



2011

ANNUAL REPORT



LIBERTY MEDIA CORPORATION



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Contents

Letter to Stockholders	1
Stock Performance	9
Investment Summary	12
Financial Information	F-1
Corporate Data	Inside Back Cover

Certain statements in this Annual Report 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 Starz, LLC; the recoverability of our goodwill and other long-lived assets; our projected sources and uses of cash; and the anticipated impact of certain contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. In particular, statements in our "Letter to Stockholders" and under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosures About Market Risk" contain forward-looking statements. 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;
- the cost of and our ability to produce desirable original programming and to acquire theatrical movie content for our networks and film distribution business;
- 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 media content consumption;
- 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; and
- threatened terrorist attacks and ongoing military action in the Middle East and other parts of the world and political unrest in international markets.

These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Annual 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. When considering such forward-looking statements, you should keep in mind any risk factors identified and other cautionary statements contained in this Annual Report. Such risk factors and statements describe circumstances which could cause actual results to differ materially from those contained in any forward-looking statement.

This Annual Report includes information concerning public companies in which we have non-controlling interests that file reports and other information with the SEC in accordance with the Securities Exchange Act of 1934. Information contained in this Annual Report concerning those companies has been derived from the reports and other information filed by them with the SEC. If you would like further information about these companies, the reports and other information they file with the SEC can be accessed on the Internet website maintained by the SEC at www.sec.gov. Those reports and other information are not incorporated by reference in this Annual Report.



Letter to our Stockholders

Dear Fellow Stockholders:

Another year brought more change to Liberty Media. We eliminated our tracking stock structure, separated from Liberty Interactive and invested in Barnes & Noble. However, a few things remain constant. We own a broad range of media, communications, and entertainment businesses and seek to create value for our stockholders through pro-active means, including: optimizing which businesses we own; making opportunistic investments, including repurchases of our own stock; efficiently managing the disposition and monetization of non-core assets; and balance sheet management.

Where We Excel

We believe that we:

- Have a stockholder-centric culture – We think like owners and focus on long-term gains rather than short-term results. The compensation structure of our management team is closely tied to stock price and has a long-term focus, more than is typical for our peers. The senior management team has a significant portion of its net worth tied to Liberty Media;
- Are forward-looking – We seek to take advantage of the benefits and minimize the risks associated with the digital transition in the fast-changing industries in which we invest;
- Are nimble – We move quickly when opportunities arise and are creative in our deal structures; and
- Demonstrate financial expertise – We have significant experience in mergers, divestitures, investing, tax optimization, capital deployment, and capital structures.

The Economic Climate

Although recent signs point to some positive momentum, the challenging US economic environment persists. The unemployment rate is finally starting to decline, gas prices are volatile and a recovery in the housing market has taken longer than most anticipated. Uncertainty will continue as the US Congress remains divided and a general election looms. Tax policy for individuals and businesses will remain in limbo until a new Congress and perhaps new administration are in place, creating further instability. As always, our managers will focus on the factors under their control – providing customers with products and services at a good value, while also looking for opportunities that emerge from the uncertainty.

The Technology Environment – The Digital Tsunami

We continuously monitor advances and trends in technology and their potential impacts to our businesses and the industries in which we operate and invest. In the media space, we have seen that consumers enjoy accessing content through ever more devices and digital platforms, sometimes simultaneously. Entertainment content is now delivered beyond the more traditional formats of movie theaters and television sets with shows now being produced solely for release on the internet. In our businesses, we try to ensure that customers get the entertainment experience they want, when and where they want it, while still maximizing the value of our unique and exclusive content. Additionally, we seek investments in businesses where this digital transition creates new opportunities.

- Starz offers a variety of online products through its traditional distribution partners and will debut its own suite of branded and authenticated digital platforms and applications later this year.
- SiriusXM continues to add functionality that allows consumers to select and store their favorite programming, while also offering mobility and expanding its exclusive content.
- Live Nation has much of the world's most unique and exclusive music content and runs one of the world's top five eCommerce sites, with over 26 million monthly unique visitors. It has been busy on the technology front by launching innovative new products such as Live Nation apps, Facebook interactive seat maps, GrouponLive, LiveAnalytics, and Pricemaster.
- Barnes & Noble has become a leading technology innovator with its critically-acclaimed NOOK® tablets and readers. Barnes & Noble has developed winning products across the market spectrum, with devices that include NOOK Simple Touch™ With GlowLight™, the first and only E Ink device of its kind, and the award-winning NOOK Tablet™. It is also revitalizing and redefining its stores around how people now consume and buy content. As Apple has shown, the interplay of the physical store and digital device is a powerful one and Barnes & Noble is working to take advantage of this approach.

What We Did Well

Structurally, it was another transformative year for Liberty Media. We completed the split-off of our company from Liberty Interactive in September, 2011. Subsequently, we combined Liberty Capital and Liberty Starz last November, eliminating our tracking stock structure. We took advantage of the debt markets and raised \$1.5 billion of bank financing at Starz, \$1 billion of which we have yet to access. Additionally, we reached an agreement with the IRS in December 2011 that greatly reduced our deferred tax liability and allowed us to settle all outstanding share borrowing arrangements.

The balance sheet of Liberty Media is vastly simpler than it was just a year ago and became more so with the expiration in March 2012 of a \$750 million bank facility related to our telecom, media and technology debt fund. Furthermore, for much of 2011, we were active purchasers of our stock at what we believe are attractive prices.

We have made tremendous progress in simplifying the structure of Liberty Media and put the company in a further position of strength with a healthy cash balance, access to additional funds from debt capacity and available-for-sale securities, minimal debt balances, and vastly reduced deferred tax liabilities.

Where We Could Have Done Better

Liberty Media continues to carry a healthy amount of cash on its balance sheet that, driven by market conditions, earns a negligible return. While we did make some additional investments over the past year, including increasing our stakes in SiriusXM and Live Nation, making an investment in Barnes & Noble, and making an initial investment in the Brazilian investment company Ideiasnet, we were unable to find enough significant opportunities to effectively use our available cash. In 2012 we will continue to seek investment opportunities that provide attractive returns.

Completing the split-off of Liberty Capital and Liberty Starz took longer than anticipated. We announced the split-off of Liberty Capital and Liberty Starz in June 2010, and the transaction was not completed until September 2011. The delay created some market uncertainty for our stocks and forestalled certain actions, but we believe it was the right move and will deliver long-run benefits to our stockholders.

Stock Performance

As noted, Liberty Media's stocks fared well in 2011. We posted gains of 25% for Liberty Media in 2011, and 1% for Liberty Starz prior to the combination on November 29, 2011. We significantly outperformed market indices and various peer groups. In 2011, the S&P 500 was roughly flat (up 2% with dividends) and the S&P Media Index increased 7% (up 9% with dividends).

The 2012 trend remains positive as well. As of May 24th, Liberty Media was up 8% for 2012. If you had invested with Liberty Media since the issuance of the Liberty Capital tracking stock in May 2006, through May 24th (including the share price of DIRECTV on an as-exchanged basis), you would have earned a compound annual rate of return of 25%; compared to 3% for the S&P Media Index and flat for the S&P 500 Index.

Starz

Starz has asserted itself as a major player in the field of premium video content. Chris Albrecht and his team continue to excite our viewers with STARZ Original content. In January 2012 we continued our hit *Spartacus* franchise with *Spartacus: Vengeance*. The audience not only returned, but also increased and embraced the show's new lead, Liam McIntyre, who took the place of Andy Whitfield, who tragically passed away last summer. *Boss*, with Kelsey Grammar, earned Starz its first Golden Globe® Award for Best Lead Actor and a nomination for Best Drama Series. We look forward to season two of *Boss*, which is set to premiere in August, 2012. Our newest drama series, *Magic City*, debuted April 6th. This series is set in glamorous Miami Beach in 1959 with all the trappings, including movie stars and the mob. Starz also announced three other upcoming series: *Da Vinci's Demons*, slated for 2013, *Marco Polo*, in collaboration with The Weinstein Company and Electus, and *Black Sails* with visionary filmmaker Michael Bay.

In 2011, we announced a development, production and distribution agreement with BBC Worldwide Productions. Starz and BBC Worldwide Productions will co-develop series that will air on STARZ, and Starz will retain all rights to this content in the US and Canada, with the exception of television rights in French Canada. This innovative agreement, under which *Da Vinci's Demons* will be the first series, provides Starz with a high quality pipeline of original content while mitigating the financial risk. It is important to note that Starz has a variety of ways in which it can finance original content. Starz employs a portfolio approach where it seeks to own some series like *Spartacus* and *Magic City* in their entirety, which includes syndication, home video, and digital and international distribution. For other series, like *Boss*, we only purchased pay-TV rights. We realize benefits from running the spectrum between these two different approaches and business models.

Starz continues to offer great value and content to its customers and in 2011 grew subscribers by 8% for its flagship STARZ service and 1% for its popular ENCORE service. During the first quarter of 2012, STARZ reached a major subscriber milestone, crossing 20 million STARZ flagship subscribers for the first time in its history. Starz recently renewed affiliation agreements with AT&T, Cox Communications and DIRECTV and expanded the distribution of the authenticated STARZ ONLINE, ENCORE ONLINE and MOVIEPLEX ONLINE services providing our subscribers with more ways to access our premium content on popular devices in the living room and on mobile platforms.

Starz's agreement with Netflix expired at the end of February 2012. We decided to let this agreement expire since our strategy is to provide a digital offering that is in-line with the way our product is sold by our other traditional distribution partners, while maintaining the premium nature of our content. Starz is continually evaluating options that can leverage our premium content and create new opportunities to grow our business symbiotically with Starz's distribution partners.

MAJOR INVESTMENTS

SiriusXM

We continue to be extremely pleased with our investment in SiriusXM. In 2011, Mel Karmazin and his team set records across the board with their results, and their guidance for 2012 suggests this trend will continue. SiriusXM subscriber growth has been robust and the outlook for the car market looks promising. Combined they paint a very solid picture of opportunity.

Highlighting its strong consumer proposition, SiriusXM instituted a price increase in January 2012, its first ever. As revenue and subscribers grow, and content costs decline, the adjusted EBITDA and free cash flow characteristics of this business continue to improve. Couple this with the substantial net operating losses on SiriusXM's books and this is a Liberty Media dream come true. SiriusXM has been and we expect will continue to be able to generate significant free cash flow, decrease leverage to its stated target and potentially begin meaningful repurchases of its shares.

In May 2012, we announced that we entered into a forward purchase contract for 302 million shares of SiriusXM. Additionally, we acquired another 60 million shares of SiriusXM in the open market. If we physically settle the forward contract, early in the third quarter, the combination of these additional shares will increase our ownership in SiriusXM to over 46%. We also filed a motion with the FCC to reconsider our application for de facto control of SiriusXM in the second quarter.

Live Nation

We increased our Live Nation investment in 2011 and in 2012 entered into a forward purchase contract for an additional 9.5 million shares of the Company. If we physically settle the forward contract, early in the third quarter, our ownership in Live Nation will increase to over 25%. The prospects for 2012 are bright since artists like Madonna, Kenny Chesney and Coldplay are touring or planning to tour. Artists continue to rely more heavily on touring as a way to monetize their talents and Live Nation's experience and scale in touring and promotion is a core strength. The Live Nation management team continues to focus on investing in the business and innovating on the technology front. At the forefront of this investment is upgrading the technology on the ticketing platform. Regarding innovations, in 2011 Live Nation released a cutting-edge Facebook application that allows ticketholders to see where in a venue their friends are sitting. It also introduced dynamic ticket pricing that provides for demand-based pricing of available seats, maximizing revenue. Additionally, the company has partners with multiple distribution channels such as Groupon which created GrouponLive, a great way to fill seats that previously might have gone unoccupied. As we have stated previously, we like the market position and scale of this business and the breadth of its services. We are positive about its long-term prospects.

Barnes & Noble

Our newest investment is Barnes & Noble. We were attracted to this company because of its strong leadership team, the major inroads it has quickly established in the reader and tablet markets, its strength in traditional retailing, and, as discussed in the Apple Store example above, the positive interplay between the two. Barnes & Noble first entered the reader market in 2009. Today it commands a market share close to 30%, an impressive achievement.

Barnes & Noble is continually innovating and increasing the utility of its devices and stores, and we believe there are many opportunities for growth. We acquired a convertible preferred security that pays us a 7.75% annual yield that converts into 16.6% of Barnes & Noble, providing us a good return and potentially attractive upside. We are very pleased with the recent Microsoft announcement to invest in Barnes & Noble's digital and college businesses. This is a validation of the Company's strategy and provides a strong technology partner that can help drive the business domestically and internationally.

OTHER ASSETS

Liberty Media owns many other assets and we have highlighted some of the most newsworthy events around these in the past year:

- We acquired 5% of Ideiasnet, a company that operates, develops and invests in technology, media and telecom companies in Brazil in a manner similar to Liberty Media. Before investing, we evaluated the Brazilian market for over a year and determined that Ideiasnet had a powerful ownership group and offered us exposure to targeted, growth industries that would put us in contact with the right folks in this market. The growth characteristics of Brazil are quite compelling. We will look forward to continuing to learn about this market and will potentially seek additional investments.
- At TruePosition, starting in 2012, GAAP financials finally match its shipped sales. This results in the elimination of large deferred revenue balances on TruePosition's balance sheet, which in turn should simplify our financial statements. TruePosition continues to seek opportunities for growth both domestically and internationally.
- The Atlanta Braves started strong in 2012, but have had a string of losses as of late and face stiff competition in the National League East. Go Braves!
- We hold a large portfolio of equities in media companies. While we have said in the past that we are often not attributed the full value for these stakes by the market, they generated substantial returns in 2011 and have had a good start so far in 2012. Our end goal is still to efficiently monetize these stakes. In the meantime, however, they have provided solid returns.

Promoting Journalism and Liberty

We wanted to inform you of an initiative at Liberty that we have undertaken in an effort to promote high-quality journalism. In 2009, Liberty initiated the Media for Liberty award which recognizes achievement in journalism that examines the link between economic and political liberty. The winner receives a \$50,000 award funded by Liberty. Past winners and their stories are *Congo Gold* by *60 Minutes* produced by Nicole Young and Scott Pelley, and *How a New Jobless Era Will Transform America*, an article published in *The Atlantic* written by Don Peck. We recently celebrated this year's winners Seamus Murphy and Brian Storm for their documentary *Afghanistan: A Darkness Visible* which was distributed over the Internet. We are proud to support the field of journalism in all forms and look forward to receiving submissions for the 2013 Media for Liberty award.

Annual Investor Meeting

We hope to see you at this year's annual investor meeting which will take place on October 10th in New York City. This year we will be at a new location in the TimesCenter at 242 West 41st Street. For those of you that have been regular attendees, we wanted to make sure you knew about the new location as we have held this event at the old location for over a decade. This new location will allow for a larger Liberty experience so get ready to be entertained.

Looking Ahead

Liberty Media is in a position of strength. We have a healthy cash balance with access to additional capital from multiple sources, and a vastly simplified balance sheet. We enjoy active relationships with our invested companies through board representation, which provides us unique perspective across many industries. Our biggest challenge continues to be finding creative and opportunistic ways to invest our capital. We consistently seek investment opportunities that range from increasing our current ownership stakes in existing investment to finding exciting new ones, and depending on our stock performance we may evaluate opportunities to use our stock to acquire strategic positions in opportunistic investments.

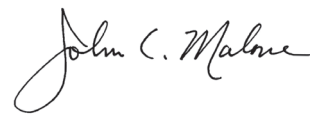
We were very pleased with the performance of Liberty Media in 2011 and are optimistic for 2012 and beyond.

We appreciate your ongoing support.

Very truly yours,



Gregory B. Maffei
President and Chief Executive Officer



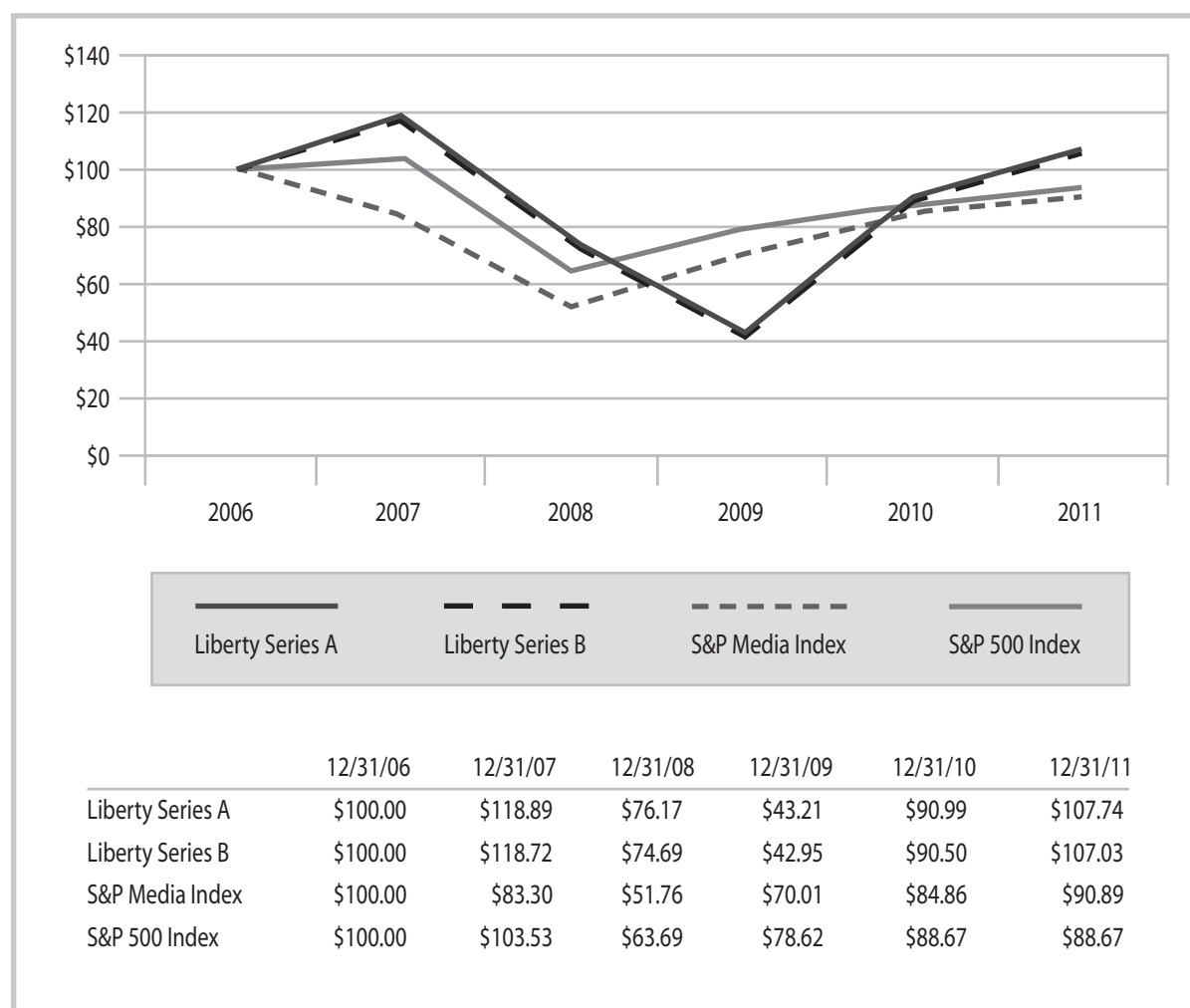
John C. Malone
Chairman of the Board

Stock Performance

The following graph compares the yearly percentage change in the cumulative total stockholder return on the former Series A and Series B Liberty Media Corporation common stock from December 31, 2006 through December 31, 2011, in comparison to the S&P 500 Media Index, which reflects the performance of companies in our peer group, and the S&P 500 Index. We have combined the tracking stock closing market prices based on the ratios used to issue the Liberty Capital group and Liberty Starz group tracking stocks of Liberty Interactive Corporation ("LIC") (our former parent company). The returns presented below include the May 9, 2006 issuance of Liberty Capital common stock, the March 4, 2008 reclassification in which LIC reclassified a portion of assets and liabilities previously allocated to its Liberty Capital group tracking stock to its newly issued Liberty Entertainment group tracking stock, LIC's November 19, 2009 partial redemption of the Liberty Entertainment group tracking stock and its concurrent redesignation as the Liberty Starz group tracking stock, and, following the completion of our split-off from LIC, the November 28, 2011 conversion of each outstanding share of our Series A and Series B Liberty Starz common stock for 0.88129 of a share of the corresponding series of Liberty Capital common stock.

Liberty vs. S&P Media and 500 Indices

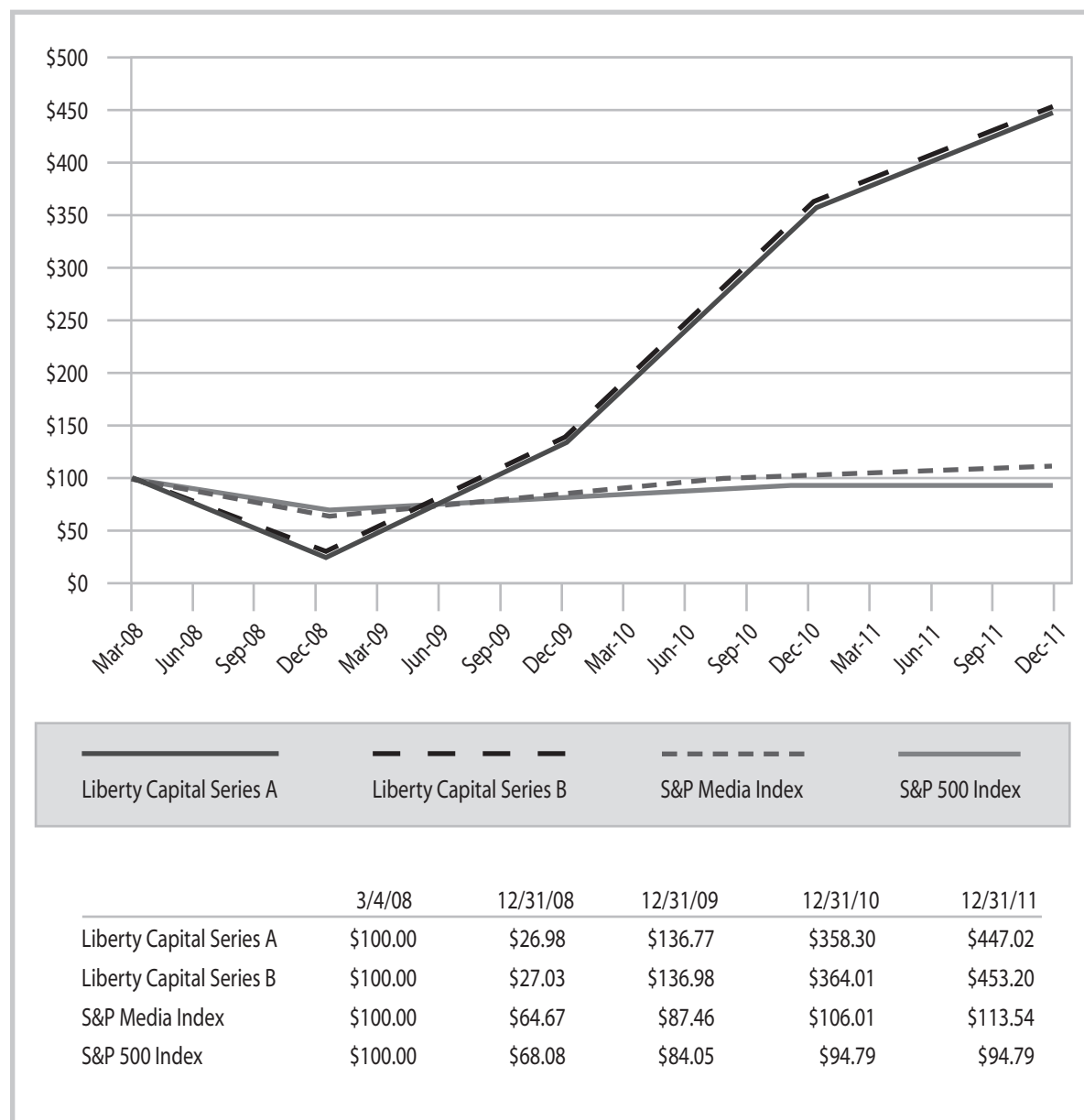
12/31/06 to 12/31/11



Stock Performance

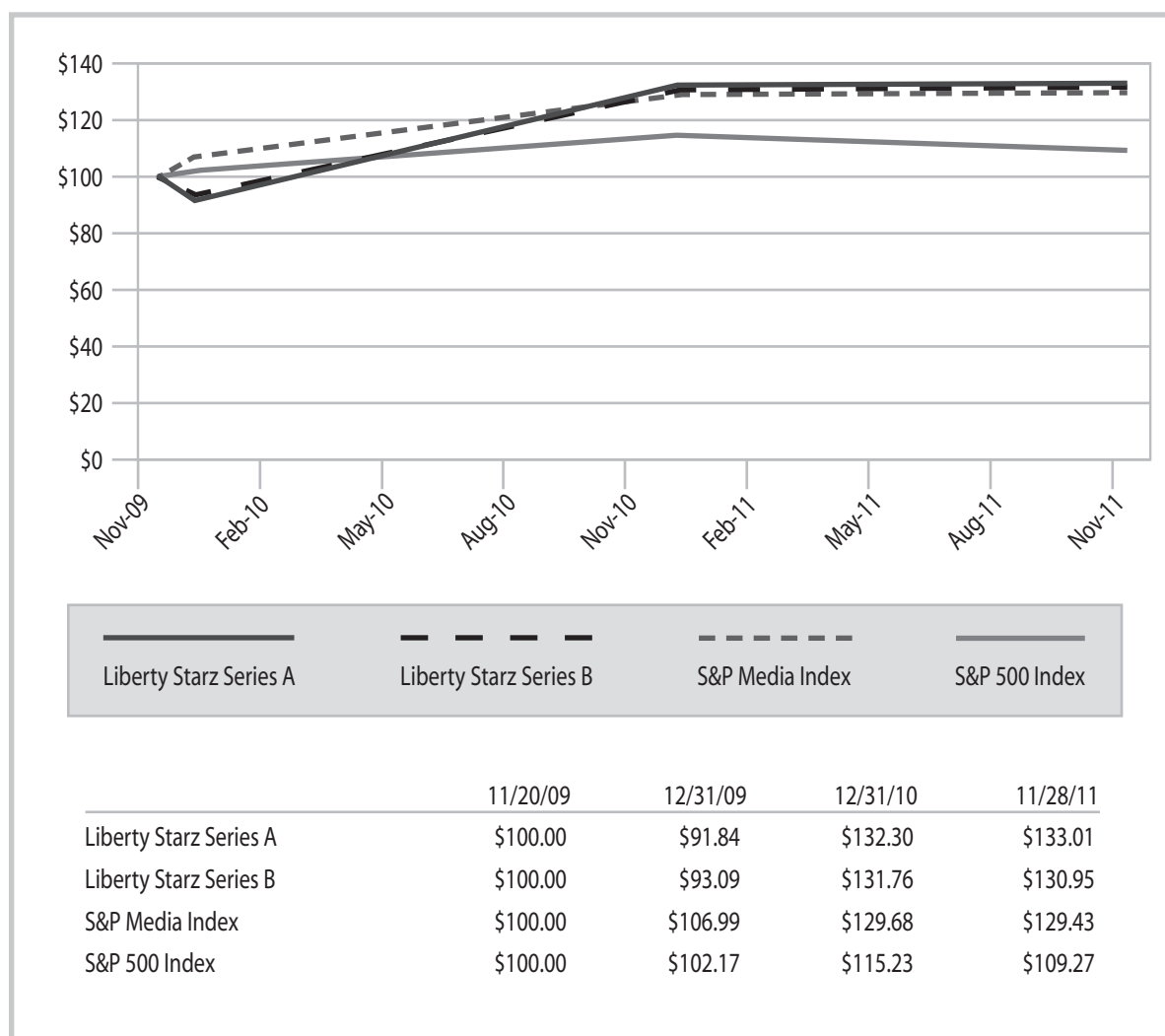
The following graph compares the percentage change in the cumulative total stockholder return on the Series A and Series B Liberty Capital common stock from March 4, 2008 through December 31, 2011, in comparison to the S&P Media Index and the S&P 500 Index. The Series A and Series B Liberty Capital common stocks currently trade under the NASDAQ symbols LMCA and LMCB, respectively.

Liberty Capital Common Stock vs. S&P Media and 500 Indices 3/4/08 to 12/31/11



The following graph compares the percentage change in the cumulative total stockholder return on the former Series A and Series B Liberty Starz common stock from November 20, 2009 through November 28, 2011, in comparison to the S&P Media Index and the S&P 500 Index.

Liberty Starz Common Stock vs. S&P Media and 500 Indices 11/20/09 to 11/28/11



Investment Summary | As of March 31, 2012

Liberty Media Corporation owns interests in a broad range of media, communications and entertainment businesses. Those interests include subsidiaries Starz, LLC, Atlanta National League Baseball Club, Inc., and TruePosition, Inc., interests in Sirius XM Radio Inc., Live Nation Entertainment, Inc. and Barnes & Noble, Inc., and minority equity investments in Time Warner Inc., Time Warner Cable Inc. and Viacom Inc.

The following table sets forth some of Liberty Media's major assets that are held directly and indirectly through partnerships, joint ventures, common stock investments and instruments convertible into common stock. Ownership percentages in the table are approximate and, where applicable, assume conversion to common stock by Liberty Media and, to the extent known by Liberty Media, other holders. In some cases, Liberty Media's interest may be subject to buy/sell procedures, repurchase rights or dilution.

ENTITY	DESCRIPTION OF OPERATING BUSINESS	OWNERSHIP
Associated Partners, L.P.	Investment and operating partnership that targets long-term, risk-balanced and tax-efficient returns.	37%
Atlanta National League Baseball Club, Inc.	Owner of the Atlanta Braves, a major league baseball club, as well as certain of the Atlanta Braves' minor league clubs.	100%
Barnes & Noble, Inc. (NYSE: BKS)	The world's largest bookseller and a Fortune 500 company, operates bookstores in 50 states and conducts its online business through BN.com (www.bn.com), one of the internet's largest e-commerce sites, which also features more than two million titles in its NOOK Bookstore™.	17%
CenturyLink, Inc. (NYSE: CTL)	Leading provider of high-quality voice, broadband and video services over its advanced communications networks to consumers and businesses in 37 states.	< 1%
Crown Media Holdings, Inc. (NASDAQ: CRWN)	Owns and operates cable television channels in the U.S. dedicated to high-quality, broad appeal, entertainment programming.	3%
Ideiasnet (BOVESPA: IDNT3)	Develops projects and acquires stakes in companies in technology, media and telecommunications.	5%
Kroenke Arena Company, LLC	Owner of the Pepsi Center, a sports and entertainment facility in Denver, Colorado.	7%
Leisure Arts, Inc.	Publisher and marketer of needlework, craft, decorating, entertaining and other lifestyle interest "how-to" books.	100%
Liberty Associated Partners, L.P.	Principal investment firm specializing in private equity investments.	29%

ENTITY	DESCRIPTION OF OPERATING BUSINESS	OWNERSHIP
Live Nation Entertainment, Inc. (NYSE: LYV)	Largest live entertainment company in the world, consisting of five segments: concert promotion and venue operations, sponsorship, ticketing solutions, eCommerce and artist management.	21%
MacNeil/Lehrer Productions	Producer of <i>The PBS NewsHour</i> in addition to documentaries, web sites, interactive DVDs, civic engagement projects and educational programs.	67%
Mobile Streams Plc (LSE: MOS)	Global mobile content retailer that retails a wide range of mobile content including full-track downloads, truetones, polyphonic ringtones, videos, graphics and games.	16%
Sirius XM Radio Inc. (NASDAQ: SIRI)	America's satellite radio company delivering commercial-free music channels, premier sports, news, talk, entertainment, traffic and weather to more than 22 million subscribers.	41%
Sprint Nextel Corporation (NYSE: S)	Provider of a comprehensive range of wireless and wireline communications products and services designed to meet the needs of consumers, businesses, government customers and resellers.	1%
Starz, LLC	Provider of video programming distributed by cable operators, direct-to-home satellite providers, other distributors and via the Internet throughout the United States.	100%
Time Warner Cable Inc. (NYSE: TWC)	Among the largest cable operators in the U.S. who offers residential and commercial video, high-speed data and voice services over its broadband cable systems.	1%
Time Warner Inc. (NYSE: TWX)	Media and entertainment company whose businesses include filmed entertainment, interactive services, television networks, cable systems, music and publishing.	1%
TruePosition, Inc.	Leading provider of mission-critical location-based solutions for the public safety and national security markets worldwide.	100%
Viacom Inc. (NASDAQ: VIA)	Global media company, with positions in cable television, motion picture, Internet, mobile, and video game platforms. Brands include MTV, Nickelodeon, Nick at Nite, VH1, BET, Paramount Pictures, TV Land, Comedy Central, CMT: Country Music Television, and Spike TV.	1%

Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

On November 28, 2011, we completed a conversion of our Liberty Starz tracking stock (ticker symbols LSTZA and LSTZB) for Liberty Capital tracking stock which changed their ticker symbols from LCAPA and LCAPB to LMCA and LMCB, respectively. Holders of Liberty Starz tracking stock received .88129 of a share of the corresponding series of Liberty Capital stock for each share of Liberty Starz tracking stock, with any fractional shares paid out in cash (the "Conversion"). Accordingly, as of December 31, 2011 only the Liberty Capital Series A and B shares are outstanding. Our Series A and Series B Liberty Capital tracking stock have been, and, prior to the Conversion, our Series A and Series B Liberty Starz tracking stock had been, outstanding since September 23, 2011 following the completion of the Split-Off. Prior to the Split-Off, Liberty Interactive's Series A and Series B Liberty Capital tracking stock (LCAPA and LCAPB, respectively) and its Series A and Series B Liberty Starz tracking stock (formerly Liberty Entertainment tracking stock) (LSTZA and LSTZB, formerly LMDIA and LMDIB, respectively) had been outstanding since March 4, 2008 when each share of its previous Liberty Capital tracking stock was reclassified into one share of the same series of new Liberty Capital and four shares of the same series of Liberty Entertainment. On November 19, 2009, Liberty Interactive completed the split off (the "LEI Split-Off") of its subsidiary Liberty Entertainment, Inc. ("LEI"). The LEI Split-Off was accomplished by a redemption of 90% of the outstanding shares of Liberty Entertainment common stock in exchange for all of the outstanding shares of common stock of LEI. LEI had been attributed to Liberty Interactive's Entertainment Group. Subsequent to the LEI Split-Off, the Entertainment Group was renamed the Starz Group. Each series of our common stock has traded on the Nasdaq Global Select Market. The following table sets forth the range of high and low sales prices of shares of our common stock for the years ended December 31, 2011 and 2010.

	Liberty Capital			
	Series A (LMCA)		Series B (LMCB)	
	High	Low	High	Low
<i>2010</i>				
First quarter	\$ 37.16	23.62	37.00	23.50
Second quarter	\$ 46.05	36.48	45.94	37.50
Third quarter	\$ 53.25	40.42	52.74	41.42
Fourth quarter	\$ 63.67	52.01	63.28	51.62
<i>2011</i>				
First quarter	\$ 75.68	61.98	75.21	62.61
Second quarter	\$ 92.55	72.72	91.36	74.66
Third quarter	\$ 87.99	62.29	85.94	63.27
Fourth quarter	\$104.34	58.51	79.64	60.85
	Liberty Starz			
	Series A (LSTZA)		Series B (LSTZB)	
	High	Low	High	Low
<i>2010</i>				
First quarter	\$54.73	46.04	53.67	46.64
Second quarter	\$57.12	48.17	57.04	48.90
Third quarter	\$65.56	49.89	67.00	51.50
Fourth quarter	\$69.15	60.12	69.15	61.84
<i>2011</i>				
First quarter	\$80.21	64.20	78.00	66.33
Second quarter	\$81.36	68.78	79.99	72.62
Third quarter	\$78.91	61.54	78.08	64.16
Fourth quarter (through November 28, 2011)	\$71.00	59.01	66.96	60.57

Holdings

As of January 31, 2012, there were approximately 1,600 and 100 record holders of our Series A and Series B Liberty Capital common stock, respectively. The foregoing numbers of record holders do not include the number of stockholders whose shares are held nominally by banks, brokerage houses or other institutions, but include each such institution as one shareholder.

Dividends

We have not paid any cash dividends on our common stock, and we have no present intention of so doing. Payment of cash dividends, if any, in the future will be determined by our board of directors in light of our earnings, financial condition and other relevant considerations.

Securities Authorized for Issuance Under Equity Compensation Plans

Information required by this item is incorporated by reference to our definitive proxy statement for our 2012 Annual Meeting of stockholders that will be filed with the Securities and Exchange Commission on or before April 29, 2012.

Purchases of Equity Securities by the Issuer

Share Repurchase Programs

On several occasions we have been authorized to repurchase shares of our Series A and Series B Liberty Capital common stock and previously our Series A and Series B Liberty Starz common stock. On November 9, 2009 we were authorized to repurchase \$500 million shares of Series A and Series B Liberty Starz common stock. On November 28, 2011 each outstanding share of Liberty Starz common stock was converted into .88129 shares of the corresponding series of Liberty Capital common stock (plus cash in lieu of fractional shares), and the share repurchase authorization associated with the Liberty Starz common stock ceased. Fourth quarter repurchases under the repurchase program for Liberty Starz common stock was as follows:

<u>Period</u>	<u>Series A Liberty Starz Common Stock</u>			<u>(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs</u>
	<u>(a) Total Number of Shares Purchased</u>	<u>(b) Average Price Paid per Share</u>	<u>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	
October 1 - 31, 2011	807,200	\$62.85	807,200	\$396 million
November 1 - 28, 2011	727,000	\$67.31	727,000	N/A
Total	1,534,200		1,534,200	

On each of March 10, 2008 and August 13, 2008 we were authorized to repurchase \$300 million shares of Series A Liberty Capital common stock, an authorization of an additional \$500 million in share repurchases on May 6, 2010 and an additional authorization of \$500 million in share repurchases on September 16, 2010 for a total of \$1.6 billion. As of the date of the Conversion, discussed above the board of directors authorized \$1.25 billion of repurchases of Liberty Capital common stock from that day forward. All previous authorizations were effectively replaced by the conversion date authorization. Fourth quarter repurchases and remaining availability under the repurchase program for Liberty Capital common stock was as follows:

Series A Liberty Capital Common Stock

Period	(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
October 1 - 31, 2011	765,586	\$68.02	765,586	\$ 138 million
November 1 - 30, 2011	570,400	\$76.40	570,400	\$1,239 million
December 1 - 31, 2011	746,267	\$75.71	746,267	\$1,183 million
Total	<u>2,082,253</u>		<u>2,082,253</u>	

In addition to the shares listed in the table above, 7,072 shares of Series A Liberty Capital common stock were surrendered in the fourth quarter of 2011 by certain of our officers to pay withholding taxes in connection with the vesting of their restricted stock.

Selected Financial Data.

The following tables present selected historical financial statement information relating to our financial condition and results of operations for the past five years. The following data should be read in conjunction with the accompanying consolidated financial statements.

	December 31,				
	2011	2010	2009	2008	2007
	amounts in millions				
<i>Summary Balance Sheet Data:</i>					
Cash	\$2,070	2,090	3,951	2,228	2,571
Investments in available-for-sale securities and other cost investments	\$1,859	4,550	3,386	2,118	4,876
Investment in affiliates	\$ 567	91	135	235	257
Assets of discontinued operations	\$ —	—	—	14,211	11,050
Total assets	\$7,723	10,792	11,915	24,688	26,323
Current portion of debt	\$ 754	37	1,269	441	178
Long-term debt	\$ 541	2,101	2,432	2,674	4,360
Deferred tax liabilities, noncurrent	\$ 411	—	736	1,144	2,363
Stockholders' equity	\$5,261	5,026	3,315	13,300	12,815

	Years ended December 31,				
	2011	2010	2009	2008	2007
<i>Summary Statement of Operations Data:</i>					
Revenue(1)	\$3,024	2,050	1,853	1,738	1,576
Operating income (loss)(1)(2)	\$ 957	195	9	(1,664)	(355)
Interest expense	\$ (21)	(65)	(132)	(194)	(176)
Share of earnings (loss) of affiliates, net	\$ 49	(64)	(44)	(71)	(68)
Realized and unrealized gains (losses) on financial instruments, net	\$ 68	260	(34)	(20)	1,275
Gains (losses) on dispositions, net	\$ (10)	36	242	13	634
Other than temporary declines in fair value of investments	\$ —	—	(9)	(1)	(33)
Earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders(3):					
Liberty Capital common stock	\$ 583	815	127	(592)	1,388
Liberty Starz common stock	\$ 229	206	213	(960)	95
	<u>\$ 812</u>	<u>1,021</u>	<u>340</u>	<u>(1,552)</u>	<u>1,483</u>
Basic earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share(4):					
Series A and Series B Liberty Capital common stock	\$ 6.86	9.06	1.32	(5.24)	10.52
Series A and Series B Liberty Starz common stock	\$ 4.49	4.12	0.46	(1.86)	0.18
Diluted earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share(4):					
Series A and Series B Liberty Capital common stock	\$ 6.63	8.76	1.31	(5.24)	10.44
Series A and Series B Liberty Starz common stock	\$ 4.32	3.96	0.46	(1.86)	0.18

- (1) In 2011 TruePosition recognized \$1,029 million of previously deferred revenue and \$409 million of deferred costs associated with two separate contracts.
- (2) Includes \$1,513 million of long-lived asset impairment charges in 2008.
- (3) Earnings (loss) from continuing operations attributable to Liberty stockholders have been allocated to the Liberty Starz Group and Liberty Capital Group for all the periods based on businesses and assets of each respective group prior to the conversion.
- (4) Basic and diluted earnings per share have been calculated for Liberty Capital and Liberty Starz common stock, prior to the Split-Off date, based on the earnings attributable to the businesses and assets to the respective groups divided by the weighted average shares on an as if converted basis for the periods assuming a 4 to 1 and 1 to 1 exchange ratio of Liberty Capital shares into Liberty Starz shares and Liberty Capital shares, respectively, in the March 2008 reclassification and a 1 to 1 exchange ratio for the Split-Off.

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

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 consolidated financial statements and the notes thereto.

Explanatory Note

Liberty Media Corporation ("Liberty" or "the Company") was previously an indirect, wholly owned subsidiary of Liberty Interactive Corporation ("Liberty Interactive," formerly known as Liberty Media Corporation). Liberty Interactive's capital structure previously utilized three tracking stocks: Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock. During the third quarter of 2011, Liberty Interactive completed the previously announced plan to separate its Liberty Capital and Liberty Starz tracking stock groups from its Liberty Interactive tracking stock group (the "Split-Off"). The

Split-Off was effected by means of a redemption of all of the Liberty Capital common stock and the Liberty Starz common stock in exchange for all of the common stock of Liberty, which at the time of the Split-Off held all of the assets, liabilities and businesses attributed to Liberty Interactive's Liberty Capital and Liberty Starz tracking stock groups.

Overview

We own controlling and non-controlling interests in a broad range of media, communications and entertainment companies. Our more significant operating subsidiaries, which are also our principal reportable segments, are Starz, LLC, Atlanta National League Baseball Club, Inc., ("ANLBC") and TruePosition, Inc. ("TruePosition"). Starz, LLC provides premium subscription video programming to United States multichannel video distributors, including cable operators, satellite television providers and telecommunications companies. Starz also develops, produces and acquires entertainment content and distributes this content to consumers in the United States and throughout the world. ANLBC owns the Atlanta Braves, a major league baseball club, as well as certain of the Atlanta Braves' minor league clubs. TruePosition provides equipment and technology that deliver location-based services to wireless users.

Our "Corporate and Other" category includes our other consolidated subsidiaries and corporate expenses.

In addition to the foregoing businesses, we hold ownership interests in Sirius XM Radio, Inc. ("SIRIUS XM") and Live Nation Entertainment, Inc. ("Live Nation"), which we account for as equity method investments; and we maintain investments in public companies such as Barnes & Noble, Inc., Time Warner Inc., Time Warner Cable Inc. and Viacom Corporation, which are accounted for at their respective fair market values and are included in corporate and other.

Tracking Stocks

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. On November 28, 2011, our tracking stock structure was eliminated through the redemption of each share of Liberty Starz common stock for .88129 of a share of the corresponding series of Liberty Capital common stock (plus cash in lieu of fractional share interests) (the "Conversion"). Prior to the Conversion, Liberty had two tracking stocks—Liberty Starz common stock and Liberty Capital common stock, which were intended to track and reflect the economic performance of the Starz Group and Capital Group, respectively. While the Starz Group and the Capital Group had separate collections of businesses, assets and liabilities attributed to them, no group was a separate legal entity and therefore could not own assets, issue securities or enter into legally binding agreements. Holders of our tracking stocks had no direct claim to the group's stock or assets and were not represented by separate boards of directors. Instead, holders of the tracking stocks were stockholders of the Company, with a single board of directors and subject to all of the risks and liabilities of the Company.

On February 9, 2011, Liberty Interactive's board of directors approved the change in attribution of (i) approximately \$1.138 billion principal amount of Liberty Interactive LLC's (formerly known as Liberty Media LLC) 3.125% Exchangeable Senior Debentures due 2023 (the "TWX Exchangeable Notes"), (ii) approximately 22 million shares of Time Warner Inc. common stock, approximately 5 million shares of Time Warner Cable Inc. common stock and approximately 2 million shares of AOL, Inc. common stock, which collectively represent the basket of securities into which the TWX Exchangeable Notes are exchangeable and (iii) \$263.8 million in cash from its Capital Group to its Interactive Group, effective as of the aforementioned date (the "TWX Reattribution"). The TWX Reattribution had no effect on the assets and liabilities attributed to the Starz Group, nor did it effect any change to the obligor of the TWX Exchangeable Notes, which remains Liberty Interactive LLC.

Liberty Interactive had made changes in the attribution of certain assets, liabilities and businesses between the tracking stock groups in prior periods, as discussed in previous financial statements filed with the Securities and Exchange Commission and in the Notes to Condensed Financial Statements included in this Annual Report on Form 10-K.

Strategies and Challenges of Business Units

Starz, LLC. Starz is focused on several initiatives to increase its revenue. Starz's goal is to provide its distributors and their subscribers with high-quality, differentiated premium video services available on multiple viewing platforms (linear, On-Demand and over the Internet). Starz also intends to utilize its integrated business units to exploit its original programming content in the home video, digital (Internet) and non-pay television markets. To achieve these goals, Starz intends to:

- Expand its original programming lineup over time.
- Renew and extend affiliation agreements with key distributors on favorable terms.
- Rationalize valuable digital rights with both traditional distributors, as well as online video distributors.
- Continue to invest in the Starz brand by focusing its marketing investment on its original series.

Starz faces certain key challenges in its attempt to meet these goals, including;

- Potential loss of subscribers due to economic conditions and competition from other networks and other video programming services.
- Its ability to continue to acquire or produce affordable programming content, including original programming content, that appeals to its distributors and its viewers.
- Its ability to renew and extend affiliation agreements with key distributors on favorable terms.
- Potential consolidation of its distributors.
- Increased rates paid by its distributors to carry broadcast networks and sports networks may make it more difficult for consumers to afford premium video services.
- Its distributor's willingness to market our networks and other services.
- Its ability to react to changes in viewer habits related to technologies such as DVRs, video-on-demand, Internet-based content delivery, Blu-ray players and mobile devices.

Results of Operations—Consolidated

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. The “corporate and other” category 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 our principal reporting segments, see “Results of Operations—Businesses” below.

Consolidated Operating Results

	December 31,		
	2011	2010	2009
	amounts in millions		
Revenue			
Starz, LLC	\$1,615	1,626	1,540
ANLBC	208	203	206
TruePosition	1,138	143	32
Corporate and other	63	78	75
	<u>\$3,024</u>	<u>2,050</u>	<u>1,853</u>
Adjusted OIBDA			
Starz, LLC	449	343	283
ANLBC	(6)	6	8
TruePosition	634	(3)	(77)
Corporate and other	(17)	(22)	(15)
	<u>\$1,060</u>	<u>324</u>	<u>199</u>
Operating Income (Loss)			
Starz, LLC	424	281	222
ANLBC	(39)	(47)	(40)
TruePosition	632	34	(84)
Corporate and other	(60)	(73)	(89)
	<u>\$ 957</u>	<u>195</u>	<u>9</u>

Revenue. Our consolidated revenue increased \$974 million and \$197 million for the years ended December 31, 2011 and 2010, as compared to the corresponding prior year periods. The current year increase was primarily due to a one time recognition of previously deferred revenue from two separate contracts at TruePosition which aggregated \$1,029 million. The prior year increase was due to increases in home video and channels for Starz and timing of revenue recognition at TruePosition. See Results of Operations—Businesses below for a more complete discussion of the results of operations of certain of our significant subsidiaries.

Adjusted OIBDA. We define Adjusted OIBDA as revenue less 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 20 to the accompanying consolidated financial statements for a reconciliation of Adjusted OIBDA to Earnings (loss) from continuing operations before income taxes.

Consolidated Adjusted OIBDA increased \$736 million and \$125 million for the years ended December 31, 2011 and 2010, as compared to the corresponding prior year periods. The current year increase was primarily driven by the one time recognition of previously deferred revenues and costs

at TruePosition which accounted for \$620 million of the increase in 2011. The prior year increase is primarily due to improved results for Starz, LLC and timing of recognition of certain deferred revenue and costs at TruePosition. See Results of Operations—Businesses below for a more complete discussion of the results of operations of certain of our significant subsidiaries.

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 \$32 million, \$83 million and \$81 million of stock compensation expense for the years ended December 31, 2011, 2010 and 2009, respectively. The decrease in stock compensation expense in 2011 relates primarily to our liability classified awards due to a less significant increase in our stock prices in the current period as compared to the prior period and a decreased number of stock options granted during the current year. As of December 31, 2011, the total unrecognized compensation cost related to unvested Liberty equity awards was approximately \$68 million. Such amount will be recognized in our consolidated statements of operations over a weighted average period of approximately 2.2 years.

Operating income. Our consolidated operating income increased \$762 million and \$186 million for the years ended December 31, 2011 and 2010 as compared to the corresponding prior year periods. The increases are primarily the result of increases for TruePosition and the improved results for Starz, LLC, as described above.

Other Income and Expense

Components of Other Income (Expense) are presented in the table below.

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
Other income (expense):			
Interest expense	\$(21)	(65)	(132)
Dividend and interest income	79	88	117
Share of earnings (losses) of affiliates	49	(64)	(44)
Realized and unrealized gains (losses) on financial instruments, net	68	260	(34)
Gains (losses) on dispositions, net	(10)	36	242
Other, net	5	10	12
	<u>\$170</u>	<u>265</u>	<u>161</u>

Interest expense. Interest expense decreased \$44 million and \$67 million for the years ended December 31, 2011 and 2010, as compared to the corresponding prior year periods. The overall decreases in interest expense related to a lower average debt balance throughout the periods, as compared to the corresponding prior year periods. The lower average debt balance is primarily due to the changes in attribution of certain parent debt to Liberty Interactive’s Interactive Group prior to the Split-Off.

Dividend and interest income. Interest income decreased in 2011 and 2010 primarily due to lower interest rates and a reduction in our interest bearing investment balances.

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

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
SIRIUS XM	\$ 68	(41)	(28)
Live Nation	(34)	—	—
Other	15	(23)	(16)
	<u>\$ 49</u>	<u>(64)</u>	<u>(44)</u>

During June 2011, Liberty acquired an additional 5.5 million shares of Live Nation, which increased Liberty’s ownership percentage above 20% of the outstanding voting shares. Due to a presumption that an entity with an ownership percentage greater than 20% has significant influence absent other factors to rebut that presumption, the Company is accounting for the investment

as an equity method affiliate. The Company has elected to record its share of earnings (loss) for Live Nation on a three-month lag due to timeliness considerations. Increases in ownership which result in a change to the equity method of accounting generally require retroactive recognition of an investment's share of earnings (loss) in prior periods. Due to the relative insignificance of our share of losses for Live Nation in previous periods, both quantitatively and qualitatively, the Company has recorded such amounts in the current year. Approximately \$12 million of the losses recorded for the year ended December 31, 2011 relate to the prior year.

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

	Years ended December 31, 2011		
	2011	2010	2009
	amounts in millions		
Non-strategic Securities(1)	\$ 254	669	1,076
Borrowed shares(1)	(104)	(254)	(301)
Net change in Non-strategic Securities(1)	150	415	775
Exchangeable senior debentures(2)	(85)	(111)	(670)
Equity collars	—	(2)	(101)
Other derivatives	3	(42)	(38)
	<u>\$ 68</u>	<u>260</u>	<u>(34)</u>

- (1) Based on the nature of the borrowed share accounting, as described in note 9 in the accompanying financial statements, gains and (losses) on borrowed shares completely offset the gains and (losses) on the same Non-strategic Securities owned by the Company. During the current year we settled all borrowed share arrangements through the release of those shares, held as collateral, to the counterparty.
- (2) Prior to the Split-Off, all the Exchangeable Senior Debentures were transferred to Liberty Interactive through reattributions in the current or prior years.

Gains (losses) on dispositions. Gains on dispositions primarily related to gains associated with the repayment of certain SIRIUS XM debt securities in the prior years.

Income taxes. Our effective tax rate for the year ended December 31, 2011 is 28%. During the years ended December 31, 2010 and December 31, 2009 we recognized net income tax benefits of \$558 million and \$170 million, respectively. Our effective tax rate for all three years were impacted for the following reasons:

- During the fourth quarter of 2011, we recognized previously unrecognized tax benefits of \$104 million as we reached an agreement with the IRS with respect to all disputed items reported on our 2010 income tax return.
- During the fourth quarter of 2010, we recognized a net federal tax benefit of \$211 million as we reached an agreement with the IRS with respect to the settlement of derivative contracts reported on our 2009 income tax return. Also during the fourth quarter of 2010, we recognized a deferred tax benefit of \$462 million from the sale of certain consolidated subsidiaries (this item was settled as part of the agreement reached with the IRS during the fourth quarter of 2011).
- In 2009, due to the completion of audits with taxing authorities, we recognized previously unrecognized tax benefits of \$201 million.

Net earnings. We had net earnings of \$808 million, \$1,018 million and \$6,204 million for the years ended December 31, 2011, 2010 and 2009, respectively. The change in net earnings was the result of the above-described fluctuations in our revenue, expenses and other gains and losses. The significant variance in 2009 is due to a gain that was recognized related to the LEI Split-Off that is included in discontinued operations.

Liquidity and Capital Resources

As of December 31, 2011, 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 other highly rated financial and corporate debt instruments.

The following are potential sources of liquidity: 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, debt and equity issuances, and dividend and interest receipts.

Liberty does not have a debt rating subsequent to the Split-Off because it has no corporate public debt outstanding.

As of December 31, 2011, the Company had a cash balance of \$2,070 million along with additional sources of liquidity of \$299 million in short term marketable securities and \$1,435 million of unpledged Non-strategic AFS securities. To the extent the Company recognizes any taxable gains from the sale of assets we may incur tax expense and be required to make tax payments, thereby reducing any cash proceeds. Further, our operating businesses have provided, on average, approximately \$250 million in annual operating cash flow over the prior three years, and we do not anticipate any significant reductions in that amount in future years.

The Company's primary uses of cash during the year ended December 31, 2011 were \$350 million of additional investment in cost and equity method investees, the reattribution of \$264 million in cash to Liberty Interactive, \$193 million of cash paid for taxes, \$365 million for repurchases of Series A Liberty Capital common stock and \$100 million of Liberty Starz Series A common stock, prior to the Conversion. These uses of cash were funded by cash provided by operating activities, net sales of short term investments, borrowings under the Starz bank facility and cash on hand.

The projected uses of Liberty cash are the costs to service outstanding debt and the potential buyback of common stock under our share buyback programs. Between the end of the year and January 31, 2012 we have acquired approximately 299,000 shares of Series A Liberty Capital common stock for \$24 million. We note that the outstanding Bank Facility of \$750 million matures on March 2012 and we have certain AFS debt investments and approximately \$660 million of restricted cash available to satisfy the obligation at maturity. Additionally, we may make investments in existing or new businesses. We expect that we will be able to use a combination of cash on hand, cash from operations and other liquid sources to fund future cash needs.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Starz has entered into agreements with a number of motion picture producers which obligate Starz to pay fees ("Programming Fees") for the rights to exhibit certain films that are released by these producers. In March 2010, Starz entered into a new, exclusive long-term licensing agreement for theatrically released films from the Disney studios through 2015, which provides Starz with exclusive pay TV rights to exhibit qualifying theatrically released live-action and animated feature films from Walt Disney Pictures, Walt Disney Animation Studios, Disney-Pixar, Touchstone Pictures, Marvel Entertainment and Hollywood Pictures labels. Theatrically released films from DreamWorks Studios and Miramax Films will not be licensed to us under the new agreement. In addition, we are obligated to pay programming fees for all qualifying films that are released theatrically in the United States by Sony's Columbia Pictures, Screen Gems and Sony Pictures Classics ("Sony") through 2016, subject to certain limitations. Films are generally available to Starz for exhibition 8-12 months after their theatrical release. The Programming Fees to be paid by Starz are based on the quantity and the domestic theatrical exhibition receipts of qualifying films.

The unpaid balance of Programming Fees for films that were available for exhibition by Starz at December 31, 2011, is reflected as a liability in the accompanying combined balance sheet. The balance due as of December 31, 2011, is payable as follows: \$64 million in 2012 and \$2 million in 2013.

Under the above output agreements, Starz is also obligated to pay fees for the rights to exhibit films that have been released theatrically, but are not available for exhibition by Starz until some future date. These amounts have not been accrued at December 31, 2011. In addition, Starz has agreed to pay Sony Pictures Entertainment ("Sony") (i) a total of \$142.5 million in three additional equal annual installments through 2014, and (ii) a total of \$120 million in three equal annual installments beginning in 2015 for a new output agreement. Starz's estimate of amounts payable under these agreements is as follows: \$443 million in 2012; \$129 million in 2013; \$73 million in 2014; \$59 million in 2015; \$51 million in 2016 and \$59 million thereafter.

Starz is also obligated to pay fees for films that have not been released in theatres. Starz is unable to estimate the amounts to be paid under these output agreements for films that have not yet been released in theatres; however, such amounts are expected to be significant.

Liberty guarantees Starz's obligations under certain of its studio output agreements. At December 31, 2011, Liberty's guarantees for obligations for films released by such date aggregated \$511 million. While the guarantee amount for films not yet released is not determinable, such amount is expected to be significant. As noted above, Starz has recognized the liability for a portion of its obligations under the output agreements. As this represents a direct commitment of Starz, a wholly-owned subsidiary of Liberty, Liberty has not recorded a separate indirect liability for its guarantee of these obligations.

The Atlanta Braves have entered into long-term employment contracts with certain of their players and coaches whereby such individuals' compensation is guaranteed. Amounts due under guaranteed contracts as of December 31, 2011 aggregated \$107 million, which is payable as follows: \$61 million in 2012, \$20 million in 2013, \$13 million in 2014, \$13 million in 2015. In addition to the foregoing amounts, certain players and coaches may earn incentive compensation under the terms of their employment contracts.

Information concerning the amount and timing of required payments, both accrued and off-balance sheet, under our contractual obligations is summarized below.

	Payments due by period				
	Total	Less than 1 year	2 - 3 years	4 - 5 years	After 5 years
	amounts in millions				
<i>Consolidated contractual obligations</i>					
Long-term debt(1)	\$ 1,295	754	59	465	17
Interest payments(2)	69	16	28	25	—
Programming Fees(3)	814	443	202	110	59
Operating lease obligations	69	12	23	16	18
Employment agreements	107	61	33	13	—
Purchase orders and other obligations	536	431	60	25	20
Total consolidated	<u>\$ 2,890</u>	<u>1,717</u>	<u>405</u>	<u>654</u>	<u>114</u>

- (1) Amounts are stated at the face amount at maturity of our debt instruments and capital lease obligations. Amounts do not assume additional borrowings or refinancings of existing debt.
- (2) Amounts (i) are based on our outstanding debt at December 31, 2011, (ii) assume the interest rates on our variable rate debt remain constant at the December 31, 2011 rates and (iii) assume that our existing debt is repaid at maturity.
- (3) Does not include Programming Fees for films not yet released theatrically, as such amounts cannot be estimated.

Recent Accounting Pronouncements

In September 2009, the Financial Accounting Standards Boards amended the Accounting Standards Codification ("ASC") as summarized in Accounting Standards Update ("ASU") 2009-14, *Software (Topic 985): Certain Revenue Arrangements That Include Software Elements*, and ASU 2009-13, *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements*. As summarized in ASU 2009-14, ASC Topic 985 has been amended to remove from the scope of industry specific revenue accounting guidance for software and software related transactions, tangible products containing software components and non-software components that function together to deliver the product's essential functionality. As summarized in ASU 2009-13, ASC Topic 605 has been amended (1) to provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (2) to require an entity to allocate revenue in an arrangement using estimated selling prices of deliverables if a vendor does not have vendor-specific objective evidence or third-party evidence of selling price; and (3) to eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method. The accounting changes summarized in ASU 2009-14 and ASU 2009-13 are effective for fiscal years beginning on or after June 15, 2010, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application.

The Company adopted the revenue guidance on a prospective basis as of January 1, 2011. There was no financial statement impact on that date as a result of the adoption of the new accounting guidance. In the first quarter of 2011 TruePosition, a consolidated subsidiary of the Company, entered into an amended contract with AT&T (one of TruePosition's largest customers) that materially changed the terms of the existing contract. The transition provisions of the new accounting guidance require that when a contract is materially modified it is subject to the new accounting requirements. This resulted in the Company recognizing revenue for all the delivered elements meeting the separation criteria, previously deferred under the previous accounting guidance. TruePosition recognized approximately \$538 million of revenue and \$167 million of deferred cost associated with the delivered elements as of the modification date. Previously, TruePosition did not have Vendor Specific Objective Evidence for the undelivered specified upgrade, which changed the timing of revenue recognition for the entire arrangement. Under the new guidance TruePosition utilized the estimated selling price to determine what portion of the overall consideration to allocate to the delivered and undelivered elements.

In September 2011, the Financial Accounting Standards Boards amended the Accounting Standards Codification ("ASC") as summarized in Accounting Standards Update ("ASU") 2011-08, *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. As summarized in ASU 2011-08, ASC Topic 350 has been amended to simplify how entities test goodwill for impairment by permitting entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in ASC Topic 350. Previously, under ASC Topic 350 an entity would be required to test goodwill, on at least an annual basis, by comparing the fair value of a reporting unit with its carrying amount, then, if the carrying amount was greater than the fair value of the reporting unit, step two of the test would be required to determine whether an impairment was necessary. In evaluating goodwill on a qualitative basis we reviewed the business performance of each reporting unit and evaluated other relevant factors as identified in ASU 2011-08 to determine whether it was more likely than not that an indicated impairment existed for any of our reporting units. As part of the analysis we also considered fair value determinations for certain reporting units that had been made at various points throughout the year for other purposes. We do not believe the outcome of performing a qualitative analysis versus performing a step one test had any financial statement impact.

Critical Accounting Estimates

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

Non-Financial Instruments. Our non-financial instrument valuations are primarily comprised of our annual assessment of the recoverability of our goodwill and other nonamortizable intangibles, such as trademarks and our evaluation of the recoverability of our other long-lived assets upon certain triggering events. If the carrying value of our long-lived assets exceeds their estimated fair value, we are required to write the carrying value down to fair value. Any such writedown is included in impairment of long-lived assets in our combined statement of operations. A high degree of judgment is required to estimate the fair value of our long-lived assets. We may use quoted market prices, prices for similar assets, present value techniques and other valuation techniques to prepare these estimates. We may need to make estimates of future cash flows and discount rates as well as other assumptions in order to implement these valuation techniques. Due to the high degree of judgment involved in our estimation techniques, any value ultimately derived from our long-lived assets may differ from our estimate of fair value. As each of our operating segments has long-lived assets, this critical accounting policy affects the financial position and results of operations of each segment.

As of December 31, 2011, the intangible assets not subject to amortization for each of our significant reporting units was as follows (amounts in millions):

	<u>Goodwill</u>	<u>Other</u>	<u>Total</u>
Starz, LLC	\$132	—	132
ANLBC	180	143	323
TruePosition	20	—	20
Consolidated	<u>\$332</u>	<u>143</u>	<u>475</u>

We perform our annual assessment of the recoverability of our goodwill and other nonamortizable intangible assets as of December 31, except for ANLBC which is evaluated as of October 31. As discussed above, in the Recent Accounting Pronouncements, we adopted the recent accounting guidance relating to annual assessments of recoverability of goodwill and we utilized a qualitative assessment for determining whether step one of the goodwill impairment analysis was necessary.

Carrying Value of Investments. We periodically evaluate our investments to determine if decreases in fair value below our cost bases are other than temporary. If a decline in fair value is determined to be other than temporary, we are required to reflect such decline in our combined statement of operations. Other than temporary declines in fair value of our cost investments are recognized on a separate line in our combined statement of operations, and other than temporary declines in fair value of our equity method investments are included in share of losses of affiliates in our combined statement of operations.

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

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

Program Rights. Programming costs are our most significant individual operating cost. Program rights for films and television programs exhibited by Starz Channels are generally amortized on a film-by-film basis over the anticipated number of exhibitions. We estimate the number of exhibitions based on the number of exhibitions allowed in the agreement and the expected usage of the content. The Company generally has rights to two separate windows (typically a 16 to 18 month period under the first window and a 12 to 13 month period for the second window) under our pay-television output agreements. For films with multiple windows, the license fee is allocated between the first and second window based upon the proportionate estimated value of each window. The Company has allocated a substantial portion of the programming costs to the first window as first-run content is believed to have greater appeal to subscribers when it is newer and therefore deemed to have greater value to us in acquiring and retaining subscribers. Certain other program rights are amortized to expense using the straight-line method over the respective lives of the agreements.

Additionally, the Company allocates programming costs associated with its original productions between the pay television window and the ancillary revenue markets (e.g. home video, digital platforms, international television, etc.) based on the estimated relative fair values of these markets. Costs allocated to the pay television window are amortized to expense over the anticipated number of exhibitions for each original production while costs associated with the ancillary revenue markets are amortized to expense based on the proportion that current revenue from the original productions bears to an estimate of the remaining unrecognized revenue (ultimate revenue). Estimates of fair value for the pay television and ancillary markets involve uncertainty as well as estimates of ultimate revenue.

Changes in management's estimate of the anticipated exhibitions of films, television programs and original productions on the Company's networks and the estimate of ultimate revenue could result in the earlier recognition of our programming costs than anticipated. Conversely, scheduled exhibitions may not capture the appropriate usage of the program rights in current periods which could lead to the write-off of additional program rights in future periods and have a significant impact on our future results of operations and our financial position.

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

Results of Operations—Businesses

Starz, LLC. Starz provides premium subscription video programming to United States multichannel video distributors, including cable operators, satellite television providers and telecommunications companies. Starz also develops, produces and acquires entertainment content and distributes this content to consumers in the United States and throughout the world. Starz is managed by and organized around the following business units: Starz Channels, Home Video, Digital Media, Television, Animation and Theatrical.

A large portion of Starz's revenue is derived from the delivery of movies and original programming content to consumers through the Starz Channels' distribution partners. Some of Starz's affiliation agreements with its distribution partners provide for payments to Starz based on the number of subscribers that receive the Starz Channels' services ("consignment agreements"). Starz also has fixed-rate affiliation agreements with certain of its distribution partners. Pursuant to these agreements, the distribution partners pay an agreed-upon rate regardless of the number of subscribers. The agreed-upon rate may be increased annually to the extent the contract provides for an increase. The affiliation agreements have various terms ranging from rolling month to month extensions with certain distributors to agreements which last through 2018. During the year ended December 31, 2011, approximately 56% of the Starz Channels' revenue was generated by its three largest customers, Comcast, DIRECTV and Dish Network, each of which individually generated 10% or more of the Starz Channels' revenue for such period.

Starz's operating results were as follows:

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
Revenue	\$1,615	1,626	1,540
Operating expenses	(928)	(981)	(906)
SG&A expenses	(238)	(302)	(351)
Adjusted OIBDA	449	343	283
Stock-based compensation	(7)	(39)	(35)
Depreciation and amortization	(18)	(23)	(26)
Operating income	<u>\$ 424</u>	<u>281</u>	<u>222</u>

Starz's revenue decreased \$11 million or 0.7% and increased \$86 million or 5.6% for the years ended December 31, 2011 and 2010, respectively, as compared to the corresponding prior year. Revenue for the year ended December 31, 2011 decreased primarily as a result of the decision to shut down the theatrical production and distribution operations in 2010 and a decrease in revenue from Animation due to the sale of a portion of the Animation business. Such decreases were partially offset by an increase in revenue from Starz Channels and Home Video. Revenue for the year ended December 31, 2010 increased primarily as a result of increases in Home Video and Starz Channels which were partially offset by a decrease in Theatrical due to the decision to shut down the theatrical production and distribution operations in 2010. Starz Channels' revenue represented 78.6%, 75.3% and 77.2% and Home Video revenue represented 15.0%, 14.0% and 11.0% of Starz's total revenue for the years ended December 31, 2011, 2010 and 2009, respectively.

Revenue from Starz Channels increased \$46 million or 3.7% and \$35 million or 3.0% for the years ended December 31, 2011 and 2010, respectively. The Starz Channels' growth in revenue for the year ended December 31, 2011 resulted from a \$21 million

increase due to higher effective rates for the Starz Channels' services and a \$25 million increase due to growth in the average number of subscriptions for the Starz Channels' services. The Starz Channels' growth in revenue for the year ended December 31, 2010 resulted from a \$16 million increase due to higher effective rates for the Starz Channels' services and a \$19 million increase due to growth in the average number of subscriptions.

The *Starz* and *Encore* channels are the primary drivers of Starz's revenue. Starz average subscriptions increased 8.8% in 2011 and were relatively flat in 2010 and Encore average subscriptions increased 4.0% in 2011 and 1.2% in 2010. The impact on revenue due to subscription increases is affected by the relative percentages of increases under consignment agreements and fixed-rate agreements. In this regard, as of December 31, 2011, subscriptions under fixed-rate agreements were 29.0 million while subscriptions under consignment agreements were 23.8 million. As of December 31, 2010, subscriptions under fixed-rate affiliation agreements were 28.1 million while subscriptions under consignment agreements were 22.9 million. The increase in consignment subscribers during the year ended December 31, 2011 was negatively impacted by the lack of opportunity for us to participate in cooperative marketing campaigns with certain of our distribution partners.

Revenue from Home Video increased \$15 million or 6.6% and \$58 million or 35.4% for the years ended December 31, 2011 and 2010, respectively. Revenue from Home Video was positively impacted in both 2011 and 2010 by our original programming (primarily *Spartacus*). In addition, in January 2011, Starz entered into a distribution agreement with The Weinstein Company LLC ("TWC") for the distribution by the Home Video and Digital Media business units of certain of TWC's theatrical releases. This distribution agreement also had a positive impact on revenue in 2011 and the number of films released by Overture Films on home video positively impacted 2010.

Operating expenses decreased by \$53 million in 2011 and increased \$75 million in 2010. Approximately \$38 million of such 2011 decrease was the result of lower production and acquisition costs, lower home video costs and no theatrical releases in the current year. The increase in 2010 was primarily due to an increase in production and acquisition costs. Such increase was largely impacted by changes we made in our ultimate revenue estimates, which resulted in impairments of \$47 million in 2010. Programming expenses are Starz's primary operating expense and totaled approximately \$651 million, \$648 million and \$642 million for the years ended December 31, 2011, 2010 and 2009, respectively. We expect that programming costs related to original programming will continue to increase in the future as Starz continues to invest in original content.

Starz's SG&A expenses decreased by \$64 million and \$49 million for the years ended December 31, 2011 and 2010 as compared to the corresponding prior years. The primary driver in decreased SG&A expenses as compared to the prior years was decreased advertising, marketing and overhead costs due to the decision made to exit the theatrical film business. This decrease was partially offset by increased advertising expenses related to original programming content and increased personnel costs associated with the Starz Channels' business. We expect that advertising expenses related to original programming will continue to increase in future periods as we continue to invest in original content.

Starz's Adjusted OIBDA increased \$106 million and \$60 million for the years ended December 31, 2011 and 2010 as compared to the corresponding prior years. The increase in Adjusted OIBDA was a combination of improved results by the Starz Channels' business and the decision made to exit the theatrical film business in the prior year. As discussed above, the elimination of theatrical film releases resulted in less revenue which was more than offset by no spending in the current year on advertising and marketing associated with the theatrical exhibition of such productions, lower production and acquisition costs and lower home video costs.

ANLBC, Inc. ANLBC's business is primarily driven by the results of the Atlanta Braves Major League Baseball team. Attendance, viewership, partnerships with sponsors and player talent are significant factors in the overall financial success of the organization. For the year ended December 31, 2011 the baseball club increased revenues by \$5 million or 2.5% as compared to the prior year, due to slightly greater fan attendance and an increase in overall broadcasting revenues. ANLBC's adjusted OIBDA was impacted primarily by player salaries. The most significant increase came during the fourth quarter as the Braves traded one of their pitchers to another baseball club and agreed to pay a portion of that player's 2012 guaranteed salary in the trade. This will free up additional salary in 2012 to be utilized in the acquisition of additional player talent. This one transaction had the impact of swinging adjusted OIBDA from earnings to a loss in the current year.

TruePosition, Inc. TruePosition provides equipment and service for locating mobile phones and other wireless devices enabling wireless carriers, application providers and other enterprises to provide E-911 services domestically and other location based services to mobile users. The increase of \$995 million in revenue for TruePosition is related to the non-recurring one-time

recognition of previously deferred revenue under two separate contracts. As discussed in the Recent Accounting Pronouncements section TruePosition recognized \$538 million of deferred revenue associated with their AT&T contract due to a material modification of the contract in the first quarter of 2011. Additionally, in the fourth quarter of 2011 all the remaining obligations were satisfied under the T-Mobile contract as the contract expired and the maintenance period associated with the contract lapsed. Therefore, TruePosition recognized another \$491 million of deferred revenue in the fourth quarter of 2011. TruePosition had deferred costs associated with these contracts as well that were recorded in the first and fourth quarters of 2011 for \$167 million and \$242 million, respectively. These one-time accounting anomalies explain the 2011 increases in TruePosition's Adjusted OIBDA and Operating Income. In 2010, TruePosition began recognizing revenue under the AT&T contract due to the delivery of the final specified upgrade required under that contract. The recognition of the revenue under the previous guidance was to amortize the deferred amounts over the remainder of the period which requires the delivery of additional services (the maintenance period). In 2010 TruePosition recognized deferred revenue and costs of \$117 million and \$40 million, respectively. We expect that future revenue will trend at approximately \$100 million if certain contracts can be successfully negotiated in the current year.

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. Market risk refers to the risk of loss arising from adverse changes in stock prices and interest 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 December 31, 2011, our debt is comprised of the following amounts:

Variable rate debt		Fixed rate debt	
Principal amount	Weighted avg interest rate	Principal amount	Weighted avg interest rate
dollar amounts in millions			
\$1,255	1.2%	\$40	5.5%

The Company 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 periodically 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 December 31, 2011, the fair value of our AFS equity securities was \$1,859 million. Had the market price of such securities been 10% lower at December 31, 2011, the aggregate value of such securities would have been \$186 million lower. Additionally, our stock in SIRIUS XM and Live Nation (two of our equity method affiliates) are publicly traded securities which are not reflected at fair value in our balance sheet. These securities are also subject to market risk that is not directly reflected in our financial statements.

Financial Statements and Supplementary Data.

The consolidated financial statements of Liberty Media Corporation are filed under this Item, beginning on Page F-18. The financial statement schedules required by Regulation S-X are filed under Item 15 of this Annual Report on Form 10-K.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

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 December 31, 2011 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 December 31, 2011 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

This annual report does not include a report of management’s assessment regarding internal control over financial reporting or an attestation report of the Company’s registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

Other Information.

None.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Liberty Media Corporation:

We have audited the accompanying consolidated balance sheets of Liberty Media Corporation and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of operations, comprehensive earnings (loss), cash flows, and equity for each of the years in the three year period ended December 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Liberty Media Corporation and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

As discussed in note 3 to the consolidated financial statements, effective January 1, 2011, the Company adopted ASU 2009-14: *Software (Topic 985): Certain Revenue Arrangements That Include Software Elements* and ASU 2009-13, *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements*.

/s/ **KPMG LLP**

Denver, Colorado
February 23, 2012

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
	<u>amounts in millions</u>	
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$2,070	2,090
Trade and other receivables, net	288	257
Program rights	442	411
Short term marketable securities	299	509
Restricted cash (note 11)	709	53
Receivable from Liberty Interactive	—	85
Deferred income tax assets	61	—
Other current assets	45	137
Total current assets	<u>3,914</u>	<u>3,542</u>
Investments in available-for-sale securities and other cost investments (note 7 and 9)	1,859	4,550
Investments in affiliates, accounted for using the equity method (note 8)	567	91
Property and equipment, at cost	504	520
Accumulated depreciation	<u>(289)</u>	<u>(273)</u>
	<u>215</u>	<u>247</u>
Intangible assets not subject to amortization (note 10)	475	485
Intangible assets subject to amortization, net (note 10)	135	164
Program rights	320	323
Deferred costs	—	345
Deferred income tax assets	—	371
Other assets, at cost, net of accumulated amortization	<u>238</u>	<u>674</u>
Total assets	<u>\$7,723</u>	<u>10,792</u>

(continued)

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
	<u>amounts in millions</u>	
<i>Liabilities and Equity</i>		
Current liabilities:		
Accounts payable	\$ 15	21
Accrued liabilities	313	243
Financial instruments (note 9)	7	1,222
Current portion of debt (note 11)	754	37
Deferred income tax liabilities	—	712
Deferred revenue	63	240
Other current liabilities	78	36
Total current liabilities	<u>1,230</u>	<u>2,511</u>
Long-term debt (note 11)	541	2,101
Deferred revenue	39	846
Deferred income tax liabilities	411	—
Other liabilities	251	308
Total liabilities	<u>2,472</u>	<u>5,766</u>
Stockholders' equity (note 13):		
Preferred stock, \$.01 par value. Authorized 50,000,000 shares; no shares issued	—	—
Series A Liberty Capital common stock, \$.01 par value. Authorized 2,000,000,000 shares; issued and outstanding 112,411,965 shares at December 31, 2011	1	—
Series B Liberty Capital common stock, \$.01 par value. Authorized 75,000,000 shares; issued and outstanding 9,918,454 shares at December 31, 2011	—	—
Series C Liberty Capital common stock, \$.01 par value. Authorized 2,000,000,000 shares; zero issued and outstanding shares at December 31, 2011	—	—
Series A Liberty Starz common stock, \$.01 par value. Authorized 4,000,000,000 shares; zero issued and outstanding shares at December 31, 2011	—	—
Series B Liberty Starz common stock, \$.01 par value. Authorized 150,000,000 shares; zero issued and outstanding shares at December 31, 2011	—	—
Series C Liberty Starz common stock, \$.01 par value. Authorized 4,000,000,000 shares; zero issued and outstanding shares at December 31, 2011	—	—
Additional paid-in capital	3,564	—
Parent's investment	—	4,117
Accumulated other comprehensive earnings, net of taxes	29	54
Retained earnings	1,667	855
Total stockholders' equity	<u>5,261</u>	<u>5,026</u>
Noncontrolling interests in equity of subsidiaries	(10)	—
Total equity	<u>5,251</u>	<u>5,026</u>
Commitments and contingencies (note 19)		
Total liabilities and equity	<u>\$7,723</u>	<u>10,792</u>

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Operations

Years ended December 31, 2011, 2010 and 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<u>amounts in millions, except per share amounts</u>		
Revenue:			
Communications and programming services	\$3,024	2,050	1,853
Operating costs and expenses:			
Operating	1,600	1,284	1,171
Selling, general and administrative, including stock-based compensation (note 3)	396	525	564
Legal settlement	2	(48)	—
Depreciation and amortization	69	94	109
	<u>2,067</u>	<u>1,855</u>	<u>1,844</u>
Operating income	957	195	9
Other income (expense):			
Interest expense	(21)	(65)	(132)
Dividend and interest income	79	88	117
Liberty Interactive interest income (expense)	—	3	16
Share of earnings (losses) of affiliates, net (note 8)	49	(64)	(44)
Realized and unrealized gains (losses) on financial instruments, net (note 9)	68	260	(34)
Gains (losses) on dispositions, net	(10)	36	242
Other, net	5	7	(4)
	<u>170</u>	<u>265</u>	<u>161</u>
Earnings (loss) from continuing operations before income taxes	1,127	460	170
Income tax (expense) benefit	(319)	558	170
Net earnings (loss) from continuing operations	808	1,018	340
Earnings (loss) from discontinued operations, net of taxes (note 5)	—	—	5,864
Net earnings (loss)	808	1,018	6,204
Less net earnings (loss) attributable to the noncontrolling interests	(4)	(3)	—
Net earnings (loss) attributable to Liberty stockholders	<u>\$ 812</u>	<u>1,021</u>	<u>6,204</u>
Net earnings (loss) attributable to Liberty stockholders:			
Liberty Capital common stock	583	815	127
Liberty Starz common stock	229	206	6,077
	<u>\$ 812</u>	<u>1,021</u>	<u>6,204</u>

(continued)

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Operations (Continued)

Years ended December 31, 2011, 2010 and 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<u>amounts in millions, except per share amounts</u>		
Basic net earnings (loss) from continuing operations attributable to Liberty stockholders per common share (note 3):			
Series A and Series B Liberty Capital common stock	\$6.86	9.06	1.32
Series A and Series B Liberty Starz common stock	4.49	4.12	0.46
Diluted net earnings (loss) from continuing operations attributable to Liberty stockholders per common share (note 3):			
Series A and Series B Liberty Capital common stock	6.63	8.76	1.31
Series A and Series B Liberty Starz common stock	4.32	3.96	0.46
Basic net earnings (loss) attributable to Liberty stockholders per common share (note 3):			
Series A and Series B Liberty Capital common stock	6.86	9.06	1.32
Series A and Series B Liberty Starz common stock	4.49	4.12	13.13
Diluted net earnings (loss) attributable to Liberty stockholders per common share (note 3):			
Series A and Series B Liberty Capital common stock	6.63	8.76	1.31
Series A and Series B Liberty Starz common stock	4.32	3.96	13.04

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Consolidated Statements Of Comprehensive Earnings (Loss)
Years ended December 31, 2011, 2010 and 2009

	Years Ended December 31,		
	2011	2010	2009
	amounts in millions		
Net earnings (loss)	\$808	1,018	6,204
Other comprehensive earnings (loss), net of taxes:			
Foreign currency translation adjustments	—	—	2
Unrealized holding gains (losses) arising during the period	(24)	9	43
Recognition of previously unrealized (gains) losses on available-for-sale securities, net . . .	—	(21)	(1)
Share of other comprehensive earnings (loss) from equity affiliates	2	—	—
Reattribution of other comprehensive earnings from Liberty Interactive	—	30	—
Other comprehensive earnings (loss) from discontinued operations	—	—	31
Other	(3)	1	(4)
Other comprehensive earnings (loss)	(25)	19	71
Comprehensive earnings (loss)	783	1,037	6,275
Less comprehensive earnings (loss) attributable to the noncontrolling interests	(4)	(3)	—
Comprehensive earnings (loss) attributable to Liberty stockholders	\$787	1,040	6,275
Comprehensive earnings (loss) attributable to Liberty stockholders:			
Liberty Capital common stock	560	834	167
Liberty Starz common stock	227	206	6,108
	<u>\$787</u>	<u>1,040</u>	<u>6,275</u>

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Cash Flows

Years ended December 31, 2011, 2010 and 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<u>amounts in millions</u>		
	<u>(see note 4)</u>		
Cash flows from operating activities:			
Net earnings (loss)	\$ 808	1,018	6,204
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Earnings from discontinued operations	—	—	(5,864)
Depreciation and amortization	69	94	109
Amortization of program rights	737	729	683
Cash payments for program rights	(769)	(650)	(693)
Stock-based compensation	32	83	81
Cash payments for stock-based compensation	(21)	(204)	(2)
Noncash interest expense	2	—	—
Share of (earnings) loss of affiliates, net	(49)	64	44
Realized and unrealized (gains) losses on financial instruments, net	(68)	(260)	34
Losses (gains) on disposition of assets, net	10	(36)	(242)
Change in tax accounts from Liberty Interactive, net	2	50	(56)
Deferred income tax expense	58	(782)	45
Other noncash charges (credits), net	(605)	72	13
Changes in operating assets and liabilities			
Current and other assets	(78)	—	99
Payables and other liabilities	148	(57)	(95)
Net cash provided (used) by operating activities	<u>276</u>	<u>121</u>	<u>360</u>
Cash flows from investing activities:			
Cash proceeds from dispositions	17	71	251
Proceeds (payments) from settlement of financial instruments, net	—	751	1,367
Investments in and loans to cost and equity investees	(350)	(405)	(726)
Investment in loan to Liberty Interactive	—	—	(510)
Repayment of loan by Liberty Interactive	—	316	194
Repayment of loans by cost and equity investees	217	200	634
Capital expended for property and equipment	(14)	(16)	(56)
Net sales (purchases) of short term investments	277	(542)	69
Net (increase) decrease in restricted cash	(153)	(39)	66
Reattribution of cash to Liberty Interactive	(264)	(807)	—
Other investing activities, net	(4)	(13)	1
Net cash provided (used) by investing activities	<u>(274)</u>	<u>(484)</u>	<u>1,290</u>
Cash flows from financing activities:			
Borrowings of debt	506	132	2,061
Repayments of debt	(59)	(1,047)	(2,144)
Repurchases of Liberty common stock	(465)	(754)	(18)
Other financing activities, net	(4)	171	303
Net cash provided (used) by financing activities	<u>(22)</u>	<u>(1,498)</u>	<u>202</u>
Effect of foreign currency exchange rates on cash	—	—	(8)
Net cash provided (used) by discontinued operations:	—	—	(121)
Net increase (decrease) in cash and cash equivalents	(20)	(1,861)	1,723
Cash and cash equivalents at beginning of period	<u>2,090</u>	<u>3,951</u>	<u>2,228</u>
Cash and cash equivalents at end of period	<u>\$2,070</u>	<u>2,090</u>	<u>3,951</u>

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Statement Of Equity

Years ended December 31, 2011, 2010 and 2009

	Stockholders' equity							Noncontrolling interest in equity of subsidiaries	Total equity		
	Preferred Stock	Liberty Capital		Liberty Starz		Additional Paid-in Capital	Parent's Investment			Accumulated other comprehensive earnings	Retained earnings
		Series A	Series B	Series A	Series B						
Balance at January 1, 2009	\$—	\$—	\$—	\$—	\$—	\$ 19,705	(36)	(6,370)	1	13,300	
Net earnings	—	—	—	—	—	—	—	6,204	—	6,204	
Other comprehensive earnings	—	—	—	—	—	—	71	—	—	71	
Split-Off of Liberty Entertainment, Inc. (note 4)	—	—	—	—	—	(16,486)	—	—	—	(16,486)	
Stock compensation	—	—	—	—	—	134	—	—	—	134	
Stock issued upon exercise of stock options	—	—	—	—	—	115	—	—	—	115	
Series A Liberty Starz stock repurchases	—	—	—	—	—	(13)	—	—	—	(13)	
Series A Liberty Capital stock repurchases	—	—	—	—	—	(5)	—	—	—	(5)	
Other	—	—	—	—	—	(4)	—	—	(1)	(5)	
Balance at December 31, 2009	—	—	—	—	—	3,446	35	(166)	—	3,315	
Net earnings	—	—	—	—	—	—	19	1,021	(3)	1,018	
Other comprehensive earnings	—	—	—	—	—	—	—	—	—	19	
Stock issued upon exercise of stock options	—	—	—	—	—	24	—	—	—	24	
Stock compensation	—	—	—	—	—	99	—	—	—	99	
Series A Liberty Starz stock repurchase	—	—	—	—	—	(40)	—	—	—	(40)	
Series A Liberty Capital stock repurchases	—	—	—	—	—	(714)	—	—	—	(714)	
Impact of reattribution with Liberty Interactive	—	—	—	—	—	1,285	—	—	—	1,285	
Other	—	—	—	—	—	17	—	—	3	20	
Balance at December 31, 2010	—	—	—	—	—	4,117	54	855	—	5,026	
Net earnings	—	—	—	—	—	—	—	812	(4)	808	
Other comprehensive loss	—	—	—	—	—	—	(25)	—	—	(25)	
Stock compensation	—	—	—	—	—	16	—	—	—	23	
Stock issued upon exercise of stock options	—	—	—	—	—	6	—	—	—	7	
Series A Liberty Capital stock repurchases	—	—	—	—	—	(152)	—	—	—	(365)	
Series A Liberty Starz stock repurchases	—	—	—	—	—	(100)	—	—	—	(100)	
Impact of reattribution with Liberty Interactive	—	—	—	—	—	45	—	—	—	45	
Transfer of tax attributes to Liberty Interactive	—	—	—	—	—	(59)	—	—	—	(59)	
Change in capitalization in connection with Split-off (note 1)	—	1	—	—	—	3,808	—	—	—	—	
Sale of noncontrolling interest, net of tax impacts	—	—	—	—	—	(100)	—	—	(6)	(106)	
Other	—	—	—	—	—	(3)	—	—	—	(3)	
Balance at December 31, 2011	\$—	\$ 1	\$—	\$—	\$—	\$3,564	\$ 29	\$ 1,667	\$(10)	\$ 5,251	

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

December 31, 2011, 2010 and 2009

(1) Basis of Presentation

The accompanying consolidated financial statements of Liberty Media Corporation (formerly named Liberty CapStarz, Inc. and prior thereto Liberty Splitco, Inc.) (“Liberty” or the “Company” unless the context otherwise requires) represent a combination of the historical financial information of (1) certain video programming and other media related assets and businesses previously attributed to the Starz tracking stock group and the Capital tracking stock group of Liberty Interactive Corporation (“Liberty Interactive” and formerly named Liberty Media Corporation) further described in note 2 and (2) Liberty Media Corporation and its consolidated subsidiaries for the period following the date of the Split-Off (defined below). The Split-Off has been accounted for at historical cost due to the pro rata nature of the distribution.

During the second quarter of 2010, Liberty Interactive announced that its board of directors authorized its management to proceed with a plan to separate its Liberty Capital and Liberty Starz tracking stock groups from its Liberty Interactive tracking stock group (the “Split-Off”). The Split-Off was completed on September 23, 2011 following the satisfaction of all conditions to the Split-Off. The Split-Off was effected by means of a redemption of all of the outstanding Liberty Capital common stock and Liberty Starz common stock of Liberty Interactive in exchange for all of the common stock of Liberty, which at the time of the Split-Off held all of the businesses, assets and liabilities attributed to the Capital and Starz tracking stock groups of Liberty Interactive in accordance with the terms of a Reorganization Agreement (described below). Immediately following the Split-Off Liberty utilized a tracking stock capital structure similar to that used by Liberty Interactive prior to the Split-Off, with two tracking stock groups: one tracking the businesses, assets and liabilities previously attributed to Liberty Interactive’s Capital Group (“Capital Group”) and the other tracking the businesses, assets and liabilities that were previously attributed to Liberty Interactive’s Starz Group (“Starz Group”). As further discussed in note 2, Liberty eliminated its tracking stock structure in November 2011 through the conversion of Liberty Starz common stock into Liberty Capital common stock.

These financial statements have been presented using the historical presentation of the Liberty Interactive attributed financial information as a basis for the consolidated financial statements. Previous transactions of the Liberty Capital group and Liberty Starz group have been reflected as transactions of Liberty and the historical transactions of the Liberty Interactive group have been treated as transactions of Liberty Interactive for purposes of these financial statements. Previous transactions between either the Liberty Starz group or the Liberty Capital group and the Liberty Interactive group, including all reattributions, have been reflected at historical cost on a prospective basis (i.e., treated as book value transfers rather than retroactive as-if poolings). All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Following the Split-Off, Liberty and Liberty Interactive operate as separate publicly traded companies, and neither has any stock ownership, beneficial or otherwise, in the other. In connection with the Split-Off, Liberty and Liberty Interactive entered into certain agreements in order to govern ongoing relationships between the two companies after the Split-Off and to provide for an orderly transition. These agreements include a Reorganization Agreement, a Services Agreement, a Facilities Sharing Agreement and a Tax Sharing Agreement.

The Reorganization Agreement provides for, among other things, the principal corporate transactions required to effect the Split-Off and provisions governing the relationship between Liberty and Liberty Interactive with respect to and resulting from the Split-Off, including cross-indemnities. Pursuant to the Services Agreement, Liberty provides Liberty Interactive with general and administrative services including legal, tax, accounting, treasury and investor relations support. Liberty Interactive will reimburse Liberty for direct, out-of-pocket expenses incurred by Liberty in providing these services and for Liberty Interactive’s allocable portion of costs associated with any shared services or personnel based on an estimated percentage of time spent providing services to Liberty Interactive. Prior to the Split-Off these costs were being allocated between the tracking stock groups and Liberty does not believe these amounts will be significantly different following the completion of the Split-Off. Under the Facilities Sharing Agreement, Liberty Interactive shares office space with Liberty and related amenities at Liberty’s corporate headquarters. Under these various agreements approximately \$2 million of these allocated expenses were reimbursable to Liberty since the Split-Off date.

The Tax Sharing Agreement provides for the allocation and indemnification of tax liabilities and benefits between Liberty Interactive and Liberty and other agreements related to tax matters. Among other things, pursuant to the Tax Sharing Agreement, Liberty has agreed to indemnify Liberty Interactive, subject to certain limited exceptions, for losses and taxes resulting from the

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

Split-Off to the extent such losses or taxes (i) result primarily from, individually or in the aggregate, the breach of certain restrictive covenants made by Liberty (applicable to actions or failures to act by Liberty and its subsidiaries following the completion of the Split-Off), (ii) result from the Liberty Capital common stock or the Liberty Starz common stock not being treated as stock of Liberty, or being treated as Section 306 stock within the meaning of Section 306(c) of the Internal Revenue Code of 1986, as amended (the “Code”), for U.S. federal income tax purposes, (iii) result from the Liberty Interactive common stock, the Liberty Capital common stock, or the Liberty Starz common stock not being treated as stock of Liberty Interactive, or being treated as Section 306 stock within the meaning of Section 306(c) of the Code, for U.S. federal income tax purposes, (iv) result from Section 355(e) of the Code applying to the Split-Off as a result of the Split-Off being part of a plan (or series of related transactions) pursuant to which one or more persons acquire a 50-percent or greater interest (measured by vote or value) in the stock of Liberty, or (v) result from deferred intercompany items or excess loss accounts that are triggered by the Split-Off, and that would otherwise be allocated to Liberty. In addition, Liberty will be required to indemnify Liberty Interactive for any losses or taxes resulting from the failure of the LEI split-off (a previously completed split-off by Liberty Interactive) and related restructuring transactions to be a tax-free transaction described under Sections 355 and 368(a)(1)(D) (including any such losses or taxes arising as a result of the completion of the Split-Off), except to the extent that such losses or taxes result primarily from, individually or in the aggregate, a breach of certain restrictive covenants made by Liberty Interactive (applicable to actions or failures to act by Liberty Interactive and its subsidiaries following the completion of the Split-Off).

Liberty, through its ownership of interests in subsidiaries and other companies, is primarily engaged in the media, communications and entertainment industries primarily in North America.

(2) Tracking Stocks

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. Immediately following the Split-Off, Liberty had two tracking stocks—Liberty Starz common stock and Liberty Capital common stock, which were intended to track and reflect the economic performance of the businesses and assets attributed to the Starz Group and Capital Group, respectively. On November 28, 2011, Liberty completed the conversion of each outstanding share of Liberty Starz common stock for 0.88129 of a share of the corresponding series of Liberty Capital common stock, with cash paid in lieu of any fractional shares (the “Conversion”). As a result of the Conversion there are no outstanding shares of Liberty Starz tracking stock at December 31, 2011. The Liberty Capital common stock previously traded under the LCAPA and LCAPB ticker symbols; at the date of conversion the ticker symbols changed to LMCA and LMCB.

While the Starz Group and the Capital Group had separate collections of businesses, assets and liabilities attributed to them, no group was a separate legal entity and therefore could not own assets, issue securities or enter into legally binding agreements. Holders of the tracking stocks had no direct claim to the group’s stock or assets and were not represented by separate boards of directors. Instead, holders of tracking stock were stockholders of the Company, with a single board of directors and subject to all of the risks and liabilities of the Company.

Prior to the Split-Off, during the time that Liberty Interactive had separate tracking stocks outstanding, the following changes in attribution were made between the respective tracking stock groups which impacted the attributed results of the tracking stock groups in those historical periods and the consolidated results of Liberty.

On February 25, 2010, Liberty Interactive announced that its board of directors had resolved to effect the following changes in attribution between its Capital Group and its Interactive Group, effective on that date (the “February Reattribution”):

- the change in attribution from its Interactive Group to its Capital Group of a 14.6% ownership interest in Live Nation Entertainment, Inc.;
- the change in attribution from its Capital Group to its Interactive Group of the following debt securities:
 - \$469 million in principal amount of 4% Exchangeable Senior Debentures due 2029 (the “2029 Exchangeables”);
 - \$460 million in principal amount of 3.75% Exchangeable Senior Debentures due 2030 (the “2030 Exchangeables”); and
 - \$492 million in principal amount of 3.5% Exchangeable Senior Debentures due 2031 (the “2031 Exchangeables”, and together with the 2029 Exchangeables and the 2030 Exchangeables, the “Exchangeable Notes”);

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

- the change in attribution from its Capital Group to its Interactive Group of approximately \$830 million in net taxable income to be recognized ratably in tax years 2014 through 2018 as a result of the cancellation in April 2009 of \$400 million in principal amount of 2029 Exchangeables and \$350 million in principal amount of 2030 Exchangeables; and
- the change in attribution from the Capital Group to the Interactive Group of \$807 million in cash.

On September 16, 2010, Liberty Interactive’s board of directors approved a change in attribution of its interest in Starz Media, LLC along with \$15 million in cash from its Capital Group to its Starz Group, effective September 30, 2010 (the “Starz Media Reattribution”). As a result of the Starz Media Reattribution, an intergroup payable of approximately \$55 million owed by the Capital Group to the Starz Group was extinguished, and the Starz Group became attributed with approximately \$54 million in bank debt, interest rate swaps and any shutdown costs associated with the winding down of the Overture Films business. Notwithstanding the Starz Media Reattribution, certain tax benefits relating to the operation of the Starz Media, LLC business during the time it was attributed to the Capital Group that may be realized from any future sale or other disposition of that business by the Starz Group was attributed to the Capital Group. The Starz Media Reattribution had no impact on the consolidated results of Liberty.

On February 9, 2011, Liberty Interactive’s board approved a change in attribution of \$1,138 million of the 3.125% Exchangeable Senior Debentures due 2023, the stock into which such debt is exchangeable (approximately 22 million shares of Time Warner, Inc., 5 million shares of Time Warner Cable Inc. and 2 million shares of AOL, Inc. with an aggregate carrying value of \$1,215 million at the time of the reattribution) and cash of \$264 million from its Capital Group to its Interactive Group (the “TWX Reattribution”).

As discussed in note 1, the Liberty Interactive tracking stock businesses and assets remained with Liberty Interactive Corporation in the Split-Off. Liberty has reflected these reattributions discussed above prospectively for the results attributed to the tracking stock groups in prior periods. In each case, the assets and liabilities were reattributed at their book values rather than the estimated fair values of those assets and liabilities that were considered by our board of directors, among other factors, in approving the applicable reattribution. As a result, on a book value basis a change in attribution is reflected as a transfer of net assets between the tracking stocks. The principal reasons for the difference between fair value and book value is (i) the deferred tax liabilities under GAAP are required to be carried at the gross undiscounted basis difference multiplied by the company’s effective tax rate whereas on a fair value basis, these future tax liabilities are not expected to be incurred for many years and therefore their present discounted value is substantially less, and (ii) certain of the senior exchangeable debentures are expected to continue to generate interest deductions for tax purposes in excess of the annual cash coupon over their remaining life, the present value of which is not reflected in the book values of the reattributed assets and liabilities.

The Pro Forma summarized unaudited balance sheets and statements of operation of Liberty as if the reattributions discussed above occurred for the Balance Sheet data as of such dates and for the Statement of Operations data as if they had occurred on January 1, 2009, are as follows:

Summary Balance Sheet Data:

	December 31, 2010
	amounts in millions (unaudited)
Current assets	\$3,278
Investments in available-for-sale securities	3,441
Equity investments	91
Total assets	9,563
Long-term debt	818
Parent’s investment	5,155

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

Summary Operations Data:

	Years ended December 31,	
	2010	2009
	amounts in millions (unaudited)	
Revenue	\$2,050	1,853
Operating income (loss)	195	9
Interest expense	(21)	(34)
Share of losses of affiliates	(62)	(82)
Realized and unrealized gains (losses) on financial instruments, net	170	434
Earnings (loss) from continuing operations attributable to Liberty stockholders:		
Liberty Capital group	\$ 788	461
Liberty Starz group	\$ 206	213

Due to the timing of the TWX reattribution, in February 2011, any Pro Forma impact to the 2011 results was considered insignificant. Therefore, no Pro Forma information was considered necessary.

(3) Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Receivables

Receivables are reflected net of an allowance for doubtful accounts and sales returns. Such allowance aggregated \$39 million and \$32 million at December 31, 2011 and 2010, respectively. Activity in the periods ended December 31, 2011, 2010 and 2009 included \$9 million, zero and \$7 million of bad debt charged to expense, respectively, and \$2 million, \$3 million and \$1 million of write-offs, respectively.

Program Rights

The cost of program rights for films and television programs exhibited by Starz Channels are generally amortized on a film-by-film basis over the anticipated number of exhibitions. Starz Channels estimates the number of exhibitions based on the number of exhibitions allowed in the agreement and the expected usage of the content. Certain other program rights are amortized to expense using the straight-line method over the respective lives of the agreements. Starz Channels generally has rights to two separate windows under its output agreements. For films with multiple windows, the license fee is allocated between the first and second window based upon the proportionate estimated fair value of each window. Considerable management judgment is necessary to estimate the fair value of each window. Changes in estimate could significantly impact programming costs in the future.

Investment in Films and Television Programs

Investment in films and television programs is included in other assets and generally includes the cost of completed films, television programs and original productions which have been produced by Starz or for which Starz has acquired distribution rights, as well as the cost of films, television programs or original productions in production, pre-production and development. Capitalized costs include production costs, including labor, goods and services, interest and allocable overhead, acquisition of distribution rights, acquisition of story rights and the development of stories less the license fee for original productions, which have aired on the Starz linear channels on demand or on the Internet. Starz allocates the cost of its original productions between the license fee for pay television and the ancillary revenue markets (e.g. home video, digital platforms, international television, etc.) based on the estimated relative fair values of these markets. The license fee associated with original productions is reclassified to program rights when the program is aired. Investment in films and television programs is stated at the lower of unamortized cost or estimated fair value on an individual film basis. Investment in films and television programs are amortized using the

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

individual-film-forecast method, whereby the costs are charged to expense and royalty, participation and residual costs are accrued based on the proportion that current revenue from the films, television programs and original productions bear to an estimate of the remaining unrecognized ultimate revenue. Ultimate revenue estimates do not exceed ten years following the date of initial release or from the date of delivery of the first episode for episodic television series. Estimates of ultimate revenue involve uncertainty and it is therefore possible that reductions in the carrying value of investment in films and television programs may be required as a consequence of changes in management's future revenue estimates.

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

Investment in films and television programs is reviewed for impairment on a title-by-title basis when an event or change in circumstances indicates that a film, television program or original production may be impaired. The estimated fair value for each title is determined using the discounted estimated future cash flow of each title. If the estimated fair value of a film, television program or original production is less than its unamortized cost, the excess of unamortized costs over the estimated fair value is charged to expense. Considerable management judgment is necessary to estimate the fair value of investment in films and television programs. Changes in these estimates could significantly impact the impairment analysis in the future.

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. U.S. generally accepted accounting principles ("GAAP") permit 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 (the "fair value option"). Under other relevant GAAP, entities were required to recognize changes in fair value of AFS securities in the balance sheet in accumulated other comprehensive earnings. Liberty has entered into economic hedges for certain 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 the fair value option for those of its AFS securities which it considers to be non-strategic ("Non-strategic Securities"). Accordingly, changes in the fair value of Non-strategic Securities, as determined by quoted market prices, are reported in realized and unrealized gain (losses) on financial instruments in the accompanying consolidated statement of operations. The total value of AFS securities for which the Company has elected the fair value option aggregated \$1,435 million and \$3,768 million as of December 31, 2011 and 2010, respectively.

Other investments in which the Company's ownership interest is less than 20% and are not considered marketable securities are carried at cost.

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

Changes in the Company's proportionate share of the underlying equity of an equity method investee, which result from the issuance of additional equity securities by such equity investee ("SAB 51 Gain"), are recognized in equity.

The Company continually reviews its equity investments and its AFS securities which are not Non-strategic Securities to determine whether a decline in fair value below the cost basis is other than temporary. The primary factors the Company considers in its determination are the length of time that the fair value of the investment is below the Company's carrying value; the severity of the decline; and the financial condition, operating performance and near term prospects of the investee. In addition, the Company

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

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

Derivative Instruments and Hedging Activities

All of the Company's derivatives, whether designated in hedging relationships or not, are recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive earnings and are recognized in the statement of operations when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. If the derivative is not designated as a hedge, changes in the fair value of the derivative are recognized in earnings. The Company has entered into several interest rate swap agreements to mitigate the cash flow risk associated with interest payments related to certain of its variable rate debt. None of the Company's derivatives are currently designated as hedges.

The fair value of the Company's derivative instruments are estimated using the Black-Scholes model. The Black-Scholes model incorporates a number of variables in determining such fair values, including expected volatility of the underlying security and an appropriate discount rate. The Company obtained volatility rates from pricing services based on the expected volatility of the underlying security over the remaining term of the derivative instrument. A discount rate was obtained at the inception of the derivative instrument and updated each reporting period in which equity collars were outstanding, based on the Company's estimate of the discount rate at which it could currently settle the derivative instrument. The Company considered its own credit risk as well as the credit risk of its counterparties in estimating the discount rate. Considerable management judgment was required in estimating the Black-Scholes variables.

Property and Equipment

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

Intangible Assets

Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment upon certain triggering events. Goodwill and other intangible assets with indefinite useful lives (collectively, "indefinite lived intangible assets") are not amortized, but instead are tested for impairment at least annually. Equity method goodwill is also not amortized, but is evaluated for impairment upon certain triggering events.

The Company performs at least annually an impairment analysis and as discussed below, in Recent Accounting Pronouncements, the Company adopted the recent accounting guidance relating to annual assessments of recoverability of goodwill and utilized a qualitative assessment for determining whether step one of the goodwill impairment analysis was necessary. In evaluating goodwill on a qualitative basis the Company reviewed the business performance of each reporting unit and evaluated other relevant factors as identified in ASU 2011-08 to determine whether it was more likely than not that an indicated impairment existed for any of our reporting units. The Company considered whether there was any negative macroeconomic conditions, industry specific conditions, market changes, increased competition, increased costs in doing business, management challenges, the legal environments and how these factors might impact company specific performance in future periods. As part of the analysis the Company also considered fair value determinations for certain reporting units that had been made at various points throughout the year for other purposes.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

If a step one test would have been necessary based on the qualitative factors the Company would compare the estimated fair value of a reporting unit to its carrying value. Developing estimates of fair value requires significant judgments, including making assumptions about appropriate discount rates, perpetual growth rates, relevant comparable market multiples, public trading prices and the amount and timing of expected future cash flows. The cash flows employed in Liberty's valuation analysis are based on management's best estimates considering current marketplace factors and risks as well as assumptions of growth rates in future years. There is no assurance that actual results in the future will approximate these forecasts. For those reporting units whose carrying value exceeds the fair value, a second test is required to measure the impairment loss (the "Step 2 Test"). In the Step 2 Test, the fair value of the reporting unit is allocated to all of the assets and liabilities of the reporting unit with any residual value being allocated to goodwill. The difference between such allocated amount and the carrying value of the goodwill is recorded as an impairment charge.

Impairment of Long-lived Assets

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

Noncontrolling Interests

Prior to January 1, 2009, recognition of the noncontrolling interests' share of losses of subsidiaries was generally limited to the amount of such noncontrolling interests' allocable portion of the common equity of those subsidiaries. Effective January 1, 2009, the Company adopted new guidance which establishes accounting and reporting standards for the noncontrolling interest in a subsidiary. Among other matters, (a) the previous limitations on allocation of losses to the noncontrolling interests were eliminated, (b) the noncontrolling interest is reported within equity in the balance sheet and (c) the amount of combined net income attributable to the parent and to the noncontrolling interest is presented in the statement of income. Also, changes in ownership interests in subsidiaries in which the Company maintains a controlling interest are recorded in equity. The Company has applied the changes prospectively, except for the presentation and disclosure requirements, which have been applied retrospectively for all periods presented.

Revenue Recognition

Revenue is recognized as follows:

- Programming revenue is recognized in the period during which programming is provided, pursuant to affiliation agreements. During the year ended December 31, 2011, approximately 56% of the Starz Channels' revenue was generated by its three largest customers, Comcast, DIRECTV and Dish Network, each of which individually generated 10% or more of the Starz Channels' revenue for such period.
- TruePosition earns revenue from the sale and licensing of equipment with embedded software and related service and maintenance. For contracts entered into prior to the adoption of new revenue accounting guidance with multiple element arrangements with vendor specific objective evidence, the Company recognized revenue for each specific element when the earnings process is complete. If vendor specific objective evidence did not exist, revenue was deferred and recognized on a straight-line basis over the remaining term of the maintenance period after all other elements had been delivered. The Company adopted the new revenue accounting guidance prospectively (see the Recent Accounting Pronouncements header for information on the adoption of the revenue accounting guidance) so subsequent to January 1, 2011 any new contracts or materially modified contracts with multiple element arrangements are accounted for based on the relative fair value of each separate element and recognized as earned.
- Revenue from the sale of DVDs is recognized net of an allowance for estimated returns, on the later of estimated receipt of the product by the customer or after any restrictions on the sale lapse. Revenue from television licensing is recognized when the film or program is complete in accordance with the terms of the arrangement, the license period has begun and is available for telecast or exploitation. Revenue from the theatrical release of feature films is recognized at the

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

time of exhibition based on the Company's participation in box office receipts.

- Revenue for ticket sales, local radio and television rights, signage and suites are recognized on a per game basis during the baseball season based on a pro rata share of total revenues earned during the entire baseball season to the total number of home games during the season. Concession revenue is recognized as commissions are earned from the sale of food and beverage at the stadium in accordance with agreements with the Company's concessions vendors. Major League Baseball (MLB) revenue is earned throughout the year based on an estimate of revenues generated by MLB on behalf of the 30 MLB clubs through the MLB Central Fund and MLB Properties and revenue sharing income or expense.

Additionally, TruePosition's contract with T-Mobile expired in mid-2011; however software maintenance services ordered prior to that date continued to be provided through the end of the year. TruePosition had deferred substantially all of the revenue earned from T-Mobile since the inception of the contract due to an obligation to provide specified upgrades which were not delivered and for which no Vendor Specific Objective Evidence existed. Upon expiration of the software maintenance period, this obligation ceased to exist and, accordingly, TruePosition recognized approximately \$491 million and \$242 million of previously deferred revenue and costs, respectively.

Advertising Costs

Advertising costs generally are expensed as incurred. Advertising expense aggregated \$114 million, \$154 million and \$211 million for the years ended December 31, 2011, 2010 and 2009, respectively. Co-operative marketing costs incurred as part of affiliation agreements with distributors are recognized as advertising expense to the extent an identifiable benefit is received and fair value of the benefit can be reasonably measured. Otherwise, such costs are recorded as a reduction of revenue.

Stock-Based Compensation

As more fully described in note 15, Liberty 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 measures 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 recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award). The Company measures 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 remeasures the fair value of the Award at each reporting date.

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

Years ended:	
December 31, 2011	\$32
December 31, 2010	\$83
December 31, 2009	\$81

Included in earnings from discontinued operations for the year ended December 31, 2009 is \$55 million of stock-based compensation related to stock options and restricted stock, the vesting of which was accelerated in connection with the closing of the DTV Business Combination.

As of December 31, 2011, the total unrecognized compensation cost related to unvested Liberty equity Awards was approximately \$68 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.2 years.

Income Taxes

The Company was included in the consolidated tax return of Liberty Interactive through the date of the Split-Off. Following the Split-Off the Company files its own consolidated tax return. The Company accounts for income taxes using the asset and

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

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

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

Earnings attributable to Liberty Stockholders Per Common Share

Net earnings attributable to Liberty stockholders are comprised of the following:

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
Earnings (loss) from continuing operations	\$812	1,021	340
Earnings from discontinued operations	—	—	5,864
Net earnings (loss) attributable to Liberty stockholders	\$812	1,021	6,204

Basic earnings (loss) per common share (“EPS”) is computed by dividing net earnings (loss) by the weighted average number of common shares that were outstanding for the period at the Company. 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.

Series A and Series B Liberty Capital Common Stock

The basic and diluted EPS calculation is based on the following weighted average outstanding shares (WASO) of Liberty Capital common stock, based on the conversion ratio of 1 to 1 utilized in the Split-Off, prior to the Split-Off, and the actual Liberty Capital common stock after the Split-Off. Excluded from diluted EPS for the years ended December 31, 2011 are less than a million potential common shares because their inclusion would be anti-dilutive.

	Years ended December 31,		
	2011	2010	2009
	number of shares in millions		
Basic WASO	85	90	96
Stock options	3	3	1
Diluted WASO	88	93	97

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

Series A and Series B Liberty Starz Common Stock

The basic and diluted EPS calculation is based on the following WASO of Liberty Starz common stock, based on the conversion ratio of 1 to 1 utilized in the Split-Off, prior to the Split-Off, and the actual Liberty Starz common stock immediately after the Split-Off. As discussed in note 2, on November 28, 2011 the Company converted each share of Liberty Starz for .88129 of a share of the corresponding series of Liberty Capital common stock (plus cash in lieu of fractional shares) to eliminate the tracking stock structure. Therefore, as of December 31, 2011, there were zero shares of Liberty Starz Common stock outstanding and the Basic and Diluted EPS calculations are through the Conversion date.

	Years ended December 31,		
	2011	2010	2009
	number of shares in millions		
Basic WASO	51	50	463
Stock options	2	2	3
Diluted WASO	53	52	466

Estimates

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. The Company considers (i) fair value measurements, (ii) accounting for income taxes, (iii) assessments of other-than-temporary declines in fair value of its investments and (iv) amortization of program rights to be its most significant estimates.

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

Recent Accounting Pronouncements

In September 2009, the Financial Accounting Standards Boards amended the Accounting Standards Codification ("ASC") as summarized in Accounting Standards Update ("ASU") 2009-14, *Software (Topic 985): Certain Revenue Arrangements That Include Software Elements*, and ASU 2009-13, *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements*. As summarized in ASU 2009-14, ASC Topic 985 has been amended to remove from the scope of industry specific revenue accounting guidance for software and software related transactions, tangible products containing software components and non-software components that function together to deliver the product's essential functionality. As summarized in ASU 2009-13, ASC Topic 605 has been amended (1) to provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (2) to require an entity to allocate revenue in an arrangement using estimated selling prices of deliverables if a vendor does not have vendor-specific objective evidence or third-party evidence of selling price; and (3) to eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method. The accounting changes summarized in ASU 2009-14 and ASU 2009-13 are effective for fiscal years beginning on or after June 15, 2010, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application.

The Company adopted the revenue guidance on a prospective basis as of January 1, 2011. There was no financial statement impact on that date as a result of the adoption of the new accounting guidance. In the first quarter of 2011, TruePosition, a consolidated subsidiary of the Company, entered into an amended contract with AT&T (one of TruePosition's largest customers) that materially changed the terms of the existing contract. The transition provisions of the new accounting guidance require that when a contract is materially modified it is subject to the new accounting requirements. This resulted in the Company recognizing revenue for all the delivered elements meeting the separation criteria, previously deferred under the previous accounting guidance.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

TruePosition recognized approximately \$538 million of revenue and \$167 million of deferred cost associated with the delivered elements as of the modification date. Previously, TruePosition did not have Vendor Specific Objective Evidence for the undelivered specified upgrade, which changed the timing of revenue recognition for the entire arrangement. Under the new guidance TruePosition utilized the estimated selling price to determine what portion of the overall consideration to allocate to the delivered and undelivered elements.

In September 2011, the Financial Accounting Standards Boards amended the Accounting Standards Codification (“ASC”) as summarized in Accounting Standards Update (“ASU”) 2011-08, *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. As summarized in ASU 2011-08, ASC Topic 350 has been amended to simplify how entities test goodwill for impairment by permitting entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in ASC Topic 350. Previously, under ASC Topic 350 an entity would be required to test goodwill, on at least an annual basis, by comparing the fair value of a reporting unit with its carrying amount, then, if the carrying amount was greater than the fair value of the reporting unit, step two of the test would be required to determine whether an impairment was necessary. In evaluating goodwill on a qualitative basis we reviewed the business performance of each reporting unit and evaluated other relevant factors as identified in ASU 2011-08 to determine whether it was more likely than not that an indicated impairment existed for any of our reporting units. As part of the analysis we also considered fair value determinations for certain reporting units that had been made at various points throughout the year for other purposes. We do not believe the outcome of performing a qualitative analysis versus immediately performing a step one test had any financial statement impact.

(4) Supplemental Disclosures to Consolidated Statements of Cash Flows

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
Cash paid for interest	\$ 12	66	140
Cash paid (received) for income taxes	\$193	161	(44)

(5) Discontinued Operations

Split Off of LEI

On February 27, 2008, Liberty Interactive completed a transaction with News Corporation (the “News Corporation Exchange”) in which Liberty Interactive 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 and \$463 million in cash. Liberty Interactive accounted for the News Corporation Exchange as a nonmonetary exchange and recognized a pre-tax gain of \$3,665 million based on the difference between the fair value and the cost basis of the News Corporation shares exchanged. The News Corporation Exchange qualified as an IRC Section 355 transaction, and therefore did not trigger federal or state income tax obligations. In addition, upon consummation of such transaction, the deferred tax liability previously recorded for the difference between Liberty Interactive’s book and tax bases in its News Corporation investment in the amount of \$1,791 million was reversed with an offset to income tax benefit.

On April 3, 2008, Liberty Interactive purchased 78.3 million additional shares of DIRECTV common stock in a private transaction for cash consideration of \$1,980 million. Liberty Interactive funded the purchase with borrowings against a newly executed equity collar on 110 million DIRECTV common shares. As a result of the additional shares acquired and stock repurchases by DIRECTV, Liberty Interactive’s ownership interest in DIRECTV increased to approximately 57% as of November 19, 2009. However, due to a standstill agreement with DIRECTV, Liberty Interactive’s ability to control DIRECTV was limited, and Liberty Interactive accounted for its investment using the equity method of accounting. Liberty Interactive’s share of the earnings of DIRECTV, including amortization of Liberty Interactive’s excess basis related to DIRECTV, aggregated \$386 million in 2009. Such share of earnings are net of amortization of Liberty Interactive’s excess basis of \$279 million in 2009.

On November 19, 2009, Liberty Interactive completed the split-off of LEI, and the business combination transaction among

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

Liberty Interactive, LEI and DIRECTV (the “LEI Split-Off). LEI held Liberty Interactive’s 57% interest in DIRECTV (which had a carrying value of \$13,475 million at the time of the LEI Split-Off), a wholly owned subsidiary Liberty Sports Holdings, LLC, 65% interest in Game Show Network, LLC and approximately \$120 million in cash and cash equivalents, and approximately \$2,000 million of indebtedness. All of the businesses, assets and liabilities that were attributed to the Entertainment Group and were not held by LEI remained with Liberty and continue to be attributed to the Entertainment Group, which Liberty Interactive redesignated as the Starz Group.

Immediately following the LEI Split-Off, Liberty Interactive, LEI and DIRECTV completed the DTV Business Combination, and each of LEI and DIRECTV became wholly owned subsidiaries of a new public holding company (“Holdings”), and LEI repaid loans to Liberty Interactive in the amount of \$226 million. Pursuant to the DTV Business Combination, (i) John C. Malone, Chairman of the boards of Liberty Interactive, LEI and DIRECTV, and certain related persons (collectively, “the Malones”) contributed each of their shares of LEI Series B common stock to Holdings for 1.11130 shares of Holdings Class B common stock (with payment of cash in lieu of any fractional shares), (ii) LEI merged with a wholly-owned subsidiary of Holdings, and each share of LEI common stock (other than shares of LEI Series B common stock held by the Malones) was exchanged for 1.11130 shares of Holdings Class A common stock (with payment of cash in lieu of any fractional shares), and (iii) DIRECTV merged with a wholly-owned subsidiary of Holdings, and each share of DIRECTV common stock was exchanged for one share of Holdings Class A common stock.

Because the LEI Split-Off was conditioned on, among other matters, satisfaction and waiver of all conditions to the DTV Business Combination, the LEI Split-Off and the DTV Business Combination have been recorded at fair value, and Liberty Interactive recognized an approximate \$5,900 million gain on the transaction. Such gain is included in earnings from discontinued operations in the accompanying consolidated statement of operations. Due to the tax-free nature of the LEI Split-Off and the DTV Business Combination, no taxes have been recorded on the gain for financial statement purposes.

Certain combined statement of operations information for LEI, which is included in earnings from discontinued operations, is as follows:

	Year ended December 31, 2009
	amounts in millions
Revenue	\$ 240
Earnings before income taxes(1)	\$5,770

(1) Includes the gain from the LEI Split-Off/DTV Business Combination in 2009.

(6) Assets and Liabilities Measured at Fair Value

For assets and liabilities required to be reported at fair value, GAAP 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.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

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

Description	December 31, 2011				December 31, 2010			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	amounts in millions							
Short term marketable securities	\$ 299	—	299	—	509	\$ —	509	—
Available-for-sale securities	\$1,851	1,441	410	—	4,541	4,165	376	—
Financial instruments	\$ 7	—	7	—	1,230	1,219	11	—
Debt	\$ —	—	—	—	1,283	—	1,283	—

The majority of Liberty's Level 2 financial assets are investments in debt related instruments. The Company notes that these assets are not always traded publicly or not considered to be traded on "active markets," as defined in GAAP. The fair values for such instruments are derived from a typical model using observable market data as the significant inputs. The fair value of debt in the prior year was based on quoted market prices but not considered to be traded on "active markets," as defined by GAAP. Accordingly, those Available-for-sale securities, financial instruments and debt are reported in the foregoing table as Level 2 fair value.

(7) 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. GAAP 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 (the "fair value option"). The Company previously had entered into economic hedges for certain 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 those economic hedges were reflected in the Company'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, the Company has elected the fair value option for those of its AFS securities which it considers to be non-strategic ("Non-strategic Securities"). Accordingly, changes in the fair value of Non-strategic Securities, as determined by quoted market prices, are reported in realized and unrealized gains (losses) on financial instruments in the accompanying condensed consolidated statements of operations. The total value of the Non-strategic Securities aggregated \$1,435 million as of December 31, 2011.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

Investments in AFS securities, including Non-strategic Securities, and other cost investments are summarized as follows:

	<u>December 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
	<u>amounts in millions</u>	
Time Warner Inc.(1)(2)	\$ 340	1,101
Time Warner Cable Inc.(1)(2)	150	567
Sprint Nextel Corporation (“Sprint”)(1)	44	301
Motorola Solutions(1)	—	471
Viacom, Inc.	345	301
Live Nation(3)	24	389
Century Link, Inc.(1)	67	248
Barnes & Noble, Inc.(4)	253	—
Priceline(1)	—	208
Other AFS equity securities(1)(2)	46	176
SIRIUS XM debt securities	384	384
Other AFS debt securities	206	404
	<u>\$1,859</u>	<u>4,550</u>

- (1) Includes shares previously pledged as collateral for share borrowing arrangements. These arrangements were settled in the fourth quarter of 2011 through the release of these shares, held as collateral, to the counterparty. See note 9 for additional discussion.
- (2) As discussed in note 2, prior to the Split-Off, certain of these securities were reattributed from the Capital Group to the Interactive Group in the first quarter of 2011.
- (3) In June 2011, Liberty acquired an additional 5.5 million shares of Live Nation for \$58 million. The additional ownership requires the Company to account for the investment as an equity method affiliate. For additional discussion see note 7. Liberty continues to hold debt securities in Live Nation which are included in available-for-sale securities.
- (4) In August 2011, Liberty acquired 204,000 shares of preferred stock of Barnes & Noble, Inc., which is convertible into an approximate 17% common equity interest, for \$204 million. The preferred stock pays dividends at a rate of 7.75% per annum. Liberty has elected to account for its investment in Barnes & Noble at fair value. Accordingly, changes in fair value of Barnes & Noble, Inc. preferred stock are reported in realized and unrealized gains (losses) on financial instruments in the accompanying condensed consolidated statements of operations.

Unrealized Holding Gains and Losses

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

	<u>December 31, 2011</u>		<u>December 31, 2010</u>	
	<u>Equity</u> <u>securities</u>	<u>Debt</u> <u>securities</u>	<u>Equity</u> <u>securities</u>	<u>Debt</u> <u>securities</u>
	<u>amounts in millions</u>			
Gross unrealized holding gains	\$ 1	57	32	66
Gross unrealized holding losses(1)	\$—	—	—	—

- (1) Liberty does not currently have any gross unrealized losses that have been in such position for greater than a year.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

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

Liberty has various investments accounted for using the equity method. The following table includes the Company's carrying amount and percentage ownership of the more significant investments in affiliates at December 31, 2011, and the carrying amount at December 31, 2010:

	December 31, 2011			December 31, 2010
	Percentage ownership	Market Value	Carrying amount	Carrying amount
	dollar amounts in millions			
SIRIUS XM	41%	\$4,708	\$ 64	5
Live Nation(a)	21%	\$ 326	377	—
Other	various	N/A	126	86
			<u>\$567</u>	<u>91</u>

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

	Years ended December 31,		
	2011	2010	2009
SIRIUS XM	\$ 68	(41)	(28)
Live Nation(a)	(34)	—	—
Other	15	(23)	(16)
	<u>\$ 49</u>	<u>(64)</u>	<u>(44)</u>

- (a) During June 2011, Liberty acquired an additional 5.5 million shares of Live Nation which increased our ownership percentage above 20% of the outstanding voting shares. Due to the presumption that an entity with an ownership percentage greater than 20% has significant influence absent other factors to rebut that presumption, the Company is accounting for the investment as an equity method affiliate. The Company has elected to record its share of earnings (loss) for Live Nation on a three-month lag due to timeliness considerations. Increases in ownership which result in a change to the equity method of accounting generally require retroactive recognition of an investment's share of earnings (loss) in prior periods. Due to the relative insignificance of our share of losses for Live Nation in previous periods, both quantitatively and qualitatively, the Company has recorded such amounts in the current year. Approximately \$12 million of the losses recorded for the year ended December 31, 2011 relate to the prior year.

Sirius XM Radio Inc.

Based on the Company's voting rights and its conclusion that the SIRIUS XM Preferred Stock is in-substance common stock, the Company accounts for its investment in the SIRIUS XM Preferred Stock using the equity method of accounting. The Company has elected to record its share of earnings (loss) for SIRIUS XM on a three-month lag due to timeliness considerations.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

Summarized unaudited financial information for SIRIUS XM is as follows:

SIRIUS XM Consolidated Balance Sheet

	September 30, 2011	December 31, 2010
	amounts in millions	
Current assets	\$1,033	992
Property and equipment, net	1,703	1,761
Intangible assets	2,588	2,633
Goodwill	1,835	1,835
Other assets	166	162
Total assets	<u>\$7,325</u>	<u>7,383</u>
Current liabilities	\$2,158	2,350
Deferred income taxes	936	915
Long-term debt	2,678	2,696
Other liabilities	938	1,214
Stockholders' equity	615	208
Total liabilities and equity	<u>\$7,325</u>	<u>7,383</u>

SIRIUS XM Consolidated Statement of Operations

	Trailing Twelve months ended September 30,		Nine months ended December 31,
	2011	2010	2009
	amounts in millions		
Revenue	\$ 2,967	2,757	1,796
Cost of services	(1,114)	(1,081)	(791)
Selling, general and administrative expenses	(931)	(907)	(599)
Restructuring, impairments and related costs	(60)	(7)	(30)
Depreciation and amortization	(268)	(285)	(231)
Operating income	594	477	145
Interest expense	(303)	(289)	(240)
Loss on extinguishment of debt	(92)	(39)	(264)
Other income (loss), net	85	(1)	5
Income tax expense	(9)	(9)	(3)
Net income (loss) from continuing operations	275	139	(357)
Preferred stock beneficial conversion feature	—	—	(186)
Net income attributable to SIRIUS XM stockholders	<u>\$ 275</u>	<u>139</u>	<u>(543)</u>

As of December 31, 2011, the SIRIUS XM Preferred Stock had a market value of \$4,708 million based on the value of the common stock into which it is convertible.

(9) Financial Instruments

Borrowed Shares

From time to time and in connection with certain of its derivative instruments, the Company borrows shares of the underlying securities from a counterparty and delivers these borrowed shares in settlement of maturing derivative positions. In these transactions, a similar number of shares that are owned by the Company have been posted as collateral with the counterparty. These share borrowing arrangements can be terminated at any time at the Company's option by delivering shares to the counterparty. The counterparty can terminate these arrangements at any time. The liability under these share borrowing arrangements is marked

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

to market each reporting period with changes in value recorded in unrealized gains or losses in the consolidated statement of operations. The shares posted as collateral under these arrangements are marked to market each reporting period with changes in value recorded as unrealized gains or losses in the consolidated statement of operations. The Company settled all the outstanding borrowed share arrangements in the fourth quarter of 2011 by releasing the shares posted as collateral to the counterparty. The fair value of the available-for-sale securities at the time the shares were released to the counterparty was \$1,134 million, which completely offset the \$1,134 million financial instrument liability related to the share borrowing arrangement. During the year ended December 31, 2011, other borrowed share arrangements were settled in a similar manner that retired \$189 million in financial instrument liabilities through the delivery of \$189 million in fair value of available-for-sale securities. The Company's liability related to the share borrowing arrangement was \$1,219 million at December 31, 2010 which was equal to the fair value of the underlying shares held as collateral by the counterparty.

Realized and Unrealized Gains (Losses) on Financial Instruments

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

	Years ended December 31,		
	2011	2010	2009
Non-strategic Securities(1)	\$ 254	669	1,076
Borrowed shares(1)	(104)	(254)	(301)
Net change from Non-strategic securities(1)	150	415	775
Exchangeable senior debentures	(85)	(111)	(670)
Equity collars	—	(2)	(101)
Other	3	(42)	(38)
	<u>\$ 68</u>	<u>260</u>	<u>(34)</u>

(1) As described above, gains and (losses) on borrowed shares completely offset the gains and (losses) on the same Non-strategic Securities owned by the Company.

(10) Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill are as follows:

	Starz, LLC	ANLBC	TruePosition	Other	Total
Balance at January 1, 2010	\$132	180	20	2	334
Impairment	—	—	—	(2)	(2)
Other	—	—	—	—	—
Balance at December 31, 2010	<u>132</u>	<u>180</u>	<u>20</u>	<u>—</u>	<u>332</u>
Impairment	—	—	—	—	—
Other	—	—	—	—	—
Balance at December 31, 2011	<u>\$132</u>	<u>180</u>	<u>20</u>	<u>—</u>	<u>332</u>

Other intangible assets not subject to amortization include Franchise Rights (\$143 million) owned by ANLBC and other intangibles (zero and \$10 million, respectively) as of December 31, 2011 and 2010. As of December 31, 2011, the accumulated impairment losses for Starz, LLC was \$2,960 million.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

Intangible Assets Subject to Amortization

Intangible assets subject to amortization are comprised of the following:

	December 31, 2011			December 31, 2010		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
			amounts in millions			
Customer relationships	\$ 51	(20)	31	79	(42)	37
Other	562	(458)	104	637	(510)	127
Total	<u>\$613</u>	<u>(478)</u>	<u>135</u>	<u>716</u>	<u>(552)</u>	<u>164</u>

Customer relationships are amortized over 10-14 years. Amortization expense was \$32 million, \$48 million and \$55 million for the years ended December 31, 2011, 2010 and 2009, respectively. Based on its amortizable intangible assets as of December 31, 2011, Liberty expects that amortization expense will be as follows for the next five years (amounts in millions):

2012	\$19
2013	\$17
2014	\$12
2015	\$10
2016	\$10

(11) Debt

Debt is summarized as follows:

	Outstanding Principal December 31, 2011	Carrying value	
		December 31, 2011	December 31, 2010
		amounts in millions	
Exchangeable Senior Debentures 3.125% due 2023	\$ —	—	1,283
Bank Facility	750	750	750
Starz Bank Facility	505	505	—
Other subsidiary debt	40	40	105
Total debt	<u>\$1,295</u>	1,295	2,138
Less current maturities		(754)	(37)
Total long-term debt		<u>\$ 541</u>	<u>2,101</u>

Exchangeable Senior Debentures

As discussed in note 2, in the first quarter of 2011 the board of directors of Liberty Interactive reattributed the 3.125% Exchangeable Senior Debentures from its Capital Group to its Interactive Group which was reflected on a prospective basis.

Bank Facility

The outstanding balance represents borrowings from a financial institution to be invested by the Company in a portfolio of selected debt and mezzanine-level instruments of companies in the telecommunications, media and technology sectors. The outstanding principal matures in March 2012. Due to the investment restrictions contained in the agreements related to these borrowings and the maturity date of the related borrowings, the uninvested cash balance of \$660 million is included in restricted cash in the accompanying consolidated balance sheet at December 31, 2011. The restricted cash and AFS debt investments associated with these borrowings are available to satisfy the obligations at maturity.

Starz Bank Facility

In November 2011, Starz, LLC entered into a Credit Agreement that provides for a \$1 billion revolving credit facility, with a

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

\$50 million sub-limit for standby letters of credit, and \$500 million of term loans. Starz may elect that the loans bear interest at a rate per annum equal to the Alternative Base Rate (as defined in the Credit Agreement) plus a margin of 0.75% to 1.75% or the LIBO Rate (as defined in the Credit Agreement) plus a margin of 1.75% to 2.75%, depending on Starz's Consolidated Leverage Ratio (as defined in the Credit Agreement). Each loan may be prepaid at any time and from time to time without penalty other than customary breakage costs. No mandatory prepayments will be required other than prepayment of the term loans with the net cash proceeds from any issuance or incurrence of notes or term loans intended primarily for issuance to institutional investors, other than incremental term loans. Any amounts prepaid on the revolving facility may be reborrowed. The loans are scheduled to mature \$25 million in 2013, \$25 million in 2014, \$50 million in 2015 and the remainder on November 16, 2016. Payment of the loans may be accelerated following certain customary events of default.

The payment and performance of Starz's obligations under the Credit Agreement are guaranteed by each Material Domestic Subsidiary (as defined in the Credit Agreement) of Starz. In addition, pursuant to Pledge Agreements, the obligations under the Credit Agreement are secured by a pledge of all of Starz's equity interests held directly or indirectly by the Company and a pledge of all equity interests of each Material Domestic Subsidiary held directly or indirectly by Starz. The Credit Agreement provides for release of the pledges if Starz's Consolidated Leverage Ratio is less than 1.50 to 1.00 for two consecutive fiscal quarters.

The Credit Agreement contains certain affirmative and negative covenants, including certain restrictions with respect to liens, mergers, sales of assets, transactions with affiliates, indebtedness, dividends and investments and limitations on Starz's Consolidated Leverage Ratio and Consolidated Interest Coverage Ratio, each as defined in the Credit Agreement. As of December 31, 2011 Starz is in compliance with all of its debt covenants. As of December 31, 2011, Starz had approximately \$995 million available under the credit facility.

Subsidiary Debt

Subsidiary debt at December 31, 2011 is comprised of capitalized satellite transponder lease obligations.

Five Year Maturities

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

2012	\$754
2013	\$ 29
2014	\$ 30
2015	\$ 55
2016	\$410

Fair Value of Debt

Due to its variable rate nature, the Company believes that the carrying amount of its debt approximated fair value at December 31, 2011.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

(12) Income Taxes

Income tax benefit (expense) consists of:

	<u>Years ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
	amounts in millions		
Current:			
Federal	\$(253)	(211)	204
State and local	(7)	(8)	13
Foreign	<u>(1)</u>	<u>(5)</u>	<u>(2)</u>
	<u>(261)</u>	<u>(224)</u>	<u>215</u>
Deferred:			
Federal	(19)	721	(65)
State and local	(39)	61	20
Foreign	<u>—</u>	<u>—</u>	<u>—</u>
	<u>(58)</u>	<u>782</u>	<u>(45)</u>
Income tax benefit (expense)	<u>\$(319)</u>	<u>558</u>	<u>170</u>

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

	<u>Years ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
	amounts in millions		
Computed expected tax benefit (expense)	\$(394)	(160)	(59)
Disposition of consolidated subsidiaries	—	462	—
Settlements with taxing authorities	—	211	—
State and local income taxes, net of federal income taxes	(28)	34	16
Change in valuation allowance affecting tax expense	(20)	7	9
Recognition of tax benefits not previously recognized, net	109	—	201
Other, net	<u>14</u>	<u>4</u>	<u>3</u>
Income tax benefit (expense)	<u>\$(319)</u>	<u>558</u>	<u>170</u>

The significant reconciling items as noted in the table are the result of settlements reached with the IRS regarding some of our tax positions taken on the Company's prior year tax returns. During the fourth quarter of 2011, the Company and the IRS agreed to certain tax treatments of several disputed items on the Company's 2010 tax return. Upon settlement, the Company recorded additional tax benefit through the statement of operations due to the reversal of certain tax reserves (\$104 million) and settled net tax liabilities previously recorded for cash consideration of \$136 million. During the fourth quarter of 2010, the Company recognized a net federal tax benefit of \$211 million due to an agreement reached with the IRS with respect to settlement of certain derivative contracts reported on the Company's 2009 income tax return. During 2009, due to the completion of audits with taxing authorities, the Company reversed certain tax reserves and recorded a corresponding tax benefit of \$201 million through the statement of operations.

Additionally, in fourth quarter of 2010, the Company recognized a deferred tax benefit of \$462 million from the sale of certain consolidated subsidiaries. This position was settled as part of the agreement reached with the IRS during the fourth quarter of 2011.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

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

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
	<u>amounts in millions</u>	
Deferred tax assets:		
Net operating and capital loss carryforwards	\$ 76	590
Accrued stock compensation	41	39
Other accrued liabilities	60	59
Discount on exchangeable debentures	—	48
Deferred revenue	18	409
Other future deductible amounts	31	26
Deferred tax assets	<u>226</u>	<u>1,171</u>
Valuation allowance	<u>(30)</u>	<u>(9)</u>
Net deferred tax assets	<u>196</u>	<u>1,162</u>
Deferred tax liabilities:		
Investments	419	1,366
Intangible assets	100	106
Other	<u>27</u>	<u>31</u>
Deferred tax liabilities	<u>546</u>	<u>1,503</u>
Net deferred tax liabilities	<u>\$350</u>	<u>341</u>

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

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
	<u>amounts in millions</u>	
Current deferred tax liabilities (assets)	\$(61)	712
Long-term deferred tax liabilities (assets)	<u>411</u>	<u>(371)</u>
Net deferred tax liabilities	<u>\$350</u>	<u>341</u>

The Company's net increase in the valuation allowance was \$21 million in 2011. The gross change in valuation allowance that affected tax expense was \$20 million.

At December 31, 2011, the Company had federal net operating and capital loss carryforwards for income tax purposes aggregating approximately \$118 million which, if not utilized to reduce taxable income in future periods, \$1 million will expire in 2012, \$68 million will expire in 2015 and \$49 million will expire beyond 2016. The foregoing net operating and capital loss carryforwards are subject to certain limitations and may not be currently utilized.

During the year ended December 31, 2011 the Company utilized a significant portion of the gross deferred tax assets and liabilities. This was primarily the result of an agreement reached with the IRS during the fourth quarter of 2011, which resulted in a decrease to the Company's short term deferred income tax liability, related to the recognition of deferred derivative gains, and a decrease to the Company's long term deferred income tax asset, related to the use of capital losses. In addition, as a result of the Company recognizing significant deferred revenue and costs during 2011, the net deferred tax asset related to the deferred revenue decreased significantly.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

A reconciliation of unrecognized tax benefits is as follows:

	December 31,	
	2011	2010
	amounts in millions	
Balance at beginning of year	\$ 158	45
Additions based on tax positions related to the current year	—	118
Additions for tax positions of prior years	—	—
Reductions for tax positions of prior years	(6)	(5)
Lapse of statute and settlements	(118)	—
Balance at end of year	\$ 34	158

As of December 31, 2011, the Company had recorded tax reserves of \$34 million related to unrecognized tax benefits for uncertain tax positions. If such tax benefits were to be recognized for financial statement purposes, \$28 million would be reflected in the Company's tax expense and affect its effective tax rate. The Company's estimate of its unrecognized tax benefits related to uncertain tax positions requires a high degree of judgment.

As of December 31, 2011, the Company's 2001 through 2007 tax years are closed for federal income tax purposes, and the IRS has completed its examination of the Company's 2008 through 2010 tax years. The Company's tax loss carryforwards from its 2008 through 2010 tax years are still subject to adjustment. The Company's 2011 tax year is being examined currently as part of the IRS's Compliance Assurance Process ("CAP") program. Various states are currently examining the Company's prior years state income tax returns. It is reasonably possible that the amount of the Company's gross unrecognized tax benefits may decrease within the next twelve months by up to \$5 million.

As of December 31, 2011, the Company had no accrued interest and penalties recorded related to uncertain tax positions.

(13) Stockholders' Equity

Preferred Stock

Liberty's preferred stock is issuable, from time to time, with such designations, preferences and relative participating, optional or other rights, qualifications, limitations or restrictions thereof, as shall be stated and expressed in a resolution or resolutions providing for the issue of such preferred stock adopted by Liberty's board of directors. As of December 31, 2011, no shares of preferred stock were issued.

Common Stock

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

As of December 31, 2011, there were 7.7 million shares of Series A Liberty Capital common stock reserved for issuance under exercise privileges of outstanding stock options.

In addition to the Series A and Series B Liberty Capital common stock there are 2 billion shares of Series C Liberty Capital common stock authorized for issuance. As of December 31, 2011, no shares of any Series C common stock were issued or outstanding.

Purchases of Common Stock

As described in note 2, in November of 2011, Liberty exchanged each outstanding share of Liberty Starz common stock for 0.88129 of a share of the corresponding series of Liberty Capital common stock, with cash paid in lieu of any fractional shares .

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

Additionally, in November 2009, Liberty Interactive redeemed 90% of its outstanding Liberty Entertainment common stock for shares of LEI, and the Liberty Entertainment common stock was redesignated as Liberty Starz common stock.

During the year ended December 31, 2009, the Company repurchased 642,400 shares of Series A Liberty Capital common stock for aggregate cash consideration of \$5 million and 272,400 shares of Series A Liberty Starz common stock for aggregate cash consideration of \$13 million.

During the year ended December 31, 2010 the Company repurchased 15,632,700 shares of Series A Liberty Capital common stock for aggregate cash consideration of \$714 million and 835,700 shares of Series A Liberty Starz common stock for aggregate cash consideration of \$40 million.

During the year ended December 31, 2011 the Company repurchased 5,229,166 shares of Series A Liberty Capital common stock for the aggregate cash consideration of \$365 million and 1,534,200 shares of Series A Liberty Starz common stock for aggregate cash consideration of \$100 million.

All of the foregoing shares were repurchased pursuant to a previously announced share repurchase program and have been retired and returned to the status of authorized and available for issuance.

(14) Transactions with Officers and Directors

Chief Executive Officer Compensation Arrangement

On December 17, 2009, the Compensation Committee (the “Committee”) of Liberty approved a new compensation arrangement for its President and Chief Executive Officer (the “CEO”). The arrangement provides for a five year employment term which began on January 1, 2010 and ends December 31, 2014, with an annual base salary of \$1.5 million, increasing annually by 5% of the prior year’s base salary, and an annual target cash bonus equal to 200% of the applicable year’s annual base salary. The arrangement also provides that, in the event the CEO is terminated for “cause” or terminates his employment without “good reason,” he will be entitled only to his accrued base salary and any amounts due under applicable law, and he will forfeit all rights to his unvested restricted shares and unvested options. If, however, the CEO is terminated by Liberty without cause or if he terminates his employment for good reason, the arrangement provides for him to receive \$7.8 million and for his unvested restricted shares and unvested options to vest pro rata based on the portion of the term elapsed through the termination date plus 18 months and for all vested and accelerated options to remain exercisable until their respective expiration dates. Lastly, in the case of the CEO’s death or his disability, the arrangement provides for a payment of \$7.8 million, for his unvested restricted shares and unvested options to fully vest and for his vested and accelerated options to remain exercisable until their respective expiration dates.

Salary compensation related to services provided by the CEO are allocated from Liberty to Liberty Interactive pursuant to the Services Agreement. Any cash bonus attributable to the performance of Liberty and Liberty Interactive is paid directly by Liberty and Liberty Interactive, respectively.

Chairman’s Employment Agreement

On December 12, 2008, the Committee determined to modify its employment arrangements with its Chairman of the Board, to permit the Chairman to begin receiving payments in 2009 in satisfaction of Liberty’s obligations to him under two deferred compensation plans and a salary continuation plan. Under one of the deferred compensation plans (the “8% Plan”), compensation has been deferred by the Chairman since January 1, 1993 and accrues interest at the rate of 8% per annum compounded annually from the applicable date of deferral. The amount owed to the Chairman under the 8% Plan aggregated approximately \$2.4 million at December 31, 2008. Under the second plan (the “13% Plan”), compensation was deferred by the Chairman from 1982 until December 31, 1992 and accrues interest at the rate of 13% per annum compounded annually from the applicable date of deferral. The amount owed to the Chairman under the 13% Plan aggregated approximately \$20 million at December 31, 2008. Both deferred compensation plans had provided for payment of the amounts owed to him in 240 monthly installments beginning upon termination of his employment. Under his salary continuation plan, the Chairman would have been entitled to receive \$15,000 (increased at the rate of 12% per annum compounded annually from January 1, 1998 to the date of the first payment, (the “Base Amount”) per month for 240 months beginning upon termination of his employment. The amount owed to the Chairman under the salary continuation plan aggregated approximately \$39 million at December 31, 2008. There is no further accrual of interest under the

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

salary continuation plan once payments have begun.

The Committee determined to modify all three plans and began making payments to the Chairman in 2009, while he remains employed by the company. By commencing payments under the salary continuation plan, interest ceased to accrue on the Base Amount. As a result of these modifications, the Chairman will receive 240 equal monthly installments as follows: (1) approximately \$20,000 under the 8% Plan; (2) approximately \$237,000 under the 13% Plan; and (3) approximately \$164,000 under the salary continuation plan.

The Committee also approved certain immaterial amendments to the Chairman's employment agreement intended to comply with Section 409A of the Internal Revenue Code.

(15) Stock-Based Compensation

Liberty—Incentive Plans

In connection with the Split-Off, awards with respect to Liberty Interactive's Series A and Series B Liberty Starz and Liberty Capital common stock were converted to awards with respect to Liberty's Series A and Series B Liberty Starz and Liberty Capital common stock pursuant to the Liberty Media Corporation Transitional Stock Adjustment Plan (the "Transitional Plan"). Following the Split-Off and the Conversion, the Transitional Plan governs the terms and conditions of such stock options and SARs (collectively, "Awards"), in respect of a maximum of 7.8 million shares of Liberty Capital common stock, to purchase shares of Series A and Series B Liberty Capital common stock. No additional grants may be made pursuant to the Transitional Plan. Therefore, the activity associated with such Awards of Liberty Interactive's Series A and Series B Liberty Starz and Liberty Capital common stock, prior to the Split-Off, have been reflected as Awards of Liberty in the consolidated financial statements.

Pursuant to the Liberty Media Corporation 2011 Incentive Plan (the "2011 Plan"), the Company may grant Awards to be made in respect of a maximum of 23.8 million shares of Liberty common stock. Awards generally vest over 4-5 years and have a term of 7-10 years. Liberty issues new shares upon exercise of equity awards.

Pursuant to the Liberty Media Corporation 2011 Nonemployee Director Incentive Plan, as amended from time to time (the "2011 NDIP"), the Liberty Board of Directors has the full power and authority to grant eligible nonemployee directors stock options, SARs, stock options with tandem SARs, and restricted stock.

The 2011 Plan and the 2011 NDIP were each approved by our board of directors prior to the Split-Off. We expect the shareholders of the Company to ratify such approvals at our 2012 Annual Meeting of Shareholders.

Additionally, in November 2011, the Company exchanged each share of outstanding Liberty Starz common stock for 0.88129 shares of Liberty Capital common stock (plus cash in lieu of fractional share interests). The outstanding Liberty Starz stock options, SARs and restricted stock were also exchanged for Liberty Capital stock options, SARs and restricted stock using the same ratio, and an adjustment was made to the strike price, as applicable, using the same ratio. The exchange of stock options, SARs and restricted stock was considered a modification of the previous Award. However, the impact to compensation expense was not significant.

Liberty—Grants of Liberty Capital and Starz tracking stock options

Awards granted in 2011, 2010 and 2009 pursuant to the Incentive Plans discussed above are summarized as follows:

	Years ended December 31,					
	2011		2010		2009	
	Options granted	Weighted average grant-date fair value	Options granted	Weighted average grant-date fair value	Options granted	Weighted average grant-date fair value
Series A Liberty Capital	162,347	\$33.95	1,135,622	\$19.56	1,649,511	\$12.17
Series A Liberty Starz	496,000	\$21.36	887,818	\$21.32	2,083,429	\$14.33

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

During the year ended December 31, 2011, the Company granted, primarily to Starz employees, 496,000 options to purchase shares of Series A Liberty Starz common stock. Such options had a weighted average grant-date fair value of \$21.36 per share. These options vest quarterly over the 4 year vesting period.

In addition, during the year ended December 31, 2011, Liberty granted 162,347 options to purchase shares of Series A Liberty Capital common stock at a weighted average grant-date fair value of \$33.95 per share. These options primarily vest quarterly over a 4 year vesting period.

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. For grants made in 2011, 2010 and 2009, the range of expected terms was 4.4 to 5.7 years. 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.

The following table presents the volatilities used by the Company in the Black-Scholes Model for the 2011, 2010 and 2009 grants.

	Volatility
<i>2011 grants</i>	
Liberty Capital options	43.9% - 54.2%
Liberty Starz options	31.9% - 31.9%
<i>2010 grants</i>	
Liberty Capital options	43.9% - 47.9%
Liberty Starz options	31.9% - 33.6%
<i>2009 grants</i>	
Liberty Capital options	29.3% - 47.9%
Liberty Starz options	29.3% - 33.6%

Liberty—Outstanding Awards

The following table presents the number and weighted average exercise price (“WAEP”) of Awards to purchase Liberty common stock granted to certain officers, employees and directors of the Company.

	Series A			
	Liberty Capital	WAEP	Liberty Starz	WAEP
	number of Awards in thousands			
Outstanding at January 1, 2011	4,996	\$19.38	3,217	\$46.15
Granted	162	\$73.45	496	\$72.92
Exercised	(600)	\$ 9.91	(151)	\$31.34
Forfeited/Cancelled/Exchanged	(1)	\$25.17	(34)	\$64.88
LSTZ to LMC Conversion	3,108	\$57.15	(3,528)	\$50.36
Outstanding at December 31, 2011	7,665	\$36.57	—	\$ —
Exercisable at December 31, 2011	2,163	\$20.55	—	\$ —

There were no grants or exercises of any of the Company's Series B options during 2011, except that 36,000 options for Series B Liberty Starz common stock with an exercise price of \$26.71 were exercised.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

The following table provides additional information about outstanding Awards to purchase Liberty Capital common stock at December 31, 2011.

	No. of outstanding Awards (000's)	WAEP of outstanding Awards	Weighted average remaining life	Aggregate intrinsic value (000's)	No. of exercisable Awards (000's)	WAEP of exercisable Awards	Weighted average remaining life	Aggregate intrinsic value (000's)
Series A Liberty Capital	7,665	\$36.57	6.0 years	\$324,142	2,163	\$20.55	3.0 years	\$124,727

As of December 31, 2011, the total unrecognized compensation cost related to unvested Liberty Awards was approximately \$68 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.2 years.

Liberty—Exercises

The aggregate intrinsic value of all options exercised during the years ended December 31, 2011, 2010 and 2009 was \$46 million, \$47 million and \$66 million, respectively.

Liberty—Restricted Stock

The Company had approximately 200,000 unvested restricted shares of Liberty common stock held by certain directors, officers and employees of the Company with a weighted average grant-date fair value of \$45.02 per share as of December 31, 2011.

The aggregate fair value of all restricted shares of Liberty Capital common stock that vested during the years ended December 31, 2011, 2010 and 2009 was \$14 million, \$10 million and \$11 million, respectively.

Other

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

(16) Employee Benefit Plans

Liberty is the sponsor of the Liberty Media 401(k) Savings Plan (the "Liberty 401(k) Plan"), which provides its employees and the employees of certain of its subsidiaries an opportunity for ownership in the Company and creates a retirement fund. The Liberty 401(k) Plan provides for employees to make contributions to a trust for investment in Liberty common stock, as well as several mutual funds. The Company and its subsidiaries make matching contributions to the Liberty 401(k) Plan based on a percentage of the amount contributed by employees. In addition, certain of the Company's subsidiaries have similar employee benefit plans. Employer cash contributions to all plans aggregated \$8 million, \$12 million and \$14 million for the years ended December 31, 2011, 2010 and 2009, respectively.

(17) Other Comprehensive Earnings (Loss)

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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

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

	Foreign currency translation adjustments	Unrealized holding gains (losses) on securities	Other	AOCI of discontinued operations	AOCI
	amounts in millions				
Balance at January 1, 2009	(2)	(1)	(2)	(31)	(36)
Other comprehensive loss attributable to Liberty Media Corporation stockholders	<u>2</u>	<u>43</u>	<u>(5)</u>	<u>31</u>	<u>71</u>
Balance at December 31, 2009	—	42	(7)	—	35
Other comprehensive earnings (loss) attributable to Liberty Media Corporation stockholders . . .	<u>—</u>	<u>18</u>	<u>1</u>	<u>—</u>	<u>19</u>
Balance at December 31, 2010	—	60	(6)	—	54
Other comprehensive earnings (loss) attributable to Liberty Media Corporation stockholders . . .	<u>—</u>	<u>(24)</u>	<u>(1)</u>	<u>—</u>	<u>(25)</u>
Balance at December 31, 2011	<u>—</u>	<u>36</u>	<u>(7)</u>	<u>—</u>	<u>29</u>

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

	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
	amounts in millions		
<i>Year ended December 31, 2011:</i>			
Unrealized holding gains (losses) on securities arising during period	(39)	15	(24)
Share of earnings (loss) from equity method affiliates	3	(1)	2
Other	<u>(5)</u>	<u>2</u>	<u>(3)</u>
Other comprehensive earnings	<u>(41)</u>	<u>16</u>	<u>(25)</u>
<i>Year ended December 31, 2010:</i>			
Unrealized holding gains on securities arising during period	14	(5)	9
Reclassification adjustment for holding (gains) losses realized in net earnings (loss)	(34)	13	(21)
Reattribution of other comprehensive earnings between tracking stocks	48	(18)	30
Other	<u>2</u>	<u>(1)</u>	<u>1</u>
Other comprehensive earnings	<u>30</u>	<u>(11)</u>	<u>19</u>
<i>Year ended December 31, 2009:</i>			
Foreign currency translation adjustments	4	(2)	2
Unrealized holding losses on securities arising during period	69	(26)	43
Reclassification adjustment for holding (gains) losses realized in net earnings (loss)	(2)	1	(1)
Other comprehensive loss from discontinued operations	50	(19)	31
Other	<u>(6)</u>	<u>2</u>	<u>(4)</u>
Other comprehensive loss	<u>115</u>	<u>(44)</u>	<u>71</u>

(18) Transactions with Related Parties

During the year ended December 31, 2009, subsidiaries of Liberty recognized aggregate revenue of \$303 million from DIRECTV for distribution of their programming. In addition, subsidiaries of Liberty made aggregate payments of \$7 million in 2009 to DIRECTV for carriage and marketing.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

(19) Commitments and Contingencies

Film Rights

Starz has entered into agreements with a number of motion picture producers which obligate Starz to pay fees (“Programming Fees”) for the rights to exhibit certain films that are released by these producers. In March 2010, Starz entered into a new, exclusive long-term licensing agreement for theatrically released films from the Disney studios through 2015, which provides Starz with exclusive pay TV rights to exhibit qualifying theatrically released live-action and animated feature films from Walt Disney Pictures, Walt Disney Animation Studios, Disney-Pixar, Touchstone Pictures, Marvel Entertainment and Hollywood Pictures labels. Theatrically released films from DreamWorks Studios and Miramax Films will not be licensed to us under the new agreement. In addition, we are obligated to pay programming fees for all qualifying films that are released theatrically in the United States by Sony’s Columbia Pictures, Screen Gems and Sony Pictures Classics (“Sony”) through 2016, subject to certain limitations. Films are generally available to Starz for exhibition 8-12 months after their theatrical release. The Programming Fees to be paid by Starz are based on the quantity and the domestic theatrical exhibition receipts of qualifying films.

The unpaid balance of Programming Fees for films that were available for exhibition by Starz at December 31, 2011 is reflected as a liability, in other liabilities, in the accompanying consolidated balance sheet. The balance due as of December 31, 2011 is payable as follows: \$64 million in 2011 and \$2 million in 2012.

Under the above output agreements, Starz is also obligated to pay fees for the rights to exhibit films that have been released theatrically, but are not available for exhibition by Starz until some future date. These amounts have not been accrued at December 31, 2011. In addition,, Starz has agreed to pay Sony a total of \$142.5 million in three remaining annual installments of \$47.5 million with the next installment due at the beginning of 2012. In December 2008, Starz entered into a new agreement with Sony requiring \$120 million in three equal annual installments beginning in 2015. Starz’s estimate of amounts payable for rights to future programming (that have been released), including the Disney and Sony agreements, is as follows: \$443 million in 2012; \$129 million in 2013; \$73 million in 2014; \$59 million in 2015; \$51 million in 2016 and \$59 million thereafter.

Starz is also obligated to pay fees for films that have not been released in theatres. Starz is unable to estimate the amounts to be paid under these output agreements for films that have not yet been released in theatres; however, such amounts are expected to be significant.

Guarantees

The Company guarantees Starz’s obligations under certain of its studio output agreements. At December 31, 2011, the Company’s guarantees for obligations for films released by such date aggregated \$511 million. While the guarantee amount for films not yet released is not determinable, such amount is expected to be significant. As noted above, Starz has recognized the liability for a portion of its obligations under the output agreements. As this represents a direct commitment of Starz, a consolidated subsidiary of the Company, the Company has not recorded a separate indirect liability for its guarantee of these obligations.

In connection with agreements for the sale of assets by the Company or its subsidiaries, the Company may retain liabilities that relate to events occurring prior to its sale, such as tax, environmental, litigation and employment matters. The Company generally indemnifies the purchaser in the event that a third party asserts a claim against the purchaser that relates to a liability retained by the Company. These types of indemnification obligations may extend for a number of years. The Company is unable to estimate the maximum potential liability for these types of indemnification obligations as the sale agreements may 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, the Company has not made any significant indemnification payments under such agreements and no amount has been accrued in the accompanying consolidated financial statements with respect to these indemnification guarantees.

Employment Contracts

The Atlanta Braves and certain of their players and coaches have entered into long-term employment contracts whereby such individuals’ compensation is guaranteed. Amounts due under guaranteed contracts as of December 31, 2011 aggregated \$107 million, which is payable as follows: \$61 million in 2012, \$20 million in 2013, \$13 million in 2014, \$13 million in 2015. In addition to the foregoing amounts, certain players and coaches may earn incentive compensation under the terms of their employment contracts.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

Operating Leases

The Company leases business offices, has entered into satellite transponder lease agreements and uses certain equipment under lease arrangements. Rental expense under such arrangements amounted to \$16 million, \$18 million and \$17 million for the years ended December 31, 2011, 2010 and 2009, respectively.

A summary of future minimum lease payments under noncancelable operating leases as of December 31, 2011 follows (amounts in millions):

<u>Years ending December 31:</u>	
2012	\$12
2013	\$12
2014	\$11
2015	\$ 9
2016	\$ 7
Thereafter	\$18

It is expected that in the normal course of business, leases that expire generally will be renewed or replaced by leases on other properties; thus, it is anticipated that future lease commitments will not be less than the amount shown for 2011.

Litigation

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

Other

During the period from March 9, 1999 to August 10, 2001, Liberty was included in the consolidated federal income tax return of AT&T and was a party to a tax sharing agreement with AT&T (the "AT&T Tax Sharing Agreement"). Pursuant to the AT&T Tax Sharing Agreement and in connection with Liberty's split off from AT&T in 2001, AT&T was required to pay Liberty an amount equal to 35% of the amount of the net operating losses reflected in TCI's final federal income tax return ("TCI NOLs") that had not been used as an offset to Liberty's obligations under the AT&T Tax Sharing Agreement and that had been, or were reasonably expected to be, utilized by AT&T. For accounting purposes Liberty has accrued a portion of the amounts claimed by AT&T to be owed by Liberty under the AT&T Tax Sharing Agreement, although Liberty believes there are valid defenses or set-off or similar rights in its favor that may cause the total amount that it owes AT&T to be less than the amounts accrued; and under certain interpretations of the AT&T Tax Sharing Agreement, Liberty may be entitled to further reimbursements from AT&T.

(20) Information About Liberty's Operating Segments

The Company, through its ownership interests in subsidiaries and other companies, is primarily engaged in the media, communications and entertainment industries. The Company identifies its reportable segments as (A) those consolidated subsidiaries that represent 10% or more of its consolidated annual revenue, annual Adjusted OIBDA or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of the Company's annual pre-tax earnings. The segment presentation for prior periods has been conformed to the current period segment presentation.

The Company evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as revenue, Adjusted OIBDA and gross margin. In addition, the Company reviews nonfinancial measures such as subscriber growth and penetration.

The Company defines Adjusted OIBDA as revenue less operating expenses, and selling, general and administrative expenses (excluding stock-based compensation). The Company 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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

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. The Company generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current prices.

For the year ended December 31, 2011, the Company has identified the following businesses as its reportable segments:

- Starz, LLC—consolidated subsidiary that provides premium subscription video programming to United States multichannel video distributors, including cable operators, satellite television providers and telecommunications companies. Starz also develops, produces and acquires entertainment content and distributes this content to consumers in a wide variety of formats in the United States and throughout the world.
- ANLBC—consolidated subsidiary that owns and operates the Atlanta Braves Major League Baseball franchise.
- TruePosition, Inc.—consolidated subsidiary that develops and markets technology for locating wireless phones and other wireless devices enabling wireless carriers, application providers and other enterprises to provide E-911 services domestically and other location-based services to mobile users both domestically and worldwide.

The Company'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.

Performance Measures

	Years ended December 31,					
	2011		2010		2009	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in millions					
Starz, LLC	\$1,615	449	1,626	343	1,540	283
ANLBC	208	(6)	203	6	206	8
TruePosition	1,138	634	143	(3)	32	(77)
Corporate and other	63	(17)	78	(22)	75	(15)
Consolidated Liberty	<u>\$3,024</u>	<u>1,060</u>	<u>2,050</u>	<u>324</u>	<u>1,853</u>	<u>199</u>

Other Information

	December 31, 2011			December 31, 2010		
	Total assets	Investments in affiliates	Capital expenditures	Total assets	Investments in affiliates	Capital expenditures
	amounts in millions					
Starz, LLC	\$2,630	—	8	\$ 1,708	\$—	\$ 9
ANLBC	545	31	1	577	29	2
TruePosition	113	—	3	496	—	4
Corporate and other	4,435	536	2	8,011	62	1
Consolidated Liberty	<u>\$7,723</u>	<u>567</u>	<u>14</u>	<u>\$10,792</u>	<u>\$91</u>	<u>\$16</u>

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

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

	Years ended December 31,		
	2011	2010	2009
Consolidated segment Adjusted OIBDA	\$1,060	324	199
Stock-based compensation	(32)	(83)	(81)
Gain (loss) on legal settlement	(2)	48	—
Depreciation and amortization	(69)	(94)	(109)
Interest expense	(21)	(65)	(132)
Dividend and interest income	79	88	117
Liberty interest income (expense)	—	3	16
Share of earnings (losses) of affiliates, net	49	(64)	(44)
Realized and unrealized gains (losses) on financial instruments, net	68	260	(34)
Gains (losses) on dispositions, net	(10)	36	242
Other, net	5	7	(4)
Earnings (loss) from continuing operations before income taxes	<u>\$1,127</u>	<u>460</u>	<u>170</u>

(21) Quarterly Financial Information (Unaudited)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	amounts in millions, except per share amounts			
<i>2011:</i>				
Revenue	\$ 973	538	540	973
Operating income	\$ 459	94	111	293
Earnings from continuing operations	\$ 332	88	(43)	431
Net earnings (loss) attributable to Liberty Media Corporation stockholders:				
Series A and Series B Liberty Capital common stock	\$ 279	22	(103)	385
Series A and Series B Liberty Starz common stock	\$ 52	67	61	49
Basic net earnings (loss) attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$3.40	0.27	(1.27)	4.10
Series A and Series B Liberty Starz common stock	\$1.02	1.31	1.20	0.98
Diluted net earnings (loss) attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$3.32	0.27	(1.27)	3.93
Series A and Series B Liberty Starz common stock	\$0.98	1.26	1.15	0.94

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
December 31, 2011, 2010 and 2009

	<u>1st</u> <u>Quarter</u>	<u>2nd</u> <u>Quarter</u>	<u>3rd</u> <u>Quarter</u>	<u>4th</u> <u>Quarter</u>
	amounts in millions, except per share amounts			
<i>2010:</i>				
Revenue	<u>\$ 473</u>	<u>511</u>	<u>570</u>	<u>496</u>
Operating income	<u>\$ 22</u>	<u>13</u>	<u>74</u>	<u>86</u>
Earnings (loss) from continuing operations	<u>\$ 79</u>	<u>(24)</u>	<u>74</u>	<u>889</u>
Net earnings (loss) attributable to Liberty Media Corporation stockholders:				
Series A and Series B Liberty Capital common stock	<u>\$ 22</u>	<u>(82)</u>	<u>26</u>	<u>849</u>
Series A and Series B Liberty Starz common stock	<u>\$ 57</u>	<u>61</u>	<u>48</u>	<u>40</u>
Basic net earnings (loss) attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	<u>\$0.23</u>	<u>(0.86)</u>	<u>0.30</u>	<u>10.11</u>
Series A and Series B Liberty Starz common stock	<u>\$1.14</u>	<u>1.22</u>	<u>0.96</u>	<u>0.78</u>
Diluted net earnings (loss) attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	<u>\$0.22</u>	<u>(0.86)</u>	<u>0.29</u>	<u>9.76</u>
Series A and Series B Liberty Starz common stock	<u>\$1.10</u>	<u>1.20</u>	<u>0.92</u>	<u>0.77</u>

Corporate Data

BOARD OF DIRECTORS

John C. Malone
Chairman of the Board
Liberty Media Corporation

Robert R. Bennett
Managing Director
Hilltop Investments LLC

Donne F. Fisher
President
Fisher Capital Partners, Ltd.

M. Ian G. Gilchrist
Retired Investment Banker

Gregory B. Maffei
President and CEO
Liberty Media Corporation

Evan D. Malone, Ph.D.
President
NextFab Studio, LLC

David E. Rapley
President and CEO
Rapley Consulting, Inc.

Larry E. Romrell
Retired Executive Vice President
Tele-Communications, Inc.

Andrea L. Wong
President, International Production
Sony Pictures Television
President, International
Sony Pictures Entertainment

CORPORATE HEADQUARTERS

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(720) 875-5400

EXECUTIVE COMMITTEE

Robert R. Bennett
Gregory B. Maffei
John C. Malone

COMPENSATION COMMITTEE

M. Ian G. Gilchrist (*Chairman*)
Donne F. Fisher
David E. Rapley
Andrea L. Wong

AUDIT COMMITTEE

Donne F. Fisher (*Chairman*)
M. Ian G. Gilchrist
Larry E. Romrell

NOMINATING & CORPORATE GOVERNANCE COMMITTEE

David E. Rapley (*Chairman*)
M. Ian G. Gilchrist
Larry E. Romrell
Andrea L. Wong

OFFICERS

John C. Malone
Chairman of the Board

Gregory B. Maffei
President and CEO

Charles Y. Tanabe
Executive Vice President
and General Counsel

Mark D. Carleton
Senior Vice President

William R. Fitzgerald
Senior Vice President

David J. A. Flowers
Senior Vice President

Albert E. Rosenthaler
Senior Vice President

Christopher W. Shean
Senior Vice President and CFO

CORPORATE SECRETARY

Pamela L. Coe

STOCK INFORMATION

Series A and Series B Liberty Capital Common Stocks (LMCA/B) trade on the NASDAQ Global Select Market.

CUSIP NUMBERS

LMCA - 530322 106
LMCB - 530322 205

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LIBERTY ON THE INTERNET

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FINANCIAL STATEMENTS

Liberty Media Corporation financial statements are filed with the Securities and Exchange Commission. Copies of these financial statements can be obtained from the Transfer Agent or through Liberty Media's website.



LIBERTY MEDIA CORPORATION

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