

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-33982

LIBERTY MEDIA CORPORATION

(Exact name of Registrant as specified in its charter)

State of Delaware
(State or other jurisdiction of
incorporation or organization)

84-1288730
(I.R.S. Employer
Identification No.)

12300 Liberty Boulevard
Englewood, Colorado
(Address of principal executive offices)

80112
(Zip Code)

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(do not check if smaller reporting company)

Indicate by check mark whether the Registrant is a shell company as defined in Rule 12b-2 of the Exchange Act. Yes No

The number of outstanding shares of Liberty Media Corporation's common stock as of April 30, 2009 was:

Series A Liberty Capital common stock 89,874,371 shares;
Series B Liberty Capital common stock 6,024,724 shares;
Series A Liberty Interactive common stock 566,728,452 shares;
Series B Liberty Interactive common stock 29,398,683 shares;
Series A Liberty Entertainment common stock 494,616,028 shares; and
Series B Liberty Entertainment common stock 23,697,987 shares.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(unaudited)

	March 31, 2009	December 31, 2008
	amounts in millions	
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 4,658	3,135
Trade and other receivables, net	1,329	1,563
Inventory, net	967	1,032
Program rights	476	497
Financial instruments (note 8)	1,581	1,157
Other current assets	163	235
Total current assets	<u>9,174</u>	<u>7,619</u>
Investments in available-for-sale securities and other cost investments, including \$387 million and \$392 million pledged as collateral for share borrowing arrangements (note 6)	2,815	2,859
Long-term financial instruments (note 8)	824	1,328
Investments in affiliates, accounted for using the equity method (note 7)	14,599	14,490
Property and equipment, at cost	1,997	2,027
Accumulated depreciation	(724)	(696)
	<u>1,273</u>	<u>1,331</u>
Intangible assets not subject to amortization (note 9):		
Goodwill	6,518	6,550
Trademarks	2,510	2,511
Other	158	158
	<u>9,186</u>	<u>9,219</u>
Intangible assets subject to amortization, net (note 9)	3,353	3,489
Other assets, at cost, net of accumulated amortization	1,683	1,568
Total assets	<u>\$ 42,907</u>	<u>41,903</u>

(continued)

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (Continued)

(unaudited)

	March 31, 2009	December 31, 2008
	amounts in millions	
<i>Liabilities and Equity</i>		
Current liabilities:		
Accounts payable	\$ 433	550
Accrued interest	68	103
Other accrued liabilities	728	999
Financial instruments (note 8)	551	553
Current portion of debt (note 10)	2,455	868
Accrued stock compensation	212	196
Current deferred income tax liabilities	888	781
Other current liabilities	114	98
Total current liabilities	<u>5,449</u>	<u>4,148</u>
Long-term debt, including \$1,921 million and \$1,691 million measured at fair value (note 10)	11,634	11,359
Long-term financial instruments (note 8)	187	189
Deferred income tax liabilities	4,538	4,900
Other liabilities	1,640	1,550
Total liabilities	<u>23,448</u>	<u>22,146</u>
Equity		
Stockholders' equity (note 11):		
Preferred stock, \$.01 par value. Authorized 50,000,000 shares; no shares issued	—	—
Series A Liberty Capital common stock, \$.01 par value. Authorized 2,000,000,000 shares; issued and outstanding 89,874,323 shares at March 31, 2009 and 90,042,840 shares at December 31, 2008	1	1
Series B Liberty Capital common stock, \$.01 par value. Authorized 75,000,000 shares; issued and outstanding 6,024,724 shares at March 31, 2009 and 6,024,724 shares at December 31, 2008	—	—
Series A Liberty Entertainment common stock, \$.01 par value. Authorized 4,000,000,000 shares; issued and outstanding 494,597,535 shares at March 31, 2009 and 493,256,228 shares at December 31, 2008	5	5
Series B Liberty Entertainment common stock, \$.01 par value. Authorized 150,000,000 shares; issued and outstanding 23,705,487 shares at March 31, 2009 and 23,706,209 shares at December 31, 2008	—	—
Series A Liberty Interactive common stock, \$.01 par value. Authorized 4,000,000,000 shares; issued and outstanding 566,724,594 shares at March 31, 2009 and 564,385,343 shares at December 31, 2008	6	6
Series B Liberty Interactive common stock, \$.01 par value. Authorized 150,000,000 shares; issued and outstanding 29,402,423 shares at March 31, 2009 and 29,441,916 shares at December 31, 2008	—	—
Additional paid-in capital	25,066	25,132
Accumulated other comprehensive earnings (loss), net of taxes	(3)	70
Accumulated deficit	(5,748)	(5,612)
Total stockholders' equity	<u>19,327</u>	<u>19,602</u>
Noncontrolling interests in equity of subsidiaries	132	155
Total equity	<u>19,459</u>	<u>19,757</u>
Commitments and contingencies (note 13)		
Total liabilities and equity	<u>\$42,907</u>	<u>41,903</u>

See accompanying notes to condensed consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements Of Operations

(unaudited)

	Three months ended	
	March 31,	
	2009	2008
	amounts in millions, except per share amounts	
Revenue:		
Net retail sales	\$ 1,831	1,950
Communications and programming services	494	401
	<u>2,325</u>	<u>2,351</u>
Operating costs and expenses:		
Cost of sales	1,183	1,238
Operating	456	441
Selling, general and administrative, including stock-based compensation (note 3)	273	265
Depreciation and amortization	178	177
	<u>2,090</u>	<u>2,121</u>
Operating income	235	230
Other income (expense):		
Interest expense	(154)	(166)
Dividend and interest income	31	59
Share of earnings (losses) of affiliates, net (note 7)	(66)	45
Realized and unrealized losses on financial instruments, net (note 8)	(244)	(285)
Gains (losses) on dispositions, net (note 7)	(2)	3,682
Other, net	(47)	(2)
	<u>(482)</u>	<u>3,333</u>
Earnings (loss) before income taxes	(247)	3,563
Income tax benefit	120	1,906
Net earnings (loss)	(127)	5,469
Less net earnings attributable to the noncontrolling interests	9	12
Net earnings (loss) attributable to Liberty Media Corporation shareholders	\$ (136)	5,457
Net earnings (loss) attributable to Liberty Media Corporation shareholders:		
Liberty Capital common stock	\$ (160)	(105)
Liberty Entertainment common stock	81	35
Liberty Interactive common stock	(57)	125
Old Liberty Capital common stock	—	5,402
	<u>\$ (136)</u>	<u>5,457</u>

(continued)

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements Of Operations (Continued)

(unaudited)

	Three months ended	
	March 31,	
	2009	2008
	amounts in millions, except per share amounts	
Basic net earnings (loss) attributable to Liberty Media Corporation shareholders per common share (note 4):		
Series A and Series B Liberty Capital common stock	\$ (1.67)	\$.81
Series A and Series B Liberty Entertainment common stock	\$.16	\$.07
Series A and Series B Liberty Interactive common stock	\$ (.10)	\$.21
Old Series A and Series B Liberty Capital common stock	\$ —	41.88
Diluted net earnings (loss) attributable to Liberty Media Corporation shareholders per common share (note 4):		
Series A and Series B Liberty Capital common stock	\$ (1.67)	\$.81
Series A and Series B Liberty Entertainment common stock	\$.16	\$.07
Series A and Series B Liberty Interactive common stock	\$ (.10)	\$.21
Old Series A and Series B Liberty Capital common stock	\$ —	41.55

See accompanying notes to condensed consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements Of Comprehensive Earnings (Loss)

(unaudited)

	Three months ended	
	March 31,	
	2009	2008
	amounts in millions	
Net earnings (loss)	<u>\$(127)</u>	<u>5,469</u>
Other comprehensive earnings (loss), net of taxes:		
Foreign currency translation adjustments	(87)	94
Unrealized holding losses arising during the period	(2)	(644)
Recognition of previously unrealized losses (gains) on available-for-sale securities, net	1	(2,273)
Share of other comprehensive earnings (loss) of equity affiliates	(15)	(1)
Other	<u>17</u>	<u>(48)</u>
Other comprehensive loss	(86)	(2,872)
Comprehensive earnings (loss)	<u>(213)</u>	<u>2,597</u>
Less comprehensive earnings (loss) attributable to the noncontrolling interests	(4)	24
Comprehensive earnings (loss) attributable to Liberty Media Corporation shareholders	<u>\$(209)</u>	<u>2,573</u>
Comprehensive earnings (loss) attributable to Liberty Media Corporation shareholders:		
Liberty Capital common stock	\$(157)	(107)
Liberty Entertainment common stock	80	33
Liberty Interactive common stock	(132)	(169)
Old Liberty Capital common stock	—	2,816
	<u>\$(209)</u>	<u>2,573</u>

See accompanying notes to condensed consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements Of Cash Flows

(unaudited)

	Three months ended	
	March 31,	
	2009	2008
	amounts in millions	
Cash flows from operating activities:		
Net earnings (loss)	\$ (127)	5,469
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization	178	177
Stock-based compensation	28	16
Cash payments for stock-based compensation	—	(12)
Noncash interest expense	35	—
Share of losses (earnings) of affiliates, net	66	(45)
Cash receipts from returns on equity investments	28	—
Realized and unrealized losses on financial instruments, net	244	285
Losses (gains) on disposition of assets, net	2	(3,682)
Deferred income tax benefit	(201)	(2,103)
Other noncash charges, net	66	19
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions:		
Current assets	226	74
Payables and other current liabilities	(300)	(174)
Net cash provided by operating activities	245	24
Cash flows from investing activities:		
Cash proceeds from dispositions	71	15
Proceeds from settlement of financial instruments	61	12
Cash received in exchange transactions	—	465
Investments in and loans to cost and equity investees	(418)	(387)
Capital expenditures	(39)	(54)
Net sales of short term investments	35	67
Net decrease in restricted cash	12	140
Other investing activities, net	3	(19)
Net cash provided (used) by investing activities	(275)	239
Cash flows from financing activities:		
Borrowings of debt	1,970	1,102
Repayments of debt	(355)	(498)
Repurchases of Liberty common stock	(3)	(75)
Other financing activities, net	(22)	(61)
Net cash provided by financing activities	1,590	468
Effect of foreign currency exchange rates on cash		
	(37)	20
Net increase in cash and cash equivalents	1,523	751
Cash and cash equivalents at beginning of period	3,135	3,135
Cash and cash equivalents at end of period	\$ 4,658	3,886
Available-for-sale security exchanged for consolidated subsidiaries, equity investment and cash	\$ —	10,143

See accompanying notes to condensed consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statement Of Equity

(unaudited)

Three months ended March 31, 2009

	Stockholders' Equity											
	Common stock										Noncontrolling interest in equity of subsidiaries	Total equity
	Preferred stock	Liberty Capital		Liberty Entertainment		Liberty Interactive		Additional paid-in capital	Accumulated other comprehensive earnings (loss)	Accumulated deficit		
		Series A	Series B	Series A	Series B	Series A	Series B					
amounts in millions												
Balance at January 1, 2009	\$ —	1	—	5	—	6	—	25,132	70	(5,612)	155	19,757
Net earnings (loss)	—	—	—	—	—	—	—	—	—	(136)	9	(127)
Other comprehensive loss	—	—	—	—	—	—	—	—	(73)	—	(13)	(86)
Stock compensation	—	—	—	—	—	—	—	9	—	—	—	9
Series A Liberty Capital stock repurchases	—	—	—	—	—	—	—	(3)	—	—	—	(3)
Distribution to noncontrolling interest	—	—	—	—	—	—	—	—	—	—	(18)	(18)
Effect of accounting change by equity affiliate	—	—	—	—	—	—	—	(72)	—	—	—	(72)
Other	—	—	—	—	—	—	—	—	—	—	(1)	(1)
Balance at March 31, 2009	\$ —	1	—	5	—	6	—	25,066	(3)	(5,748)	132	19,459

See accompanying notes to condensed consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

March 31, 2009
(unaudited)

(1) Basis of Presentation

The accompanying condensed 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, South America, Europe and Asia.

Effective January 1, 2009, Liberty adopted 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 and EITF Topic 08-6 also require that SAB 51 Gains for subsidiaries be recorded in equity and SAB 51 Gains for equity affiliates be recorded in earnings. Liberty has applied the provisions of Statement 160 prospectively, except for the presentation and disclosure requirements, which have been applied retrospectively for all periods presented.

The accompanying interim unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for such periods have been included. The results of operations for any interim period are not necessarily indicative of results for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in Liberty's Annual Report on Form 10-K for the year ended December 31, 2008, as amended.

The preparation of financial statements in conformity with 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) fair value measurement, (ii) accounting for income taxes, (iii) assessments of other-than-temporary declines in fair value of its investments and (iv) 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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

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

(2) Tracking Stocks

Prior to March 3, 2008, Liberty had two tracking stocks—Liberty Interactive common stock and Liberty Capital common stock, which were intended to track and reflect the economic performance of the Interactive Group and the Capital Group, respectively. On March 3, 2008, Liberty completed a reclassification (the "Reclassification") of its Liberty Capital common stock (herein referred to as "Old Liberty Capital common stock") whereby each share of Old Series A Liberty Capital common stock was reclassified into four shares of Series A Liberty Entertainment common stock and one share of new Series A Liberty Capital common stock, and each share of Old Series B Liberty Capital common stock was reclassified into four shares of Series B Liberty Entertainment common stock and one share of new Series B Liberty Capital common stock. The Liberty Entertainment common stock is intended to track and reflect the economic performance of the Entertainment Group. The Reclassification did not change the businesses, assets and liabilities attributed to the Interactive Group.

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 Entertainment Group and the Capital 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 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"), Backcountry.com, Inc. ("Backcountry"), Bodybuilding.com, LLC ("Bodybuilding"), BuySeasons, Inc. ("BuySeasons"), Expedia, Inc. ("Expedia"), HSN, Inc. ("HSN"), Interval Leisure Group, Inc. ("Interval"), Ticketmaster Entertainment, Inc. ("Ticketmaster"), Tree.com, Inc. ("Lending Tree") and IAC/InterActiveCorp ("IAC"). In addition, Liberty has attributed \$2,253 million principal amount (as of March 31, 2009) of its public debt to the Interactive Group. 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.

Similarly, the term "Entertainment Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities which Liberty has attributed to that group. The Entertainment Group focuses primarily on video programming, communications businesses and the direct-to-home satellite distribution business and includes Liberty's ownership interest in The DIRECTV Group, Inc. ("DIRECTV"), as well as an equity collar on 98.75 million of shares of DIRECTV common stock and \$1,999 million of borrowings against the put value of such equity collar. Liberty has also attributed to the Entertainment Group its subsidiaries, Starz Entertainment, LLC ("Starz Entertainment"), FUN Technologies, Inc. ("FUN"), three regional sports television networks ("Liberty Sports Group") and PicksPal, Inc. and equity interests in Game Show Network, LLC ("GSN") and WildBlue Communications, Inc. In addition, Liberty has attributed \$760 million of

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

corporate cash to the Entertainment Group. The Entertainment 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 Entertainment Group, including such other businesses as Liberty may acquire for the Entertainment 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 or the Entertainment Group. The assets and businesses attributed to the Capital Group include Liberty's subsidiaries: Starz Media, LLC ("Starz Media"), 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"); and its interests in Time Warner Inc., Time Warner Cable Inc. and Sprint Nextel Corporation. In addition, Liberty has attributed \$2,845 million of cash, including subsidiary cash and \$6,451 million principal amount (as of March 31, 2009) of its exchangeable senior debentures and other parent debt to the Capital Group. 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.

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

Split Off Transaction

During the fourth quarter of 2008, the Board of Directors of Liberty approved a plan to redeem a portion of the outstanding shares of Liberty's Entertainment Group tracking stock for all of the outstanding shares of a newly formed subsidiary of Liberty, Liberty Entertainment, Inc. ("LEI"), (the "Redemption"). The Redemption and resulting separation of LEI from Liberty are referred to as the "Split Off."

If the Redemption is completed, Liberty will redeem 90% of the outstanding shares of each series of Liberty Entertainment common stock for 100% of the outstanding shares of the same series of LEI, with cash in lieu of fractional shares, in each case, as of a date to be determined by the board of Liberty (the "Redemption Date"). Immediately following the Redemption Date, the holders of Liberty Entertainment common stock will own 100% of the outstanding equity of LEI. At the time of the Split Off, LEI will hold Liberty's interests in DIRECTV (and related collars and debt), Liberty Sports Group and GSN and \$30 million in cash. In addition, Liberty and LEI have entered into a revolving credit facility pursuant to which Liberty will provide LEI with up to \$300 million principal amount of loans. The Split Off is conditioned on, among other matters, receipt of stockholder approval and receipt of a private letter ruling from the IRS and a tax opinion from tax counsel and is expected to occur in the second half of 2009. The Split Off will be accounted for at historical cost due to the fact that the LEI common stock is to be distributed pro rata to holders of Liberty Entertainment tracking stock.

On May 3, 2009, Liberty and LEI entered into an Agreement and Plan of Merger (the "Merger Agreement") with DIRECTV and other parties named therein, pursuant to which, after Liberty completes the Split Off, LEI and DIRECTV will combine under a new parent company (the "Merger Transaction"). The Merger Transaction is subject to certain closing conditions.

Subsequent to the Split Off, the Entertainment Group will be renamed the Starz Group and will be comprised principally of Starz Entertainment and cash.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(3) Stock-Based Compensation

The Company has granted to its directors, employees and employees of its subsidiaries options and stock appreciation rights ("SARs") to purchase shares of Liberty common stock (collectively, "Awards"). The Company accounts for stock-based compensation pursuant to Statement of Financial Accounting Standards No. 123 (revised 2004), "*Share-Based Payment*" ("Statement 123R"). 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.

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

Three months ended:	
March 31, 2009	\$28
March 31, 2008	\$16

During the three months ended March 31, 2009, Liberty granted primarily to QVC employees 6.7 million options to purchase shares of Series A Liberty Interactive common stock. Such options had a weighted average grant-date fair value of \$.85.

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. The Company estimates the expected term of the Awards based on historical exercise and forfeiture data. The volatility used in the calculation for Awards 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 table presents the number and weighted average exercise price ("WAEP") of options and SARs to purchase Liberty common stock granted to certain officers, employees and directors of the Company.

	Series A					
	Liberty Capital	WAEP	Liberty Interactive	WAEP	Liberty Entertainment	WAEP
	numbers of options in thousands					
Outstanding at January 1, 2009	4,031	\$10.83	31,361	\$16.48	15,978	\$19.77
Granted	1	\$ 5.14	6,700	\$ 4.30	4	\$17.32
Exercised	—		—		(14)	\$15.31
Forfeited	(15)	\$13.89	(920)	\$14.72	(45)	\$22.23
Outstanding at March 31, 2009	4,017	\$10.82	37,141	\$14.33	15,923	\$19.76
Exercisable at March 31, 2009	<u>2,277</u>	\$13.57	<u>16,655</u>	\$19.87	<u>8,855</u>	\$20.25

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

The following table provides additional information about outstanding options to purchase Liberty common stock at March 31, 2009.

	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	4,017	\$ 10.82	4.6 years	\$ 4,314	2,277	\$ 13.57	\$ 264
Series B Capital	1,408	\$ 15.20	1.9 years	\$ —	1,408	\$ 15.20	\$ —
Series A Interactive	37,141	\$ 14.33	5.1 years	\$ —	16,655	\$ 19.87	\$ —
Series B Interactive	7,491	\$ 23.41	2.2 years	\$ —	7,491	\$ 23.41	\$ —
Series A Entertainment	15,923	\$ 19.76	4.6 years	\$25,541	8,855	\$ 20.25	\$ 12,666
Series B Entertainment	5,993	\$ 21.57	2.2 years	\$ 652	5,993	\$ 21.57	\$ 652

As of March 31, 2009, the total unrecognized compensation cost related to unvested Liberty equity Awards was approximately \$85 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2 years.

Subsequent to March 31, 2009, Liberty completed an exchange offer pursuant to which eligible employees of QVC and BuySeasons were offered the opportunity to exchange all (but not less than all) of their outstanding stock options to purchase shares of Series A Liberty Interactive common stock ("LINTA") with an exercise price greater than \$7.00 for new options to acquire shares of LINTA. Eligible option holders tendered an aggregate of 11,311,787 shares of LINTA. In exchange, Liberty granted the tendering option holders an aggregate of 2,828,022 options to purchase shares of LINTA with an exercise price of \$3.41 per share and 2,828,022 options to purchase shares of LINTA with an exercise price of \$6.00 per share.

(4) 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.

Old Series A and Series B Liberty Capital Common Stock

Old Liberty Capital basic EPS for the period from January 1, 2008 to the Reclassification, was computed by dividing the net earnings attributable to the Capital Group by the weighted average outstanding shares of Old Liberty Capital common stock for the period (129 million). Fully diluted EPS for the two months in 2008 includes 1 million common stock equivalents.

Series A and Series B Liberty Interactive Common Stock

Liberty Interactive basic EPS for the three months ended March 31, 2009 and 2008 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 (594 million and 596 million, respectively). Due to the relative insignificance of the dilutive securities, their inclusion does not impact the EPS amounts. Excluded from diluted EPS for the three months ended March 31, 2009 are approximately 45 million potential common shares because their inclusion would be anti-dilutive.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Series A and Series B Liberty Entertainment Common Stock

Liberty Entertainment basic EPS for the three months ended March 31, 2009 and for the period from the Reclassification to March 31, 2008 was computed by dividing the net earnings attributable to the Entertainment Group by the weighted average outstanding shares of Liberty Entertainment common stock for the period (517 million and 516 million). Due to the relative insignificance of the dilutive securities, their inclusion does not impact the EPS amounts. Excluded from diluted EPS for the three months ended March 31, 2009 are approximately 18 million potential common shares because their inclusion would be anti-dilutive.

Series A and Series B Liberty Capital Common Stock

Liberty Capital basic EPS for the three months ended March 31, 2009 and for the period from the Reclassification to March 31, 2008 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 (96 million and 129 million). Excluded from diluted EPS for the three months ended March 31, 2009 are approximately 5 million potential common shares because their inclusion would be anti-dilutive.

(5) Assets and Liabilities Measured at Fair Value

Liberty uses the provisions of Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("Statement 157") to account for assets and liabilities that are required to be reported at fair value. Statement 157 defines fair value, prescribes a framework for measuring fair value under GAAP and expands disclosures about fair value measurements.

Statement 157 provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs, other than quoted market prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

The Company's assets and liabilities measured at fair value are as follows:

<u>Description</u>	<u>Fair Value Measurements at March 31, 2009 Using</u>			
	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
	<u>amounts in millions</u>			
Available-for-sale securities	\$ 2,776	2,538	238	—
Financial instrument assets	\$ 2,405	—	2,405	—
Financial instrument liabilities	\$ 738	387	351	—
Debt	\$ 1,921	—	1,921	—

The Company uses the Black Scholes Model to estimate fair value for the majority of its Level 2 financial instrument assets and liabilities using observable inputs such as exchange-traded equity prices, risk-free interest rates, dividend yields and volatilities obtained from pricing services. For the Company's debt instruments reported at fair value, the Company gets quoted market prices from pricing services or from evidence of observable inputs, some of which may be obtained using third-party brokers. However, the Company does not believe such instruments are traded on "active markets," as

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

defined in Statement 157. Accordingly, the debt instruments are reported in the foregoing table as Level 2 fair value.

Statement 157 requires the incorporation of a credit risk valuation adjustment in the Company's fair value measurements to estimate the impact of both its own nonperformance risk and the nonperformance risk of its counterparties. The Company estimates credit risk associated with its and its counterparties nonperformance primarily by using observable credit default swap rates for terms similar to those of the remaining life of the instrument, adjusted for any master netting arrangements or other factors that provide an estimate of nonperformance risk. These are Level 3 inputs. However, as the credit risk valuation adjustments were not significant, the Company continues to report its equity collars, interest rate swaps and put options as Level 2.

(6) Investments in Available-for-Sale Securities and Other Cost 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. Liberty accounts for certain of its AFS securities pursuant to 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. Liberty has entered into economic hedges for many of its non-strategic AFS securities (although such instruments are not accounted for as fair value hedges by the Company). Changes in the fair value of these economic hedges are reflected in Liberty's statement of operations as unrealized gains (losses). In order to better match the changes in fair value of the subject AFS securities and the changes in fair value of the corresponding economic hedges in the Company's financial statements, Liberty has elected to apply the provisions of Statement 159 to those of its AFS securities ("Statement 159 Securities") which it considers to be non-strategic. Accordingly, changes in the fair value of Statement 159 Securities, as determined by quoted market prices, are reported in realized and unrealized gain (losses) on financial instruments in the accompanying condensed consolidated statements of operations. The total value of AFS securities for which the Company has elected the fair value option aggregated \$2,083 million as of March 31, 2009.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Investments in AFS securities and other cost investments are summarized as follows:

	March 31, 2009	December 31, 2008
	amounts in millions	
Capital Group		
Time Warner Inc.(1)	\$ 661	1,033
Time Warner Cable Inc.(2)	213	—
Sprint Nextel Corporation ("Sprint")(3)	312	160
Motorola, Inc.(4)	313	328
Viacom, Inc.	132	145
Embarq Corporation(5)	165	157
Other AFS equity securities(6)	42	40
Other AFS debt securities	265	224
Other cost investments and related receivables	31	31
Total attributed Capital Group	<u>2,134</u>	<u>2,118</u>
Interactive Group		
IAC/InterActiveCorp ("IAC")	549	638
Other	130	101
Total attributed Interactive Group	<u>679</u>	<u>739</u>
Entertainment Group		
Other	2	2
Total attributed Entertainment Group	<u>2</u>	<u>2</u>
Consolidated Liberty	<u>\$ 2,815</u>	<u>2,859</u>

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- (1) Includes \$58 million and \$91 million of shares pledged as collateral for share borrowing arrangements at March 31, 2009 and December 31, 2008, respectively.
 - (2) Includes \$19 million of shares pledged as collateral for share borrowing arrangements at March 31, 2009.
 - (3) Includes \$32 million and \$17 million of shares pledged as collateral for share borrowing arrangements at March 31, 2009 and December 31, 2008, respectively.
 - (4) Includes \$220 million and \$230 million of shares pledged as collateral for share borrowing arrangements at March 31, 2009 and December 31, 2008, respectively.
 - (5) Includes \$17 million and \$16 million of shares pledged as collateral for share borrowing arrangements at March 31, 2009 and December 31, 2008, respectively.
 - (6) Includes \$41 million and \$38 million of shares pledged as collateral for share borrowing arrangements at March 31, 2009 and December 31, 2008, respectively.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Unrealized Holdings Gains and Losses

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

	<u>March 31, 2009</u>		<u>December 31, 2008</u>	
	<u>Equity securities</u>	<u>Debt securities</u>	<u>Equity securities</u>	<u>Debt securities</u>
	<u>amounts in millions</u>			
Gross unrealized holding gains	\$ 33	3	9	—
Gross unrealized holding losses	\$ (22)	—	(4)	—

The aggregate fair value of securities with unrealized holding losses at March 31, 2009 was \$549 million. None of these securities had unrealized losses for more than 12 continuous months.

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

Liberty has various investments accounted for using the equity method. The following table includes Liberty's carrying amount and percentage ownership of the more significant investments in affiliates at March 31, 2009 and the carrying amount at December 31, 2008:

	<u>March 31, 2009</u>		<u>December 31, 2008</u>	
	<u>Percentage ownership</u>	<u>Carrying amount</u>	<u>Carrying amount</u>	
	<u>dollar amounts in millions</u>			
Entertainment Group				
DIRECTV	54%	\$12,970	13,085	
Other	various	244	281	
Interactive Group				
Expedia	24%	557	559	
Other	various	225	342	
Capital Group				
Sirius XM Radio Inc. ("Sirius")	40%	387	—	
Other	various	216	223	
		<u>\$14,599</u>	<u>14,490</u>	

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

The following table presents Liberty's share of earnings (losses) of affiliates:

	Three months ended	
	March 31,	
	2009	2008
	amounts in millions	
Entertainment Group		
DIRECTV	\$ 32	36
Other	5	7
Interactive Group		
Expedia	9	12
Other	(104)	—
Capital Group		
Sirius	—	—
Other	(8)	(10)
	<u>\$ (66)</u>	<u>45</u>

DIRECTV

On February 27, 2008, Liberty completed a transaction with News Corporation (the "News Corporation Exchange") in which Liberty exchanged all of its 512.6 million shares of News Corporation common stock valued at \$10,143 million on the closing date for a subsidiary of News Corporation that held an approximate 41% interest in DIRECTV, three regional sports television networks that now comprise Liberty Sports Group and \$463 million in cash. In addition, Liberty incurred \$21 million of acquisition costs. Liberty recognized a pre-tax gain of \$3,666 million in the first quarter of 2008 based on the difference between the fair value and the cost basis of the News Corporation shares exchanged.

Liberty accounted for the News Corporation Exchange as a nonmonetary exchange under APB Opinion No. 29, "Accounting for Nonmonetary Transactions." Accordingly, Liberty recorded the assets received at an amount equal to the fair value of the News Corporation common stock given up. Such amount was allocated to DIRECTV and Liberty Sports Group based on their relative fair values as follows (amounts in millions):

Cash	\$ 463
DIRECTV	10,765
Liberty Sports Group	448
Deferred tax liability	(1,512)
Total	<u><u>\$10,164</u></u>

Liberty estimated the fair values of Liberty Sports Group and DIRECTV's assets using a combination of discounted cash flows and market prices for comparable assets.

At the time of closing, the value attributed to Liberty's investment in DIRECTV exceeded Liberty's proportionate share of DIRECTV's equity by \$8,022 million. Due to additional purchases of DIRECTV stock by Liberty and stock repurchases by DIRECTV, such excess basis has increased to \$10,517 million as of March 31, 2009. Such amount has been allocated within memo accounts used for equity accounting purposes to DIRECTV's assets and liabilities. Amortization related to the intangible assets with identifiable useful lives within the memo accounts is included in Liberty's share of earnings of DIRECTV in the accompanying condensed consolidated statement of operations and aggregated

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

\$75 million and \$23 million (net of related taxes) for the three months ended March 31, 2009 and for the one month ended March 31, 2008, respectively.

On April 3, 2008, Liberty purchased 78.3 million additional shares of DIRECTV common stock in a private transaction for cash consideration of \$1.98 billion. Liberty funded the purchase with borrowings against a newly executed equity collar on 110 million DIRECTV common shares. As of May 5, 2008, Liberty's ownership in DIRECTV was approximately 47.9%, and Liberty and DIRECTV entered into a standstill agreement. Pursuant to the standstill agreement, in the event Liberty's ownership interest goes above 47.9% due to stock repurchases by DIRECTV Liberty has agreed to vote its shares of DIRECTV which represent the excess ownership interest above 47.9% in the same proportion as all DIRECTV shareholders other than Liberty. Accordingly, although Liberty's economic ownership in DIRECTV is above 50%, Liberty continues to account for such investment using the equity method of accounting. Liberty records its share of DIRECTV's earnings based on its economic interest in DIRECTV.

The market value of the Company's investment in DIRECTV was \$12,505 million and \$12,571 million at March 31, 2009 and December 31, 2008, respectively. Summarized unaudited financial information for DIRECTV is as follows:

DIRECTV Consolidated Balance Sheets

	<u>March 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	<u>amounts in millions</u>	
Current assets	\$ 4,035	4,044
Satellites, net	2,440	2,476
Property and equipment, net	4,179	4,171
Goodwill	3,760	3,753
Intangible assets	1,069	1,172
Other assets	923	923
Total assets	<u>\$ 16,406</u>	<u>16,539</u>
Current liabilities	\$ 3,562	3,585
Deferred income taxes	562	524
Long-term debt	5,696	5,725
Other liabilities	1,743	1,749
Redeemable noncontrolling interest	325	325
Equity	4,518	4,631
Total liabilities and equity	<u>\$ 16,406</u>	<u>16,539</u>

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

DIRECTV Consolidated Statements of Operations

	Three months ended	
	March 31,	
	2009	2008
	amounts in millions	
Revenue	\$ 4,901	4,591
Costs of revenue	(2,461)	(2,288)
Selling, general and administrative expenses	(1,350)	(1,122)
Depreciation and amortization	(666)	(524)
Operating income	424	657
Interest expense	(101)	(63)
Other income, net	13	19
Income tax expense	(124)	(230)
Net earnings	\$ 212	383

Expedia

The market value of the Company's investment in Expedia was \$629 million and \$570 million at March 31, 2009 and December 31, 2008, respectively. Summarized unaudited financial information for Expedia is as follows:

Expedia Consolidated Balance Sheets

	March 31, 2009	December 31,
	2008	
	amounts in millions	
Current assets	\$ 1,091	1,199
Property and equipment	240	248
Goodwill	3,520	3,539
Intangible assets	818	833
Other assets	80	75
Total assets	\$ 5,749	5,894
Current liabilities	\$ 2,041	1,566
Deferred income taxes	199	190
Long-term debt	895	1,545
Other liabilities	214	212
Equity	2,400	2,381
Total liabilities and equity	\$ 5,749	5,894

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Expedia Consolidated Statements of Operations

	Three months ended	
	March 31,	
	2009	2008
	amounts in millions	
Revenue	\$ 636	688
Cost of revenue	(144)	(152)
Gross profit	492	536
Selling, general and administrative expenses	(381)	(428)
Amortization	(9)	(18)
Restructuring charges	(9)	—
Operating income	93	90
Interest expense	(22)	(16)
Other income (expense)	(4)	6
Income tax expense	(27)	(29)
Net earnings	<u>\$ 40</u>	<u>51</u>

Spin Off Companies from IAC

IAC completed the spin off of HSN, Interval, Ticketmaster and Lending Tree (the "IAC Spin Off Companies") on August 21, 2008. Liberty received an approximate 30% ownership interest in each of the IAC Spin Off Companies. Liberty allocated its carrying value in IAC prior to the spin off among IAC and the IAC Spin Off Companies based on their relative fair values at the time of the spin off. Liberty received no super voting shares in and has no special voting arrangements with respect to any of the IAC Spin Off Companies (other than with respect to the election of directors), and therefore, accounts for its interests using the equity method of accounting. Liberty has elected to record its share of earnings/losses for each of the IAC Spin Off Companies on a three month lag due to timeliness considerations. Liberty's share of losses of the IAC Spin Off Companies aggregated \$104 million for the three months ended March 31, 2009.

Sirius XM Radio Inc.

During the first quarter of 2009, Liberty made investments/commitments in Sirius totaling approximately \$579 million. Liberty's initial investment was the open market purchase of Sirius bonds for \$18 million. Such bonds are accounted for by Liberty as AFS debt securities and are marked to market each reporting period. On February 17, 2009, Liberty and Sirius entered into a senior secured loan agreement (the "Senior Loan") whereby Liberty loaned Sirius \$250 million at an interest rate of 15% and made a commitment to loan an additional \$30 million to fund qualifying expenditures by Sirius. In exchange for making the Senior Loan, Liberty received a \$30 million origination fee. Liberty has accounted for the origination fee as a discount to the Senior Loan and is amortizing it to interest income over the term of the Senior Loan. On March 6, 2009, Liberty (i) purchased \$100 million of a new senior loan facility of a subsidiary of Sirius ("Subsidiary Senior Loan"), (ii) purchased \$61 million of bank debt of such subsidiary directly from the lending group and (iii) committed to make a loan of \$150 million to such subsidiary in December 2009 ("Subsidiary Commitment"). In addition, Liberty received voting preferred stock of Sirius, which has substantially the same rights and preferences as

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

common shareholders of Sirius, for a cash payment of \$12,500. This preferred stock is convertible into common stock equal to 40% of fully diluted equity.

Liberty has allocated the total consideration paid for the Subsidiary Loan, the Subsidiary Commitment and the preferred stock to each of the instruments based on the relative fair values of such instruments.

Since the amount of bank debt purchased from the lending group was a transaction with an outside third party and not with Sirius directly, this investment has not been included in the allocation, but has initially been recorded at the amount invested (\$61 million).

Based on Liberty's voting rights and its conclusion that the preferred stock is in-substance common stock in accordance with the criteria in EITF 02-14, Liberty accounts for its investment in the Sirius preferred stock using the equity method of accounting. Liberty has elected to record its share of earnings/losses for Sirius on a three-month lag due to timing considerations. As of March 31, 2009, such preferred stock had a market value of \$905 million based on the value of the common stock into which it is convertible.

Liberty's investment in Sirius has been attributed to the Capital Group.

(8) Financial Instruments

The Company's financial instruments are summarized as follows:

<u>Type of financial instrument</u>	<u>March 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	<u>amounts in millions</u>	
<i>Assets</i>		
Equity collars(1)	\$ 2,302	\$ 2,392
Other	103	93
	<u>2,405</u>	<u>2,485</u>
Less current portion	(1,581)	(1,157)
	<u>\$ 824</u>	<u>\$ 1,328</u>
<i>Liabilities</i>		
Borrowed shares	\$ 387	\$ 392
Other	351	350
	<u>738</u>	<u>742</u>
Less current portion	(551)	(553)
	<u>\$ 187</u>	<u>\$ 189</u>

- (1) Includes \$2,097 million and \$205 million at March 31, 2009 related to the Company's Sprint and DIRECTV equity collars, respectively. The Company has made borrowings against substantially all of the future cash proceeds to be received by the Company upon expiration of these equity collars. See note 10.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

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:

	Three months ended	
	March 31,	
	2009	2008
	amounts in millions	
Statement 159 Securities	\$ 10	(1,421)
Exchangeable senior debentures	(235)	337
Equity collars	(50)	558
Borrowed shares	5	432
Other derivatives	26	(191)
	<u>\$ (244)</u>	<u>(285)</u>

(9) Intangible Assets

Goodwill

Changes in the carrying amount of goodwill are as follows:

	QVC	Starz		Total
		Entertainment	Other	
	amounts in millions			
Balance at January 1, 2009	\$5,363	132	1,055	6,550
Foreign currency translation adjustments	(30)	—	—	(30)
Other	—	—	(2)	(2)
Balance at March 31, 2009	<u>\$5,333</u>	<u>132</u>	<u>1,053</u>	<u>6,518</u>

Intangible Assets Subject to Amortization

Amortization expense for intangible assets with finite useful lives was \$129 million and \$131 million for the three months ended March 31, 2009 and 2008, respectively. Based on its amortizable intangible assets as of March 31, 2009, Liberty expects that amortization expense will be as follows for the next five years (amounts in millions):

Remainder of 2009	\$356
2010	\$448
2011	\$409
2012	\$372
2013	\$368

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(10) Long-Term Debt

Debt is summarized as follows:

	Outstanding principal March 31, 2009	Carrying value	
		March 31, 2009	December 31, 2008
amounts in millions			
Capital Group			
Exchangeable senior debentures			
3.125% Exchangeable Senior Debentures due 2023	\$ 1,264	998	918
4% Exchangeable Senior Debentures due 2029	869	291	256
3.75% Exchangeable Senior Debentures due 2030	810	254	241
3.5% Exchangeable Senior Debentures due 2031	495	180	138
Liberty bank facility	750	750	750
Liberty derivative loan	2,263	2,263	625
Subsidiary debt	108	108	135
Total attributed Capital Group debt	6,559	4,844	3,063
Interactive Group			
Senior notes and debentures			
7.875% Senior Notes due 2009	104	104	104
7.75% Senior Notes due 2009	13	13	13
5.7% Senior Notes due 2013	803	801	801
8.5% Senior Debentures due 2029	287	284	284
8.25% Senior Debentures due 2030	505	501	501
3.25% Exchangeable Senior Debentures due 2031	541	198	138
QVC bank credit facilities	5,225	5,225	5,230
Other subsidiary debt	70	70	60
Total attributed Interactive Group debt	7,548	7,196	7,131
Entertainment Group			
DIRECTV Collar Loan	1,999	1,999	1,981
Subsidiary debt	50	50	52
Total attributed Entertainment Group debt	2,049	2,049	2,033
Total consolidated Liberty debt	\$ 16,156	14,089	12,227
Less current maturities		(2,455)	(868)
Total long-term debt		\$ 11,634	\$ 11,359

Exchangeable Senior Debentures

Subsequent to March 31, 2009, the Company voluntarily settled total return swaps with respect to \$400 million principal amount of its 4% Exchangeable Senior Debentures and \$350 million principal amount of its 3.75% Exchangeable Senior Debentures and retired such debt.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Liberty Derivative Loan

During the first quarter of 2009, Liberty made additional net borrowings of \$1,638 million against the present value of its Sprint derivatives. Such debt is due when the derivatives expire in 2009 and 2010 and is expected to largely offset the proceeds to be received by Liberty upon expiration of the derivatives.

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. Substantially all revolving loans were fully drawn as of March 31, 2009. 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. QVC is required to pay a commitment fee quarterly in arrears on the unused portion of the commitments. Such fees have not been significant to date.

The credit agreements 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 March 31, 2009.

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. Until December 2008, Liberty accounted 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 condensed consolidated balance sheet. In December 2008, QVC elected interest terms under its credit facilities that do not effectively match the terms of the swap arrangements. As a result, the swaps no longer qualify as cash flow hedges under Statement No. 133. Accordingly, changes in the fair value of the swaps are now reflected in realized and unrealized gains or losses on financial instruments in the accompanying condensed consolidated statements of operations.

QVC is also party to two interest rate swap arrangements with an aggregate notional amount of \$600 million. These swap arrangements, which expire in October 2010, provide for QVC to make fixed

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

payments at 3.07% and to receive variable payments at 3 month LIBOR. These swap arrangements do not qualify as cash flow hedges under Statement 133.

DIRECTV Collar Loan

In April 2008, Liberty entered into an equity collar (the "DIRECTV Collar") for 110 million shares of DIRECTV common stock and a related credit facility (the "Collar Loan") against the present value of the put value of such collar. At the time of closing, Liberty borrowed \$1,977 million. The Collar Loan is due as the DIRECTV Collar terminates in six tranches from June 2009 through August 2012. Each tranche is repayable during a six-month period based upon a formula that factors in several variables including the market price of DIRECTV common stock. Interest accrues at an effective weighted average interest rate of 3.5% and is due and payable as each tranche matures. Borrowings are collateralized by the puts underlying the Collar Loan and 170 million shares of DIRECTV common stock owned by Liberty.

In November 2008, Liberty chose to unwind 50% of the first tranche of the DIRECTV Collar. The first tranche expires in 2009 and originally had 22.5 million DIRECTV shares underlying it. As part of this transaction, Liberty repaid the portion of the Collar Loan (\$228.4 million) associated with the shares that were unwound. Such repayment was funded with (1) proceeds from the collar unwind (\$45.5 million), (2) funds borrowed from the remaining capacity of the Collar Loan (\$181.1 million) and (3) cash on hand (\$1.8 million). As a result of this transaction, the amount of the Collar Loan due in 2009 is approximately \$258 million including accrued interest.

The DIRECTV Collar contains a provision that allows the counterparty to terminate a portion of the DIRECTV Collar if the total number of shares of DIRECTV underlying the DIRECTV Collar exceeds 20% of the outstanding public float of DIRECTV common stock. In the event the counterparty chooses to terminate a portion of the DIRECTV Collar, the repayment of the corresponding debt would be accelerated. The counterparty has agreed to waive its right to terminate a portion of the DIRECTV Collar until early June 2009, subject to the condition that the total number of shares underlying the DIRECTV Collar does not exceed 23% of the outstanding public float of DIRECTV common stock. As of March 31, 2009, the total number of shares underlying the DIRECTV Collar did not exceed the 23% limit.

Other Subsidiary Debt

Other subsidiary debt at March 31, 2009 is comprised of capitalized satellite transponder lease obligations and bank debt of certain subsidiaries.

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 securities that are not reported at fair value in the accompanying condensed consolidated balance sheet at March 31, 2009 is as follows (amounts in millions):

Fixed rate senior notes	\$727
Senior debentures	\$426

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Due to the low risk nature of the Collar Loan, Liberty believes that the carrying amount approximates fair value. Due to its variable rate nature, Liberty believes that the carrying amount of its subsidiary debt and other parent debt, approximated fair value at March 31, 2009.

(11) Stockholders' Equity

As of March 31, 2009, there were 4.0 million and 1.4 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 March 31, 2009, there were 37.1 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.

As of March 31, 2009, there were 15.9 million and 6.0 million shares of Series A and Series B Liberty Entertainment 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, the Series A and Series B Liberty Interactive common stock and the Series A and Series B Liberty Entertainment common stock, there are 2.0 billion, 4.0 billion and 4.0 billion shares of Series C Liberty Capital, Series C Liberty Interactive and Series C Liberty Entertainment common stock, respectively, authorized for issuance. As of March 31, 2009, no shares of any Series C common stock were issued or outstanding.

During the three months ended March 31, 2009, the Company settled put options on Series A Liberty Capital common stock for cash payments of \$5 million. As of March 31, 2009, put options with respect to 12.6 million shares of LINTA with a weighted average put price of \$16.54 remained outstanding. Such put options expire on or before December 31, 2009.

The Company accounts for the foregoing 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 statements of operations.

(12) Transactions with Related Parties

During the three months ended March 31, 2009 and the one month ended March 31, 2008, subsidiaries of Liberty recognized aggregate revenue of \$84 million and \$25 million, respectively, from DIRECTV for distribution of their programming. In addition, subsidiaries of Liberty made aggregate payments of \$8 million and \$3 million to DIRECTV for carriage and marketing.

(13) 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, telephone companies, other distributors and the Internet 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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

at March 31, 2009 is reflected as a liability in the accompanying condensed consolidated balance sheet. The balance due as of March 31, 2009 is payable as follows: \$60 million in 2009, \$11 million in 2010 and \$2 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 March 31, 2009. Starz Entertainment's estimate of amounts payable under these agreements is as follows: \$330 million in 2009; \$245 million in 2010; \$98 million in 2011; \$94 million in 2012; \$84 million in 2013 and \$211 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 ("Disney") through 2012 and all qualifying films that are released theatrically in the United States by studios owned by Sony Pictures Entertainment ("Sony") through 2016. 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 February 2009, Disney announced that it has agreed to enter into a long-term distribution arrangement with DreamWorks Studios. Under the terms of this arrangement, Disney will handle distribution and marketing for approximately six DreamWorks films each year. As a result of this arrangement, the number of qualifying films under Starz Entertainment's output agreement with Disney may be higher than it would have been otherwise.

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 when Starz Entertainment receives the first qualifying film released theatrically by Sony in 2011. In December 2008, Starz Entertainment entered into a new agreement with Sony for theatrical releases through 2016. Under the extension, Starz Entertainment has agreed to pay Sony \$120 million in three equal annual installments beginning in 2015. Such payments will be amortized ratably as programming expense over the three-year period beginning when Starz Entertainment receives the first qualifying film released theatrically by Sony in 2014.

Guarantees

Liberty guarantees Starz Entertainment's obligations under certain of its studio output agreements. At March 31, 2009, Liberty's guarantees for obligations for films released by such date aggregated \$720 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 direct commitment of Starz Entertainment, a consolidated subsidiary of Liberty, Liberty has not recorded a separate indirect 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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

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 condensed consolidated financial statements with respect to these indemnification guarantees.

Sports Rights

Liberty Sports Group has entered into agreements with various professional and collegiate sports teams and leagues to purchase the rights to broadcast games through 2020. At March 31, 2009, such commitments aggregated \$1,514 million and are due as follows: \$117 million in 2009; \$134 million in 2010; \$133 million in 2011; \$121 million in 2012; \$105 million in 2013 and \$904 million thereafter.

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 March 31, 2009 aggregated \$231 million, which is payable as follows: \$80 million in 2009, \$63 million in 2010, \$49 million in 2011 and \$39 million in 2012. In addition to the foregoing amounts, certain players and coaches may earn incentive compensation under the terms of their employment contracts.

Operating Leases

Liberty and its subsidiaries lease business offices, have entered into satellite transponder lease agreements and use certain equipment under lease arrangements.

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 condensed consolidated financial statements.

(14) Information About Liberty's Operating Segments

Liberty, through its ownership interests in subsidiaries and other companies, is primarily engaged in the video and on-line commerce, media, communications and entertainment industries. Liberty has attributed each of its businesses to one of three groups: the Interactive Group, the Entertainment 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, pre-tax earnings 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, Adjusted OIBDA, gross margin, average sales price per unit, number of units shipped and revenue or sales per customer equivalent. In addition,

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Liberty reviews nonfinancial measures such as subscriber growth, penetration, website visitors, conversion rates and active customers, as appropriate.

Liberty defines Adjusted OIBDA as revenue less cost of sales, operating expenses, and selling, general and administrative expenses (excluding stock-based compensation). Liberty believes this measure 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, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA 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 three months ended March 31, 2009, Liberty has identified the following businesses 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 Entertainment Group that provides premium programming distributed by cable operators, direct-to-home satellite providers, telephone companies, other distributors and 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 theatrical, home video, television and other ancillary markets in the United States and internationally.
- DIRECTV—equity affiliate attributed to the Entertainment Group that provides digital television entertainment delivered by satellite in the United States and Latin America.

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 Company's summary of significant policies.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Performance Measures

	Three months ended March 31,			
	2009		2008	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in millions			
Interactive Group				
QVC	\$ 1,593	319	1,765	387
Corporate and other	238	22	185	14
	<u>1,831</u>	<u>341</u>	<u>1,950</u>	<u>401</u>
Entertainment Group				
Starz Entertainment	296	108	273	74
Corporate and other	73	24	37	7
	<u>369</u>	<u>132</u>	<u>310</u>	<u>81</u>
Capital Group				
Starz Media	102	5	62	(24)
Corporate and other	23	(37)	29	(35)
	<u>125</u>	<u>(32)</u>	<u>91</u>	<u>(59)</u>
Consolidated Liberty	<u>\$ 2,325</u>	<u>441</u>	<u>2,351</u>	<u>423</u>
Equity Affiliate				
DIRECTV	<u>\$ 4,901</u>	<u>1,090</u>	<u>4,591</u>	<u>1,181</u>

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Other Information

	March 31, 2009		
	Total assets	Investments in affiliates	Capital expenditures
	amounts in millions		
Interactive Group			
QVC	\$13,427	8	25
Corporate and other	3,509	774	5
	<u>16,936</u>	<u>782</u>	<u>30</u>
Entertainment Group			
Starz Entertainment	1,434	—	—
Corporate and other	14,851	13,214	4
	<u>16,285</u>	<u>13,214</u>	<u>4</u>
Capital Group			
Starz Media	598	—	—
Corporate and other	9,337	603	5
	<u>9,935</u>	<u>603</u>	<u>5</u>
Inter-group eliminations	(249)	—	—
Consolidated Liberty	<u>\$42,907</u>	<u>14,599</u>	<u>39</u>
Equity Affiliate			
DIRECTV	<u>\$16,406</u>		<u>539</u>

The following table provides a reconciliation of segment Adjusted OIBDA to earnings (loss) before income taxes:

	Three months ended	
	March 31,	
	2009	2008
	amounts in millions	
Consolidated segment Adjusted OIBDA	\$ 441	423
Stock-based compensation	(28)	(16)
Depreciation and amortization	(178)	(177)
Interest expense	(154)	(166)
Share of earnings (losses) of affiliates	(66)	45
Realized and unrealized losses on financial instruments, net	(244)	(285)
Gains (losses) on dispositions, net	(2)	3,682
Other, net	(16)	57
Earnings (loss) before income taxes	<u>\$ (247)</u>	<u>3,563</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business, product and marketing strategies; new service offerings; revenue growth and subscriber trends at QVC, Inc. and Starz Entertainment, LLC; QVC's ability to comply with the covenants contained in its credit facilities; anticipated programming and marketing costs at Starz Entertainment; the recoverability of our goodwill and other long-lived assets; counterparty performance under our derivative arrangements; our projected sources and uses of cash; the estimated value of our derivative instruments; and the anticipated non-material impact of certain contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

- customer demand for our products and services and our ability to adapt to changes in demand;
- competitor responses to our products and services, and the products and services of the entities in which we have interests;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- uncertainties associated with product and service development and market acceptance, including the development and provision of programming for new television and telecommunications technologies;
- our future financial performance, including availability, terms and deployment of capital;
- our ability to successfully integrate and recognize anticipated efficiencies and benefits from the businesses we acquire;
- the ability of suppliers and vendors to deliver products, equipment, software and services;
- the outcome of any pending or threatened litigation;
- availability of qualified personnel;
- changes in, or failure or inability to comply with, government regulations, including, without limitation, regulations of the Federal Communications Commission, and adverse outcomes from regulatory proceedings;
- changes in the nature of key strategic relationships with partners, vendors and joint venturers;
- general economic and business conditions and industry trends including the current economic downturn;
- consumer spending levels, including the availability and amount of individual consumer debt;
- disruption in the production of theatrical films or television programs due to strikes by unions representing writers, directors or actors;
- continued consolidation of the broadband distribution and movie studio industries;
- changes in distribution and viewing of television programming, including the expanded deployment of personal video recorders, video on demand and IP television and their impact on home shopping networks;

- increased digital TV penetration and the impact on channel positioning of our networks;
- rapid technological changes;
- capital spending for the acquisition and/or development of telecommunications networks and services;
- the regulatory and competitive environment of the industries in which we, and the entities in which we have interests, operate;
- threatened terrorist attacks and ongoing military action in the Middle East and other parts of the world; and
- fluctuations in foreign currency exchange rates and political unrest in international markets.

For additional risk factors, please see Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2008. These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Quarterly Report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying condensed consolidated financial statements and the notes thereto and our Annual Report on Form 10-K for the year ended December 31, 2008, as amended.

Overview

We own 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, telephone companies, other distributors and the Internet throughout the United States.

Our "Corporate and Other" category includes our other consolidated subsidiaries and corporate expenses. Our other consolidated subsidiaries include Provide Commerce, Inc., Backcountry.com, Inc., Bodybuilding.com, LLC, Starz Media, LLC, FUN Technologies, Inc., Atlanta National League Baseball Club, Inc., Liberty Sports Holdings, LLC, Leisure Arts, Inc., TruePosition, Inc., BuySeasons, Inc. and WFRV and WJMN Television Station, Inc. Provide operates an e-commerce marketplace of websites for perishable goods, including flowers and fruits and desserts, as well as upscale personalized gifts. Backcountry operates eight websites offering outdoor and backcountry sports gear and clothing. Bodybuilding manages two websites related to sports nutrition, body building and fitness. Starz Media develops, acquires, produces and distributes live-action, and animated films and television productions for the theatrical, home video, television and other ancillary markets in the United States and internationally. FUN operates websites that offer casual skill games and fantasy sports services. ANLBC owns the Atlanta Braves, a major league baseball club, as well as certain of the Atlanta Braves' minor league clubs. Liberty Sports Group is comprised of three regional sports television networks—FSN Rocky Mountain, FSN Northwest and FSN Pittsburgh. Leisure Arts 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 operates BuyCostumes.com and CelebrateExpress.com, online retailers of costumes, accessories, décor and party

supplies. WFRV TV Station is a CBS broadcast affiliate that serves Green Bay, Wisconsin and Escanaba, Michigan.

In addition to the foregoing businesses, we hold an approximate 54% ownership interest in The DIRECTV Group, Inc. and a 24% ownership interest in Expedia, Inc., which we account for as equity method investments, and we continue to maintain investments and related financial instruments in public companies such as Time Warner, Time Warner Cable, IAC/InterActiveCorp and Sprint Nextel Corporation, which are accounted for at their respective fair market values and are included in corporate and other.

Tracking Stocks

Prior to March 3, 2008, we had two tracking stocks outstanding, Liberty Interactive common stock and Liberty Capital common stock. On March 3, 2008, we completed a reclassification pursuant to which our Liberty Capital common stock was reclassified into two new tracking stocks, one retaining the designation Liberty Capital common stock and the other designated Liberty Entertainment common stock. The Liberty Entertainment common stock is intended to track and reflect the separate economic performance of the Entertainment Group, which has attributed to it a portion of the businesses, assets and liabilities that were previously attributed to the Capital Group.

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 Entertainment Group and the Capital 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, Backcountry, Bodybuilding and BuySeasons and our interests in Expedia, HSN, Inc., Interval Leisure Group, Inc., Ticketmaster Entertainment, Inc., Tree.com, Inc. and IAC. In addition, we have attributed \$2,253 million principal amount (as of March 31, 2009) of our public debt to the Interactive Group. 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.

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, including our subsidiaries Starz Entertainment, FUN and Liberty Sports Group, our equity interests in DIRECTV, Game Show Network, LLC and WildBlue Communications, Inc. and approximately \$760 million of corporate cash (as of March 31, 2009). In addition, we have attributed an equity collar on 98.75 million shares of DIRECTV common stock and \$1,999 million of borrowings against the put value of such equity collar.

During the fourth quarter of 2008, our board of directors approved a plan to redeem a portion of the outstanding shares of our Entertainment Group tracking stock for all of the outstanding shares of a newly formed subsidiary of our company, Liberty Entertainment, Inc. The Redemption and resulting separation of LEI from our company are referred to as the "Split Off."

If the Redemption is completed, we will redeem 90% of the outstanding shares of each series of Liberty Entertainment common stock for 100% of the outstanding shares of the same series of LEI, with cash in lieu of fractional shares, in each case, as of a date to be determined by our board of directors. Immediately following the Redemption Date, the holders of Liberty Entertainment common stock will own 100% of the outstanding equity of LEI. At the time of the Split Off, LEI will hold our interests in DIRECTV (and related collars and debt), Liberty Sports Group and GSN and \$30 million in cash. In addition, we and LEI have entered into a revolving credit facility pursuant to which we will provide LEI with up to \$300 million principal amount of loans. The Split Off is conditioned on, among other matters, receipt of stockholder approval and receipt of a private letter ruling from the IRS and a tax opinion from tax counsel and is expected to occur in the second half of 2009.

Subsequent to the Split Off, our Entertainment Group will be renamed the Starz Group and will be comprised principally of Starz Entertainment and cash.

The term "Capital Group" also does not represent a separate legal entity, rather it represents all of our businesses, assets and liabilities which we have attributed to it. 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. In addition, we have attributed \$2,845 million of cash, including subsidiary cash, and \$6,451 million principal amount (as of March 31, 2009) of our exchangeable senior debentures and other parent debt to the Capital Group. 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.

See Exhibit 99.1 to this Quarterly Report on Form 10-Q for unaudited attributed financial information for our tracking stock groups.

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 from our reportable segments categorized by tracking stock group. The "corporate and other" category for each tracking stock group consists of those assets or businesses which do not qualify as a separate reportable segment. 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

	Three months ended	
	March 31,	
	2009	2008
	amounts in millions	
Revenue		
Interactive Group		
QVC	\$1,593	1,765
Corporate and other	238	185
	<u>1,831</u>	<u>1,950</u>
Entertainment Group		
Starz Entertainment	296	273
Corporate and other	73	37
	<u>369</u>	<u>310</u>
Capital Group		
Starz Media	102	62
Corporate and other	23	29
	<u>125</u>	<u>91</u>
Consolidated Liberty	<u>\$2,325</u>	<u>2,351</u>
Adjusted OIBDA		
Interactive Group		
QVC	\$ 319	387
Corporate and other	22	14
	<u>341</u>	<u>401</u>
Entertainment Group		
Starz Entertainment	108	74
Corporate and other	24	7
	<u>132</u>	<u>81</u>
Capital Group		
Starz Media	5	(24)
Corporate and other	(37)	(35)
	<u>(32)</u>	<u>(59)</u>
Consolidated Liberty	<u>\$ 441</u>	<u>423</u>
Operating Income (Loss)		
Interactive Group		
QVC	\$ 178	250
Corporate and other	6	7
	<u>184</u>	<u>257</u>
Entertainment Group		
Starz Entertainment	95	60
Corporate and other	9	2
	<u>104</u>	<u>62</u>
Capital Group		
Starz Media	2	(27)
Corporate and other	(55)	(62)
	<u>(53)</u>	<u>(89)</u>
Consolidated Liberty	<u>\$ 235</u>	<u>230</u>

Revenue. Our consolidated revenue decreased \$26 million or 1.1% for the three months ended March 31, 2009, as compared to the corresponding prior year period. Such decrease is due primarily to a \$172 million decrease for QVC offset by increases for our e-commerce businesses (\$53 million), Starz Media (\$40 million), Liberty Sports Group (\$36 million) and Starz Entertainment (\$23 million). The increase for Liberty Sports Group is the result of having a full quarter of revenue in 2009, as compared with one month in 2008. 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.

Adjusted OIBDA. We define Adjusted OIBDA 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-based compensation, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA 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 14 to the accompanying condensed consolidated financial statements for a reconciliation of Adjusted OIBDA to Earnings (Loss) Before Income Taxes.

Consolidated Adjusted OIBDA increased \$18 million or 4.3% for the three months ended March 31, 2009, as compared to the corresponding prior year period. Such increase is due primarily to increases for Starz Entertainment (\$34 million), Starz Media (\$29 million) and Liberty Sports Group (\$21 million) partially offset by a \$68 million decrease for QVC. Starz Media's revenue and Adjusted OIBDA increased in 2009 primarily due to the timing of theatrical and home video revenue and related expenses associated with films released by Overture Films. Theatrical print costs and advertising expenses related to the release of a film are recognized at the time the advertisements are run and generally exceed the theatrical revenue earned from the film. In addition, amortization of film production costs begins when revenue recognition begins. Although there can be no assurance, the expectation when films are approved for production or acquisition is that the ultimate revenue to be earned from theatrical release, home video and pay-per-view and premium television distribution, which revenue may be earned over several years, will exceed the costs associated with the film.

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.

We recorded \$28 million and \$16 million of stock compensation expense for the three months ended March 31, 2009 and 2008, respectively. The increase in stock compensation expense in 2009 relates to our liability awards and is due to an increase in our stock prices. As of March 31, 2009, the total unrecognized compensation cost related to unvested Liberty equity awards was approximately \$85 million. Such amount will be recognized in our consolidated statements of operations over a weighted average period of approximately 2 years.

Operating income. Our consolidated operating income increased \$5 million or 2.2% for the three months ended March 31, 2009, as compared to the corresponding prior year period. Such increase is the net result of the increases for Starz Entertainment and Starz Media, partially offset by the decrease for QVC.

Other Income and Expense

Components of Other Income (Expense) are presented in the table below: The attribution of these items to our tracking stock groups assumes the Reclassification had occurred as of January 1, 2008.

	Three months ended	
	March 31,	
	2009	2008
	amounts in millions	
Interest expense		
Interactive Group	\$ (96)	(121)
Entertainment Group	(18)	(7)
Capital Group	(40)	(38)
Consolidated Liberty	<u>\$ (154)</u>	<u>(166)</u>
Dividend and interest income		
Interactive Group	\$ 4	6
Entertainment Group	1	3
Capital Group	26	50
Consolidated Liberty	<u>\$ 31</u>	<u>59</u>
Share of earnings (losses) of affiliates		
Interactive Group	\$ (95)	12
Entertainment Group	37	43
Capital Group	(8)	(10)
Consolidated Liberty	<u>\$ (66)</u>	<u>45</u>
Realized and unrealized gains (losses) on financial instruments, net		
Interactive Group	\$ (72)	(37)
Entertainment Group	27	(5)
Capital Group	(199)	(243)
Consolidated Liberty	<u>\$ (244)</u>	<u>(285)</u>
Gains (losses) on dispositions, net		
Interactive Group	\$ (2)	—
Entertainment Group	—	3,667
Capital Group	—	15
Consolidated Liberty	<u>\$ (2)</u>	<u>3,682</u>
Other, net		
Interactive Group	\$ (12)	1
Entertainment Group	(35)	—
Capital Group	—	(3)
Consolidated Liberty	<u>\$ (47)</u>	<u>(2)</u>

Interest expense. Consolidated interest expense decreased 7.2% for the three months ended March 31, 2009, as compared to the corresponding prior year period. Such decrease is due primarily to the 2008 retirement of certain of our senior notes and debentures attributed to the Interactive Group and lower rates on our variable rate debt, partially offset by borrowings against our derivative positions.

Dividend and interest income. Interest income decreased in 2009 due to lower interest rates.

Share of earnings (losses) of affiliates. The following table presents our share of earnings (losses) of affiliates:

	Three months ended	
	March 31,	
	2009	2008
	amounts in millions	
Entertainment Group		
DIRECTV	\$ 32	36
Other	5	7
Interactive Group		
Expedia	9	12
Other	(104)	—
Capital Group		
Sirius	—	—
Other	(8)	(10)
	<u>\$ (66)</u>	<u>45</u>

As previously described, we acquired a 41% ownership interest in DIRECTV upon consummation of the News Corporation Exchange in February 2008. We subsequently purchased additional shares of DIRECTV for approximately \$1.98 billion. Such purchase, coupled with DIRECTV's stock repurchases, has increased our ownership percentage to 54% as of March 31, 2009. Due to a voting arrangement with DIRECTV that limits our ability to control DIRECTV, we continue to account for our investment using the equity method. Our share of earnings of DIRECTV for the three months ended March 31, 2009 includes \$75 million of amortization (net of related taxes) of identifiable intangibles included in our excess basis as described in note 7 to the accompanying condensed consolidated financial statements. Summarized results of operations information for DIRECTV derived from its historical financial statements are as follows:

	Three months ended	
	March 31,	
	2009	2008
	amounts in millions	
Revenue	\$ 4,901	4,591
Costs of revenue	(2,461)	(2,288)
SG&A expenses	(1,350)	(1,122)
Depreciation and amortization	(666)	(524)
Operating income	424	657
Interest expense	(101)	(63)
Other income, net	13	7
Income tax expense	(124)	(230)
Net earnings	<u>\$ 212</u>	<u>371</u>

DIRECTV achieved growth in revenue in 2009 due primarily to a larger subscriber base in 2009, partially offset by lower pay-per-view, premium movie channel and advertising revenue. DIRECTV's average revenue per subscriber was relatively flat in 2009, as compared to 2008. The revenue growth was offset by higher subscriber acquisition, upgrade and retention costs, as well as higher programming costs, which resulted in lower operating income. For a more detailed discussion of DIRECTV's results of operations, please see their Quarterly Report on Form 10-Q for the three months ended March 31,

2009 as filed with the Securities and Exchange Commission (the "SEC"). We have had no part in the preparation of DIRECTV's filings with the SEC and are not incorporating by reference any such filing in this Quarterly Report on Form 10-Q.

Our "other" share of losses attributed to the Interactive Group in 2009 include \$46 million for Ticketmaster and \$48 million for HSN. As we record our share of losses for these affiliates on a three month lag, the losses reflected in our first quarter 2009 results include our share of goodwill impairment charges recorded by Ticketmaster and HSN in the fourth quarter of 2008 that are in excess of other than temporary impairment charges that we recorded on these investments in the fourth quarter of 2008.

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:

	Three months ended	
	March 31,	
	2009	2008
	amounts in millions	
Statement 159 Securities	\$ 10	(1,421)
Exchangeable senior debentures	(235)	337
Equity collars	(50)	558
Borrowed shares	5	432
Other derivatives	26	(191)
	<u>\$(244)</u>	<u>(285)</u>

Gains (losses) on dispositions. Gains on dispositions in 2008 include \$3,666 million related to the News Corporation Exchange.

Income taxes. Our effective tax rate in 2009 is 49% and exceeds the U.S. federal income tax rate of 35% due to state tax benefits. In 2008, we had pre-tax income of \$3,563 million and an income tax benefit of \$1,906 million. The News Corporation Exchange completed in 2008 qualifies as an IRC Section 355 transaction, and therefore does not trigger federal or state income tax obligations. In addition, upon consummation of this exchange transaction, deferred tax liabilities previously recorded for the difference between our book and tax bases in our News Corporation investment in the amount of \$1,791 million were reversed with an offset to income tax benefit.

Net earnings (loss). Our net earnings (loss) were \$(127) million and \$5,469 million for the three months ended March 31, 2009 and 2008, respectively, and were the result of the above-described fluctuations in our revenue and expenses.

Material Changes in Financial Condition

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 one of the other groups, 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.

As of March 31, 2009, substantially all of our cash and cash equivalents are invested in U.S. Treasury securities, other government securities or government guaranteed funds, AAA rated money market funds and A1/P1 rated commercial paper.

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 privately-owned 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.

Standard & Poor's Ratings Services and Moody's Investors Services have each notified us that upon completion of our proposed Split Off of LEI, they expect to lower their rating on our corporate credit. In the event we need to obtain external debt financing, such downgrades could hurt our ability to obtain financing and could increase the cost of any financing we are able to obtain.

Interactive Group. During the three months ended March 31, 2009, the Interactive Group's primary cash flows were \$107 million of cash provided by operating activities, which is net of \$71 million of intercompany tax payments to the Capital Group, \$70 million of cash proceeds from the sale of shares of IAC and \$30 million for capital expenditures. As of March 31, 2009, the Interactive Group had a cash balance of \$939 million.

The projected uses of Interactive Group cash for the remainder of 2009 include approximately \$200 million for interest payments on QVC debt and parent debt attributed to the Interactive Group, \$180 million for capital expenditures, \$117 million to repay our public debt that matures in 2009, additional tax payments to the Capital Group and payments to settle outstanding put options on Liberty Interactive Group common stock. In addition, we may make additional repurchases of Liberty Interactive common stock and 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.

We expect that the Interactive Group will fund its 2009 cash needs with cash on hand and cash provided by operating activities. As the QVC credit facilities are substantially fully drawn at March 31, 2009, they are no longer a source of liquidity for the Interactive Group.

QVC was in compliance with its debt covenants as of March 31, 2009. While we currently believe QVC will comply with its debt covenants throughout 2009, continued erosion of its revenue and operating cash flow (as defined in its credit facilities) due to adverse economic conditions could cause QVC to violate a debt covenant. In such a case, we believe we have adequate financial resources to cure such a violation including (i) using available cash to pay down QVC's debt, (ii) using the cash flow and/or assets of other subsidiaries attributed to the Interactive Group to borrow funds to pay down QVC's debt or (iii) using cash of one of our other groups to pay down QVC's debt. The transfer of any such cash from another group would be treated as an inter-group interest or an inter-group loan at the discretion of our board of directors.

Entertainment Group. As of March 31, 2009, the Entertainment Group had a cash balance of \$874 million.

In April 2008, we entered into an equity collar for 110 million shares of DIRECTV common stock and a related credit facility against the present value of the put value of such collar. At the time of closing, we borrowed \$1,977 million and used such proceeds to purchase 78.3 million shares of DIRECTV common stock. The Collar Loan is due as the DIRECTV Collar terminates in six tranches from June 2009 through August 2012. Each tranche is repayable during a six-month period based upon a formula that factors in several variables including the market price of DIRECTV common stock. Interest accrues at an effective weighted average interest rate of 3.5% and is due and payable as each tranche matures. Borrowings are collateralized by the puts underlying the Collar Loan and 170 million shares of DIRECTV common stock owned by us.

In November 2008, we chose to unwind 50% of the first tranche of the DIRECTV Collar. The first tranche expires in 2009 and originally had 22.5 million DIRECTV shares underlying it. As part of this transaction, we repaid the portion of the Collar Loan (\$228.4 million) associated with the shares that were unwound. Such repayment was funded with (1) proceeds from the collar unwind (\$45.5 million), (2) funds borrowed from the remaining capacity of the Collar Loan (\$181.1 million) and (3) cash on hand (\$1.8 million). As a result of this transaction, the amount of the Collar Loan due in 2009 is approximately \$258 million including accrued interest.

The DIRECTV Collar contains a provision that allows the counterparty to terminate a portion of the DIRECTV Collar if the total number of shares of DIRECTV underlying the DIRECTV Collar exceeds 20% of the outstanding public float of DIRECTV common stock. In the event the counterparty chooses to terminate a portion of the DIRECTV Collar, the repayment of the corresponding debt would be accelerated. We expect that we would fund any such required repayment with available cash, proceeds from the sale of DIRECTV shares that we own, or a combination of the foregoing. The counterparty has agreed to waive its right to terminate a portion of the DIRECTV Collar until early June 2009, subject to the condition that the total number of shares underlying the DIRECTV Collar does not exceed 23% of the outstanding public float of DIRECTV common stock. As of March 31, 2009, the total number of shares underlying the DIRECTV Collar did not exceed the 23% limit.

The projected uses of Entertainment Group cash in 2009 include \$258 million to repay the first tranche of the Collar Loan, tax payments to the Capital Group and \$20 million for capital expenditures. In addition, we may make additional investments in existing or new businesses and attribute such investments to the Entertainment Group. However, we do not have any significant commitments to make new investments at this time. We expect that we will be able to use a combination of cash on hand and cash from operations to fund Entertainment Group cash needs in 2009.

In addition, the second tranche of the Collar Loan in the amount of \$366 million is scheduled to mature in the first half of 2010. If the Entertainment Group does not have sufficient cash to fund such maturity, we may obtain the necessary funds through sales of DIRECTV shares, borrowings against unencumbered DIRECTV shares, inter-group loans or a combination of the foregoing.

If the Split Off is completed as currently contemplated, LEI would become a separate public company, and our Entertainment Group would be renamed the Starz Group and would be comprised principally of our interest in Starz Entertainment and cash.

Capital Group. During the three months ended March 31, 2009, the Capital Group's primary use of cash was \$404 million to purchase debt and equity instruments of Sirius as more fully described in note 8 to the accompanying condensed consolidated financial statements.

In addition, we had net borrowings of \$1,638 million against certain of our derivative positions attributed to the Capital Group, bringing our total borrowings against such derivatives to \$2,263 million as of March 31, 2009. We expect that as these derivatives terminate in 2009 and 2010, the proceeds due to us upon termination will be substantially offset by our borrowings.

In April 2007, we borrowed \$750 million of bank financing with an interest rate of LIBOR plus an applicable margin. 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. Due to the investment restrictions contained in the agreements related to these borrowings, the remaining cash balance of \$538 million as of March 31, 2009 is included in other assets in our condensed consolidated balance sheet.

From time to time we enter into debt swaps and swap arrangements with respect to our or third-party public and private indebtedness. Under these arrangements, we initially post collateral with the

counterparty equal to a contractual percentage of the value of the referenced securities. We earn interest income based upon the face amount and stated interest rate of the referenced securities, and we pay interest expense at market rates on the amount funded by the counterparty. In the event the fair value of the underlying debt securities declines more than a pre-determined amount, we generally are required to post cash collateral for the decline, and we record an unrealized loss on financial instruments. The cash collateral is further adjusted up or down for subsequent changes in fair value of the underlying debt security.

At March 31, 2009, the aggregate notional amount of debt securities referenced under our debt swap arrangements, which related to \$750 million principal amount of certain of our exchangeable senior debentures, was \$188 million. As of such date, we had posted cash collateral equal to \$37 million. Subsequent to March 31, 2009, we voluntarily paid an additional \$150 million to settle these swap arrangements and retire the total \$750 million of exchangeable debt.

In addition to the voluntary retirement of debt previously noted, the projected uses of Capital Group cash in 2009 include \$110 million for interest payments and approximately \$130 million by Starz Media for the acquisition and production of films and television productions. We may also make additional investments in existing or new businesses and attribute such investments to the Capital Group. In addition, we expect to generate taxable income and that we will make related federal tax payments.

We expect that the Capital Group's investing and financing activities will be funded with a combination of cash on hand, borrowings under Overture Films' credit facility, tax payments from the Interactive Group and the Entertainment Group and dispositions of non-strategic assets. At March 31, 2009, the Capital Group's sources of liquidity include \$2,845 million in cash and \$1,451 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.

See note 14 to the accompanying condensed consolidated financial statements for a discussion of our commitments and contingencies.

Interactive Group

The Interactive Group consists of our subsidiaries QVC, Provide, Backcountry, Bodybuilding and BuySeasons, our interests in IAC/InterActiveCorp, Expedia, HSN, Interval, Ticketmaster, Tree.com and GSI Commerce, Inc. and \$2,253 million principal amount (as of March 31, 2009) of our publicly-traded debt.

The following discussion and analysis provides information concerning the results of operations of the Interactive Group. This discussion should be read in conjunction with (1) our condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and (2) the Unaudited Attributed Financial Information for Tracking Stock Groups filed as Exhibit 99.1 to this Quarterly Report on Form 10-Q.

Results of Operations

	Three months ended	
	March 31,	
	2009	2008
	amounts in millions	
Revenue		
QVC	\$1,593	1,765
e-commerce businesses	238	185
Corporate and other	—	—
	<u>\$1,831</u>	<u>1,950</u>
Adjusted OIBDA		
QVC	\$ 319	387
e-commerce businesses	25	22
Corporate and other	(3)	(8)
	<u>\$ 341</u>	<u>401</u>
Operating Income (Loss)		
QVC	\$ 178	250
e-commerce businesses	12	14
Corporate and other	(6)	(7)
	<u>\$ 184</u>	<u>257</u>

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:

	Three months ended	
	March 31,	
	2009	2008
	amounts in millions	
Net revenue	\$ 1,593	1,765
Cost of sales	(1,033)	(1,120)
Gross profit	560	645
Operating expenses	(158)	(169)
SG&A expenses (excluding stock-based compensation)	(83)	(89)
Adjusted OIBDA	319	387
Stock-based compensation	(4)	(5)
Depreciation and amortization	(137)	(132)
Operating income	<u>\$ 178</u>	<u>250</u>

Net revenue is generated in the following geographical areas:

	Three months ended March 31,	
	2009	2008
	amounts in millions	
QVC-US	\$1,053	1,176
QVC-UK	117	172
QVC-Germany	223	249
QVC-Japan	200	168
	<u>\$1,593</u>	<u>1,765</u>

QVC's net revenue decreased 9.7% for the three months ended March 31, 2009, as compared to the corresponding prior year period. Such decrease is comprised of \$210 million due to a 11.5% decrease in the number of units shipped, \$56 million due to unfavorable foreign currency rates and \$21 million due to lower shipping and handling revenue. These decreases were partially offset by a \$76 million increase due to a 5.4% increase in the average sales price per unit ("ASP") and \$39 million due to a decrease in estimated product returns. Returns as a percent of gross product revenue decreased from 19.9% to 18.9% and reflect a shift in the mix from jewelry to home products, which typically have lower return rates.

During the three months ended March 31, 2009, the changes in revenue and expenses were 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 (decrease) in revenue for each of QVC's geographic areas in dollars and in local currency is as follows:

	Percentage increase (decrease) in net revenue	
	Three months ended March 31, 2009	
	U.S. dollars	Local currency
QVC-US	(10.5)%	(10.5)%
QVC-UK	(32.0)%	(5.6)%
QVC-Germany	(10.4)%	2.8%
QVC-Japan	19.0%	5.9%

Revenue of QVC-US continues to be negatively impacted in 2009 by a slow retail environment with weakness experienced in the jewelry, apparel and accessories categories. The home area was able to maintain its prior year sales level due to growth in the electronics and kitchen product categories. QVC-US has experienced a decrease in shipping and handling revenue due to an increase in promotional offers. QVC-UK showed a decline in net revenue in local currency primarily due to a decline in the sales of jewelry and home products, offset slightly by an increase in sales of apparel products. QVC-Germany's net revenue in local currency increased during the three months ended March 31, 2009 due to efforts to grow the beauty business. While QVC-Germany experienced a decline in sales in the home, jewelry and apparel categories, the accessories category, which includes beauty products, increased from 15% to 24% of the total product sales mix. QVC-Japan has shown an increase in net revenue in local currency due primarily to an increase in jewelry and fashion accessories. Japan continues to show weakness in the health and beauty product categories due to the heightened regulatory focus on such products.

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 additions of new customers from homes already receiving the QVC service and 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 decreased from 36.5% to 35.2% during the three months ended March 31, 2009, as compared to the corresponding prior year period. Such decrease is primarily due to lower initial product margins for jewelry, home and apparel products.

QVC's operating expenses are principally comprised of commissions, order processing and customer service expenses, credit card processing fees, telecommunications expense and production costs. Operating expenses decreased 6.5% for the three months ended March 31, 2009, as compared to the corresponding prior year period. As a percentage of net revenue, operating expenses were 9.9% and 9.6% in 2009 and 2008, respectively. The 2009 increase in operating expenses as a percent of revenue is due primarily to production costs, which are generally fixed costs.

QVC's SG&A expenses include personnel, information technology, provision for doubtful accounts, credit card income and marketing and advertising expenses. Such expenses decreased 6.7% during the three months ended March 31, 2009, as compared to the corresponding prior year period. This decrease is primarily due to lower personnel expenses of \$9 million and increased credit card income of \$4 million. Personnel expenses decreased primarily related to a reduction in workforce administered in the fourth quarter of 2008 as well as lower bonus accruals. These decreases were partially offset by a \$6 million increase in the bad debt provision. QVC has experienced an increase in write-offs and reserves related to its installment receivables and private label credit card. Such increases in bad debt are due to an increase in customer use of the installment payment plan offered by QVC and to the recessionary economic conditions.

e-commerce businesses. Our e-commerce businesses are comprised of Provide, Backcountry, Bodybuilding and BuySeasons. Revenue for this group increased 28.6% for the three months ended March 31, 2009, as compared to the corresponding prior year period, as each company reported an increase in revenue. Approximately \$21 million of the increase in revenue is due to small acquisitions made by our e-commerce businesses in 2008. Adjusted OIBDA for the e-commerce businesses increased 13.6% in 2009 and represented 10.5% of revenue in 2009, as compared to 11.9% in 2008. The percentage increase in Adjusted OIBDA was lower than the percentage increase in revenue due to a lower gross margin percentage and higher sales and marketing expenses as a percent of revenue.

Entertainment Group

The Entertainment Group is comprised of our subsidiaries Starz Entertainment, Liberty Sports Group and FUN, as well as equity interests in DIRECTV, GSN and WildBlue Communications, approximately \$760 million of corporate cash, an equity collar on 98.75 million shares of DIRECTV common stock and \$1,999 million of borrowings against the put value of such collar.

The following discussion and analysis provides information concerning the attributed results of operations of the Entertainment Group and is presented as though the Reclassification had been completed on January 1, 2008. This discussion should be read in conjunction with (1) our condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and (2) the Unaudited Attributed Financial Information for Tracking Stock Groups filed as Exhibit 99.1 to this Quarterly Report on Form 10-Q.

Results of Operations

	Three months ended	
	March 31,	
	2009	2008
	amounts in millions	
Revenue		
Starz Entertainment	\$ 296	273
Corporate and other	73	37
	<u>\$ 369</u>	<u>310</u>
Adjusted OIBDA		
Starz Entertainment	\$ 108	74
Corporate and other	24	7
	<u>\$ 132</u>	<u>81</u>
Operating Income		
Starz Entertainment	\$ 95	60
Corporate and other	9	2
	<u>\$ 104</u>	<u>62</u>

Revenue. The Entertainment Group's revenue increased \$59 million or 19.0% for the three months ended March 31, 2009, as compared to the corresponding prior year period. Such increase is primarily due to our acquisition of Liberty Sports Group in March 2008.

Adjusted OIBDA. The Entertainment Group's Adjusted OIBDA increased \$51 million or 63.0% for the three months ended March 31, 2009, as compared to the corresponding prior year period. In addition to the increase for Starz Entertainment in 2009, Liberty Sports Group's Adjusted OIBDA increased from \$10 million to \$31 million resulting from a full three months of operations in 2009.

Operating income. Operating income for the Entertainment Group increased \$42 million or 67.7% in 2009 due primarily to Starz Entertainment and Liberty Sports Group. These increases were partially offset by increased corporate general and administrative and stock compensation expenses.

Starz Entertainment. Starz Entertainment provides premium programming distributed by cable operators, direct-to-home satellite providers, telephone companies, other distributors and the Internet 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. The affiliation agreements expire in 2009 through 2013. During the three months ended March 31, 2009, 57.8% of Starz Entertainment's revenue was generated by its three largest customers, Comcast, DIRECTV and Dish Network, each of which individually generated more than 10% of Starz Entertainment's revenue for such period. Subsequent to March 31, 2009, Starz Entertainment and DIRECTV extended their affiliation agreement until June 30, 2013 with substantially the same economic terms as the existing affiliation agreement. Notwithstanding the June 2013 termination date, each of DIRECTV and Starz Entertainment can cause the affiliation agreement to expire if the Merger Agreement is terminated for certain specified reasons. If the affiliation agreement expires under these circumstances, Starz Entertainment and DIRECTV would revert to the previous affiliation agreement

which would continue on a month-to-month basis unless terminated by either party upon 60 days written notice. Comcast's affiliation agreement to distribute Encore expires in September 2009. DISH Network's affiliation agreement expires in June 2009.

Starz Entertainment's operating results are as follows:

	Three months ended	
	March 31,	
	2009	2008
	amounts in millions	
Revenue	\$ 296	273
Operating expenses	(161)	(167)
SG&A expenses	(27)	(32)
Adjusted OIBDA	108	74
Stock-based compensation	(9)	(10)
Depreciation and amortization	(4)	(4)
Operating income	\$ 95	60

Starz Entertainment's revenue increased 8.4% for the three months ended March 31, 2009, as compared to the corresponding prior year period. Such increase in revenue is comprised of \$13 million due to a higher effective rate for Starz Entertainment's services and \$10 million due to growth in the weighted average number of subscriptions.

The Starz movie service and Encore and the Encore thematic multiplex channels ("EMP") movie service are the primary drivers of Starz Entertainment's revenue. Starz average subscriptions increased 8.1% in 2009; and EMP average subscriptions increased 2.4% in 2009. 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 36.9% of Starz Entertainment's revenue in 2009 was earned under its fixed-rate affiliation agreements.

Starz Entertainment's operating expenses decreased 3.6% for the three months ended March 31, 2009, as compared to the corresponding prior year period. Such decrease is due primarily to a reduction in license fees, which decreased from \$157 million in 2008 to \$149 million in 2009. Such decrease in license fees is due to a decrease 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 (\$17 million), partially offset by higher effective rates (\$6 million) and the amortization of production costs for original series (\$3 million).

Starz Entertainment's SG&A expenses decreased 15.6% for the three months ended March 31, 2009, as compared to the corresponding prior year period. Such decrease is due primarily to lower personnel costs.

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 PSARs 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 PSARs 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.,

Time Warner Cable Inc., Sprint Nextel Corporation and other public and private companies. In addition, we have attributed \$6,451 million principal amount (as of March 31, 2009) of our exchangeable senior debentures and other parent debt to the Capital Group.

The following discussion and analysis provides information concerning the attributed results of operations of the Capital Group. The following discussion is presented as though the Reclassification had been completed on January 1, 2008. This discussion should be read in conjunction with (1) our condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and (2) the Unaudited Attributed Financial Information for Tracking Stock Groups filed as Exhibit 99.1 to this Quarterly Report on Form 10-Q.

Results of Operations

	Three months ended March 31,	
	2009	2008
	amounts in millions	
Revenue		
Starz Media	\$ 102	62
Corporate and other	23	29
	<u>\$ 125</u>	<u>91</u>
Adjusted OIBDA		
Starz Media	\$ 5	(24)
Corporate and other	(37)	(35)
	<u>\$ (32)</u>	<u>(59)</u>
Operating Income (Loss)		
Starz Media	\$ 2	(27)
Corporate and other	(55)	(62)
	<u>\$ (53)</u>	<u>(89)</u>

Revenue. The Capital Group's combined revenue increased 37.4% for the three months ended March 31, 2009, as compared to the corresponding prior year period. The increase in Starz Media's revenue in 2009 is due primarily to a \$38 million increase in home video revenue, which is almost entirely due to home video sales of movies released theatrically by Overture Films in 2008. Included in Capital Group's corporate and other revenue are payments from CNBC related to a revenue sharing agreement between our company and CNBC. The agreement has no termination date, and payments aggregated \$6 million for each of the three month periods ended March 31, 2009 and 2008.

Adjusted OIBDA. The Capital Group's Adjusted OIBDA loss decreased \$27 million for the three months ended March 31, 2009, as compared to the corresponding prior year period. Starz Media's Adjusted OIBDA improved \$29 million in 2009 primarily due to the timing of theatrical and home video revenue and related expenses associated with films released by Overture Films. Theatrical print costs and advertising expenses related to the release of a film are recognized at the time the advertisements are run and generally exceed the theatrical revenue earned from the film. In addition, amortization of film production costs begins when revenue recognition begins. Although there can be no assurance, the expectation when films are approved for production or acquisition is that the ultimate revenue to be earned from theatrical release, home video and pay-per-view and premium television distribution, which revenue may be earned over several years, will exceed the costs associated with the film.

Operating loss. The Capital Group's operating loss decreased in 2009 due to the aforementioned timing of films released by Overture in the theatrical and home video markets.

Critical Accounting Estimates

The following discussion regarding Fair Value Measurements of our Non-Financial Instruments is intended to supplement our critical accounting estimates included in our Annual Report on Form 10-K for the year ended December 31, 2008.

As of December 31, 2008, our goodwill for each of our significant reporting units was as follows (amounts in millions):

QVC	\$5,363
Starz Entertainment	132
Other	1,055
Consolidated goodwill	<u>\$6,550</u>

We perform our annual assessment of the recoverability of our goodwill and other nonamortizable intangible assets as of December 31 in accordance with the provisions of Statement of Financial Accounting Standards No. 142. With respect to QVC, which holds a substantial majority of our goodwill, we performed the Step 1 Test using a discounted cash flow analysis prepared as of December 31, 2008. The cash flow projections (the "2008 Cash Flow Projections") used in our analysis were prepared by QVC management and represent management's estimate of the future cash flows to be generated by QVC's operations during 2009 through 2014 (Years 1-6). For the 5 years ended December 31, 2008, QVC's revenue grew at a compound annual growth rate of approximately 8.4%, including growth of 4.6% in 2007 and a decrease of 1.3% in 2008. Similarly, QVC's Adjusted OIBDA grew at a compound annual growth rate of approximately 8.2% for the 5 years ended December 31, 2008, including decreases of .2% in 2007 and 9.1% in 2008. Given the downturn in the economy in 2008, as well as the fact that QVC's international operations are becoming more mature, QVC determined that it was prudent to adjust the growth rates used in the 2008 Cash Flow Projections. Therefore, the 2008 Cash Flow Projections include growth rates which are lower than QVC's historical growth rates and lower than the growth rates used in our 2007 cash flow projections. The growth rates used in the 2008 Cash Flow Projections are considered by management to be appropriate and reflect the current state of the domestic and world wide economies. The 2008 Cash Flow Projections include many assumptions, including assumptions regarding the timing of an economic recovery and the impact of any such recovery on QVC's operations. In this regard, the 2008 Cash Flow Projections are based on the economy stabilizing and growing modestly in the second half of 2009 and through 2010 and that the economy is somewhat more normalized in the years beyond 2010.

The projected cash flows were discounted using a blended discount rate of 13.5%, which represents an estimate of the weighted average cost of capital for QVC's domestic and international locations. The weighted average cost of capital incorporates risk premiums that reflect the current economic environments and locations where QVC has operations. Such discount rate is higher than the rate used in prior years due to changes in the marketplace for credit and risk premiums. Terminal growth rates after Year 6 consider the above noted factors for the initial six years forecasted cash flows and forecasted CPI increases.

We also used a market approach to validate the fair value of QVC determined by our discounted cash flow analysis. In our market approach, we identified publicly traded companies whose business and financial risks are comparable to those of QVC. We then compared the market values of those companies to the calculated value of QVC. We also identified recent sales of companies in lines of business similar to QVC and compared the sales prices in those transactions to the calculated value of

QVC. The range of values determined in our market approach corroborated the value calculated in our discounted cash flow analysis for QVC.

The estimated fair value of QVC determined in the foregoing Step 1 Test was clearly in excess of our carrying value for QVC, and accordingly no Step 2 Test was performed and no impairment charge was recorded. We note that if our fair value estimate for QVC was 10% lower, we would still not have triggered a Step 1 failure and no impairment charge would be taken.

The foregoing impairment test requires a high degree of judgment with respect to estimates of future cash flows and discount rates as well as other assumptions. Therefore, any value ultimately derived from QVC may differ from our estimate of fair value. Further if the retail environment continues to experience recessionary pressures for an extended period of time, our cash flow projections will need to be revised downward and we could have impairment charges in the future. In this regard, we estimate that if we were to use a compound annual growth rate for QVC's revenue that is approximately 25% lower than the rate currently used in the 2008 Cash Flow Projections and that QVC achieved the margins assumed in the 2008 Cash Flow Projections, we would fail the Step 1 Test and would be required to perform the Step 2 Test to measure any impairment of QVC's goodwill.

Item 3. 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 the conduct of operations by 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 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, (ii) issuing variable rate debt with appropriate maturities and interest rates and (iii) entering into interest rate swap arrangements when we deem appropriate. As of March 31, 2009, and considering the effects of our interest rate swap agreements, our debt is comprised of the following amounts.

	<u>Variable rate debt</u>		<u>Fixed rate debt</u>	
	<u>Principal amount</u>	<u>Weighted avg interest rate</u>	<u>Principal amount</u>	<u>Weighted avg interest rate</u>
	<u>dollar amounts in millions</u>			
Interactive Group	\$2,447	<1%	\$5,101	5.6%
Capital Group	\$3,120	1.2%	\$3,439	3.6%
Entertainment Group	\$ —	N/A	\$2,049	3.6%

Each of our tracking stock groups 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.

At March 31, 2009, the fair value of our AFS securities attributed to the Capital Group was \$2,103 million. Had the market price of such securities been 10% lower at March 31, 2009, the aggregate value of such securities would have been \$210 million lower. Such decrease would be partially offset by an increase in the value of our AFS Derivatives. Our exchangeable senior debentures are also subject to market risk. Because we mark these instruments to fair value each reporting date, 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.

In addition, to the extent we borrow against a derivative instrument, we have a right of offset with respect to our borrowings and amounts due from the counterparty under the derivative, thereby reducing our counterparty credit risk.

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.

Item 4. Controls and Procedures.

In accordance with Exchange Act Rules 13a-15 and 15d-15, the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer, principal accounting officer and principal financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of March 31, 2009 to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in the Company's internal control over financial reporting that occurred during the three months ended March 31, 2009 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding institution of, or material changes in, material legal proceedings that have been reported this fiscal year, reference is made to Part I, Item 3 of our Annual Report on Form 10-K filed on February 26, 2009. There have been no material developments in such legal proceedings during the three months ended March 31, 2009.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Purchases of Equity Securities by the Issuer

Period	Series A Liberty Capital Common Stock			
	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be purchased Under the Plans or Programs
January 1-31, 2009	4,600	\$ 4.73	4,600	\$ 122.2 million
February 1-28, 2009	—	\$ —	—	\$ 122.2 million
March 1-31, 2009	555,556	\$ 6.05	555,556	\$ 118.8 million
Total	560,156		560,156	

In connection with the reclassification of Old Liberty's Capital Group stock into Entertainment Group stock and Capital Group stock, our board of directors approved a program to repurchase up to \$300 million of Liberty Capital common stock. In August 2008, our board of directors approved an additional \$300 million of Liberty Capital common stock repurchases. We may alter or terminate the program at any time.

In addition to the shares listed in the table above, 5,618 shares of Series A Liberty Capital common stock, 13,078 shares of Series A Liberty Interactive common stock and 22,313 shares of Series A Liberty Entertainment common stock were surrendered in the first quarter of 2009 by certain of our officers and employees to pay withholding taxes and other deductions in connection with the vesting of their restricted stock.

Item 6. Exhibits

(a) Exhibits

Listed below are the exhibits which are filed as a part of this Report (according to the number assigned to them in Item 601 of Regulation S-K):

- 10.1 Liberty Media Corporation 2002 Nonemployee Director Incentive Plan (As Amended and Restated Effective August 15, 2007)*
- 31.1 Rule 13a-14(a)/15d-14(a) Certification*
- 31.2 Rule 13a-14(a)/15d-14(a) Certification*
- 31.3 Rule 13a-14(a)/15d-14(a) Certification*
- 32 Section 1350 Certification**
- 99.1 Attributed Financial Information for Tracking Stock Groups*

* Filed herewith

** Furnished herewith

SIGNATURES

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

LIBERTY MEDIA CORPORATION

Date: May 8, 2009

By: /s/ GREGORY B. MAFFEI

Gregory B. Maffei
President and Chief Executive Officer

Date: May 8, 2009

By: /s/ DAVID J.A. FLOWERS

David J.A. Flowers
Senior Vice President and Treasurer
(Principal Financial Officer)

Date: May 8, 2009

By: /s/ CHRISTOPHER W. SHEAN

Christopher W. Shean
Senior Vice President and Controller
(Principal Accounting Officer)

EXHIBIT INDEX

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 - 32 Section 1350 Certification**
 - 99.1 Attributed Financial Information for Tracking Stock Groups*
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** Furnished herewith

QuickLinks

[LIBERTY MEDIA CORPORATION AND SUBSIDIARIES Condensed Consolidated Balance Sheets \(unaudited\)](#)

[LIBERTY MEDIA CORPORATION AND SUBSIDIARIES Condensed Consolidated Statements Of Operations \(unaudited\)](#)

[LIBERTY MEDIA CORPORATION AND SUBSIDIARIES Condensed Consolidated Statements Of Comprehensive Earnings \(Loss\) \(unaudited\)](#)

[LIBERTY MEDIA CORPORATION AND SUBSIDIARIES Condensed Consolidated Statements Of Cash Flows \(unaudited\)](#)

[LIBERTY MEDIA CORPORATION AND SUBSIDIARIES Notes to Condensed Consolidated Financial Statements](#)

[Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations](#)

[Item 3. Quantitative and Qualitative Disclosures about Market Risk.](#)

[Item 4. Controls and Procedures.](#)

[PART II—OTHER INFORMATION](#)

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**LIBERTY MEDIA CORPORATION
2002 NONEMPLOYEE DIRECTOR INCENTIVE PLAN**

(As Amended and Restated Effective August 15, 2007)

**ARTICLE I
PURPOSE AND AMENDMENT OF PLAN**

1.1 *Purpose.* The purpose of the Plan is to provide a method whereby eligible Nonemployee Directors of the Company may be awarded additional remuneration for services rendered and encouraged to invest in capital stock of the Company, thereby increasing their proprietary interest in the Company's businesses and increasing their personal interest in the continued success and progress of the Company. The Plan is also intended to aid in attracting Persons of exceptional ability to become Nonemployee Directors of the Company.

1.2 *Amendment and Restatement of Plan.* The Plan is hereby amended and restated as of August 15, 2007 by the Board of the Company to make certain clarifying changes to Section 4.2 hereof.

**ARTICLE II
DEFINITIONS**

2.1 *Certain Defined Terms.* Capitalized terms not defined elsewhere in the Plan shall have the following meanings (whether used in the singular or plural):

"Affiliate" of the Company means any corporation, partnership, or other business association that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the Company.

"Agreement" means a stock option agreement, stock appreciation rights agreement, restricted shares agreement, stock units agreement, or an agreement evidencing more than one type of Award, specified in Section 11.5, as any such Agreement may be supplemented or amended from time to time.

"Approved Transaction" means any transaction in which the Board (or, if approval of the Board is not required as a matter of law, the stockholders of the Company) shall approve (i) any consolidation or merger of the Company, or binding share exchange, pursuant to which shares of Common Stock of the Company would be changed or converted into or exchanged for cash, securities, or other property, other than any such transaction in which the common stockholders of the Company immediately prior to such transaction have the same proportionate ownership of the Common Stock of, and voting power with respect to, the surviving corporation immediately after such transaction, (ii) any merger, consolidation, or binding share exchange to which the Company is a party as a result of which the Persons who are common stockholders of the Company immediately prior thereto have less than a majority of the combined voting power of the outstanding capital stock of the Company ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors immediately following such merger, consolidation, or binding share exchange, (iii) the adoption of any plan or proposal for the liquidation or dissolution of the Company, or (iv) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company.

"Award" means a grant of Options, SARs, Restricted Shares, Stock Units and/or cash under this Plan.

"Board" means the Board of Directors of the Company.

"Board Change" means, during any period of two consecutive years, individuals who at the beginning of such period constituted the entire Board cease for any reason to constitute a majority thereof unless the election, or the nomination for election, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute or statutes thereto. Reference to any specific Code section shall include any successor section.

"Common Stock" means each or any (as the context may require) series of the Company's common stock.

"Company" means Liberty Media Corporation, a Delaware corporation.

"Control Purchase" means any transaction (or series of related transactions) in which (i) any person (as such term is defined in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), corporation, or other entity (other than the Company, any Subsidiary of the Company, or any employee benefit plan sponsored by the Company or any Subsidiary of the Company) shall purchase any Common Stock of the Company (or securities convertible into Common Stock of the Company) for cash, securities, or any other consideration pursuant to a tender offer or exchange offer, without the prior consent of the Board, or (ii) any person (as such term is so defined), corporation, or other entity (other than the Company, any Subsidiary of the Company, any employee benefit plan sponsored by the Company, or any Subsidiary of the Company or any Exempt Person (as defined below)) shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the then outstanding securities of the Company ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors (calculated as provided in Rule 13d-3(d) under the Exchange Act in the case of rights to acquire the Company's securities), other than in a transaction (or series of related transactions) approved by the Board. For purposes of this definition, "Exempt Person" means each of (a) the Chairman of the Board, the President and each of the directors of the Company as of August 10, 2001, and (b) the respective family members, estates, and heirs of each of the Persons referred to in clause (a) above and any trust or other investment vehicle for the primary benefit of any of such Persons or their respective family members or heirs. As used with respect to any Person, the term "family member" means the spouse, siblings and lineal descendants of such Person.

"Director Compensation" means the annual retainer and meeting fees, and any other regular cash compensation payable by the Company to a Nonemployee Director for service on the Board.

"Disability" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

"Dividend Equivalents" means, with respect to Restricted Shares to be issued at the end of the Restriction Period, to the extent specified by the Board only, an amount equal to all dividends and other distributions (or the economic equivalent thereof) which are payable to stockholders of record during the Restriction Period on a like number and kind of shares of Common Stock.

"Domestic Relations Order" means a domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder.

"Effective Date" means the date on which the Plan is approved by the shareholders of the Company.

"Equity Security" shall have the meaning ascribed to such term in Section 3(a)(11) of the Exchange Act, and an equity security of an issuer shall have the meaning ascribed thereto in Rule 16a-1 promulgated under the Exchange Act, or any successor Rule.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute or statutes thereto. Reference to any specific Exchange Act section shall include any successor section.

"Fair Market Value" of a share of any series of Common Stock on any day means the last sale price (or, if no last sale price is reported, the average of the high bid and low asked prices) for a share of such series of Common Stock on such day (or, if such day is not a trading day, on the next preceding trading day) as reported on the consolidated transaction reporting system for the principal national securities exchange on which shares of such series of Common Stock are listed on such day or if such shares are not then listed on a national securities exchange, then as reported on Nasdaq or, if such shares are not then listed or quoted on Nasdaq, then as quoted by the National Quotation Bureau Incorporated. If for any day the Fair Market Value of a share of the applicable series of Common Stock is not determinable by any of the foregoing means, then the Fair Market Value for such day shall be determined in good faith by the Board on the basis of such quotations and other considerations as the Board deems appropriate.

"Free Standing SAR" has the meaning ascribed thereto in Section 7.1.

"Holder" means a Person who has received an Award under this Plan.

"Nasdaq" means The Nasdaq Stock Market.

"Nonemployee Director" means an individual who is a member of the Board and who is not an employee of the Company or any Subsidiary.

"Nonqualified Stock Option" means a stock option granted under Article VI.

"Option" means a Nonqualified Stock Option.

"Person" means an individual, corporation, limited liability company, partnership, trust, incorporated or unincorporated association, joint venture or other entity of any kind.

"Plan" means this Liberty Media Corporation 2002 Nonemployee Director Incentive Plan.

"Restricted Shares" means shares of any series of Common Stock or the right to receive shares of any specified series of Common Stock, as the case may be, awarded pursuant to Article VIII.

"Restriction Period" means a period of time beginning on the date of each Award of Restricted Shares and ending on the Vesting Date with respect to such Award.

"Retained Distribution" has the meaning ascribed thereto in Section 8.3.

"SARs" means stock appreciation rights, awarded pursuant to Article VII, with respect to shares of any specified series of Common Stock.

"Stock Unit Awards" has the meaning ascribed thereto in Section 9.1.

"Subsidiary" of a Person means any present or future subsidiary (as defined in Section 424(f) of the Code) of such Person or any business entity in which such Person owns, directly or indirectly, 50% or more of the voting, capital, or profits interests. An entity shall be deemed a subsidiary of a Person for purposes of this definition only for such periods as the requisite ownership or control relationship is maintained.

"Tandem SARs" has the meaning ascribed thereto in Section 7.1.

"Vesting Date," with respect to any Restricted Shares awarded hereunder, means the date on which such Restricted Shares cease to be subject to a risk of forfeiture, as designated in or determined in accordance with the Agreement with respect to such award of Restricted Shares pursuant to Article VIII. If more than one Vesting Date is designated for an award of Restricted Shares, reference in the Plan to a Vesting Date in respect of such Award shall be deemed to refer to each part of such Award and the Vesting Date for such part.

ARTICLE III ADMINISTRATION

3.1 *Administration.* The Plan shall be administered by the Board, provided that it may delegate to employees of the Company certain administrative or ministerial duties in carrying out the purposes of the Plan.

3.2 *Powers.* The Board shall have full power and authority to grant to eligible Persons Options under Article VI of the Plan, SARs under Article VII of the Plan, Restricted Shares under Article VIII of the Plan, and/or Stock Units under Article IX of the Plan, to determine the terms and conditions (which need not be identical) of all Awards so granted, to interpret the provisions of the Plan and any Agreements relating to Awards granted under the Plan, and to supervise the administration of the Plan. The Board in making an Award may provide for the granting or issuance of additional, replacement, or alternative Awards upon the occurrence of specified events, including the exercise of the original Award. The Board shall have sole authority in the selection of Persons to whom Awards may be granted under the Plan and in the determination of the timing, pricing, and amount of any such Award, subject only to the express provisions of the Plan. In making determinations hereunder, the Board may take into account such factors as the Board in its discretion deems relevant.

3.3 *Interpretation.* The Board is authorized, subject to the provisions of the Plan, to establish, amend, and rescind such rules and regulations as it deems necessary or advisable for the proper administration of the Plan and to take such other action in connection with or in relation to the Plan as it deems necessary or advisable. Each action and determination made or taken pursuant to the Plan by the Board, including any interpretation or construction of the Plan, shall be final and conclusive for all purposes and upon all Persons. No member of the Board shall be liable for any action or determination made or taken by him or the Board in good faith with respect to the Plan.

ARTICLE IV SHARES SUBJECT TO THE PLAN

4.1 *Number of Shares.* Subject to the provisions of this Article IV, the maximum number of shares of Common Stock (i) which may be issued in lieu of Director Compensation pursuant to Section 10.1 and (ii) with respect to which Awards may be granted during the term of the Plan shall be 2,569,000 shares. Shares of Common Stock will be made available from the authorized but unissued shares of the Company or from shares reacquired by the Company, including shares purchased in the open market. The shares of Common Stock subject to (i) any Award granted under the Plan that shall expire, terminate or be annulled for any reason without having been exercised (or considered to have been exercised as provided in Section 7.2), (ii) any Award of any SARs granted under the Plan that shall be exercised for cash, and (iii) any Award of Restricted Shares or Stock Units that shall be forfeited prior to becoming vested (provided that the Holder received no benefits of ownership of such Restricted Shares or Stock Units other than voting rights and the accumulation of Retained Distributions and unpaid Dividend Equivalents that are likewise forfeited) shall again be available for purposes of the Plan.

4.2 *Adjustments.* If the Company subdivides its outstanding shares of any series of Common Stock into a greater number of shares of such series of Common Stock (by stock dividend, stock split, reclassification, or otherwise) or combines its outstanding shares of any series of Common Stock into a smaller number of shares of such series of Common Stock (by reverse stock split, reclassification, or otherwise) or if the Board determines that any stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase such series of Common Stock, or other similar corporate event (including mergers or consolidations other than those which constitute Approved Transactions, adjustments with respect to which shall be governed by Section 11.1(b)) affects any series of Common Stock so that an adjustment is required to preserve the benefits or potential benefits intended to be made available under this Plan, then the Board, in such manner as the Board, in its sole discretion, deems equitable and appropriate, shall make such adjustments to any or all of (i) the number and kind of shares of stock which thereafter may be awarded, optioned, or otherwise made subject to the benefits contemplated by the Plan, (ii) the number and kind of shares of stock subject to outstanding Awards, and (iii) the purchase or exercise price and the relevant appreciation base with respect to any of the foregoing, *provided, however*, that the number of shares subject to any Award shall always be a whole number. Notwithstanding the foregoing, if all shares of any series of Common Stock are redeemed, then each outstanding Award shall be adjusted to substitute for the shares of such series of Common Stock subject thereto the kind and amount of cash, securities or other assets issued or paid in the redemption of the equivalent number of shares of such series of Common Stock and otherwise the terms of such Award, including, in the case of Options or similar rights, the total exercise price, and, in the case of Free Standing SARs, the base price, shall remain constant before and after the substitution (unless otherwise determined by the Board and provided in the applicable Agreement). The Board may, if deemed appropriate, provide for a cash payment to any Holder of an Award in connection with any adjustment made pursuant to this Section 4.2.

ARTICLE V ELIGIBILITY

5.1 *General.* The Persons who shall be eligible to participate in the Plan and to receive Awards under the Plan shall, subject to Section 5.2, be such Persons who are Nonemployee Directors as the Board shall select. Awards may be made to Nonemployee Directors who hold or have held Awards under this Plan or any similar or other awards under any other plan of the Company or any of its Affiliates.

5.2 *Ineligibility.* No Person who is not a Nonemployee Director shall be eligible to receive an Award.

ARTICLE VI STOCK OPTIONS

6.1 *Grant of Options.* Subject to the limitations of the Plan, the Board shall designate from time to time those eligible Persons to be granted Options, the time when each Option shall be granted to such eligible Persons, the series and number of shares of Common Stock subject to such Option, and, subject to Section 6.2, the purchase price of the shares of Common Stock subject to such Option.

6.2 *Option Price.* The price at which shares may be purchased upon exercise of an Option shall be fixed by the Board and may be more than, less than, or equal to the Fair Market Value of the shares of the applicable series of Common Stock subject to the Option as of the date the Option is granted.

6.3 *Term of Options.* Subject to the provisions of the Plan with respect to death, retirement and termination of service, the term of each Option shall be for such period as the Board shall determine as set forth in the applicable Agreement.

6.4 *Exercise of Options.* An Option granted under the Plan shall become (and remain) exercisable during the term of the Option to the extent provided in the applicable Agreement and this Plan and, unless the Agreement otherwise provides, may be exercised to the extent exercisable, in whole or in part, at any time and from time to time during such term; *provided, however*, that subsequent to the grant of an Option, the Board, at any time before complete termination of such Option, may accelerate the time or times at which such Option may be exercised in whole or in part (without reducing the term of such Option).

6.5 *Manner of Exercise.*

(a) *Form of Payment.* An Option shall be exercised by written notice to the Company upon such terms and conditions as the Agreement may provide and in accordance with such other procedures for the exercise of Options as the Board may establish from time to time. The method or methods of payment of the purchase price for the shares to be purchased upon exercise of an Option and of any amounts required by Section 11.9 shall be determined by the Board and may consist of (i) cash, (ii) check, (iii) promissory note, (iv) whole shares of any series of Common Stock, (v) the withholding of shares of the applicable series of Common Stock issuable upon such exercise of the Option, (vi) the delivery, together with a properly executed exercise notice, of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the purchase price, or (vii) any combination of the foregoing methods of payment, or such other consideration and method of payment as may be permitted for the issuance of shares under the Delaware General Corporation Law. The permitted method or methods of payment of the amounts payable upon exercise of an Option, if other than in cash, shall be set forth in the applicable Agreement and may be subject to such conditions as the Board deems appropriate.

(b) *Value of Shares.* Unless otherwise determined by the Board and provided in the applicable Agreement, shares of any series of Common Stock delivered in payment of all or any part of the amounts payable in connection with the exercise of an Option, and shares of any series of Common Stock withheld for such payment, shall be valued for such purpose at their Fair Market Value as of the exercise date.

(c) *Issuance of Shares.* The Company shall effect the transfer of the shares of Common Stock purchased under the Option as soon as practicable after the exercise thereof and payment in full of the purchase price therefor and of any amounts required by Section 11.9, and within a reasonable time thereafter, such transfer shall be evidenced on the books of the Company. Unless otherwise determined by the Board and provided in the applicable Agreement, (i) no Holder or other Person exercising an Option shall have any of the rights of a stockholder of the Company with respect to shares of Common Stock subject to an Option granted under the Plan until due exercise and full payment has been made, and (ii) no adjustment shall be made for cash dividends or other rights for which the record date is prior to the date of such due exercise and full payment.

6.6 *Nontransferability.* Unless otherwise determined by the Board and provided in the applicable Agreement, Options shall not be transferable other than by will or the laws of descent and distribution or pursuant to a Domestic Relations Order, and, except as otherwise required pursuant to a Domestic Relations Order, Options may be exercised during the lifetime of the Holder thereof only by such Holder (or his or her court-appointed legal representative).

ARTICLE VII
SARS

7.1 *Grant of SARs.* Subject to the limitations of the Plan, SARs may be granted by the Board to such eligible Persons in such numbers, with respect to any specified series of Common Stock, and at such times during the term of the Plan as the Board shall determine. A SAR may be granted to a Holder of an Option (hereinafter called a "related Option") with respect to all or a portion of the shares of Common Stock subject to the related Option (a "Tandem SAR") or may be granted separately to an eligible Nonemployee Director (a "Free Standing SAR"). Subject to the limitations of the Plan, SARs shall be exercisable in whole or in part upon notice to the Company upon such terms and conditions as are provided in the Agreement.

7.2 *Tandem SARs.* A Tandem SAR may be granted either concurrently with the grant of the related Option or at any time thereafter prior to the complete exercise, termination, expiration, or cancellation of such related Option. Tandem SARs shall be exercisable only at the time and to the extent that the related Option is exercisable (and may be subject to such additional limitations on exercisability as the Agreement may provide) and in no event after the complete termination or full exercise of the related Option. Upon the exercise or termination of the related Option, the Tandem SARs with respect thereto shall be canceled automatically to the extent of the number of shares of Common Stock with respect to which the related Option was so exercised or terminated. Subject to the limitations of the Plan, upon the exercise of a Tandem SAR and unless otherwise determined by the Board and provided in the applicable Agreement, (i) the Holder thereof shall be entitled to receive from the Company, for each share of the applicable series of Common Stock with respect to which the Tandem SAR is being exercised, consideration (in the form determined as provided in Section 7.4) equal in value to the excess of the Fair Market Value of a share of the applicable series of Common Stock with respect to which the Tandem SAR was granted on the date of exercise over the related Option purchase price per share, and (ii) the related Option with respect thereto shall be canceled automatically to the extent of the number of shares of Common Stock with respect to which the Tandem SAR was so exercised.

7.3 *Free Standing SARs.* Free Standing SARs shall be exercisable at the time, to the extent and upon the terms and conditions set forth in the applicable Agreement. The base price of a Free Standing SAR may be more than, less than, or equal to the Fair Market Value of the applicable series of Common Stock with respect to which the Free Standing SAR was granted as of the date the Free Standing SAR is granted. Subject to the limitations of the Plan, upon the exercise of a Free Standing SAR and unless otherwise determined by the Board and provided in the applicable Agreement, the Holder thereof shall be entitled to receive from the Company, for each share of the applicable series of Common Stock with respect to which the Free Standing SAR is being exercised, consideration (in the form determined as provided in Section 7.4) equal in value to the excess of the Fair Market Value of a share of the applicable series of Common Stock with respect to which the Free Standing SAR was granted on the date of exercise over the base price per share of such Free Standing SAR.

7.4 *Consideration.* The consideration to be received upon the exercise of a SAR by the Holder shall be paid in cash, shares of the applicable series of Common Stock with respect to which the SAR was granted (valued at Fair Market Value on the date of exercise of such SAR), a combination of cash and such shares of the applicable series of Common Stock or such other consideration, in each case, as provided in the Agreement. No fractional shares of Common Stock shall be issuable upon exercise of a SAR, and unless otherwise provided in the applicable Agreement, the Holder will receive cash in lieu of fractional shares. Unless the Board shall otherwise determine, to the extent a Free Standing SAR is exercisable, it will be exercised automatically for cash on its expiration date.

7.5 *Limitations.* The applicable Agreement may provide for a limit on the amount payable to a Holder upon exercise of SARs at any time or in the aggregate, for a limit on the number of SARs that

may be exercised by the Holder in whole or in part for cash during any specified period, for a limit on the time periods during which a Holder may exercise SARs, and for such other limits on the rights of the Holder and such other terms and conditions of the SAR, including, without limitation, a condition that the SAR may be exercised only in accordance with rules and regulations adopted from time to time, as the Board may determine. Unless otherwise so provided in the applicable Agreement, any such limit relating to a Tandem SAR shall not restrict the exercisability of the related Option. Such rules and regulations may govern the right to exercise SARs granted prior to the adoption or amendment of such rules and regulations as well as SARs granted thereafter.

7.6 *Exercise.* For purposes of this Article VII, the date of exercise of a SAR shall mean the date on which the Company shall have received notice from the Holder of the SAR of the exercise of such SAR (unless otherwise determined by the Board and provided in the applicable Agreement).

7.7 *Nontransferability.* Unless otherwise determined by the Board and provided in the applicable Agreement, (i) SARs shall not be transferable other than by will or the laws of descent and distribution or pursuant to a Domestic Relations Order, and (ii) except as otherwise required pursuant to a Domestic Relations Order, SARs may be exercised during the lifetime of the Holder thereof only by such Holder (or his or her court-appointed legal representative).

ARTICLE VIII RESTRICTED SHARES

8.1 *Grant.* Subject to the limitations of the Plan, the Board shall designate those eligible Persons to be granted awards of Restricted Shares, shall determine the time when each such Award shall be granted, shall determine whether shares of Common Stock covered by awards of Restricted Shares will be issued at the beginning or the end of the Restriction Period and whether Dividend Equivalents will be paid during the Restriction Period in the event shares of the applicable series of Common Stock are to be issued at the end of the Restriction Period, and shall designate (or set forth the basis for determining) the Vesting Date or Vesting Dates for each award of Restricted Shares, and may prescribe other restrictions, terms, and conditions applicable to the vesting of such Restricted Shares in addition to those provided in the Plan. The Board shall determine the price, if any, to be paid by the Holder for the Restricted Shares; *provided, however,* that the issuance of Restricted Shares shall be made for at least the minimum consideration necessary to permit such Restricted Shares to be deemed fully paid and nonassessable. All determinations made by the Board pursuant to this Section 8.1 shall be specified in the Agreement.

8.2 *Issuance of Restricted Shares at Beginning of the Restriction Period* If shares of the applicable series of Common Stock are issued at the beginning of the Restriction Period, the stock certificate or certificates representing such Restricted Shares shall be registered in the name of the Holder to whom such Restricted Shares shall have been awarded. During the Restriction Period, certificates representing the Restricted Shares and any securities constituting Retained Distributions shall bear a restrictive legend to the effect that ownership of the Restricted Shares (and such Retained Distributions), and the enjoyment of all rights appurtenant thereto, are subject to the restrictions, terms, and conditions provided in the Plan and the applicable Agreement. Such certificates shall remain in the custody of the Company or its designee, and the Holder shall deposit with the custodian stock powers or other instruments of assignment, each endorsed in blank, so as to permit retransfer to the Company of all or any portion of the Restricted Shares and any securities constituting Retained Distributions that shall be forfeited or otherwise not become vested in accordance with the Plan and the applicable Agreement.

8.3 *Restrictions.* Restricted Shares issued at the beginning of the Restriction Period shall constitute issued and outstanding shares of the applicable series of Common Stock for all corporate purposes. The Holder will have the right to vote such Restricted Shares, to receive and retain such dividends and distributions, as the Board may designate, paid or distributed on such Restricted Shares,

and to exercise all other rights, powers, and privileges of a Holder of shares of the applicable series of Common Stock with respect to such Restricted Shares; *except, that*, unless otherwise determined by the Board and provided in the applicable Agreement, (a) the Holder will not be entitled to delivery of the stock certificate or certificates representing such Restricted Shares until the Restriction Period shall have expired and unless all other vesting requirements with respect thereto shall have been fulfilled or waived; (b) the Company or its designee will retain custody of the stock certificate or certificates representing the Restricted Shares during the Restriction Period as provided in Section 8.2; (c) other than such dividends and distributions as the Board may designate, the Company or its designee will retain custody of all distributions ("Retained Distributions") made or declared with respect to the Restricted Shares (and such Retained Distributions will be subject to the same restrictions, terms and vesting, and other conditions as are applicable to the Restricted Shares) until such time, if ever, as the Restricted Shares with respect to which such Retained Distributions shall have been made, paid, or declared shall have become vested, and such Retained Distributions shall not bear interest or be segregated in a separate account; (d) the Holder may not sell, assign, transfer, pledge, exchange, encumber, or dispose of the Restricted Shares or any Retained Distributions or his interest in any of them during the Restriction Period; and (e) a breach of any restrictions, terms, or conditions provided in the Plan or established by the Board with respect to any Restricted Shares or Retained Distributions will cause a forfeiture of such Restricted Shares and any Retained Distributions with respect thereto.

8.4 *Issuance of Stock at End of the Restriction Period* Restricted Shares issued at the end of the Restriction Period shall not constitute issued and outstanding shares of the applicable series of Common Stock, and the Holder shall not have any of the rights of a stockholder with respect to the shares of Common Stock covered by such an award of Restricted Shares, in each case until such shares shall have been transferred to the Holder at the end of the Restriction Period. If and to the extent that shares of Common Stock are to be issued at the end of the Restriction Period, the Holder shall be entitled to receive Dividend Equivalents with respect to the shares of Common Stock covered thereby either (i) during the Restriction Period or (ii) in accordance with the rules applicable to Retained Distributions, as the Board may specify in the Agreement.

8.5 *Cash Awards.* In connection with any award of Restricted Shares, an Agreement may provide for the payment of a cash amount to the Holder of such Restricted Shares at any time after such Restricted Shares shall have become vested. Such cash awards shall be payable in accordance with such additional restrictions, terms, and conditions as shall be prescribed by the Board in the Agreement and shall be in addition to any other compensation payments which such Holder shall be otherwise entitled or eligible to receive from the Company.

8.6 *Completion of Restriction Period.* On the Vesting Date with respect to each award of Restricted Shares and the satisfaction of any other applicable restrictions, terms, and conditions, (a) all or the applicable portion of such Restricted Shares shall become vested, (b) any Retained Distributions and any unpaid Dividend Equivalents with respect to such Restricted Shares shall become vested to the extent that the Restricted Shares related thereto shall have become vested, and (c) any cash award to be received by the Holder with respect to such Restricted Shares shall become payable, all in accordance with the terms of the applicable Agreement. Any such Restricted Shares, Retained Distributions, and any unpaid Dividend Equivalents that shall not become vested shall be forfeited to the Company, and the Holder shall not thereafter have any rights (including dividend and voting rights) with respect to such Restricted Shares, Retained Distributions, and any unpaid Dividend Equivalents that shall have been so forfeited. The Board may, in its discretion, provide that the delivery of any Restricted Shares, Retained Distributions, and unpaid Dividend Equivalents that shall have become vested, and payment of any cash awards that shall have become payable, shall be deferred until such date or dates as the recipient may elect. Any election of a recipient pursuant to the preceding sentence shall be filed in writing with the Board in accordance with such rules and regulations, including any deadline for the making of such an election, as the Board may provide.

ARTICLE IX
STOCK UNITS

9.1 *Grant.* In addition to granting awards of Options, SARs, and Restricted Shares, the Board shall, subject to the limitations of the Plan, have authority to grant to eligible Persons awards of Stock Units which may be in the form of shares of any specified series of Common Stock or units, the value of which is based, in whole or in part, on the Fair Market Value of the shares of any specified series of Common Stock. Subject to the provisions of the Plan, including any rules established pursuant to Section 9.2, awards of Stock Units shall be subject to such terms, restrictions, conditions, vesting requirements, and payment rules as the Board may determine in its discretion, which need not be identical for each Award. The determinations made by the Board pursuant to this Section 9.1 shall be specified in the applicable Agreement.

9.2 *Rules.* The Board may, in its discretion, establish any or all of the following rules for application to an Award of Stock Units:

(a) Any shares of Common Stock which are part of an award of Stock Units may not be assigned, sold, transferred, pledged, or otherwise encumbered prior to the date on which the shares are issued or, if later, the date provided by the Board at the time of the Award.

(b) Such Awards may provide for the payment of cash consideration by the Person to whom such Award is granted or provide that the Award, and any shares of Common Stock to be issued in connection therewith, if applicable, shall be delivered without the payment of cash consideration; *provided, however*, that the issuance of any shares of Common Stock in connection with an Award of Stock Units shall be for at least the minimum consideration necessary to permit such shares to be deemed fully paid and nonassessable.

(c) Awards of Stock Units may relate in whole or in part to performance or other criteria established by the Board at the time of grant.

(d) Awards of Stock Units may provide for deferred payment schedules, vesting over a specified period of service, the payment (on a current or deferred basis) of dividend equivalent amounts with respect to the number of shares of Common Stock covered by the Award, and elections by the Holder to defer payment of the Award or the lifting of restrictions on the Award, if any.

(e) In such circumstances as the Board may deem advisable, the Board may waive or otherwise remove, in whole or in part, any restrictions or limitations to which a Stock Unit Award was made subject at the time of grant.

ARTICLE X
STOCK AWARDS IN LIEU OF CASH DIRECTOR FEES

10.1 *General.* Each Nonemployee Director shall have the option to elect to receive shares of one or more series of Common Stock, as prescribed by the Board, in lieu of all or part of the Director Compensation otherwise payable by the Company during each calendar quarter. Subject to any applicable Purchase Restriction as described in Section 10.3, to the extent a Nonemployee Director has elected in writing to receive stock in lieu of Director Compensation, such Nonemployee Director will receive shares of Common Stock on the last day of the calendar quarter for which the Director Compensation was earned. The Director Compensation shall be converted to a number of shares of Common Stock equal in value to such Director Compensation based on the Fair Market Value of such shares on the last day of the calendar quarter for which the Director Compensation would otherwise be payable to the Nonemployee Director, with any fractional shares paid in cash. For this purpose, if the last day of the calendar quarter is not a trading day, then Fair Market Value shall be determined as of

the next succeeding trading day. Any shares issued in lieu of Director Compensation shall be issued free of all restrictions except as required by law.

10.2 *Timing of Election.* A Nonemployee Director's election pursuant to Section 10.1 must be made no later than the 30th calendar day (or such other day as the Board may prescribe) prior to the end of the calendar quarter to which the election applies in accordance with the procedures established by the Board. Once an election is made with respect to a particular calendar quarter, it may not be withdrawn or substituted unless the Board determines, in its sole discretion, that the withdrawal or substitution is occasioned by an extraordinary or unanticipated event.

10.3 *Election Void During Restricted Period.* If, on the date shares would be purchased pursuant to an election under Section 10.1, there is in place any restriction under applicable law (including, without limitation, a blackout period under the Sarbanes-Oxley Act of 2002) or the rules of the principal national securities exchange on which shares of the applicable series of Common Stock are traded (a "Purchase Restriction") which would prohibit the Nonemployee Director from making such a purchase, then such shares shall be purchased on the first trading day following the lapse or removal of the Purchase Restriction based on the Fair Market Value of the shares on such trading day.

10.4 *Conditions.* Nothing contained herein shall preclude the Board, in its sole discretion, from imposing conditions on any election made under Section 10.1, including, without limitation, the conditions described in Section 10.3.

ARTICLE XI GENERAL PROVISIONS

11.1 *Acceleration of Options, SARs, Restricted Shares and Stock Units.*

(a) *Death or Disability.* If a Holder's service shall terminate by reason of death or Disability, notwithstanding any contrary waiting period, installment period, vesting schedule, or Restriction Period in any Agreement or in the Plan, unless the applicable Agreement provides otherwise: (i) in the case of an Option or SAR, each outstanding Option or SAR granted under the Plan shall immediately become exercisable in full in respect of the aggregate number of shares covered thereby; (ii) in the case of Restricted Shares, the Restriction Period applicable to each such Award of Restricted Shares shall be deemed to have expired and all such Restricted Shares, any related Retained Distributions and any unpaid Dividend Equivalents shall become vested and any cash amounts payable pursuant to the applicable Agreement shall be adjusted in such manner as may be provided in the Agreement; and (iii) in the case of Stock Units, each such award of Stock Units shall become vested in full.

(b) *Approved Transactions; Board Change; Control Purchase.* In the event of any Approved Transaction, Board Change or Control Purchase, notwithstanding any contrary waiting period, installment period, vesting schedule, or Restriction Period in any Agreement or in the Plan, unless the applicable Agreement provides otherwise: (i) in the case of an Option or SAR, each such outstanding Option or SAR granted under the Plan shall become exercisable in full in respect of the aggregate number of shares covered thereby; (ii) in the case of Restricted Shares, the Restriction Period applicable to each such Award of Restricted Shares shall be deemed to have expired and all such Restricted Shares, any related Retained Distributions, and any unpaid Dividend Equivalents shall become vested and any cash amounts payable pursuant to the applicable Agreement shall be adjusted in such manner as may be provided in the Agreement; and (iii) in the case of Stock Units, each such award of Stock Units shall become vested in full, in each case effective upon the Board Change or Control Purchase or immediately prior to consummation of the Approved Transaction. Notwithstanding the foregoing, unless otherwise provided in the applicable Agreement, the Board may, in its discretion, determine that any or all outstanding

Awards of any or all types granted pursuant to the Plan will not vest or become exercisable on an accelerated basis in connection with an Approved Transaction if effective provision has been made for the taking of such action which, in the opinion of the Board, is equitable and appropriate to substitute a new Award for such Award or to assume such Award and to make such new or assumed Award, as nearly as may be practicable, equivalent to the old Award (before giving effect to any acceleration of the vesting or exercisability thereof), taking into account, to the extent applicable, the kind and amount of securities, cash, or other assets into or for which the applicable series of Common Stock may be changed, converted, or exchanged in connection with the Approved Transaction.

11.2 *Termination of Service.*

(a) *General.* If a Holder's service shall terminate prior to the complete exercise of an Option or SAR (or deemed exercise thereof, as provided in Section 7.2) or during the Restriction Period with respect to any Restricted Shares or prior to the vesting or complete exercise of any Stock Units, then such Option, SAR, or Stock Unit shall thereafter be exercisable, and the Holder's rights to any unvested Restricted Shares, Retained Distributions, unpaid Dividend Equivalents, and cash amounts and any such unvested Stock Units shall thereafter vest, in each case solely to the extent provided in the applicable Agreement; *provided, however*, that, unless otherwise determined by the Board and provided in the applicable Agreement, (i) no Option or SAR may be exercised after the scheduled expiration date thereof; (ii) if the Holder's service terminates by reason of death or Disability, the Option or SAR shall remain exercisable for a period of at least one year following such termination (but not later than the scheduled expiration of such Option or SAR); and (iii) any termination of the Holder's service for cause will be treated in accordance with the provisions of Section 11.2(b).

(b) *Termination for Cause.* If a Holder's service on the Board shall be terminated by the Company during the Restriction Period with respect to any Restricted Shares, or prior to the exercise of any Option or SAR, or prior to the vesting or complete exercise of any Stock Unit for cause (for these purposes, cause shall include, but not be limited to, insubordination, dishonesty, incompetence, moral turpitude, other misconduct of any kind, and the refusal to perform his duties and responsibilities for any reason other than illness or incapacity; *provided, however*, that if such termination occurs within 12 months after an Approved Transaction or Control Purchase or Board Change, termination for cause shall mean only a felony conviction for fraud, misappropriation, or embezzlement), then, unless otherwise determined by the Board and provided in the applicable Agreement, (i) all Options and SARs and all unvested or unexercised Stock Units held by such Holder shall immediately terminate and (ii) such Holder's rights to all Restricted Shares, Retained Distributions, any unpaid Dividend Equivalents, and any cash awards shall be forfeited immediately.

11.3 *Nonalienation of Benefits.* Except as set forth herein, no right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, exchange, transfer, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same shall be void. No right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities, or torts of the Person entitled to such benefits.

11.4 *Written Agreement.* Each grant of an Option under the Plan shall be evidenced by a stock option agreement; each SAR shall be evidenced by a stock appreciation rights agreement; each award of Restricted Shares shall be evidenced by a restricted shares agreement; and each award of Stock Units shall be evidenced by a stock units agreement, each in such form and containing such terms and provisions not inconsistent with the provisions of the Plan as the Board from time to time shall approve; *provided, however*, that if more than one type of Award is made to the same Holder, such

Awards may be evidenced by a single Agreement with such Holder. Each grantee of an Option, SAR, Restricted Shares, or Stock Units shall be notified promptly of such grant, and a written Agreement shall be promptly executed and delivered by the Company. Any such written Agreement may contain (but shall not be required to contain) such provisions as the Board deems appropriate (i) to insure that the penalty provisions of Section 4999 of the Code will not apply to any stock or cash received by the Holder from the Company or (ii) to provide cash payments to the Holder to mitigate the impact of such penalty provisions upon the Holder. Any such Agreement may be supplemented or amended from time to time as approved by the Board as contemplated by Section 11.6(b).

11.5 *Designation of Beneficiaries.* Each Person who shall be granted an Award under the Plan may designate a beneficiary or beneficiaries and may change such designation from time to time by filing a written designation of beneficiary or beneficiaries with the Board on a form to be prescribed by it, provided that no such designation shall be effective unless so filed prior to the death of such Person.

11.6 *Termination and Amendment.*

(a) *General.* Unless the Plan shall theretofore have been terminated as hereinafter provided, no Awards may be made under the Plan on or after the tenth anniversary of the Effective Date. The Plan may be terminated at any time prior to the tenth anniversary of the Effective Date and may, from time to time, be suspended or discontinued or modified or amended if such action is deemed advisable by the Board.

(b) *Modification.* No termination, modification or amendment of the Plan may, without the consent of the Person to whom any Award shall theretofore have been granted, adversely affect the rights of such Person with respect to such Award. No modification, extension, renewal, or other change in any Award granted under the Plan shall be made after the grant of such Award, unless the same is consistent with the provisions of the Plan. With the consent of the Holder and subject to the terms and conditions of the Plan (including Section 11.6(a)), the Board may amend outstanding Agreements with any Holder, including, without limitation, any amendment which would (i) accelerate the time or times at which the Award may be exercised and/or (ii) extend the scheduled expiration date of the Award. Without limiting the generality of the foregoing, the Board may, but solely with the Holder's consent unless otherwise provided in the Agreement, agree to cancel any Award under the Plan and grant a new Award in substitution therefor, provided that the Award so substituted shall satisfy all of the requirements of the Plan as of the date such new Award is made. Nothing contained in the foregoing provisions of this Section 11.6(b) shall be construed to prevent the Board from providing in any Agreement that the rights of the Holder with respect to the Award evidenced thereby shall be subject to such rules and regulations as the Board may, subject to the express provisions of the Plan, adopt from time to time or impair the enforceability of any such provision.

11.7 *Government and Other Regulations.* The obligation of the Company with respect to Awards shall be subject to all applicable laws, rules, and regulations and such approvals by any governmental agencies as may be required, including, without limitation, the effectiveness of any registration statement required under the Securities Act of 1933, and the rules and regulations of any securities exchange or association on which the Common Stock may be listed or quoted. For so long as any series of Common Stock are registered under the Exchange Act, the Company shall use its reasonable efforts to comply with any legal requirements (i) to maintain a registration statement in effect under the Securities Act of 1933 with respect to all shares of the applicable series of Common Stock that may be issued to Holders under the Plan and (ii) to file in a timely manner all reports required to be filed by it under the Exchange Act.

11.8 *Withholding.* The Company's obligation to deliver shares of Common Stock or pay cash in respect of any Award under the Plan shall be subject to applicable federal, state, and local tax withholding requirements. Federal, state, and local withholding tax due at the time of an Award, upon

the exercise of any Option or SAR or upon the vesting of, or expiration of restrictions with respect to, Restricted Shares or Stock Units, as appropriate, may, in the discretion of the Board, be paid in shares of the applicable series of Common Stock already owned by the Holder or through the withholding of shares otherwise issuable to such Holder, upon such terms and conditions (including, without limitation, the conditions referenced in Section 6.5) as the Board shall determine. If the Holder shall fail to pay, or make arrangements satisfactory to the Board for the payment to the Company of, all such federal, state and local taxes required to be withheld by the Company, then the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to such Holder an amount equal to any federal, state, or local taxes of any kind required to be withheld by the Company with respect to such Award.

11.9 *Nonexclusivity of the Plan.* The adoption of the Plan by the Board shall not be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options and the awarding of stock and cash otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

11.10 *Exclusion from Other Plans.* By acceptance of an Award, unless otherwise provided in the applicable Agreement, each Holder shall be deemed to have agreed that such Award is special incentive compensation that will not be taken into account, in any manner, as compensation or bonus in determining the amount of any payment under any pension, retirement or other benefit plan, program, or policy of the Company or any Subsidiary of the Company. In addition, each beneficiary of a deceased Holder shall be deemed to have agreed that such Award will not affect the amount of any life insurance coverage, if any, provided by the Company on the life of the Holder which is payable to such beneficiary under any life insurance plan of the Company or any Subsidiary of the Company. Director Compensation elected to be received in the form of stock in lieu of cash shall be treated as regular compensation for purposes of any Director retirement or life insurance plan.

11.11 *Unfunded Plan.* Neither the Company nor any Subsidiary of the Company shall be required to segregate any cash or any shares of Common Stock which may at any time be represented by Awards, and the Plan shall constitute an "unfunded" plan of the Company. Except as provided in Article VIII with respect to Awards of Restricted Shares and except as expressly set forth in an Agreement, no Holder shall have voting or other rights with respect to the shares of Common Stock covered by an Award prior to the delivery of such shares. Neither the Company nor any Subsidiary of the Company shall, by any provisions of the Plan, be deemed to be a trustee of any shares of Common Stock or any other property, and the liabilities of the Company to any Holder pursuant to the Plan shall be those of a debtor pursuant to such contract obligations as are created by or pursuant to the Plan, and shall be limited to those of a general creditor of the Company. In its sole discretion, the Board may authorize the creation of trusts or other arrangements to meet the obligations of the Company under the Plan, *provided, however*, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

11.12 *Governing Law.* The Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware.

11.13 *Accounts.* The delivery of any shares of Common Stock and the payment of any amount in respect of an Award shall be for the account of the Company or the applicable Subsidiary of the Company, as the case may be, and any such delivery or payment shall not be made until the recipient shall have paid or made satisfactory arrangements for the payment of any applicable withholding taxes as provided in Section 11.8.

11.14 *Legends.* Each certificate evidencing shares of Common Stock subject to an Award shall bear such legends as the Board deems necessary or appropriate to reflect or refer to any terms, conditions, or restrictions of the Award applicable to such shares, including, without limitation, any to

the effect that the shares represented thereby may not be disposed of unless the Company has received an opinion of counsel, acceptable to the Company, that such disposition will not violate any federal or state securities laws.

11.15 *Company's Rights.* The grant of Awards pursuant to the Plan shall not affect in any way the right or power of the Company to make reclassifications, reorganizations, or other changes of or to its capital or business structure or to merge, consolidate, liquidate, sell, or otherwise dispose of all or any part of its business or assets.

QuickLinks

[LIBERTY MEDIA CORPORATION 2002 NONEMPLOYEE DIRECTOR INCENTIVE PLAN](#)

CERTIFICATION

I, Gregory B. Maffei, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liberty Media Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:

May 8, 2009

/s/ GREGORY B. MAFFEI

Gregory B. Maffei
Chief Executive Officer and President

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[EXHIBIT 31.1](#)

CERTIFICATION

I, David J.A. Flowers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liberty Media Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:

May 8, 2009

/s/ DAVID J.A. FLOWERS

David J.A. Flowers
Senior Vice President and Treasurer

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[EXHIBIT 31.2](#)

CERTIFICATION

I, Christopher W. Shean, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liberty Media Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:

May 8, 2009

/s/ CHRISTOPHER W. SHEAN

Christopher W. Shean
Senior Vice President and Controller

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[EXHIBIT 31.3](#)

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Liberty Media Corporation, a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the period ended March 31, 2009 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of March 31, 2009 and December 31, 2008 and for the three months ended March 31, 2009 and 2008.

Dated:	<u>May 8, 2009</u>	<u>/s/ GREGORY B. MAFFEI</u> Gregory B. Maffei Chief Executive Officer and President
Dated:	<u>May 8, 2009</u>	<u>/s/ DAVID J.A. FLOWERS</u> David J.A. Flowers Senior Vice President and Treasurer (Principal Financial Officer)
Dated:	<u>May 8, 2009</u>	<u>/s/ CHRISTOPHER W. SHEAN</u> Christopher W. Shean Senior Vice President and Controller (Principal Accounting Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.

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[EXHIBIT 32](#)

Attributed Financial Information for Tracking Stock Groups

Our Liberty Interactive common stock is intended to reflect the separate performance of our Interactive Group which is comprised of our businesses engaged in video and on-line commerce, including our subsidiaries, QVC, Inc., Provide Commerce, Inc., Backcountry.com, Inc., Bodybuilding.com, LLC and BuySeasons, Inc. and our interests in IAC/InterActiveCorp, Expedia, Inc., HSN, Inc., Interval Leisure Group, Inc., Ticketmaster and Tree.com, Inc. Our Liberty Entertainment common stock is intended to reflect the separate performance of our Entertainment Group which includes our wholly-owned subsidiaries Starz Entertainment, LLC, FUN Technologies, Inc, and Liberty Sports Group, our approximate 54% ownership interest in The DIRECTV Group, Inc., as well as other minority equity interests in GSN, LLC and WildBlue Communications, Inc. Our Liberty Capital common stock is intended to reflect the separate performance of our Capital Group which is comprised of all of our assets and businesses not attributed to the Interactive Group or the Entertainment Group.

The following tables present our assets, liabilities, revenue, expenses and cash flows as of and for the three months ended March 31, 2009 and 2008. The tables further present our assets, liabilities, revenue, expenses and cash flows that are attributed to the Interactive Group, the Entertainment Group and the Capital Group, respectively. The financial information should be read in conjunction with our unaudited condensed consolidated financial statements for the three months ended March 31, 2009 included in this Quarterly Report on Form 10-Q. The attributed financial information presented in the tables has been prepared assuming the Reclassification had been completed as of January 1, 2008.

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

SUMMARY ATTRIBUTED FINANCIAL DATA

Interactive Group

	<u>March 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	<u>amounts in millions</u>	
Summary balance sheet data:		
Current assets	\$ 3,116	3,282
Cost investments	\$ 679	739
Equity investments	\$ 782	901
Total assets	\$ 16,936	17,487
Long-term debt, including current portion	\$ 7,196	7,131
Long-term deferred income tax liabilities	\$ 1,889	1,999
Attributed net assets	\$ 6,176	6,303

	<u>Three months ended</u> <u>March 31,</u>	
	<u>2009</u>	<u>2008</u>
	<u>amounts in millions</u>	
Summary operations data:		
Revenue	\$ 1,831	1,950
Cost of sales	(1,183)	(1,238)
Operating expenses	(172)	(180)
Selling, general and administrative expenses(1)	(145)	(136)
Depreciation and amortization	(147)	(139)
Operating income	184	257
Interest expense	(96)	(121)
Other expense, net	(177)	(18)
Income tax benefit	41	14
Net earnings (loss)	(48)	132
Less net earnings attributable to the noncontrolling interests	9	7
Net earnings (loss) attributable to Liberty Media Corporation shareholders	\$ (57)	125

(1) Includes stock-based compensation of \$10 million and \$5 million for the three months ended March 31, 2009 and 2008, respectively.

SUMMARY ATTRIBUTED FINANCIAL DATA

Entertainment Group

	<u>March 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	<u>amounts in millions</u>	
Summary balance sheet data:		
Current assets	\$ 1,671	1,631
Equity investments	\$ 13,214	13,366
Total assets	\$ 16,285	16,322
Long-term debt, including current portion	\$ 2,049	2,033
Long-term deferred income tax liabilities	\$ 1,675	1,735
Attributed net assets	\$ 12,193	12,180

	<u>Three months ended</u> <u>March 31,</u>	
	<u>2009</u>	<u>2008</u>
	<u>amounts in millions</u>	
Summary operations data:		
Revenue	\$ 369	310
Operating expenses	(191)	(187)
Selling, general and administrative expenses(1)	(63)	(49)
Depreciation and amortization	(11)	(12)
Operating income	104	62
Gains on dispositions, net	—	3,667
Share of earnings of affiliates, net	37	43
Other expense, net	(25)	(9)
Income tax benefit (expense)	(35)	1,740
Net earnings	\$ 81	5,503

(1) Includes stock-based compensation of \$17 million and \$7 million for the three months ended March 31, 2009 and 2008, respectively.

SUMMARY ATTRIBUTED FINANCIAL DATA

Capital Group

	March 31, 2009	December 31, 2008
amounts in millions		
Summary balance sheet data:		
Current assets	\$ 4,636	2,973
Cost investments	\$ 2,134	2,118
Total assets	\$ 9,935	8,361
Long-term debt, including current portion	\$ 4,844	3,063
Long-term deferred income tax liabilities	\$ 974	1,166
Attributed net assets	\$ 958	1,121

	Three months ended March 31,	
	2009	2008
amounts in millions		
Summary operations data:		
Revenue	\$ 125	91
Operating expenses	(93)	(74)
Selling, general and administrative expenses(1)	(65)	(80)
Depreciation and amortization	(20)	(26)
Operating loss	(53)	(89)
Interest expense	(40)	(38)
Realized and unrealized losses on financial instruments, net	(199)	(243)
Other income, net	18	52
Income tax benefit	114	152
Net loss	(160)	(166)
Less net earnings attributable to the noncontrolling interests	—	5
Net loss attributable to Liberty Media Corporation shareholders	\$ (160)	(171)

(1) Includes stock-based compensation of \$1 million and \$4 million for the three months ended March 31, 2009 and 2008, respectively.

BALANCE SHEET INFORMATION
March 31, 2009
(unaudited)

	Attributed (note 1)			Inter-group eliminations	Consolidated Liberty
	Interactive Group	Entertainment Group	Capital Group		
	amounts in millions				
<i>Assets</i>					
Current assets:					
Cash and cash equivalents	\$ 939	874	2,845	—	4,658
Trade and other receivables, net	962	238	129	—	1,329
Inventory, net	967	—	—	—	967
Program rights	—	476	—	—	476
Financial instruments	1	23	1,557	—	1,581
Current deferred tax assets	183	53	—	(236)	—
Other current assets	64	7	105	(13)	163
Total current assets	3,116	1,671	4,636	(249)	9,174
Investments in available-for-sale securities and other cost investments (note 2)	679	2	2,134	—	2,815
Long-term financial instruments	—	183	641	—	824
Investments in affiliates, accounted for using the equity method (note 3)	782	13,214	603	—	14,599
Property and equipment, net	1,010	119	144	—	1,273
Goodwill	5,828	485	205	—	6,518
Trademarks	2,491	5	14	—	2,510
Intangible assets subject to amortization, net	2,997	138	218	—	3,353
Other assets, at cost, net of accumulated amortization	33	468	1,340	—	1,841
Total assets	\$ 16,936	16,285	9,935	(249)	42,907
<i>Liabilities and Equity</i>					
Current liabilities:					
Accounts payable	\$ 402	12	19	—	433
Accrued interest	44	—	24	—	68
Other accrued liabilities	508	113	107	—	728
Intergroup payable (receivable)	21	33	(54)	—	—
Financial instruments	164	—	387	—	551
Current portion of debt (note 4)	166	612	1,677	—	2,455
Accrued stock compensation	20	187	5	—	212
Current deferred tax liabilities	—	—	1,124	(236)	888
Other current liabilities	21	7	99	(13)	114
Total current liabilities	1,346	964	3,388	(249)	5,449
Long-term debt (note 4)	7,030	1,437	3,167	—	11,634
Long-term financial instruments	177	—	10	—	187
Deferred income tax liabilities (note 6)	1,889	1,675	974	—	4,538
Other liabilities	187	16	1,437	—	1,640
Total liabilities	10,629	4,092	8,976	(249)	23,448
Equity/Attributed net assets	6,176	12,193	958	—	19,327
Noncontrolling interests in equity of subsidiaries	131	—	1	—	132
Total liabilities and equity	\$ 16,936	16,285	9,935	(249)	42,907

STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS (LOSS) INFORMATION
Three months ended March 31, 2009
(unaudited)

	Attributed (note 1)			Consolidated Liberty
	Interactive Group	Entertainment Group	Capital Group	
	amounts in millions			
Revenue:				
Net retail sales	\$ 1,831	—	—	1,831
Communications and programming services	—	369	125	494
	<u>1,831</u>	<u>369</u>	<u>125</u>	<u>2,325</u>
Operating costs and expenses:				
Cost of sales	1,183	—	—	1,183
Operating	172	191	93	456
Selling, general and administrative, including stock-based compensation (notes 1 and 5)	145	63	65	273
Depreciation and amortization	147	11	20	178
	<u>1,647</u>	<u>265</u>	<u>178</u>	<u>2,090</u>
Operating income (loss)	184	104	(53)	235
Other income (expense):				
Interest expense	(96)	(18)	(40)	(154)
Dividend and interest income	4	1	26	31
Share of earnings (losses) of affiliates, net	(95)	37	(8)	(66)
Realized and unrealized gains (losses) on financial instruments, net	(72)	27	(199)	(244)
Losses on dispositions, net	(2)	—	—	(2)
Other, net	(12)	(35)	—	(47)
	<u>(273)</u>	<u>12</u>	<u>(221)</u>	<u>(482)</u>
Earnings (loss) before income taxes	(89)	116	(274)	(247)
Income tax benefit (expense) (note 6)	41	(35)	114	120
Net earnings (loss)	<u>(48)</u>	<u>81</u>	<u>(160)</u>	<u>(127)</u>
Less net earnings attributable to the noncontrolling interests	9	—	—	9
Net earnings (loss) attributable to Liberty Media Corporation shareholders	<u>(57)</u>	<u>81</u>	<u>(160)</u>	<u>(136)</u>
Other comprehensive earnings (loss), net of taxes:				
Foreign currency translation adjustments	(87)	—	—	(87)
Unrealized holding gains (losses) arising during the period	(4)	(1)	3	(2)
Recognition of previously unrealized losses on available-for-sale securities, net	1	—	—	1
Share of other comprehensive losses of equity affiliates	(15)	—	—	(15)
Other	17	—	—	17
Other comprehensive earnings (loss)	<u>(88)</u>	<u>(1)</u>	<u>3</u>	<u>(86)</u>
Comprehensive earnings (loss)	<u>(136)</u>	<u>80</u>	<u>(157)</u>	<u>(213)</u>
Less comprehensive loss attributable to the noncontrolling interests	(4)	—	—	(4)
Comprehensive earnings (loss) attributable to Liberty Media Corporation shareholders	<u>\$ (132)</u>	<u>80</u>	<u>(157)</u>	<u>(209)</u>

STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS (LOSS) INFORMATION
Three months ended March 31, 2008
(unaudited)

	Attributed (note 1)			Consolidated Liberty
	Interactive Group	Entertainment Group	Capital Group	
	amounts in millions			
Revenue:				
Net retail sales	\$ 1,950	—	—	1,950
Communications and programming services	—	310	91	401
	<u>1,950</u>	<u>310</u>	<u>91</u>	<u>2,351</u>
Operating costs and expenses:				
Cost of sales	1,238	—	—	1,238
Operating	180	187	74	441
Selling, general and administrative, including stock-based compensation (notes 1 and 5)	136	49	80	265
Depreciation and amortization	139	12	26	177
	<u>1,693</u>	<u>248</u>	<u>180</u>	<u>2,121</u>
Operating income (loss)	257	62	(89)	230
Other income (expense):				
Interest expense	(121)	(7)	(38)	(166)
Dividend and interest income	6	3	50	59
Share of earnings (losses) of affiliates, net	12	43	(10)	45
Realized and unrealized losses on financial instruments, net	(37)	(5)	(243)	(285)
Gains on dispositions, net	—	3,667	15	3,682
Other, net	1	—	(3)	(2)
	<u>(139)</u>	<u>3,701</u>	<u>(229)</u>	<u>3,333</u>
Earnings (loss) before income taxes	118	3,763	(318)	3,563
Income tax benefit (note 6)	14	1,740	152	1,906
Net earnings (loss)	<u>132</u>	<u>5,503</u>	<u>(166)</u>	<u>5,469</u>
Less net earnings attributable to the noncontrolling interests	7	—	5	12
Net earnings (loss) attributable to Liberty Media Corporation shareholders	<u>\$ 125</u>	<u>5,503</u>	<u>(171)</u>	<u>5,457</u>
Other comprehensive earnings (loss), net of taxes:				
Foreign currency translation adjustments	97	—	(3)	94
Unrealized holding losses arising during the period	(332)	(312)	—	(644)
Recognition of previously unrealized gains on available-for-sale securities, net	—	(2,273)	—	(2,273)
Share of other comprehensive earnings (loss) of equity affiliates	1	(2)	—	(1)
Other	(48)	—	—	(48)
Other comprehensive loss	<u>(282)</u>	<u>(2,587)</u>	<u>(3)</u>	<u>(2,872)</u>
Comprehensive earnings (loss)	(150)	2,916	(169)	2,597
Less comprehensive earnings attributable to the noncontrolling interests	19	—	5	24
Comprehensive earnings (loss) attributable to Liberty Media Corporation shareholders	<u>\$ (169)</u>	<u>2,916</u>	<u>(174)</u>	<u>2,573</u>

STATEMENT OF CASH FLOWS INFORMATION
Three months ended March 31, 2009
(unaudited)

	Attributed (note 1)			Consolidated Liberty
	Interactive Group	Entertainment Group	Capital Group	
	amounts in millions			
Cash flows from operating activities:				
Net earnings (loss)	\$ (48)	81	(160)	(127)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:				
Depreciation and amortization	147	11	20	178
Stock-based compensation	10	17	1	28
Noncash interest expense	18	17	—	35
Share of losses (earnings) of affiliates, net	95	(37)	8	66
Cash receipts for return on equity investments	—	28	—	28
Realized and unrealized losses (gains) on financial instruments, net	72	(27)	199	244
Losses on disposition of assets, net	2	—	—	2
Intergroup tax allocation	37	43	(80)	—
Intergroup tax payments	(71)	(16)	87	—
Other intergroup cash transfers, net	(1)	(5)	6	—
Deferred income tax benefit	(102)	(17)	(82)	(201)
Other noncash charges, net	12	35	19	66
Changes in operating assets and liabilities, net of the effects of acquisitions:				
Current assets	250	(36)	12	226
Payables and other current liabilities	(314)	(38)	52	(300)
Net cash provided by operating activities	<u>107</u>	<u>56</u>	<u>82</u>	<u>245</u>
Cash flows from investing activities:				
Cash proceeds from dispositions	70	—	1	71
Proceeds from settlement of financial instruments	—	21	40	61
Investments in and loans to cost and equity investees	(8)	—	(410)	(418)
Capital expenditures	(30)	(4)	(5)	(39)
Net sales of short term investments	—	—	35	35
Net decrease in restricted cash	5	—	7	12
Other investing activities, net	2	3	(2)	3
Net cash provided (used) by investing activities	<u>39</u>	<u>20</u>	<u>(334)</u>	<u>(275)</u>
Cash flows from financing activities:				
Borrowings of debt	16	—	1,954	1,970
Repayments of debt	(8)	(1)	(346)	(355)
Repurchases of Liberty common stock	—	—	(3)	(3)
Other financing activities, net	(18)	—	(4)	(22)
Net cash provided (used) by financing activities	<u>(10)</u>	<u>(1)</u>	<u>1,601</u>	<u>1,590</u>
Effect of foreign currency rates on cash				
	(29)	(8)	—	(37)
Net increase in cash and cash equivalents	107	67	1,349	1,523
Cash and cash equivalents at beginning of period	832	807	1,496	3,135
Cash and cash equivalents at end period	<u>\$ 939</u>	<u>874</u>	<u>2,845</u>	<u>4,658</u>

STATEMENT OF CASH FLOWS INFORMATION
Three months ended March 31, 2008
(unaudited)

	Attributed (note 1)			Consolidated Liberty
	Interactive Group	Entertainment Group	Capital Group	
	amounts in millions			
Cash flows from operating activities:				
Net earnings (loss)	\$ 132	5,503	(166)	5,469
Adjustments to reconcile net earnings (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	139	12	26	177
Stock-based compensation	5	7	4	16
Cash payments for stock-based compensation	(1)	(10)	(1)	(12)
Share of losses (earnings) of affiliates, net	(12)	(43)	10	(45)
Realized and unrealized losses on financial instruments, net	37	5	243	285
Gains on disposition of assets, net	—	(3,667)	(15)	(3,682)
Intergroup tax allocation	41	21	(62)	—
Intergroup tax payments	(22)	(8)	30	—
Other intergroup cash transfers, net	(69)	(31)	100	—
Deferred income tax benefit	(68)	(1,763)	(272)	(2,103)
Other noncash charges, net	2	—	17	19
Changes in operating assets and liabilities, net of the effects of acquisitions:				
Current assets	151	(18)	(59)	74
Payables and other current liabilities	(247)	(12)	85	(174)
Net cash provided (used) by operating activities	<u>88</u>	<u>(4)</u>	<u>(60)</u>	<u>24</u>
Cash flows from investing activities:				
Cash proceeds from dispositions	—	—	15	15
Net proceeds from settlement of financial instruments	—	—	12	12
Cash received in exchange transactions	—	465	—	465
Investments in and loans to cost and equity investees	(339)	—	(48)	(387)
Capital expenditures	(35)	(1)	(18)	(54)
Net sales of short term investments	—	—	67	67
Net decrease in restricted cash	—	—	140	140
Other investing activities, net	5	(11)	(13)	(19)
Net cash provided (used) by investing activities	<u>(369)</u>	<u>453</u>	<u>155</u>	<u>239</u>
Cash flows from financing activities:				
Borrowings of debt	468	—	634	1,102
Repayments of debt	(3)	(1)	(494)	(498)
Repurchases of Liberty common stock	(75)	—	—	(75)
Intergroup cash transfers	—	450	(450)	—
Other financing activities, net	(40)	(7)	(14)	(61)
Net cash provided (used) by financing activities	<u>350</u>	<u>442</u>	<u>(324)</u>	<u>468</u>
Effect of foreign currency rates on cash	20	—	—	20
Net increase (decrease) in cash and cash equivalents	89	891	(229)	751
Cash and cash equivalents at beginning of period	557	90	2,488	3,135
Cash and cash equivalents at end period	<u>\$ 646</u>	<u>\$ 981</u>	<u>2,259</u>	<u>3,886</u>

Notes to Attributed Financial Information

(unaudited)

- (1) The assets attributed to our Interactive Group include our consolidated subsidiaries QVC, Inc., Provide Commerce, Inc., Backcountry.com, Inc., Bodybuilding.com, LLC and BuySeasons, Inc., and our interests in IAC/InterActiveCorp, GSI Commerce, Inc., Expedia, Inc., HSN, Inc., Interval Leisure Group, Inc., Ticketmaster and Tree.com, Inc. Accordingly, the accompanying attributed financial information for the Interactive Group includes our investments in IAC/InterActiveCorp, Expedia, GSI, HSN, Interval, Ticketmaster and Lending Tree, as well as the assets, liabilities, revenue, expenses and cash flows of QVC, Provide, Backcountry, Bodybuilding and BuySeasons. 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 4 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 5 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, FUN Technologies, Inc and Liberty Sports Group, our minority equity interests in The DIRECTV Group, Inc., GSN, LLC and WildBlue Communications, Inc. and approximately \$760 million of corporate 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 an equity collar on 98.75 million shares of DIRECTV common stock and \$1,999 million of borrowings against the put value of such collar to the Entertainment Group.

The Entertainment Group focuses primarily on programming and communications businesses. Accordingly, we expect that businesses 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 Starz Media, LLC, Atlanta National League Baseball Club, Inc., Leisure Arts, Inc., TruePosition, Inc. and WFRV and WJMN Television Station, Inc. and certain cost and 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 4 below for the debt obligations attributed to the Capital Group.

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

While we believe the allocation methodology described above is reasonable and fair to each group, we may elect to change the allocation methodology in the future. In the event we elect to transfer assets or businesses from one group to the other, 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.

Notes to Attributed Financial Information (Continued)

(unaudited)

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

	<u>March 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	<u>amounts in millions</u>	
Capital Group		
Time Warner Inc. ("Time Warner")(a)	\$ 661	1,033
Time Warner Cable Inc.(a)	213	—
Sprint Nextel Corporation(a)	312	160
Motorola, Inc.(a)	313	328
Viacom, Inc.	132	145
Embarq Corporation(a)	165	157
Other available-for-sale equity securities(a)	42	40
Other available-for-sale debt securities	265	224
Other cost investments and related receivables	31	31
Total attributed Capital Group	<u>2,134</u>	<u>2,118</u>
Interactive Group		
IAC/InterActiveCorp	549	638
Other	130	101
Total attributed Interactive Group	<u>679</u>	<u>739</u>
Entertainment Group		
Other	2	2
Total attributed Entertainment Group	<u>2</u>	<u>2</u>
Consolidated Liberty	<u>\$ 2,815</u>	<u>2,859</u>

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

- (3) The following table presents information regarding certain equity method investments:

	<u>March 31, 2009</u>			<u>Share of earnings (loss) three months ended March 31,</u>	
	<u>Percentage ownership</u>	<u>Carrying value</u>	<u>Market value</u>	<u>2009</u>	<u>2008</u>
	<u>dollar amounts in millions</u>				
Interactive Group					
Expedia	24%	\$ 557	\$ 629	\$ 9	\$ 12
Entertainment Group					
DIRECTV	54%	\$ 12,970	\$ 12,505	\$ 32	\$ 36
Capital Group					
Sirius	40%	\$ 387	\$ N/A	\$ —	\$ —

Notes to Attributed Financial Information (Continued)

(unaudited)

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

	March 31, 2009	
	Outstanding principal	Carrying value
	amounts in millions	
Capital Group		
3.125% Exchangeable Senior Debentures due 2023	\$ 1,264	998
4% Exchangeable Senior Debentures due 2029	869	291
3.75% Exchangeable Senior Debentures due 2030	810	254
3.5% Exchangeable Senior Debentures due 2031	495	180
Liberty bank facility	750	750
Liberty derivative loan	2,263	2,263
Subsidiary debt	108	108
Total Capital Group debt	6,559	4,844
Interactive Group		
7.875% Senior Notes due 2009	104	104
7.75% Senior Notes due 2009	13	13
5.7% Senior Notes due 2013	803	801
8.5% Senior Debentures due 2029	287	284
8.25% Senior Debentures due 2030	505	501
3.25% Exchangeable Senior Debentures due 2031	541	198
QVC bank credit facilities	5,225	5,225
Other subsidiary debt	70	70
Total Interactive Group debt	7,548	7,196
Entertainment Group		
DIRECTV Collar Loan	1,999	1,999
Subsidiary debt	50	50
Total Entertainment Group debt	2,049	2,049
Total debt	\$ 16,156	14,089

- (5) Cash and stock-based compensation expense for our corporate employees has 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. Amounts allocated from the Capital Group to the Interactive Group and the Entertainment Group, including stock-based compensation, are as follows:

	Three months ended March 31,	
	2009	2008
	amounts in millions	
Interactive Group	\$ 6	6
Entertainment Group	\$ 16	1

Notes to Attributed Financial Information (Continued)

(unaudited)

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

- (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.
- (7) The Liberty Interactive common stock, the Liberty Entertainment common stock and the Liberty Capital common stock have voting and conversion rights under our amended charter. Following is a summary of those rights. Holders of Series A common stock of each group are entitled to one vote per share and holders of Series B common stock of each group are entitled to ten votes per share. Holders of Series C common stock of each group, if issued, 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.

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