673	260	—
Liberty Interactive common stock	441	486	—
	$ 2,114	840	(33)

(continued)

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)

Years ended December 31, 2007, 2006 and 2005

		2007	2006	2005
		amounts in millions, except per share amounts		
Basic earnings (loss) from continuing operations per common share (note 4):				
Liberty Series A and Series B common stock	$	—	.07	(.02)
Series A and Series B Liberty Capital common stock	$	11.55	.24	—
Series A and Series B Liberty Interactive common stock	$	.70	.73	—
Basic net earnings (loss) per common share (note 4):				
Liberty Series A and Series B common stock	$	—	.03	(.01)
Series A and Series B Liberty Capital common stock	$	12.67	1.86	—
Series A and Series B Liberty Interactive common stock	$	.70	.73	—
Diluted earnings (loss) from continuing operations per common share (note 4):				
Liberty Series A and Series B common stock	$	—	.07	(.02)
Series A and Series B Liberty Capital common stock	$	11.46	.24	—
Series A and Series B Liberty Interactive common stock	$	.69	.73	—
Diluted net earnings (loss) per common share (note 4):				
Liberty Series A and Series B common stock	$	—	.03	(.01)
Series A and Series B Liberty Capital common stock	$	12.58	1.86	—
Series A and Series B Liberty Interactive common stock	$	.69	.73	—

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)

Years ended December 31, 2007, 2006 and 2005

	2007	2006	2005
		amounts in millions	
Net earnings (loss)	$ 2,114	840	(33)
Other comprehensive earnings (loss), net of taxes (note 17):			
Foreign currency translation adjustments	107	111	(5)
Recognition of previously unrealized foreign currency translation losses	—	—	312
Unrealized holding gains (losses) arising during the period	(1,611)	2,605	(1,121)
Recognition of previously unrealized losses (gains) on available-for-sale securities, net	(375)	(185)	217
Reclass unrealized gain on available-for-sale security to equity method investment	—	—	(197)
Other comprehensive earnings (loss) from discontinued operations (note 6)	—	—	(7)
Other comprehensive earnings (loss)	(1,879)	2,531	(801)
Comprehensive earnings (loss)	$ 235	3,371	(834)
Comprehensive earnings (loss):			
Liberty Series A and Series B common stock	$ —	755	(834)
Liberty Capital common stock	135	1,787	—
Liberty Interactive common stock	100	829	—
	$ 235	3,371	(834)

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2007, 2006 and 2005

	2007	2006	2005
	amounts in millions (see note 5)		
Cash flows from operating activities:			
Net earnings (loss)	$ 2,114	840	(33)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Earnings from discontinued operations	(149)	(220)	(10)
Cumulative effect of accounting change	—	89	—
Depreciation and amortization	675	582	545
Impairment of long-lived assets	223	113	—
Stock-based compensation	93	67	52
Cash payments for stock-based compensation	(40)	(115)	(103)
Noncash interest expense	9	108	101
Share of earnings of affiliates, net	(22)	(91)	(13)
Realized and unrealized losses (gains) on financial instruments, net	(1,269)	279	(257)
Losses (gains) on disposition of assets, net	(646)	(607)	361
Other than temporary declines in fair value of investments	33	4	449
Minority interests in earnings of subsidiaries	35	27	51
Deferred income tax expense (benefit)	120	(465)	(389)
Other noncash charges, net	141	44	41
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions:			
Current assets	(436)	(302)	(175)
Payables and other current liabilities	277	660	446
Net cash provided by operating activities	1,158	1,013	1,066
Cash flows from investing activities:			
Cash proceeds from dispositions	495	1,322	49
Premium proceeds from origination of derivatives	—	59	473
Net proceeds from settlement of derivatives	75	101	461
Cash received in exchange transactions	1,154	—	—
Cash paid for acquisitions, net of cash acquired	(348)	(1,207)	(96)
Investments in and loans to cost and equity investees	(159)	(235)	(24)
Investment in special purpose entity	(750)	—	—
Capital expenditures	(316)	(278)	(168)
Net sales (purchases) of short term investments	34	287	(85)
Net increase in restricted cash	(882)	—	—
Other investing activities, net	(36)	66	(7)
Net cash provided (used) by investing activities	(733)	115	603
Cash flows from financing activities:			
Borrowings of debt	1,869	3,229	861
Repayments of debt	(498)	(2,191)	(1,801)
Repurchases of Liberty common stock	(2,529)	(954)	—
Contribution from minority owner	751	—	—
Other financing activities, net	1	(20)	89
Net cash provided (used) by financing activities	(406)	64	(851)
Effect of foreign currency exchange rates on cash	8	18	(45)
Net cash provided by (to) discontinued operations:			
Cash provided by operating activities	8	62	75
Cash used by investing activities	(9)	(67)	(110)
Cash provided by financing activities	—	6	11
Change in available cash held by discontinued operations	2	—	(177)
Net cash provided by (to) discontinued operations	1	1	(201)
Net increase in cash and cash equivalents	28	1,211	572
Cash and cash equivalents at beginning of year	3,107	1,896	1,324
Cash and cash equivalents at end of year	$ 3,135	3,107	1,896

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended December 31, 2007, 2006 and 2005

		Common stock										
				Liberty Capital		Liberty Interactive						
	Preferred stock	Series A	Series B	Series A	Series B	Series A	Series B	Additional paid-in capital	Accumulated other comprehensive earnings	Accumulated deficit	Treasury stock	Total stockholders' equity
							amounts in millions					
Balance at January 1, 2005	$ —	27	1	—	—	—	—	33,701	4,227	(13,245)	(125)	24,586
Net loss	—	—	—	—	—	—	—	—	—	(33)	—	(33)
Other comprehensive loss	—	—	—	—	—	—	—	—	(801)	—	—	(801)
Issuance of Series A common stock for investment in available-for-sale security	—	—	—	—	—	—	—	14	—	—	—	14
Amortization of deferred compensation	—	—	—	—	—	—	—	38	—	—	—	38
Distribution to stockholders for spin off of Discovery Holding Company ("DHC") (note 6)	—	—	—	—	—	—	—	(4,609)	(5)	—	—	(4,614)
Losses in connection with issuances of stock by subsidiaries and affiliates, net of taxes	—	—	—	—	—	—	—	(22)	—	—	—	(22)
Issuance of common stock upon exercise of stock options	—	—	—	—	—	—	—	10	—	—	—	10
AT&T tax sharing agreement adjustments	—	—	—	—	—	—	—	(40)	—	—	—	(40)
Adjustment of spin off of Liberty Media International	—	—	—	—	—	—	—	(28)	—	—	—	(28)
Other	—	—	—	—	—	—	—	10	—	—	—	10
Balance at December 31, 2005	—	27	1	—	—	—	—	29,074	3,421	(13,278)	(125)	19,120
Net earnings	—	—	—	—	—	—	—	—	—	840	—	840
Other comprehensive earnings	—	—	—	—	—	—	—	—	2,531	—	—	2,531
Retirement of treasury stock	—	—	—	—	—	—	—	(125)	—	—	125	—
Distribution of Liberty Capital and Liberty Interactive common stock to stockholders (note 2)	—	(27)	(1)	1	—	7	—	20	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	—	—	—	—	—	4	—	—	—	4
Stock compensation	—	—	—	—	—	—	—	62	—	—	—	62
Issuance of Series A Liberty Interactive common stock for acquisition	—	—	—	—	—	—	—	36	—	—	—	36
Series A Liberty Interactive stock repurchases	—	—	—	—	—	(1)	—	(953)	—	—	—	(954)
Other	—	—	—	—	—	—	—	(6)	—	—	—	(6)
Balance at December 31, 2006	—	—	—	1	—	6	—	28,112	5,952	(12,438)	—	21,633
Net earnings	—	—	—	—	—	—	—	—	—	2,114	—	2,114
Other comprehensive loss	—	—	—	—	—	—	—	—	(1,879)	—	—	(1,879)
Cumulative effects of accounting changes (note 4)	—	—	—	—	—	—	—	—	—	193	—	193
Issuance of common stock upon exercise of stock options	—	—	—	—	—	—	—	35	—	—	—	35
Stock compensation	—	—	—	—	—	—	—	24	—	—	—	24
Issuance of Series A Liberty Interactive common stock for acquisition	—	—	—	—	—	—	—	7	—	—	—	7
Series A Liberty Interactive stock repurchases	—	—	—	—	—	—	—	(1,224)	—	—	—	(1,224)
Series A Liberty Capital stock repurchases	—	—	—	—	—	—	—	(1,305)	—	—	—	(1,305)
Other	—	—	—	—	—	—	—	(12)	—	—	—	(12)
Balance at December 31, 2007	$ —	—	—	1	—	6	—	25,637	4,073	(10,131)	—	19,586

See accompanying notes to consolidated financial statements.

(1) Basis of Presentation

The accompanying consolidated financial statements include the accounts of Liberty Media Corporation and its controlled subsidiaries (collectively, "Liberty" or the "Company" unless the context otherwise requires). All significant intercompany accounts and transactions have been eliminated in consolidation.

Liberty, through its ownership of interests in subsidiaries and other companies, is primarily engaged in the video and on-line commerce, media, communications and entertainment industries in North America, Europe and Asia.

(2) Tracking Stocks

On May 9, 2006, Liberty completed a restructuring (the "Restructuring") pursuant to which the Company was organized as a new holding company. In the Restructuring, Liberty became the new publicly traded parent company of Liberty Media LLC (formerly known as Liberty Media Corporation, "Old Liberty"). In the Restructuring, each holder of Old Liberty's common stock received for each share of Old Liberty's Series A common stock held immediately prior to the Restructuring, 0.25 of a share of the Company's Series A Liberty Interactive common stock and 0.05 of a share of the Company's Series A Liberty Capital common stock, and for each share of Old Liberty's Series B common stock held immediately prior to the Restructuring, 0.25 of a share of the Company's Series B Liberty Interactive common stock and 0.05 of a share of the Company's Series B Liberty Capital common stock, in each case, with cash in lieu of any fractional shares. Liberty is the successor reporting company to Old Liberty.

Each tracking stock issued in the Restructuring is intended to track and reflect the economic performance of one of two groups, the Interactive Group and the Capital Group, respectively.

Tracking stock is a type of common stock that the issuing company intends to reflect or "track" the economic performance of a particular business or "group," rather than the economic performance of the company as a whole. While the Interactive Group and the Capital Group have separate collections of businesses, assets and liabilities attributed to them, neither group is a separate legal entity and therefore cannot own assets, issue securities or enter into legally binding agreements. Holders of tracking stocks have no direct claim to the group's stock or assets and are not represented by separate boards of directors. Instead, holders of tracking stock are stockholders of the parent corporation, with a single board of directors and subject to all of the risks and liabilities of the parent corporation.

The term "Interactive Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities which Liberty has attributed to that group. The assets and businesses Liberty has attributed to the Interactive Group are those engaged in video and on-line commerce, and include its interests in QVC, Inc. ("QVC"), Provide Commerce, Inc. ("Provide"), BuySeasons, Inc. ("BuySeasons"), Backcountry.com, Inc. ("Backcountry"), Bodybuilding.com, LLC ("Bodybuilding"), Expedia, Inc. and IAC/InterActiveCorp. The Interactive Group will also include such other businesses, assets and liabilities that Liberty's board of directors may in the future determine to attribute to the Interactive Group, including such other businesses and assets as Liberty may acquire for the Interactive Group. In addition, Liberty has attributed $3,108 million principal amount (as of December 31, 2007) of its senior notes and debentures to the Interactive Group.

The term "Capital Group" also does not represent a separate legal entity, rather it represents all of Liberty's businesses, assets and liabilities other than those which have been attributed to the

Interactive Group. The assets and businesses attributed to the Capital Group include Liberty's subsidiaries: Starz Entertainment, LLC ("Starz Entertainment"), Starz Media, LLC ("Starz Media"), FUN Technologies, Inc. ("FUN"), Atlanta National League Baseball Club, Inc. ("ANLBC"), Leisure Arts, Inc. ("Leisure Arts"), TruePosition, Inc. ("TruePosition") and WFRV and WJMN Television Station, Inc. ("WFRV TV Station"); its equity affiliates: GSN, LLC and WildBlue Communications, Inc.; and its interests in News Corporation, Time Warner Inc. and Sprint Nextel Corporation. The Capital Group will also include such other businesses, assets and liabilities that Liberty's board of directors may in the future determine to attribute to the Capital Group, including such other businesses and assets as Liberty may acquire for the Capital Group. In addition, Liberty has attributed $5,231 million principal amount (as of December 31, 2007) of its senior exchangeable debentures and bank debt to the Capital Group.

See Exhibit 99.1 to this Annual Report on Form 10-K for unaudited attributed financial information for Liberty's tracking stock groups.

(3) News Corporation Exchange and Proposed Tracking Stocks

Subsequent to December 31, 2007, Liberty completed an exchange transaction (the "News Corporation Exchange") with News Corporation pursuant to which Liberty exchanged its approximate 16% ownership interest in News Corporation for a subsidiary of News Corporation which holds an approximate 41% interest in The DIRECTV Group, Inc., three regional sports television networks and approximately $465 million in cash.

In connection with the consummation of the News Corporation Exchange, Liberty intends to amend and restated its certificate of incorporation to reclassify the Liberty Capital common stock into two new tracking stocks, one to retain the designation Liberty Capital common stock and the other to be designated the Liberty Entertainment common stock (the "Reclassification"). Upon completion of the Reclassification, the Liberty Entertainment common stock would be intended to track and reflect the separate economic performance of a newly designated Entertainment Group, which initially would have attributed to it a portion of the businesses, assets and liabilities that are currently attributed to the Capital Group, including Liberty's subsidiaries Starz Entertainment and FUN, its equity interests in GSN, LLC and WildBlue Communications, Inc. and approximately $500 million of cash and $551 million principal amount (as of December 31, 2007) of Liberty's publicly-traded debt. In addition, Liberty would attribute to the Entertainment Group all of the businesses and assets received in the News Corporation Exchange.

Upon implementation of the Reclassification, the Capital Group would have attributed to it all of Liberty's businesses, assets and liabilities not attributed to the Interactive Group or the Entertainment Group, including its subsidiaries Starz Media, ANLBC, Leisure Arts, TruePosition and WFRV TV Station, and minority equity investments in Time Warner Inc. and Sprint Nextel Corporation. In addition, the Capital Group would have attributed to it $3,930 million principal amount (as of December 31, 2007) of Liberty's existing publicly-traded debt and $750 million of its bank debt.

The Reclassification would not change the businesses, assets and liabilities attributed to the Interactive Group.

(4) Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash equivalents consist of investments which are readily convertible into cash and have maturities of three months or less at the time of acquisition.

Receivables

Receivables are reflected net of an allowance for doubtful accounts. Such allowance aggregated $80 million and $72 million at December 31, 2007 and 2006, respectively. A summary of activity in the allowance for doubtful accounts is as follows:

	Balance beginning of year	Additions: Charged to expense	Additions: Acquisitions	Deductions-write-offs	Balance end of year
	amounts in millions				
2007	$ 72	41	1	(34)	80
2006	$ 66	27	14	(35)	72
2005	$ 63	37	—	(34)	66

Inventory

Inventory, consisting primarily of products held for sale, is stated at the lower of cost or market. Cost is determined by the average cost method, which approximates the first-in, first-out method.

Program Rights

Program rights are amortized on a film-by-film basis over the anticipated number of exhibitions. Program rights payable are initially recorded at the estimated cost of the programs when the film is available for airing.

Investment in Films and Television Programs

Investment in films and television programs generally includes the cost of proprietary films and television programs that have been released, completed and not released, in production, and in development or pre-production. Capitalized costs include the acquisition of story rights, the development of stories, production labor, postproduction costs and allocable overhead and interest costs. Investment in films and television programs is stated at the lower of unamortized cost or estimated fair value on an individual film basis. Investment in films and television programs is amortized using the individual-film-forecast method, whereby the costs are charged to expense and participation and residual costs are accrued based on the proportion that current revenue from the films bear to an estimate of total revenue anticipated from all markets (ultimate revenue). Ultimate revenue estimates generally may not exceed ten years following the date of initial release or from the date of delivery of the first episode for episodic television series.

Estimates of ultimate revenue involve uncertainty and it is therefore possible that reductions in the carrying value of investment in films and television programs may be required as a consequence of changes in management's future revenue estimates.

Investment in films and television programs in development or pre-production is periodically reviewed to determine whether they will ultimately be used in the production of a film. Costs of films in development or pre-production are charged to expense if the project is abandoned, or if the film has not been set for production within three years from the time of the first capitalized transaction.

The investment in films and television programs is reviewed for impairment on a title-by-title basis when an event or change in circumstances indicates that a film should be assessed. If the estimated fair value of a film is less than its unamortized cost, then the excess of unamortized costs over the estimated fair value is charged to expense.

Investments

All marketable equity and debt securities held by the Company are classified as available-for-sale ("AFS") and are carried at fair value generally based on quoted market prices. Unrealized holding gains and losses on AFS securities are carried net of taxes as a component of accumulated other comprehensive earnings in stockholders' equity. Realized gains and losses are determined on an average cost basis. Other investments in which the Company's ownership interest is less than 20% and are not considered marketable securities are carried at cost.

For those investments in affiliates in which the Company has the ability to exercise significant influence, the equity method of accounting is used. Under this method, the investment, originally recorded at cost, is adjusted to recognize the Company's share of net earnings or losses of the affiliate as they occur rather than as dividends or other distributions are received. Losses are limited to the extent of the Company's investment in, advances to and commitments for the investee. The Company's share of net earnings or loss of affiliates also includes any other than temporary declines in fair value recognized during the period.

Changes in the Company's proportionate share of the underlying equity of a subsidiary or equity method investee, which result from the issuance of additional equity securities by such subsidiary or equity investee, are recognized as increases or decreases in stockholders' equity.

The Company continually reviews its investments to determine whether a decline in fair value below the cost basis is other than temporary. The primary factors the Company considers in its determination are the length of time that the fair value of the investment is below the Company's carrying value; and the financial condition, operating performance and near term prospects of the investee. In addition, the Company considers the reason for the decline in fair value, be it general market conditions, industry specific or investee specific; analysts' ratings and estimates of 12 month share price targets for the investee; changes in stock price or valuation subsequent to the balance sheet date; and the Company's intent and ability to hold the investment for a period of time sufficient to allow for a recovery in fair value. If the decline in fair value is deemed to be other than temporary, the cost basis of the security is written down to fair value. In situations where the fair value of an investment is not evident due to a lack of a public market price or other factors, the Company uses its best estimates and assumptions to arrive at the estimated fair value of such investment. The Company's assessment of the foregoing factors involves a high degree of judgment and accordingly, actual results may differ materially from the Company's estimates and judgments. Writedowns for cost investments and AFS securities are included in the consolidated statements of operations as other than temporary declines in fair values of investments. Writedowns for equity method investments are included in share of earnings (losses) of affiliates.

Derivative Instruments and Hedging Activities

The Company uses various derivative instruments including equity collars, bond swaps and interest rate swaps to manage fair value and cash flow risk associated with many of its investments and some of its variable rate debt. Liberty's derivative instruments are executed with counterparties who are well known major financial institutions. While Liberty believes these derivative instruments effectively manage the risks highlighted above, they are subject to counterparty credit risk. Counterparty credit risk is the risk that the counterparty is unable to perform under the terms of the derivative instrument upon settlement of the derivative instrument. To protect itself against credit risk associated with these counterparties the Company generally:

- executes its derivative instruments with several different counterparties, and
- executes equity derivative instrument agreements which contain a provision that requires the counterparty to post the "in the money" portion of the derivative instrument into a cash collateral account for the Company's benefit, if the respective counterparty's credit rating for its senior unsecured debt were to reach certain levels, generally a rating that is below Standard & Poor's rating of A- and/or Moody's rating of A3.

Due to the importance of these derivative instruments to its risk management strategy, Liberty actively monitors the creditworthiness of each of its counterparties. Based on its analysis, the Company currently considers nonperformance by any of its counterparties to be unlikely.

Liberty accounts for its derivatives pursuant to Statement of Financial Accounting Standards No. 133, "*Accounting for Derivative Instruments and Hedging Activities*" ("Statement 133") and related amendments and interpretations. All derivatives, whether designated in hedging relationships or not, are recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive earnings and are recognized in the statement of operations when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. If the derivative is not designated as a hedge, changes in the fair value of the derivative are recognized in earnings. The Company has entered into several interest rate swap agreements to mitigate the cash flow risk associated with interest payments related to certain of its variable rate debt. These interest rate swap arrangements have been designated as cash flow hedges. The Company assesses the effectiveness of its interest rate swaps using the hypothetical derivative method. Hedge ineffectiveness had no impact on earnings for the years ended December 31, 2007 and 2006. None of the Company's other derivatives have been designated as hedges.

The fair value of the Company's equity collars and other similar derivative instruments is estimated using third party estimates or the Black-Scholes model. The Black-Scholes model incorporates a number of variables in determining such fair values, including expected volatility of the underlying security and an appropriate discount rate. The Company obtains volatility rates from independent sources based on the expected volatility of the underlying security over the remaining term of the derivative instrument. The volatility assumption is evaluated annually to determine if it should be adjusted, or more often if there are indications that it should be adjusted. A discount rate is obtained at the inception of the derivative instrument and updated each reporting period based on the Company's estimate of the discount rate at which it could currently settle the derivative instrument. Considerable management judgment is required in estimating the Black-Scholes variables. Actual

results upon settlement or unwinding of derivative instruments may differ materially from these estimates.

Effective January 1, 2007, Liberty adopted Statement of Financial Accounting Standards No. 155,*"Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and 140"* ("Statement 155"). Statement 155, among other things, amends Statement 133 and permits fair value remeasurement of hybrid financial instruments that contain an embedded derivative that otherwise would require bifurcation. Under Statement 133, Liberty reported the fair value of the call option feature of its senior exchangeable debentures separate from the long-term debt. The long-term debt portion was reported as the difference between the face amount of the debenture and the fair value of the call option feature on the date of issuance and was accreted through interest expense to its face amount over the expected term of the debenture. Pursuant to the provisions of Statement 155, Liberty now accounts for its senior exchangeable debentures at fair value rather than bifurcating such instruments into a debt instrument and a derivative instrument. Decreases in the fair value of the exchangeable debentures are included in realized and unrealized gains on financial instruments in the accompanying consolidated statements of operations and aggregated $541 million for the year ended December 31, 2007.

The impact—increase/(decrease)—on Liberty's balance sheet of the adoption of Statement 155 is as follows (amounts in millions):

Other assets	$	(47)
Long-term financial instrument liabilities	$	(1,280)
Long-term debt	$	1,848
Deferred income tax liabilities	$	(234)
Accumulated deficit	$	381

Property and Equipment

Property and equipment, including significant improvements, is stated at cost. Depreciation is computed using the straight-line method using estimated useful lives of 3 to 20 years for support equipment and 10 to 40 years for buildings and improvements.

Intangible Assets

The Company accounts for its intangible assets pursuant to Statement of Financial Accounting Standards No. 142, "*Goodwill and Other Intangible Assets*" ("Statement 142"). Statement 142 requires that goodwill and other intangible assets with indefinite useful lives (collectively, "indefinite lived intangible assets") not be amortized, but instead be tested for impairment at least annually. Equity method goodwill is also not amortized, but is considered for impairment pursuant to Accounting Principles Board Opinion No. 18. Statement 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with Statement of Financial Accounting Standards No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets"* ("Statement 144").

Statement 142 requires the Company to perform an annual assessment of whether there is an indication that goodwill is impaired. To accomplish this, the Company identifies its reporting units and determines the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units. Statement 142 requires the Company to consider equity method affiliates as separate reporting units. As a result, a portion of the Company's

enterprise-level goodwill balance is allocated to various reporting units which include a single equity method investment as its only asset. To the extent that all or a portion of an equity method investment which is part of a reporting unit containing allocated goodwill is disposed of in the future, the allocated portion of goodwill will be relieved and included in the calculation of the gain or loss on disposal.

The Company determines the fair value of its reporting units using independent appraisals, public trading prices and other means. The Company then compares the fair value of each reporting unit to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, the Company compares the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation, to its carrying amount, and records an impairment charge to the extent the carrying amount exceeds the implied fair value.

Goodwill

Changes in the carrying amount of goodwill are as follows:

	QVC	Starz Entertainment	Starz Media	Other	Total
		amounts in millions			
Balance at January 1, 2006	$ 5,273	1,383	—	153	6,809
Acquisitions(1)	5	—	357	521	883
Disposition(2)	—	—	—	(124)	(124)
Impairment(3)	—	—	—	(111)	(111)
Foreign currency translation adjustments	60	—	—	—	60
Other(4)	78	(12)	—	5	71
Balance at December 31, 2006	5,416	1,371	357	444	7,588
Acquisitions(1)	—	—	—	466	466
Impairment(3)	—	—	(182)	(32)	(214)
Foreign currency translation adjustments	44	—	14	—	58
Other(5)	(41)	—	5	(7)	(43)
Balance at December 31, 2007	$ 5,419	1,371	194	871	7,855

(1) During the year ended December 31, 2007, Liberty completed several exchange transactions in which it received ANLBC, Leisure Arts and WFRV TV Station. Liberty also acquired Backcountry and Bodybuilding. The foregoing transactions resulted in the recording of $466 million of goodwill. During the year ended December 31, 2006, Liberty and its subsidiaries completed several acquisitions, including the acquisition of controlling interests in Provide, FUN, BuySeasons and IDT Entertainment, Inc., for aggregate cash consideration of $876 million, net of cash acquired, the issuance of Liberty common stock and the assumption of debt. In connection with these acquisitions, Liberty recorded goodwill of $883 million. The goodwill recorded for these transactions in 2007 and 2006 represents the difference between the consideration paid and the estimated fair value of the assets acquired.

(2) During the second quarter of 2006, the Company sold its 50% interest in Courtroom Television Network, LLC ("Court TV"). In connection with such sale, the Company relieved $124 million of enterprise-level goodwill that had been allocated to the Court TV investment.

(3) In connection with its 2007 annual evaluation of the recoverability of Starz Media's goodwill, Liberty estimated the fair value of Starz Media's reporting units and concluded that the carrying value of certain reporting units exceeded their respective fair values. Accordingly, Liberty recognized a $182 million impairment charge related to goodwill. During the third quarter of 2007, FUN recognized a $32 million goodwill and $9 million other intangible impairment loss related to its sports information segment due to new competitors in the marketplace and the resulting loss of revenue and operating income. Liberty acquired its interest in FUN in March 2006. Subsequent to its acquisition, the market value of FUN's stock declined significantly due to the performance of certain of FUN's subsidiaries and uncertainty surrounding government legislation of Internet gambling which Liberty believes the market perceives as potentially impacting FUN's skill gaming business. In connection with its 2006 annual evaluation of the recoverability of FUN's goodwill, Liberty estimated the fair value of FUN using a combination of discounted cash flows and market comparisons and concluded that the carrying value of FUN's goodwill exceeded its fair value. Accordingly, Liberty recognized a $111 million impairment charge related to goodwill.

(4) Other activity for QVC in 2006 represents Liberty's acquisition of shares of QVC common stock held by employees and officers of QVC. Amounts recorded as goodwill represent the difference between the price paid for such minority interest and the carrying amount of the minority interest less amounts allocated to other intangible assets.

(5) Other activity for QVC in 2007 primarily relates to the reversal of certain tax reserves in connection with the adoption of FIN 48. Such tax reserves were established prior to Liberty's acquisition of a controlling interest in QVC in 2003. Accordingly, the offset to the reversal of the tax reserves is a reduction of goodwill.

Intangible Assets Subject to Amortization

Intangible assets subject to amortization are comprised of the following:

	December 31, 2007			December 31, 2006		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	amounts in millions					
Distribution rights	$ 2,326	(715)	1,611	2,699	(981)	1,718
Customer relationships	2,669	(785)	1,884	2,545	(581)	1,964
Other	911	(543)	368	699	(471)	228
Total	$ 5,906	(2,043)	3,863	5,943	(2,033)	3,910

Distribution rights and customer relationships are amortized primarily over 14 years and 10-14 years, respectively. Amortization expense was $512 million, $463 million and $453 million for the years ended December 31, 2007, 2006 and 2005, respectively. Based on its amortizable intangible assets as of December 31, 2007, Liberty expects that amortization expense will be as follows for the next five years (amounts in millions):

2008	$ 508
2009	$ 458
2010	$ 422
2011	$ 388
2012	$ 369

Impairment of Long-lived Assets

Statement 144 requires that the Company periodically review the carrying amounts of its property and equipment and its intangible assets (other than goodwill) to determine whether current events or circumstances indicate that such carrying amounts may not be recoverable. If the carrying amount of the asset is greater than the expected undiscounted cash flows to be generated by such asset, an impairment adjustment is to be recognized. Such adjustment is measured by the amount that the carrying value of such assets exceeds their fair value. The Company generally measures fair value by considering sale prices for similar assets or by discounting estimated future cash flows using an appropriate discount rate. Considerable management judgment is necessary to estimate the fair value of assets. Accordingly, actual results could vary significantly from such estimates. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

Minority Interests

Recognition of minority interests' share of losses of subsidiaries is generally limited to the amount of such minority interests' allocable portion of the common equity of those subsidiaries. Further, the minority interests' share of losses is not recognized if the minority holders of common equity of subsidiaries have the right to cause the Company to repurchase such holders' common equity.

Foreign Currency Translation

The functional currency of the Company is the United States ("U.S.") dollar. The functional currency of the Company's foreign operations generally is the applicable local currency for each foreign subsidiary. Assets and liabilities of foreign subsidiaries are translated at the spot rate in effect at the applicable reporting date, and the consolidated statements of operations are translated at the average exchange rates in effect during the applicable period. The resulting unrealized cumulative translation adjustment, net of applicable income taxes, is recorded as a component of accumulated other comprehensive earnings in stockholders' equity.

Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses which are reflected in the accompanying consolidated statements of operations and comprehensive earnings as unrealized (based on the applicable period-end exchange rate) or realized upon settlement of the transactions.

Revenue Recognition

Revenue is recognized as follows:

- Revenue from retail sales is recognized at the time of shipment to customers. An allowance for returned merchandise is provided as a percentage of sales based on historical experience. The total reduction in sales due to returns for the years ended December 31, 2007, 2006 and 2005 aggregated $1,651 million, $1,554 million and $1,375 million, respectively.

- Programming revenue is recognized in the period during which programming is provided, pursuant to affiliation agreements.

- Revenue from sales and licensing of software and related service and maintenance is recognized pursuant to Statement of Position No. 97-2, "*Software Revenue Recognition*." For multiple element contracts with vendor specific objective evidence, the Company recognizes revenue for each specific element when the earnings process is complete. If vendor specific objective

evidence does not exist, revenue is deferred and recognized on a straight-line basis over the remaining term of the maintenance period after all other elements have been delivered.

- Revenue relating to proprietary films is recognized in accordance with Statement of Position (SOP) 00-02, *Accounting by Producers or Distributors of Films.* Revenue from the theatrical release of feature films is recognized at the time of exhibition based on the Company's participation in box office receipts. Revenue from television licensing is recognized when the film or program is complete in accordance with the terms of the arrangement, the license period has begun and is available for telecast or exploitation.

Cost of Sales

Cost of sales primarily includes actual product cost, provision for obsolete inventory, buying allowances received from suppliers, shipping and handling costs and warehouse costs.

Advertising Costs

Advertising costs generally are expensed as incurred. Advertising expense aggregated $169 million, $112 million and $45 million for the years ended December 31, 2007, 2006 and 2005, respectively. Co-operative marketing costs are recognized as advertising expense to the extent an identifiable benefit is received and fair value of the benefit can be reasonably measured. Otherwise, such costs are recorded as a reduction of revenue.

Stock-Based Compensation

FASB Statement 123R

As more fully described in note 15, the Company has granted to its directors, employees and employees of its subsidiaries options, stock appreciation rights ("SARs") and options with tandem SARs to purchase shares of Liberty common stock (collectively, "Awards"). In addition, QVC had granted combination stock options/SARs ("QVC Awards") to certain of its employees. In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123 (revised 2004), "*Share-Based Payment*" ("Statement 123R"). Statement 123R, which is a revision of Statement of Financial Accounting Standards No. 123, "*Accounting for Stock-Based Compensation*" ("Statement 123") and supersedes Accounting Principles Board Opinion No. 25, "*Accounting for Stock Issued to Employees*" ("APB Opinion No. 25"), establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services, primarily focusing on transactions in which an entity obtains employee services. Statement 123R generally requires companies to measure the cost of employee services received in exchange for an award of equity instruments (such as stock options and restricted stock) based on the grant-date fair value of the award, and to recognize that cost over the period during which the employee is required to provide service (usually the vesting period of the award). Statement 123R also requires companies to measure the cost of employee services received in exchange for an award of liability instruments (such as stock appreciation rights that will be settled in cash) based on the current fair value of the award, and to remeasure the fair value of the award at each reporting date.

The Company adopted Statement 123R effective January 1, 2006. In connection with such adoption, the Company recorded an $89 million transition adjustment loss, which is net of related income taxes of $31 million. Under Statement 123R, the QVC Awards were required to be bifurcated into a liability award and an equity award. Previously, under APB Opinion No. 25, no liability was recorded. The transition adjustment primarily represents the fair value of the liability portion of the

QVC Awards at January 1, 2006. The transition adjustment is reflected in the accompanying consolidated statement of operations as the cumulative effect of accounting change.

Included in selling, general and administrative expenses in the accompanying consolidated statements of operations are the following amounts of stock-based compensation (amounts in millions):

Years ended:		
December 31, 2007	$	93
December 31, 2006	$	67
December 31, 2005	$	52

As of December 31, 2007, the total unrecognized compensation cost related to unvested Liberty equity awards was approximately $81 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2 years.

Pro Forma Disclosure

Prior to adoption of Statement 123R, the Company accounted for compensation expense related to its Awards pursuant to the recognition and measurement provisions of APB Opinion No. 25. All of the Company's Awards were accounted for as variable plan awards, and compensation was recognized based upon the percentage of the options that were vested and the intrinsic value of the options at the balance sheet date. The Company accounted for QVC Awards using fixed-plan accounting. The following table illustrates the effect on earnings from continuing operations and earnings per share for the year ended December 31, 2005 as if the Company had applied the fair value recognition provisions of Statement 123 to its options. Compensation expense for SARs and options with tandem SARs was the same under APB Opinion No. 25 and Statement 123.

Accordingly, no pro forma adjustment for such Awards is included in the following table (amounts in millions, except per share amounts).

	Year ended December 31, 2005	
Loss from continuing operations	$	(43)
Add stock compensation as determined under the intrinsic value method, net of taxes		2
Deduct stock compensation as determined under the fair value method, net of taxes		(42)
Pro forma loss from continuing operations	$	(83)
Basic and diluted loss from continuing operations per share:		
As reported	$	(.02)
Pro forma	$	(.03)

Impact of Spin Off Transactions

In connection with the spin off of Liberty subsidiaries Liberty Media International ("LMI") and Discovery Holding Company ("DHC") in 2004 and 2005, respectively, certain employees of Liberty received LMI and DHC options. Liberty records compensation expense related to these awards based on the grant date fair value over the remaining vesting period.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value amounts and income tax bases of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards. The deferred tax assets and liabilities are calculated using enacted tax rates in effect for each taxing jurisdiction in which the company operates for the year in which those temporary differences are expected to be recovered or settled. Net deferred tax assets are then reduced by a valuation allowance if the Company believes it more-likely-than-not such net deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of an enacted change in tax rates is recognized in income in the period that includes the enactment date.

Effective January 1, 2007, Liberty adopted FASB Interpretation No. 48, *"Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109"* ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In instances where the Company has taken or expects to take a tax position in its tax return and the Company believes it is more likely than not that such tax position will be upheld by the relevant taxing authority, the Company may record a benefit for such tax position in its consolidated financial statements.

The impact—increase/(decrease)—on Liberty's balance sheet of the January 1, 2007 adoption of FIN 48 is as follows (amounts in millions):

Tax liabilities (including interest and penalties)	$	(634)
Goodwill	$	(31)
Deferred tax liabilities	$	36
Accumulated deficit	$	(574)
Other assets	$	7

When the tax law requires interest to be paid on an underpayment of income taxes, the Company recognizes interest expense from the first period the interest would begin accruing according to the relevant tax law. Such interest expense is included in interest expense in the accompanying consolidated statements of operations. Any accrual of penalties related to underpayment of income taxes on uncertain tax positions is included in other income (expense) in the accompanying consolidated statements of operations.

Earnings (Loss) Per Common Share

Basic earnings (loss) per common share ("EPS") is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding for the period. Diluted EPS presents the dilutive effect on a per share basis of potential common shares as if they had been converted at the beginning of the periods presented.

Liberty Series A and Series B Common Stock

The basic EPS calculation is based on 2,803 million weighted average outstanding shares of Liberty common stock for the period from January 1, 2006 to May 9, 2006, and 2,795 million weighted average shares outstanding for the year ended December 31, 2005. The diluted EPS calculation for the period from January 1, 2006 to May 9, 2006 includes 5 million dilutive securities. However, due to the relative

insignificance of these dilutive securities, their inclusion does not impact the EPS amount as reported in the accompanying consolidated statement of operations.

The cumulative effect of accounting change per common share for the period from January 1, 2006 to May 9, 2006 was a loss of $0.03.

Earnings (loss) from discontinued operations per common share was less than $.01 for 2006 and 2005.

Series A and Series B Liberty Capital Common Stock

Liberty Capital basic EPS for the year ended December 31, 2007 and for the period from the Restructuring to December 31, 2006 was computed by dividing the net earnings attributable to the Capital Group by the weighted average outstanding shares of Liberty Capital common stock for the period (132 million and 140 million, respectively). Fully diluted EPS for the year ended December 31, 2007 includes 1 million common stock equivalents. Due to the relative insignificance of the dilutive securities for the period from the Restructuring to December 31, 2006, their inclusion does not impact the EPS amount. Excluded from diluted EPS for the year ended December 31, 2007 are less than 1 million potential common shares because their inclusion would be anti-dilutive.

Earnings from discontinued operations per common share for the year ended December 31, 2007 and for the period from the Restructuring to December 31, 2006 is $1.13 and $1.62, respectively.

Series A and Series B Liberty Interactive Common Stock

Liberty Interactive basic EPS for the year ended December 31, 2007 and for the period from the Restructuring to December 31, 2006 was computed by dividing the net earnings attributable to the Interactive Group by the weighted average outstanding shares of Liberty Interactive common stock for the period (634 million and 670 million, respectively). Fully diluted EPS for the year ended December 31, 2007 includes 2 million common stock equivalents. Due to the relative insignificance of the dilutive securities for the period from the Restructuring to December 31, 2006, their inclusion does not impact the EPS amount. Excluded from diluted EPS for the year ended December 31, 2007 are approximately 28 million potential common shares because their inclusion would be anti-dilutive.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Liberty considers (i) the estimate of the fair value of its long-lived assets (including goodwill) and any resulting impairment charges, (ii) its accounting for income taxes, (iii) its assessment of other than temporary declines in value of its investments and (iv) its estimates of retail related adjustments and allowances to be its most significant estimates.

Liberty holds investments that are accounted for using the equity method. Liberty does not control the decision making process or business management practices of these affiliates. Accordingly, Liberty relies on management of these affiliates to provide it with accurate financial information prepared in accordance with GAAP that Liberty uses in the application of the equity method. In addition, Liberty relies on audit reports that are provided by the affiliates' independent auditors on the financial statements of such affiliates. The Company is not aware, however, of any errors in or possible

misstatements of the financial information provided by its equity affiliates that would have a material effect on Liberty's consolidated financial statements.

Recent Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *"Fair Value Measurements"* ("Statement 157"), which defines fair value, establishes a framework for measuring fair value under GAAP and expands disclosures about fair value measurements. Statement 157 applies to other accounting pronouncements that require or permit fair value measurements. The new guidance is effective for financial statements issued for fiscal years beginning after November 15, 2007, and for interim periods within those fiscal years. Liberty does not expect that its adoption of Statement 157 will have a significant impact on the reported amounts of the assets and liabilities that it reports at fair value in its consolidated balance sheet.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115"* ("Statement 159"). Statement 159 permits entities to choose to measure many financial instruments, such as AFS securities, and certain other items at fair value and to recognize the changes in fair value of such instruments in the entity's statement of operations. Currently under Statement of Financial Accounting Standards No. 115, entities are required to recognize changes in fair value of AFS securities in the balance sheet in accumulated other comprehensive earnings. Statement 159 is effective as of the beginning of an entity's fiscal year that begins after November 15, 2007. Effective January 1, 2008, Liberty plans to apply the provisions of Statement 159 to certain of its AFS securities which it considers non-strategic. As a result, changes in the fair value of the subject securities will be reported in unrealized gains/losses in its consolidated statement of operations, rather than a component of accumulated other comprehensive earnings in its consolidated balance sheet. The fair value of such securities was $4,839 million at December 31, 2007, and the amount of unrealized gains included in other comprehensive earnings that will be included in Liberty's cumulative effect of accounting change and reclassified to retained earnings upon adoption of Statement 159 is $1,039 million.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), *"Business Combinations"* ("Statement 141R"). Statement 141R replaces Statement of Financial Accounting Standards No. 141, *"Business Combinations"* ("Statement 141"), although it retains the fundamental requirement in Statement 141 that the acquisition method of accounting be used for all business combinations. Statement 141R establishes principles and requirements for how the acquirer in a business combination (a) recognizes and measures the assets acquired, liabilities assumed and any noncontrolling interest in the acquiree, (b) recognizes and measures the goodwill acquired in a business combination or a gain from a bargain purchase and (c) determines what information to disclose regarding the business combination. Statement 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first fiscal year after December 15, 2008.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *"Noncontrolling Interests in Consolidated Financial Statements"* ("Statement 160"). Statement 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary, commonly referred to as minority interest. Among other matters, Statement 160 requires (a) the noncontrolling interest be reported within equity in the balance sheet and (b) the amount of consolidated net income attributable to the parent and to the noncontrolling interest to be clearly presented in the statement of income. Statement 160 is effective for fiscal years beginning after December 15, 2008. Statement 160 is to be applied prospectively, except for the presentation and disclosure requirements, which shall be

applied retrospectively for all periods presented. Liberty expects that its adoption of Statement 160 in 2009 will impact the accounting for the purchase and sale and the presentation of the noncontrolling interests in its subsidiaries.

(5) Supplemental Disclosures to Consolidated Statements of Cash Flows

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Cash paid for acquisitions:			
Fair value of assets acquired	$ 365	1,494	1
Net liabilities assumed	(41)	(227)	—
Deferred tax liabilities	(4)	(48)	—
Minority interest	35	259	95
Exchange of cost investment	—	(235)	—
Common stock issued	(7)	(36)	—
Cash paid for acquisitions, net of cash acquired	$ 348	1,207	96
Available-for-sale securities exchanged for consolidated subsidiaries and cash	$ 1,718	—	—
Cash paid for interest	$ 607	510	477
Cash paid for income taxes	$ 195	152	161

(6) Discontinued Operations

Sale of OpenTV Corp.

On January 16, 2007, Liberty completed the sale of its controlling interest in OpenTV Corp. ("OPTV") to an unaffiliated third party for cash consideration of $132 million, $20 million of which was deposited in an escrow account to fund potential indemnification claims by the third party made prior to the first anniversary of the closing. Pursuant to an agreement between Liberty and OPTV, $5.4 million of the amount received by Liberty at closing was remitted to OPTV, and OPTV received 71.4% of the escrow account in the first quarter of 2008. Liberty recognized a pre-tax gain of $65 million upon consummation of the sale. Such gain is included in earnings from discontinued operations in the accompanying consolidated statement of operations. OPTV was attributed to the Capital Group.

Sale of Ascent Entertainment Group, Inc.

On April 4, 2007, Liberty consummated a transaction with an unaffiliated third party pursuant to which Liberty sold its 100% ownership interest in Ascent Entertainment Group, Inc. ("AEG") for $332 million in cash and 2.05 million shares of common stock of the buyer valued at approximately $50 million. Liberty recognized a pre-tax gain of $163 million upon consummation of the sale. Such gain is included in earnings from discontinued operations. AEG's primary operating subsidiary is On Command Corporation. AEG was attributed to the Capital Group.

Spin Off of Discovery Holding Company

On July 21, 2005 (the "DHC Spin Off Date"), Liberty completed the spin off (the "DHC Spin Off") of DHC to its shareholders. The DHC Spin Off was effected as a dividend by Liberty to holders of its Series A and Series B common stock of shares of DHC Series A and Series B common stock, respectively. The DHC Spin Off did not involve the payment of any consideration by the holders of Liberty common stock and is intended to qualify as a tax-free transaction. At the time of the DHC Spin Off, DHC's assets were comprised of Liberty's 100% ownership interest in Ascent Media Group, LLC, Liberty's 50% ownership interest in Discovery Communications, Inc. and $200 million in cash.

Following the DHC Spin Off, DHC and Liberty operate independently, and neither has any stock ownership, beneficial or otherwise, in the other. In connection with the DHC Spin Off, DHC and Liberty entered into certain agreements in order to govern certain of the ongoing relationships between Liberty and DHC after the DHC Spin Off and to provide for an orderly transition. These agreements include a Reorganization Agreement, a Facilities and Services Agreement and a Tax Sharing Agreement.

The DHC Reorganization Agreement provides for, among other things, the principal corporate transactions required to effect the DHC Spin Off and cross indemnities. Pursuant to the DHC Facilities and Services Agreement, Liberty provides DHC with office space and certain general and administrative services including legal, tax, accounting, treasury and investor relations support. DHC reimburses Liberty for direct, out-of-pocket expenses incurred by Liberty in providing these services and for DHC's allocable portion of facilities costs and costs associated with any shared services or personnel.

Under the DHC Tax Sharing Agreement, Liberty generally is responsible for U.S. federal, state and local and foreign income taxes owing with respect to consolidated returns which include both Liberty and DHC. DHC is responsible for all other taxes with respect to returns which include DHC, but do not include Liberty whether accruing before, on or after the DHC Spin Off. The DHC Tax Sharing Agreement requires that DHC will not take, or fail to take, any action where such action, or failure to act, would be inconsistent with or prohibit the DHC Spin Off from qualifying as a tax-free transaction. Moreover, DHC has indemnified Liberty for any loss resulting from such action or failure to act, if such action or failure to act precludes the DHC Spin Off from qualifying as a tax-free transaction.

The consolidated financial statements and accompanying notes of Liberty have been prepared reflecting OPTV, AEG and DHC as discontinued operations. Accordingly, the assets and liabilities, revenue, costs and expenses, and cash flows of these subsidiaries have been excluded from the respective captions in the accompanying consolidated balance sheets, statements of operations, statements of comprehensive earnings (loss) and statements of cash flows and have been reported separately in such consolidated financial statements.

Certain combined statement of operations information for OPTV, AEG and DHC, which is included in earnings (loss) from discontinued operations, is as follows:

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Revenue	$ 59	335	704
Earnings (loss) before income taxes and minority interests	$ 160	(30)	(1)

(7) Investments in Available-for-Sale Securities and Other Cost Investments

Investments in AFS securities, which are recorded at their respective fair market values, and other cost investments are summarized as follows:

	December 31,	
	2007	2006
	amounts in millions	
Capital Group		
News Corporation	$ 10,647	11,158
Time Warner Inc. ("Time Warner")(1)	1,695	3,728
Sprint Nextel Corporation ("Sprint")(2)	1,150	1,651
Motorola, Inc. ("Motorola")(3)	1,187	1,522
Other AFS equity securities(4)	655	830
Other AFS debt securities	156	135
Other cost investments and related receivables	35	34
Total attributed Capital Group	15,525	19,058
Interactive Group		
IAC/InterActiveCorp ("IAC")	1,863	2,572
Other AFS securities	181	—
Total attributed Interactive Group	2,044	2,572
Consolidated Liberty	17,569	21,630
Less short-term investments	—	(8)
	$ 17,569	21,622

(1) Includes $150 million and $198 million of shares pledged as collateral for share borrowing arrangements at December 31, 2007 and 2006, respectively.

(2) Includes $118 million and $170 million of shares pledged as collateral for share borrowing arrangements at December 31, 2007 and 2006, respectively.

(3) Includes $833 million and $1,068 million of shares pledged as collateral for share borrowing arrangements at December 31, 2007 and 2006, respectively.

(4) Includes $82 million and $46 million of shares pledged as collateral for share borrowing arrangements at December 31, 2007 and 2006, respectively.

Time Warner

On May 17, 2007, Liberty completed a transaction (the "Time Warner Exchange") with Time Warner in which Liberty exchanged approximately 68.5 million shares of Time Warner common stock valued at $1,479 million for a subsidiary of Time Warner which holds ANLBC, Leisure Arts and $984 million in cash. Liberty recognized a pre-tax gain of $582 million based on the difference between the fair value and the weighted average cost basis of the Time Warner shares exchanged.

CBS Corporation

On April 16, 2007, Liberty completed a transaction (the "CBS Exchange") with CBS Corporation pursuant to which Liberty exchanged all of its 7.6 million shares of CBS Class B common stock valued at $239 million for a subsidiary of CBS that holds WFRV TV Station and approximately $170 million in cash. Liberty recognized a pre-tax gain of $31 million based on the difference between the fair value and the weighted average cost basis of the CBS shares exchanged.

On a pro forma basis, the results of operations of ANLBC, Leisure Arts and WFRV TV Station are not significant to those of Liberty for the years ended December 31, 2007 and 2006.

News Corporation

Subsequent to December 31, 2007, Liberty completed the News Corporation Exchange pursuant to which it exchanged its approximate 16% ownership interest in News Corporation valued at approximately $10.1 billion on the closing date for a subsidiary of News Corporation, which owns News Corporation's approximate 41% interest in The DIRECTV Group, Inc., three regional sports television networks and approximately $465 million in cash.

IAC/InterActiveCorp

Effective August 9, 2005, IAC completed the spin-off of its subsidiary, Expedia, Inc. ("Expedia"). Each share of IAC common stock and IAC Class B common stock owned at the time of the spin-off, including those owned by Liberty, was recapitalized as 1/2 of a share of the same class of IAC common stock and 1/2 of a share of the corresponding class of Expedia common stock. Immediately subsequent to the spin-off of Expedia, Liberty owned approximately 20% of the outstanding Expedia common stock representing an approximate 52% voting interest. However, under governance arrangements between Liberty and Mr. Barry Diller, the Chairman of Expedia, entered into in connection with the Expedia spin-off Mr. Diller voted Liberty's shares of Expedia, subject to certain limitations. As Liberty has the right to and has appointed 20% of the members of Expedia's board of directors, which is currently comprised of 10 members, Liberty accounts for this investment using the equity method of accounting. Liberty allocated its pre-spin off carrying value in IAC between IAC and Expedia based on the relative trading prices of IAC and Expedia. Unrealized holding gains included in the carrying value allocated to Expedia were reversed as part of this allocation.

At December 31, 2007, Liberty owned approximately 25% of IAC common stock representing an approximate 59% voting interest. However, under governance arrangements existing at December 31, 2007, Mr. Barry Diller, the Chairman of IAC, voted Liberty's shares, subject to certain limitations. Due to this and the fact that Liberty had rights to appoint only two of the twelve members of the IAC board of directors, Liberty's ability to exert significant influence over IAC was limited. Accordingly, Liberty accounted for this investment as an AFS security.

Subsequent to December 31, 2007, Liberty increased its ownership interest in IAC to an approximate 30% equity interest and a 62% voting interest. On January 22, 2008, IAC and Mr. Diller filed a complaint styled *IAC/InteractiveCorp, et al. v. Liberty Media Corporation*, C.A. No. 3486 in the Delaware Chancery Court seeking a declaratory judgment that, among other things, a proposed spin off transaction by IAC and Mr. Diller's actions in respect thereof do not breach the foregoing governance arrangements. On January 24, 2008, we filed a complaint styled *Liberty Media Corporation, et al. v. Diller, et al*, C.A. No. 3491 in the Delaware Chancery Court against IAC, Mr. Diller and certain other members of IAC's board of directors seeking a judgment that, among other things, the proposed spin off transaction constitutes a violation of IAC's charter and breaches the foregoing governance arrangements. As a result of Mr. Diller's breach of these governance arrangements, his right to vote Liberty's shares has terminated, and the record holders of a majority of the voting power in IAC have, among other things, (a) acted by written consent to remove Mr. Diller and certain other members of the IAC board and appoint three of Liberty's officers to serve on the board of IAC, along with Liberty's two existing designees and (b) filed a complaint styled *LMC Silver King, Inc., et al. v. IAC/InterActiveCorp, et al.*, C.A. No. 3501 in the Chancery Court seeking, among other things, a declaratory judgment that this written consent by those record holders was duly and validly executed and was effective upon delivery to IAC. The three actions referenced in this section have been consolidated by the court into an action styled *In re IAC/InterActiveCorp C.A. No. 3486-VCL*. Pursuant to a status-quo order entered by the Delaware Chancery Court, IAC is required to give Liberty advance notice of numerous actions and potential transactions, and the persons serving as directors of IAC prior to the delivery of the IAC majority stockholders' written consent will remain in office pending the outcome of the litigation. Liberty will continue to account for its investment in IAC as an AFS security pending the resolution of this litigation.

Other Than Temporary Declines in Fair Value of Investments

During the years ended December 31, 2007, 2006 and 2005, Liberty determined that certain of its AFS securities and cost investments experienced other than temporary declines in value. The primary factors considered by Liberty in determining the timing of the recognition for the majority of these impairments was the length of time the investments traded below Liberty's cost bases and the lack of near-term prospects for recovery in the stock prices. As a result, the carrying amounts of such investments were adjusted to their respective fair values based primarily on quoted market prices at the balance sheet date. These adjustments are reflected as other than temporary declines in fair value of investments in the consolidated statements of operations.

Unrealized Holdings Gains and Losses

Unrealized holding gains and losses related to investments in AFS securities are summarized below.

	December 31, 2007		December 31, 2006	
	Equity securities	Debt securities	Equity securities	Debt securities
	amounts in millions			
Gross unrealized holding gains	$ 6,249	—	9,335	—
Gross unrealized holding losses	$ —	(12)	(1)	—

The aggregate fair value of securities with unrealized holding losses at December 31, 2007 was $131 million. None of these securities had unrealized losses for more than 12 continuous months.

(8) Investment in Special Purpose Entity

In April 2007, Liberty and a third party financial institution (the "Financial Institution") jointly created a series of special purpose entities (the "Investment Fund"). Pursuant to the terms of the Investment Fund, a Liberty subsidiary borrowed $750 million from the Financial Institution with the intent to invest such proceeds in a portfolio of selected debt and mezzanine-level instruments of companies in the telecommunications, media and technology sectors (the "Debt Securities"). One of the special purpose entities in the Investment Fund ("MFC") is a variable interest entity of which the Financial Institution has been deemed the primary beneficiary and thus its parent for consolidation purposes. Liberty contributed the borrowed funds to MFC in exchange for a mandatorily redeemable preferred stock interest. MFC subsequently invested the proceeds as an equity investment in another special purpose entity ("LCAP Investments LLC") which will make and hold the investments in the Debt Securities. A Liberty subsidiary separately made a nominal investment in LCAP Investments LLC which allows it to serve as its Managing Member. LCAP Investments LLC is considered a variable interest entity of which Liberty is deemed the primary beneficiary as a result of various special profit and loss allocations set forth in the governing agreements. As a result, LCAP Investments LLC is treated as a consolidated subsidiary of Liberty. Liberty is required to post cash collateral for the benefit of the Financial Institution of up to 20% of the cost of the Debt Securities.

The various accounting treatment determinations noted above for MFC and LCAP Investments LLC, as prescribed by FIN 46,*"Consolidation of Variable Interest Entities,"* and Statement of Financial Accounting Standards No. 150, *"Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity,"* and related interpretations, have resulted in Liberty recording a balance sheet gross-up of the elements in the Investment Fund. The cash balances and Debt Securities held by LCAP Investments LLC are consolidated with Liberty and included in restricted cash and available-for-sale securities, respectively. The $750 million of bank financing held by the Liberty subsidiary is included in Liberty's consolidated debt balance. In addition, the preferred stock interest in MFC is presented separately as a long-term asset, and the equity interest held by MFC in LCAP Investments LLC is reflected as minority interest in Liberty's condensed consolidated balance sheet. The structural form of the Investment Fund does not meet the GAAP requirements necessary to offset, net or otherwise eliminate the gross-up of balance sheet accounts.

The amount of restricted cash in the Investment Fund at December 31, 2007 is $692 million and is reflected in other long-term assets in Liberty's consolidated balance sheet.

Subsequent to December 31, 2007 and as a result of the occurrence of certain triggering events contained in the terms of the Investment Fund, a portion of the Investment Fund structure was unwound, and MFC was liquidated. Accordingly, Liberty's preferred stock investment in MFC and the minority interest in LCAP Investments LLC were eliminated in equal amounts in the first quarter of 2008.

(9) Financial Instruments

Equity Collars and Put Options

The Company has entered into equity collars, written put and call options and other financial instruments to manage market risk associated with its investments in certain marketable securities. These instruments are recorded at fair value based on option pricing models. Equity collars provide the Company with a put option that gives the Company the right to require the counterparty to purchase a specified number of shares of the underlying security at a specified price at a specified date in the future. Equity collars also provide the counterparty with a call option that gives the counterparty the

right to purchase the same securities at a specified price at a specified date in the future. The put option and the call option generally have equal fair values at the time of origination resulting in no cash receipts or payments.

Borrowed Shares

From time to time and in connection with certain of its derivative instruments, Liberty borrows shares of the underlying securities from a counterparty and delivers these borrowed shares in settlement of maturing derivative positions. In these transactions, a similar number of shares that are owned by Liberty have been posted as collateral with the counterparty. These share borrowing arrangements can be terminated at any time at Liberty's option by delivering shares to the counterparty. The counterparty can terminate these arrangements at any time. The liability under these share borrowing arrangements is marked to market each reporting period with changes in value recorded in unrealized gains or losses in the consolidated statement of operations. The recorded amount of this liability as of December 31, 2007 and 2006 was $1,183 million and $1,482 million, respectively, and is included in other current liabilities in the accompanying consolidated balance sheets. The shares posted as collateral under these arrangements continue to be treated as AFS securities and are marked to market each reporting period with changes in value recorded as unrealized gains or losses in other comprehensive earnings.

Exchangeable Debenture Call Option Obligations

Liberty has issued senior exchangeable debentures which are exchangeable for the value of a specified number of shares of Sprint and Embarq Corporation common stock, Motorola common stock, Viacom Class B and CBS Corporation Class B common stock or Time Warner common stock, as applicable. (See note 11 for a more complete description of the exchangeable debentures and the related accounting treatment.)

Realized and Unrealized Gains (Losses) on Financial Instruments

Realized and unrealized gains (losses) on financial instruments are comprised of changes in the fair value of the following:

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Senior exchangeable debentures	$ 541	—	—
Equity collars	527	(59)	311
Borrowed shares	298	(32)	(205)
Exchangeable debenture call option obligations	—	(353)	172
Other derivatives	(97)	165	(21)
	$ 1,269	(279)	257

(10) Investments in Affiliates Accounted for Using the Equity Method

Liberty's most significant equity method investment is Expedia in which it has an approximate 24% economic interest as of December 31, 2007 and which had a carrying value of $1,301 million and $1,254 million as of December 31, 2007 and 2006, respectively. The fair value of the Company's

investment in Expedia was $2,189 million and $1,452 million at December 31, 2007 and 2006, respectively. Summarized unaudited financial information for Expedia is as follows:

Expedia Consolidated Balance Sheets

	December 31,	
	2007	2006
	amounts in millions	
Current assets	$ 1,046	1,178
Property and equipment	179	137
Goodwill	6,006	5,861
Intangible assets	971	1,029
Other assets	93	59
Total assets	$ 8,295	8,264
Current liabilities	$ 1,774	1,402
Deferred income taxes	351	362
Long-term debt	1,085	500
Other liabilities	205	34
Minority interest	62	62
Stockholders' equity	4,818	5,904
Total liabilities and equity	$ 8,295	8,264

Expedia Consolidated Statements of Operations

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Revenue	$ 2,665	2,238	2,119
Cost of revenue	(562)	(503)	(480)
Gross profit	2,103	1,735	1,639
Selling, general and administrative expenses	(1,496)	(1,273)	(1,116)
Amortization	(78)	(111)	(126)
Operating income	529	351	397
Interest expense	(53)	(17)	(2)
Interest income	39	32	51
Other income (expense)	(16)	18	(31)
Income tax expense	(203)	(139)	(186)
Net earnings	$ 296	245	229

(11) Long-Term Debt

Debt is summarized as follows:

	Outstanding principal December 31, 2007	Carrying value December 31, 2007	Carrying value December 31, 2006
	amounts in millions		
Capital Group			
Senior exchangeable debentures			
0.75% Senior Exchangeable Debentures due 2023	$ 1,750	1,820	1,637
4% Senior Exchangeable Debentures due 2029	869	556	254
3.75% Senior Exchangeable Debentures due 2030	810	463	234
3.5% Senior Exchangeable Debentures due 2031	501	432	238
3.25% Senior Exchangeable Debentures due 2031	551	419	119
Liberty bank facility	750	750	—
Subsidiary debt	98	98	158
Total attributed Capital Group debt	5,329	4,538	2,640
Interactive Group			
Senior notes and debentures			
7.875% Senior Notes due 2009	670	668	667
7.75% Senior Notes due 2009	233	234	234
5.7% Senior Notes due 2013	803	801	800
8.5% Senior Debentures due 2029	500	495	495
8.25% Senior Debentures due 2030	902	895	895
QVC bank credit facilities	4,023	4,023	3,225
Other subsidiary debt	61	61	67
Total attributed Interactive Group debt	7,192	7,177	6,383
Total consolidated Liberty debt	$ 12,521	11,715	9,023
Less current maturities		(191)	(114)
Total long-term debt		$ 11,524	8,909

Senior Notes and Debentures

Interest on the Senior Notes and Senior Debentures is payable semi-annually based on the date of issuance.

The Senior Notes and Senior Debentures are stated net of an aggregate unamortized discount of $15 million and $17 million at December 31, 2007 and 2006, respectively. Such discount is being amortized to interest expense in the accompanying consolidated statements of operations.

Senior Exchangeable Debentures

Each $1,000 debenture of Liberty's 0.75% Senior Exchangeable Debentures is exchangeable at the holder's option for the value of 57.4079 shares of Time Warner common stock. Liberty may, at its election, pay the exchange value in cash, Time Warner common stock, shares of Liberty common stock

or a combination thereof. On or after April 5, 2008, Liberty, at its option, may redeem the debentures, in whole or in part, for shares of Time Warner common stock, cash or any combination thereof equal to the face amount of the debentures plus accrued interest. On March 30, 2008, March 30, 2013 or March 30, 2018, each holder may cause Liberty to purchase its exchangeable debentures, and Liberty, at its election, may pay the purchase price in shares of Time Warner common stock, cash, Liberty common stock, or any combination thereof.

The holders of Liberty's 0.75% Senior Exchangeable Debentures due 2023, which have an aggregate principal amount of approximately $1.75 billion, have the right to put such debentures to Liberty at 100% of par during the period from February 25, 2008 to March 24, 2008 for payment on March 31, 2008. Subsequent to December 31, 2007, Liberty notified its bondholders that it will pay cash for any debentures that are validly tendered pursuant to the put right. Liberty intends to fund the cash purchase price with committed funds obtained from financing involving certain of its equity derivatives.

Each $1,000 debenture of Liberty's 4% Senior Exchangeable Debentures is exchangeable at the holder's option for the value of 11.4743 shares of Sprint common stock and .5737 shares of Embarq Corporation ("Embarq"), which Sprint spun off to its shareholders in May 2006. Liberty may, at its election, pay the exchange value in cash, Sprint and Embarq common stock or a combination thereof. Liberty, at its option, may redeem the debentures, in whole or in part, for cash generally equal to the face amount of the debentures plus accrued interest.

Each $1,000 debenture of Liberty's 3.75% Senior Exchangeable Debentures is exchangeable at the holder's option for the value of 8.3882 shares of Sprint common stock and .4194 shares of Embarq common stock. Liberty may, at its election, pay the exchange value in cash, Sprint and Embarq common stock or a combination thereof. Liberty, at its option, may redeem the debentures, in whole or in part, for cash equal to the face amount of the debentures plus accrued interest.

Each $1,000 debenture of Liberty's 3.5% Senior Exchangeable Debentures (the "Motorola Exchangeables") is exchangeable at the holder's option for the value of 36.8189 shares of Motorola common stock and, prior to the cash distribution described below, 4.0654 shares of Freescale Semiconductor, Inc. ("Freescale"), which Motorola spun off to its shareholders in December 2004. Such exchange value is payable, at Liberty's option, in cash, Motorola stock or a combination thereof. Liberty, at its option, may redeem the debentures, in whole or in part, for cash generally equal to the adjusted principal amount of the debentures plus accrued interest. As a result of the cash distribution described below, the adjusted principal amount of each $1,000 debenture is $837.38. Effective December 1, 2006, a consortium of private equity firms purchased all of the common stock of Freescale, including the Freescale common stock owned by Liberty. Pursuant to the terms of the indenture covering the Motorola Exchangeables, Liberty announced that it would make a cash distribution of $162.62 per $1,000 bond to holders of such bonds. Such distribution was made in January 2007, and Liberty reduced its outstanding debt by $97.6 million.

Each $1,000 debenture of Liberty's 3.25% Senior Exchangeable Debentures is exchangeable at the holder's option for the value of 9.2833 shares of Viacom Class B common stock and 9.2833 shares of CBS Corporation ("CBS") Class B common stock, which Viacom spun off to its shareholders in December 2005. Such exchange value is payable at Liberty's option in cash, Viacom and CBS stock or a combination thereof. Liberty, at its option, may redeem the debentures, in whole or in part, for cash equal to the face amount of the debentures plus accrued interest.

Interest on the Company's exchangeable debentures is payable semi-annually based on the date of issuance. At maturity, all of the Company's exchangeable debentures are payable in cash.

Liberty Bank Facility

Represents borrowings related to the Investment Fund described in note 8 above. Borrowings accrue interest at a rate of LIBOR plus an applicable margin (5.43% at December 31, 2007).

QVC Bank Credit Facilities

QVC is party to an unsecured $3.5 billion bank credit facility dated March 3, 2006 (the "March 2006 Credit Agreement"). The March 2006 Credit Agreement is comprised of two $800 million U.S. dollar term loans, a $600 million multi-currency term loan that was drawn in U.S. dollars, a $650 million U.S. dollar revolving loan and a $650 million multi-currency revolving loan. The foregoing multi-currency loans can be made, at QVC's option, in U.S. dollars, Japanese yen, U.K. pound sterling or euros. All loans are due and payable on March 3, 2011.

QVC is party to a second credit agreement dated October 4, 2006, as amended on March 20, 2007 (the "October 2006 Credit Agreement"), which provides for an additional unsecured $1.75 billion credit facility, consisting of an $800 million initial term loan and $950 million of delayed draw term loans, all of which has been drawn. The loans are scheduled to mature on October 4, 2011.

All loans under the March 2006 Credit Agreement and the October 2006 Credit Agreement bear interest at a rate equal to (i) LIBOR for the interest period selected by QVC plus a margin that varies based on QVC's leverage ratio or (ii) the higher of the Federal Funds Rate plus 0.50% or the prime rate announced by the respective Administrative Agent from time to time. The weighted average interest rate for all borrowings under QVC's Credit Agreements at December 31, 2007 was 5.65%. QVC is required to pay a commitment fee quarterly in arrears on the unused portion of the commitments. Such fees were not significant in 2007 or 2006.

The March 2006 Credit Agreement and the October 2006 Credit Agreement contain restrictive covenants, which require among other things, the maintenance of certain financial ratios and include limitations on indebtedness, liens, encumbrances, dispositions, guarantees and dividends. QVC was in compliance with its debt covenants at December 31, 2007. QVC's ability to borrow the unused portion of its credit agreements is dependent on its continuing compliance with such covenants both before and after giving effect to such additional borrowing.

QVC Interest Rate Swap Arrangements

QVC is party to ten separate interest rate swap arrangements with an aggregate notional amount of $2,200 million to manage the cash flow risk associated with interest payments on its variable rate debt. The swap arrangements provide for QVC to make fixed payments at rates ranging from 4.9575% to 5.2928% and to receive variable payments at 3 month LIBOR. All of the swap arrangements expire in March 2011 contemporaneously with the maturity of the March 2006 Credit Agreement. QVC is also party to an interest rate swap arrangement with a notional amount of $500 million. This swap arrangement, which expires in September 2008, provides for QVC to make fixed payments at 4.76% and to receive variable payments at 3 month LIBOR through March 18, 2008. Thereafter, QVC is to make fixed payments at 4.71% and to receive variable payments at 1 month LIBOR. Liberty accounts for the swap arrangements as cash flow hedges with the effective portions of changes in the fair value reflected in other comprehensive earnings in the accompanying consolidated balance sheet.

Other Subsidiary Debt

Other subsidiary debt at December 31, 2007 is comprised of capitalized satellite transponder lease obligations and bank debt of certain subsidiaries.

Five Year Maturities

The U.S. dollar equivalent of the annual principal maturities of Liberty's debt for each of the next five years is as follows (amounts in millions):

2008	$	52
2009	$	923
2010	$	20
2011	$	4,048
2012	$	762

The foregoing principal maturities for 2008 do not include any amounts for Liberty's 0.75% Senior Exchangeable Debentures that may be put to the Company in March 2008.

Fair Value of Debt

Liberty estimates the fair value of its debt based on the quoted market prices for the same or similar issues or on the current rate offered to Liberty for debt of the same remaining maturities. The fair value of Liberty's publicly traded debt is as follows:

	December 31,		
	2007		2006
	amounts in millions		
Fixed rate senior notes	$	1,655	1,678
Senior debentures	$	1,323	1,422
Senior exchangeable debentures, including call option obligation	$	3,690	4,361

Liberty believes that the carrying amount of its subsidiary debt, which is primarily variable rate debt, approximated fair value at December 31, 2007.

(12) Income Taxes

Income tax benefit (expense) consists of:

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Current:			
Federal	$ (27)	(513)	(100)
State and local	(81)	(92)	(75)
Foreign	(93)	(112)	(88)
	(201)	(717)	(263)
Deferred:			
Federal	(152)	362	219
State and local	31	99	172
Foreign	1	4	(2)
	(120)	465	389
Income tax benefit (expense)	$ (321)	(252)	126

Income tax benefit (expense) differs from the amounts computed by applying the U.S. federal income tax rate of 35% as a result of the following:

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Computed expected tax benefit (expense)	$ (800)	(336)	59
Nontaxable exchange of investments for subsidiaries and cash	541	—	—
Change in estimated foreign and state tax rates	(4)	130	147
State and local income taxes, net of federal income taxes	(35)	(34)	7
Foreign taxes, net of foreign tax credits	(1)	(20)	(31)
Change in valuation allowance affecting tax expense	(9)	76	(40)
Impairment of goodwill not deductible for tax purposes	(11)	(39)	—
Disposition of nondeductible goodwill in sales transaction	—	(43)	—
Minority interest	(3)	(10)	(10)
Dividends received deduction	12	12	12
Disqualifying disposition of incentive stock options not deductible for book purposes	—	14	—
Other, net	(11)	(2)	(18)
Income tax benefit (expense)	$ (321)	(252)	126

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities are presented below:

	December 31,	
	2007	2006
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	$ 315	470
Accrued stock compensation	90	79
Other accrued liabilities	206	214
Deferred revenue	316	231
Other future deductible amounts	117	117
Deferred tax assets	1,044	1,111
Valuation allowance	(63)	(47)
Net deferred tax assets	981	1,064
Deferred tax liabilities:		
Investments	5,972	6,885
Intangible assets	2,284	2,362
Discount on exchangeable debentures	1,167	981
Other	109	369
Deferred tax liabilities	9,532	10,597
Net deferred tax liabilities	$ 8,551	9,533

The Company's deferred tax assets and liabilities are reported in the accompanying consolidated balance sheets as follows:

	December 31,	
	2007	2006
	amounts in millions	
Current deferred tax assets	$ —	(128)
Current deferred tax liabilities	93	—
Long-term deferred tax liabilities	8,458	9,661
Net deferred tax liabilities	$ 8,551	9,533

The Company's valuation allowance increased $16 million in 2007. Such increase is due to a $9 million increase that affected tax expense and a $7 million increase for acquisitions.

At December 31, 2007, Liberty had net operating and capital loss carryforwards for income tax purposes aggregating approximately $652 million which, if not utilized to reduce taxable income in future periods, will expire as follows: 2009: $329 million; 2011: $110 million; 2012: $92 million and beyond 2012: $121 million. Of the foregoing net operating and capital loss carryforward amount, approximately $263 million is subject to certain limitations and may not be currently utilized. The remaining $389 million is currently available to be utilized to offset future taxable income of Liberty's consolidated tax group.

Since the date Liberty issued its exchangeable debentures, it has claimed interest deductions on such exchangeable debentures for federal income tax purposes based on the "comparable yield" at which it could have issued a fixed-rate debenture with similar terms and conditions. In all instances, this policy has resulted in Liberty claiming interest deductions significantly in excess of the cash interest currently paid on its exchangeable debentures. In this regard, Liberty has deducted $2,847 million in cumulative interest expense associated with the exchangeable debentures since the Company's 2001 split off from AT&T Corp. ("AT&T"). Of that amount, $844 million represents cash interest payments. Interest deducted in prior years on its exchangeable debentures has contributed to net operating losses ("NOLs") or offset taxable income earned in prior taxable years and is offsetting taxable income earned in the current year.

In connection with the IRS' examination of Liberty's 2003 through 2007 tax returns, and consistent with the position espoused in the previously issued Technical Advice Memorandums to other taxpayers, the IRS notified Liberty during the third quarter of 2007 that it believed the interest expense on Liberty's exchangeable debentures was not deductible for the period following Liberty's split-off from AT&T. In February 2008, Liberty reached a settlement with the IRS, which stipulates that interest deductions claimed on a portion of the exchangeable debentures will be disallowed and instead will reduce Liberty's gain on the future redemption or other retirement of such debt. The cumulative amount of interest deductions disallowed through December 31, 2007 under the settlement is $546 million. As a result, a portion of Liberty's NOLs were eliminated and Liberty had net taxable income in 2006 and 2007. Consequently, Liberty expects to remit federal income tax payments in 2008 and beyond.

Because the settlement was reached after December 31, 2007, its effects will not be reflected for financial statement purposes until the first quarter of 2008. Liberty does not expect there will be a material impact on its total tax expense as the resulting increase in current tax expense will be largely offset by a decrease in deferred tax expense.

A reconciliation of unrecognized tax benefits is as follows (amounts in millions):

Balance at January 1, 2007	$	422
Additions based on tax positions related to the current year		45
Additions for tax positions of prior years		9
Reductions for tax positions of prior years		(7)
Settlements		(7)
Balance at December 31, 2007	$	462

As of December 31, 2007, the Company had recorded tax reserves of $462 million related to unrecognized tax benefits for uncertain tax positions. If such tax benefits were to be recognized for financial statement purposes, $447 million would be reflected in the Company's tax expense and affect its effective tax rate. Liberty's estimate of its unrecognized tax benefits related to uncertain tax positions requires a high degree of judgment.

As of December 31, 2007, the Company's 2001 and 2002 tax years are closed for federal income tax purposes, although tax loss carryforwards from those years are still subject to adjustment. The Company's tax years 2003 through 2006 are under IRS examination, and its 2007 tax year is being examined currently as part of the IRS's Compliance Assurance Process ("CAP") program. In conjunction with the CAP program, the Company expects the IRS to complete its examination of the 2003 through 2007 tax years by the end of 2008. In January 2008, the Company was notified by the

states of California and New York that they intend to audit the Company's 2003 through 2005 tax years. The Company is currently under audit in the UK, Japan, and Germany. It is reasonably possible that the amount of the Company's gross unrecognized tax benefits may decrease within the next twelve months by up to $55 million, due to the potential resolution of certain disputes with the taxing authorities and the expiration of various statutes of limitation.

During the year ended December 31, 2007, the Company recognized $6 million and $3 million of interest and penalties, respectively, related to uncertain tax positions. As of December 31, 2007, the Company had recorded $27 million of accrued interest and penalties related to uncertain tax positions.

(13) Stockholders' Equity

Preferred Stock

Liberty's preferred stock is issuable, from time to time, with such designations, preferences and relative participating, optional or other rights, qualifications, limitations or restrictions thereof, as shall be stated and expressed in a resolution or resolutions providing for the issue of such preferred stock adopted by Liberty's Board of Directors. As of December 31, 2007, no shares of preferred stock were issued.

Common Stock

Series A Liberty Capital common stock and Series A Liberty Interactive common stock each has one vote per share, and Series B Liberty Capital common stock and Series B Liberty Interactive common stock each has ten votes per share. Each share of the Series B common stock is exchangeable at the option of the holder for one share of Series A common stock of the same group. The Series A and Series B common stock of each Group participate on an equal basis with respect to dividends and distributions of that Group.

As of December 31, 2007, there were 2.8 million and 1.5 million shares of Series A and Series B Liberty Capital common stock, respectively, reserved for issuance under exercise privileges of outstanding stock options.

As of December 31, 2007, there were 24.8 million and 7.5 million shares of Series A and Series B Liberty Interactive common stock, respectively, reserved for issuance under exercise privileges of outstanding stock options.

In addition to the Series A and Series B Liberty Capital common stock and the Series A and Series B Liberty Interactive common stock, there are 300 million and 1,500 million shares of Series C Liberty Capital and Series C Liberty Interactive common stock, respectively, authorized for issuance. As of December 31, 2007, no shares of either Series C common stock were issued or outstanding.

Prior to the Restructuring, the Company retired the 10,000,000 shares of Liberty Series B common stock held in treasury and returned them to the status of authorized and available for issuance.

Purchases of Common Stock

During the year ended December 31, 2007, the Company repurchased 36.9 million shares of Series A Liberty Interactive common stock in the open market for aggregate cash consideration of $740 million.

In addition, Liberty completed a tender offer on June 12, 2007 pursuant to which it accepted for purchase 19,417,476 of Series A Liberty Interactive common stock at a price of $24.95 per share, or aggregate cash consideration of $484 million.

During the period from May 10, 2006 to December 31, 2006, the Company repurchased 51.6 million shares of Series A Liberty Interactive common stock in the open market for aggregate cash consideration of $954 million. All of the foregoing shares were repurchased pursuant to a previously announced share repurchase program and have been retired and returned to the status of authorized and available for issuance.

Liberty completed a tender offer on April 5, 2007, pursuant to which it accepted for purchase 11,540,680 shares of Series A Liberty Capital common stock at a price of $113.00 per share or aggregate cash consideration of $1,305 million (including transaction costs).

During the year ended December 31, 2007, the Company sold put options on Series A Liberty Capital common stock for aggregate net cash proceeds of $20 million. As of December 31, 2007, put options with respect to approximately 1.6 million shares of Series A Liberty Capital common stock with a weighted average put price of $118.35 remained outstanding. Such put options expire on or before March 31, 2008. Liberty has also sold put options on Series A Liberty Interactive common stock for aggregate net cash proceeds of $14 million. As of December 31, 2007, put options with respect to approximately 8.8 million shares of Series A Liberty Interactive common stock with a weighted average put price of $20.34 remained outstanding. Such put options expire on or before March 31, 2008. The Company accounts for these put options pursuant to Statement of Financial Accounting Standards No. 150, *"Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity."* Accordingly, the put options are recorded in financial instrument liabilities at fair value, and changes in the fair value are included in realized and unrealized gains (losses) on financial instruments in the accompanying condensed consolidated statement of operations.

During the period from May 10, 2006 to December 31 2006, the Company sold put options on Liberty Capital Series A common stock and Liberty Interactive Series A common stock for aggregate cash proceeds of approximately $7 million. All such put options expired out of the money prior to December 31, 2006.

During 2005, Liberty sold put options with respect to shares of its Series A common stock for net cash proceeds of $2 million. All such puts expired out of the money in 2006.

(14) Transactions with Officers and Directors

Chairman's Employment Agreement

The Chairman's employment agreement provides for, among other things, deferral of a portion (not in excess of 40%) of the monthly compensation payable to him for all employment years commencing on or after January 1, 1993. The deferred amounts will be payable in monthly installments over a 20-year period commencing on the termination of the Chairman's employment, together with interest thereon at the rate of 8% per annum compounded annually from the date of deferral to the date of payment. The aggregate liability under this arrangement at December 31, 2007 is $2 million, and is included in other liabilities in the accompanying consolidated balance sheet.

The Chairman's employment agreement also provides that in the event of termination of his employment with Liberty, he will be entitled to receive 240 consecutive monthly payments equal to $15,000 increased at the rate of 12% per annum compounded annually from January 1, 1988 to the date payment commences ($129,192 per month as of December 31, 2007). Such payments would

commence on the first day of the month succeeding the termination of employment. In the event of the Chairman's death, his beneficiaries would be entitled to receive the foregoing monthly payments. The aggregate liability under this arrangement at December 31, 2007 is $31 million, and is included in other liabilities in the accompanying consolidated balance sheet.

The Company's Chairman deferred a portion of his monthly compensation under his previous employment agreement with Tele-Communications, Inc. ("TCI"). The Company assumed the obligation to pay that deferred compensation in connection with the TCI/AT&T Merger in 1999. The deferred obligation (together with interest at the rate of 13% per annum compounded annually), which aggregated $18 million at December 31, 2007 and is included in other liabilities in the accompanying consolidated balance sheets, is payable on a monthly basis, following the occurrence of specified events, under the terms of the previous employment agreement. The rate at which interest accrues on the deferred obligation was established in 1983 pursuant to the previous employment agreement.

(15) Stock Options and Stock Appreciation Rights

Liberty—Incentive Plans

Pursuant to the Liberty Media Corporation 2000 Incentive Plan, as amended from time to time (the "2000 Liberty Incentive Plan"), the Company has granted to certain of its employees stock options, SARs and stock options with tandem SARs (collectively, "Awards") to purchase shares of Series A and Series B Liberty Capital and Liberty Interactive common stock. The 2000 Liberty Incentive Plan provides for Awards to be made in respect of a maximum of 48 million shares of Liberty common stock. On May 1, 2007, shareholders of the Company approved the Liberty Media Corporation 2007 Incentive Plan, which provides for Awards to be made in respect of a maximum of 30 million shares of Liberty common stock. Liberty issues new shares upon exercise of equity awards.

On December 17, 2002, shareholders of the Company approved the Liberty Media Corporation 2002 Nonemployee Director Incentive Plan, as amended from time to time (the "NDIP"). Under the NDIP, the Liberty Board of Directors (the "Liberty Board") has the full power and authority to grant eligible nonemployee directors stock options, SARs, stock options with tandem SARs, and restricted stock.

Liberty—Grants

Awards granted pursuant to the Liberty Incentive Plan and the NDIP during 2005 through the Restructuring in 2006 are provided in the table below. The exercise prices in the table represent the

exercise price on the date of grant and have not been adjusted for the effects of the DHC Spin Off or the Restructuring, as applicable.

Grant year	Grant group	Grant type	Number of awards granted	Weighted average exercise price	Vesting period	Term	Weighted average grant date fair value
Series A Awards							
2005	Employees	Options	9,076,750	$ 8.26	4 years	7 years	$ 2.34
2005	Non-employee directors	SARs	55,000	$ 10.36	1 year	10 years	$ 4.50
2006	Employees	Options	2,473,275	$ 8.24	4 years	7 years	$ 2.28
2006	Non-employee directors	Options	150,000	$ 8.70	1 year	10 years	$ 2.74
Series B Awards							
2005	Employees	Options	1,800,000	$ 9.21	3 years	10 years	$ 4.67

During the year ended December 31, 2007, Liberty granted 739,681 options to purchase shares of Series A Liberty Capital common stock and 6,093,384 shares of Series A Liberty Interactive common stock to certain of its directors, officers and employees and officers and employees of certain subsidiaries. Liberty used the Black-Scholes Model to estimate the grant date fair value of such options. The Series A Liberty Capital options and the Series A Liberty Interactive options granted in 2007 had a weighted average grant date fair value of $28.78 and $5.88, respectively.

In 2006, subsequent to the Restructuring, Liberty granted 10,018,000 options to purchase Series A Liberty Interactive stock to officers and employees of certain of its subsidiaries. Such options had an estimated weighted average grant-date fair value of $4.94 per share.

The Company has calculated the grant-date fair value for all of its equity classified awards and any subsequent remeasurement of its liability classified awards using the Black-Scholes Model. Prior to 2007, the Company calculated the expected term of the Awards using the methodology included in SEC Staff Accounting Bulletin No. 107. In 2007, the Company estimated the expected term of the Awards based on historical exercise and forfeiture data. The volatility used in the calculation for Awards granted in 2007 ranged from 20.8% to 25.3% for Liberty Interactive Awards and from 17.5% to 19.7% for Liberty Capital Awards and is based on the historical volatility of Liberty's stocks and the implied volatility of publicly traded Liberty options. The Company uses a zero dividend rate and the risk-free rate for Treasury Bonds with a term similar to that of the subject options.

Liberty—Outstanding Awards

The following tables present the number and weighted average exercise price ("WAEP") of certain options, SARs and options with tandem SARs to purchase Liberty common stock granted to certain officers, employees and directors of the Company.

	Liberty Capital common stock				Liberty Interactive common stock			
	Series A	WAEP	Series B	WAEP	Series A	WAEP	Series B	WAEP
	numbers of options in thousands							
Outstanding at January 1, 2007	2,318	$ 93.24	1,498	$ 101.37	21,503	$ 19.71	7,491	$ 23.41
Granted	740	$ 113.37	—		6,093	$ 20.96	—	
Exercised	(255)	$ 84.97	—		(1,594)	$ 17.40	—	
Forfeited	(16)	$ 274.95	—		(681)	$ 27.64	—	
Repurchased	—		—		(510)	$ 17.76	—	
Outstanding at December 31, 2007	2,787	$ 97.21	1,498	$ 101.37	24,811	$ 19.97	7,491	$ 23.41
Exercisable at December 31, 2007	1,734	$ 95.49	1,468	$ 101.69	11,290	$ 21.05	7,341	$ 23.48

The following table provides additional information about outstanding options to purchase Liberty common stock at December 31, 2007.

	No. of outstanding options (000's)	WAEP of outstanding options	Weighted average remaining life	Aggregate intrinsic value (000's)	No. of exercisable options (000's)	WAEP of exercisable options	Aggregate intrinsic value (000's)
Series A Capital	2,787	$ 97.21	4.8 years	$ 59,623	1,734	$ 95.49	$ 41,768
Series B Capital	1,498	$ 101.37	3.4 years	$ 23,335	1,468	$ 101.69	$ 22,391
Series A Interactive	24,811	$ 19.97	5.2 years	$ 16,466	11,290	$ 21.05	$ 6,745
Series B Interactive	7,491	$ 23.41	3.4 years	$ —	7,341	$ 23.48	$ —

Liberty—Exercises

The aggregate intrinsic value of all options exercised during the years ended December 31, 2007, 2006 and 2005 was $16 million, $52 million and $109 million, respectively.

Liberty—Restricted Stock

The following table presents the number and weighted average grant-date fair value ("WAFV") of unvested restricted shares of Liberty common stock held by certain officers and employees of the Company as of December 31, 2007 (numbers of shares in thousands).

	Number of shares	WAFV
Series A Liberty Capital	57	$ 104.68
Series A Liberty Interactive	222	$ 20.96

The aggregate fair value of all restricted shares of Liberty common stock that vested during the years ended December 31, 2007, 2006 and 2005 was $28 million, $30 million and $35 million, respectively.

QVC Awards

QVC had a qualified and nonqualified combination stock option/stock appreciation rights plan (collectively, the "Tandem Plan") for employees, officers, directors and other persons designated by the Stock Option Committee of QVC's board of directors. Under the Tandem Plan, the option price was generally equal to the fair market value, as determined by an independent appraisal, of a share of the underlying common stock of QVC at the date of the grant. If the eligible participant elected the SAR feature of the Tandem Plan, the participant received 75% of the excess of the fair market value of a share of QVC common stock over the exercise price of the option to which it was attached at the exercise date. QVC applied fixed plan accounting in accordance with APB Opinion No. 25. Under the Tandem Plan, option/SAR terms were ten years from the date of grant, with options/SARs generally becoming exercisable over four years from the date of grant. During the years ended December 31, 2006 and 2005, QVC received cash proceeds from the exercise of options aggregating $48 million and $46 million, respectively. In 2005, QVC also repurchased shares of common stock issued upon exercise of stock options in prior years. Cash payments aggregated $71 million for these repurchases.

On August 14, 2006, QVC terminated the Tandem Plan and offered to exchange Liberty Interactive Share Units, as defined below, for all outstanding unvested QVC Awards as of September 30, 2006 (the "Exchange Offer"). At the time of the Exchange Offer, there were 150,234 outstanding options to purchase QVC common stock. Of those outstanding options, 70,168 were vested and exercisable and 80,066 were unvested. Each holder of unvested QVC options who accepted the Exchange Offer received Liberty Interactive Share Units in an amount equal to the in-the-money value of the exchanged QVC options divided by the closing market price of Series A Liberty Interactive common stock on the trading day preceding commencement of the Exchange Offer. Liberty Interactive Share Units vest on the same vesting schedule as the unvested QVC Awards and represent the right to receive a cash payment equal to the value of Liberty Interactive common stock on the vesting date. All unvested QVC Awards were exchanged for approximately 2,348,000 Liberty Interactive Share Units. Liberty accounted for the Exchange Offer as a settlement of the outstanding unvested QVC Awards. The difference between the fair value of the Liberty Interactive Share Units and the fair value of unvested QVC Awards was reflected as a reduction to 2006 stock-based compensation.

Also on August 14, 2006, a subsidiary of Liberty offered to purchase for cash all outstanding shares of QVC common stock owned by officers and employees of QVC and all vested QVC Awards (the "Tender Offer"). Officers and employees of QVC owned 54,973 shares or 1.09% of QVC common stock at the time of the Tender Offer. The Exchange Offer and the Tender Offer both expired on September 30, 2006. All vested QVC Awards and 49,575 outstanding shares of QVC common stock were tendered as of September 30, 2006 resulting in cash payments aggregating approximately $258 million. The remaining 5,398 shares of QVC common stock were redeemed subsequent to September 30, 2006 for additional aggregate cash payments of approximately $17 million. Liberty accounted for the cash paid for outstanding shares of QVC common stock as the acquisition of a minority interest. The difference between the cash paid and the carrying value of the minority interest was allocated to intangible assets using a purchase accounting model. The cash paid for vested options was less than the carrying value of the related liability. Such difference was reflected as a reduction to 2006 stock-based compensation. The aggregate credit to stock-based compensation for the Exchange Offer and the Tender Offer was $24 million. Subsequent to the completion of the foregoing transactions, Liberty owns 100% of the equity of QVC.

Starz Entertainment

Starz Entertainment has outstanding Phantom Stock Appreciation Rights ("PSARS") held by its former chief executive officer. Such PSARs are fully vested and expire on October 17, 2011, and Starz Entertainment has accrued $136 million as of December 31, 2007 related to the PSARs. Such amount is payable in cash, Liberty common stock or a combination thereof.

Other

Certain of the Company's other subsidiaries have stock based compensation plans under which employees and non-employees are granted options or similar stock based awards. Awards made under these plans vest and become exercisable over various terms. The awards and compensation recorded, if any, under these plans is not significant to Liberty.

(16) Employee Benefit Plans

Liberty is the sponsor of the Liberty Media 401(k) Savings Plan (the "Liberty 401(k) Plan"), which provides its employees and the employees of certain of its subsidiaries an opportunity for ownership in the Company and creates a retirement fund. The Liberty 401(k) Plan provides for employees to make contributions to a trust for investment in Liberty common stock, as well as several mutual funds. The Company and its subsidiaries make matching contributions to the Liberty 401(k) Plan based on a percentage of the amount contributed by employees. In addition, certain of the Company's subsidiaries have similar employee benefit plans. Employer cash contributions to all plans aggregated $26 million, $27 million and $22 million for the years ended December 31, 2007, 2006 and 2005, respectively.

(17) Other Comprehensive Earnings (Loss)

Accumulated other comprehensive earnings (loss) included in Liberty's consolidated balance sheets and consolidated statements of stockholders' equity reflect the aggregate of foreign currency translation adjustments and unrealized holding gains and losses on AFS securities.

The change in the components of accumulated other comprehensive earnings (loss), net of taxes, is summarized as follows:

	Foreign currency translation adjustments	Unrealized holding gains (losses) on securities	Discontinued operations	Accumulated other comprehensive earnings (loss), net of taxes
	amounts in millions			
Balance at January 1, 2005	$ (257)	4,463	21	4,227
Other comprehensive earnings (loss)	307	(1,101)	(7)	(801)
Other activity	—	—	(5)	(5)
Balance at December 31, 2005	50	3,362	9	3,421
Other comprehensive earnings	111	2,420	—	2,531
Balance at December 31, 2006	161	5,782	9	5,952
Other comprehensive earnings	107	(1,977)	(9)	(1,879)
Balance at December 31, 2007	$ 268	3,805	—	4,073

Included in Liberty's accumulated other comprehensive earnings (loss) at January 1, 2005 was $123 million, net of income taxes, of foreign currency translation losses related to Cablevisión, S.A.

("Cablevisión"), a former equity method investment of Liberty, and $186 million, net of income taxes, of foreign currency translation losses related to Telewest Global, Inc. ("Telewest"), another former equity method investment of Liberty. In the first quarter of 2005, Liberty disposed of its interests in Cablevisión and Telewest. Accordingly, Liberty recognized in its statement of operations $488 million of foreign currency translation losses (before income tax benefits) related to Cablevisión and Telewest that were previously included in accumulated other comprehensive earnings (loss).

The components of other comprehensive earnings (loss) are reflected in Liberty's consolidated statements of comprehensive earnings (loss) net of taxes. The following table summarizes the tax effects related to each component of other comprehensive earnings (loss).

	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
		amounts in millions	
Year ended December 31, 2007:			
Foreign currency translation adjustments	$ 172	(65)	107
Unrealized holding losses on securities arising during period	(2,598)	987	(1,611)
Reclassification adjustment for holding gains realized in net earnings	(605)	230	(375)
Other comprehensive earnings	$ (3,031)	1,152	(1,879)
Year ended December 31, 2006:			
Foreign currency translation adjustments	$ 179	(68)	111
Unrealized holding gains on securities arising during period	4,202	(1,597)	2,605
Reclassification adjustment for holding gains realized in net loss	(298)	113	(185)
Other comprehensive earnings	$ 4,083	(1,552)	2,531
Year ended December 31, 2005:			
Foreign currency translation adjustments	$ (8)	3	(5)
Reclassification adjustment for currency losses realized in net earnings	503	(191)	312
Unrealized holding losses on securities arising during period	(1,808)	687	(1,121)
Reclassification adjustment for holding gains realized in net earnings	350	(133)	217
Reclass unrealized gain on AFS security	(318)	121	(197)
Discontinued operations	(11)	4	(7)
Other comprehensive loss	$ (1,292)	491	(801)

(18) Transactions with Related Parties

Starz Entertainment pays Revolution Studios ("Revolution"), an equity affiliate, fees for the rights to exhibit films produced by Revolution. Payments aggregated $58 million, $69 million and $84 million in 2007, 2006 and 2005, respectively.

(19) Commitments and Contingencies

Film Rights

Starz Entertainment, a wholly-owned subsidiary of Liberty, provides premium video programming distributed by cable operators, direct-to-home satellite providers and other distributors throughout the United States. Starz Entertainment has entered into agreements with a number of motion picture producers which obligate Starz Entertainment to pay fees ("Programming Fees") for the rights to

exhibit certain films that are released by these producers. The unpaid balance of Programming Fees for films that were available for exhibition by Starz Entertainment at December 31, 2007 is reflected as a liability in the accompanying consolidated balance sheet. The balance due as of December 31, 2007 is payable as follows: $99 million in 2008; $13 million in 2009; and $6 million thereafter.

Starz Entertainment has also contracted to pay Programming Fees for films that have been released theatrically, but are not available for exhibition by Starz Entertainment until some future date. These amounts have not been accrued at December 31, 2007. Starz Entertainment's estimate of amounts payable under these agreements is as follows: $482 million in 2008; $158 million in 2009; $102 million in 2010; $101 million in 2011; $94 million in 2012 and $178 million thereafter.

In addition, Starz Entertainment is also obligated to pay Programming Fees for all qualifying films that are released theatrically in the United States by studios owned by The Walt Disney Company through 2012 and all qualifying films that are released theatrically in the United States by studios owned by Sony Pictures Entertainment ("Sony") through 2013. Films are generally available to Starz Entertainment for exhibition 10-12 months after their theatrical release. The Programming Fees to be paid by Starz Entertainment are based on the quantity and the domestic theatrical exhibition receipts of qualifying films. As these films have not yet been released in theatres, Starz Entertainment is unable to estimate the amounts to be paid under these output agreements. However, such amounts are expected to be significant.

In connection with an option exercised by Sony to extend the Sony contract through 2013, Starz Entertainment has agreed to pay Sony a total of $190 million in four annual installments of $47.5 million beginning in 2011. Starz Entertainment's payments to Sony will be amortized ratably as programming expense over the three-year period beginning in 2012.

Guarantees

Liberty guarantees Starz Entertainment's obligations under certain of its studio output agreements. At December 31, 2007, Liberty's guarantees for obligations for films released by such date aggregated $793 million. While the guarantee amount for films not yet released is not determinable, such amount is expected to be significant. As noted above, Starz Entertainment has recognized the liability for a portion of its obligations under the output agreements. As this represents a commitment of Starz Entertainment, a consolidated subsidiary of Liberty, Liberty has not recorded a separate liability for its guarantee of these obligations.

In connection with agreements for the sale of certain assets, Liberty typically retains liabilities that relate to events occurring prior to its sale, such as tax, environmental, litigation and employment matters. Liberty generally indemnifies the purchaser in the event that a third party asserts a claim against the purchaser that relates to a liability retained by Liberty. These types of indemnification guarantees typically extend for a number of years. Liberty is unable to estimate the maximum potential liability for these types of indemnification guarantees as the sale agreements typically do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, Liberty has not made any significant indemnification payments under such agreements and no amount has been accrued in the accompanying consolidated financial statements with respect to these indemnification guarantees.

Employment Contracts

The Atlanta Braves and certain of their players and coaches have entered into long-term employment contracts whereby such individuals' compensation is guaranteed. Amounts due under

guaranteed contracts as of December 31, 2007 aggregated $125 million, which is payable as follows: $63 million in 2008, $31 million in 2009 and $31 million thereafter. In addition to the foregoing amounts, certain players and coaches may earn incentive compensation under the terms of their employment contracts.

Operating Leases

Liberty leases business offices, has entered into satellite transponder lease agreements and uses certain equipment under lease arrangements. Rental expense under such arrangements amounted to $45 million, $32 million and $33 million for the years ended December 31, 2007, 2006 and 2005, respectively.

A summary of future minimum lease payments under noncancelable operating leases as of December 31, 2007 follows (amounts in millions):

Years ending December 31:		
2008	$	37
2009	$	33
2010	$	28
2011	$	21
2012	$	13
Thereafter	$	38

It is expected that in the normal course of business, leases that expire generally will be renewed or replaced by leases on other properties; thus, it is anticipated that future lease commitments will not be less than the amount shown for 2007.

Litigation

Liberty has contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Although it is reasonably possible Liberty may incur losses upon conclusion of such matters, an estimate of any loss or range of loss cannot be made. In the opinion of management, it is expected that amounts, if any, which may be required to satisfy such contingencies will not be material in relation to the accompanying consolidated financial statements.

Other

During the period from March 9, 1999 to August 10, 2001, Liberty was included in the consolidated federal income tax return of AT&T and was a party to a tax sharing agreement with AT&T (the "AT&T Tax Sharing Agreement"). Pursuant to the AT&T Tax Sharing Agreement and in connection with Liberty's split off from AT&T in 2001, AT&T was required to pay Liberty an amount equal to 35% of the amount of the net operating losses reflected in TCI's final federal income tax return ("TCI NOLs") that had not been used as an offset to Liberty's obligations under the AT&T Tax Sharing Agreement and that had been, or were reasonably expected to be, utilized by AT&T. In connection with the split off, Liberty received an $803 million payment for TCI's NOLs and recorded such payment as an increase to additional paid-in capital. Liberty was not paid for certain of TCI's NOLs ("SRLY NOLs") due to limitations and uncertainty regarding AT&T's ability to use them to offset taxable income in the future. In the event AT&T was ultimately able to use any of the SRLY NOLs, they would be required to pay Liberty 35% of the amount of the SRLY NOLs used.

In the fourth quarter of 2004, AT&T requested a refund from Liberty of $70 million, plus accrued interest, relating to losses that it generated in 2002 and 2003 and was able to carry back to offset taxable income previously offset by Liberty's losses. AT&T has asserted that Liberty's losses caused AT&T to pay $70 million in alternative minimum tax ("AMT") that it would not have been otherwise required to pay had Liberty's losses not been included in its return.

In the fourth quarter of 2005, AT&T requested an additional $21 million relating to additional losses it generated and was able to carry back to offset taxable income previously offset by Liberty's losses. Liberty has accrued approximately $70 million representing its estimate of the amount it may ultimately pay (excluding accrued interest, if any) to AT&T as a result of these requests. Although Liberty has not reduced its accrual for any future refunds, Liberty believes it is entitled to a refund when AT&T is able to realize a benefit in the form of a credit for the AMT previously paid.

Although for accounting purposes Liberty has accrued a portion of the amounts claimed by AT&T to be owed by Liberty under the AT&T Tax Sharing Agreement, Liberty believes there are valid defenses or set-off or similar rights in its favor that may cause the total amount that it owes AT&T to be less than the amounts accrued; and under certain interpretations of the AT&T Tax Sharing Agreement, Liberty may be entitled to further reimbursements from AT&T.

(20) Information About Liberty's Operating Segments

Liberty is a holding company, which through its ownership of interests in subsidiaries and other companies, is primarily engaged in the video and on-line commerce, media, communications and entertainment industries. Upon completion of the Restructuring and the issuance of its tracking stocks, Liberty attributed each of its businesses to one of two groups: the Interactive Group and the Capital Group. Each of the businesses in the tracking stock groups is separately managed. Liberty identifies its reportable segments as (A) those consolidated subsidiaries that represent 10% or more of its consolidated revenue, earnings before income taxes or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of Liberty's pre-tax earnings. The segment presentation for prior periods has been conformed to the current period segment presentation.

Liberty evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as revenue, operating cash flow, gross margin, average sales price per unit, number of units shipped and revenue or sales per customer equivalent.

Liberty defines operating cash flow as revenue less cost of sales, operating expenses, and selling, general and administrative expenses (excluding stock-based compensation). Liberty believes this is an important indicator of the operational strength and performance of its businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes depreciation and amortization, stock-based compensation, litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, operating cash flow should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. Liberty generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current prices.

For the year ended December 31, 2007, Liberty has identified the following consolidated subsidiaries as its reportable segments:

- QVC—consolidated subsidiary included in the Interactive Group that markets and sells a wide variety of consumer products in the United States and several foreign countries, primarily by means of televised shopping programs on the QVC networks and via the Internet through its domestic and international websites.
- Starz Entertainment—consolidated subsidiary included in the Capital Group that provides premium programming distributed by cable operators, direct-to-home satellite providers, other distributors and via the Internet throughout the United States.
- Starz Media—consolidated subsidiary included in the Capital Group that develops, acquires, produces and distributes live-action and animated films and television productions for the home video, film, broadcast and direct-to-consumer markets.

Liberty's reportable segments are strategic business units that offer different products and services. They are managed separately because each segment requires different technologies, distribution channels and marketing strategies. The accounting policies of the segments that are also consolidated subsidiaries are the same as those described in the summary of significant policies.

Performance Measures

	Years ended December 31,					
	2007		2006		2005	
	Revenue	Operating cash flow	Revenue	Operating cash flow	Revenue	Operating cash flow
	amounts in millions					
Interactive Group						
QVC	$ 7,397	1,652	7,074	1,656	6,501	1,422
Corporate and other	405	32	252	24	—	(5)
	7,802	1,684	7,326	1,680	6,501	1,417
Capital Group						
Starz Entertainment	1,066	264	1,033	186	1,004	171
Starz Media	254	(143)	86	(24)	—	—
Corporate and other	301	(76)	168	(59)	141	(47)
	1,621	45	1,287	103	1,145	124
Consolidated Liberty	$ 9,423	1,729	8,613	1,783	7,646	1,541

Other Information

	December 31,					
	2007			2006		
	Total assets	Investments in affiliates	Capital expenditures	Total assets	Investments in affiliates	Capital expenditures
	amounts in millions					
Interactive Group						
QVC	$ 20,620	—	276	19,100	104	254
Corporate and other	5,430	1,311	13	5,661	1,254	5
Intragroup eliminations	(6,724)	—	—	(4,941)	—	—
	19,326	1,311	289	19,820	1,358	259
Capital Group						
Starz Entertainment	2,773	—	10	2,825	—	7
Starz Media	661	—	5	708	—	2
Corporate and other	23,053	506	12	23,804	484	10
Assets of discontinued operations	—	—	—	512	—	—
	26,487	506	27	27,849	484	19
Intergroup eliminations	(164)	—	—	(31)	—	—
Consolidated Liberty	$ 45,649	1,817	316	47,638	1,842	278

The following table provides a reconciliation of segment operating cash flow to earnings (loss) from continuing operations before income taxes and minority interest:

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
Consolidated segment operating cash flow	$ 1,729	1,783	1,541
Stock-based compensation	(93)	(67)	(52)
Depreciation and amortization	(675)	(582)	(545)
Impairment of long-lived assets	(223)	(113)	—
Interest expense	(641)	(680)	(626)
Realized and unrealized gains (losses) on derivative instruments, net	1,269	(279)	257
Gains (losses) on dispositions, net	646	607	(361)
Other than temporary declines in fair value of investments	(33)	(4)	(449)
Other, net	342	323	117
Earnings (loss) from continuing operations before income taxes and minority interest	$ 2,321	988	(118)

Revenue by Geographic Area

Revenue by geographic area based on the location of customers is as follows:

	Years ended December 31,		
	2007	2006	2005
	amounts in millions		
United States	$ 7,183	6,504	5,784
Germany	870	848	781
Other foreign countries	1,370	1,261	1,081
Consolidated Liberty	$ 9,423	8,613	7,646

Long-lived Assets by Geographic Area

	December 31,	
	2007	2006
	amounts in millions	
United States	$ 803	678
Germany	263	119
Other foreign countries	285	349
Consolidated Liberty	$ 1,351	1,146

(21) Quarterly Financial Information (Unaudited)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	amounts in millions, except per share amounts			
2007:				
Revenue	$ 2,123	2,193	2,251	2,856
Operating income	$ 249	227	199	63
Earnings from continuing operations	$ 327	902	319	417
Net earnings (loss):				
Series A and Series B Liberty Capital common stock	$ 278	907	241	247
Series A and Series B Liberty Interactive common stock	$ 91	102	78	170
Basic earnings (loss) from continuing operations per common share:				
Series A and Series B Liberty Capital common stock	$ 1.68	6.11	1.87	1.91
Series A and Series B Liberty Interactive common stock	$ .14	.16	.12	.28
Diluted earnings (loss) from continuing operations per common share:				
Series A and Series B Liberty Capital common stock	$ 1.68	6.11	1.85	1.90
Series A and Series B Liberty Interactive common stock	$ .14	.16	.12	.28
Basic net earnings (loss) per common share:				
Series A and Series B Liberty Capital common stock	$ 1.98	6.92	1.87	1.91
Series A and Series B Liberty Interactive common stock	$ .14	.16	.12	.28
Diluted net earnings (loss) per common share:				
Series A and Series B Liberty Capital common stock	$ 1.98	6.92	1.85	1.90
Series A and Series B Liberty Interactive common stock	$ .14	.16	.12	.28
2006:				
Revenue	$ 1,901	2,025	2,016	2,671
Operating income	$ 224	257	236	304
Earnings from continuing operations	$ 69	482	63	95
Net earnings (loss):				
Series A and Series B common stock	$ (26)	120	—	—
Series A and Series B Liberty Capital common stock	$ —	269	(51)	42
Series A and Series B Liberty Interactive common stock	$ —	89	114	283
Basic and diluted earnings (loss) from continuing operations per common share:				
Series A and Series B common stock	$ .02	.04	—	—
Series A and Series B Liberty Capital common stock	$ —	1.94	(.36)	(1.34)
Series A and Series B Liberty Interactive common stock	$ —	.13	.17	.43
Basic and diluted net earnings (loss) per common share:				
Series A and Series B common stock	$ (.01)	.04	—	—
Series A and Series B Liberty Capital common stock	$ —	1.92	(.36)	.30
Series A and Series B Liberty Interactive common stock	$ —	.13	.17	.43

QuickLinks

Exhibit 99.3