



LIBERTY MEDIA CORPORATION
2012 Annual Report

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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; our pending acquisition of a substantial equity interest in Charter Communications; certain proposed restructurings of Barnes & Noble; our stock repurchase program and the impact of market conditions; 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:

- consumer demand for our products and services and our ability to adapt to changes in demand;
- competitor responses to our products and services;
- 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 satellite radio and telecommunications technologies;
- our future financial performance, including availability, terms and deployment of capital;
- our ability to successfully integrate and recognize anticipated efficiencies and benefits from the businesses we acquire;
- the ability of suppliers and vendors to deliver products, equipment, software and services;
- the outcome of any pending or threatened litigation;
- availability of qualified personnel;
- changes in, or failure or inability to comply with, government regulations, including, without limitation, regulations of the Federal Communications Commission, and adverse outcomes from regulatory proceedings;
- changes in the nature of key strategic relationships with partners, vendors and joint venturers;
- general economic and business conditions and industry trends including the current economic downturn;
- consumer spending levels, including the availability and amount of individual consumer debt;
- rapid technological changes;
- capital spending for the acquisition and/or development of telecommunications networks and services; 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:

After a “relatively” quiet 2012, 2013 has already brought significant changes to Liberty Media. In January, we separated from Starz and took control of SiriusXM, which has continued to exceed expectations. Then in March we announced our plan to acquire 27% of Charter Communications for \$2.6 billion. We are excited to be able to acquire a meaningful stake in the fourth largest cable provider in the U.S. Charter, under CEO Tom Rutledge, has invested in its network and is well positioned to grow broadband, video and voice services. We expect this transaction to close in the second quarter of 2013.

Where We Excel

We believe we are:

- Stockholder-centric – We think like owners and are focused on long-term gains rather than short-term results. The compensation structure of our management team is closely tied to the long-term performance of our stock. In fact, the executive leadership team has a significant portion of its respective net worth tied to Liberty Media;
- Forward-looking – We take advantage of the benefits and minimize the risks associated with the digital transition in the industries in which we invest;
- Nimble – We structure our team to allow us to move quickly when opportunities arise and we can be creative in our deal structures; and
- Financially sophisticated – We have experience in mergers, divestitures, investing, capital deployment, credit analysis and setting capital structures.

The Economic Climate

Although U.S. unemployment has moderately declined and recent retail indicators are stronger, the economy continues to recover at a very slow pace. We have some additional clarity post-election on the tax situation, however, the government remains gridlocked and improvement in the near term seems unlikely. We are watching the impact of the expiration of the payroll tax holiday and the sequestration’s effect on the economy. We believe one of the best ways to succeed in this tough economy is to provide a unique value proposition: listening to CNBC on SiriusXM, attending a Braves baseball game in Atlanta, selling tickets to a Rihanna concert or immediately delivering that hard to find book through the NOOK application, to name a few.

What We Did Well

In 2012, we began increasing our stake in SiriusXM, which culminated in Liberty taking a controlling ownership position in early 2013. In total, we paid approximately \$1.7 billion to go from 40% ownership to over 50% ownership with an average cost per share of \$2.35, which looks attractive given SiriusXM's recent share price. As of the writing of this letter, our current stake in SiriusXM is worth \$10 billion. This deal continues to be one of our best ever.

Our structural transformation continued with the separation from Starz in January 2013. As part of this spin, Liberty received \$1.2 billion in cash and has no associated debt, leaving both companies well-positioned for the future. Given the performance of both stocks post separation, this was an effective way to unlock stockholder value.

Consistent with our strategy, we opportunistically purchased more shares of Live Nation and now own 27%. Looking at the current stock price and Live Nation's results from 2012, we believe this was a smart buy.

We continued to be strong repurchasers of our stock and bought almost 4 million shares for \$369 million or an average price of over \$94 per share from February 1, 2012 through January 31, 2013. Since the reclassification of the original Liberty Capital tracking stock on March 4, 2008 through January 31, 2013, 59 million shares have been repurchased at an average cost of over \$33 per share for total cash consideration of \$2 billion. These repurchases represent 46% of the shares outstanding at the time of the introduction of the original Liberty Capital stock.

What We Could Have Done Better

One of our disappointments for 2012 was the absence of a new, sizeable investment, which wasn't for lack of trying. We look at many deals, but pursue few. Ideally we want an attractively priced opportunity that provides us with a path to either control the asset, access the cash flows or one that will provide an opportunity for a profitable exit in the future. With our recent announcement of the pending Charter investment, 2013 is off to a quick start.

Stock Performance

Liberty Media's stocks nearly doubled the 2011 returns in 2012. We posted a gain of 49% for Liberty Media in 2012. We significantly outperformed market indices and various peer groups: in 2012, the S&P 500 increased 13% (up 16% with dividends) and the S&P Media Index increased 37% (up 39% with dividends).

The 2013 trend remains positive as well. Through the end of the first quarter 2013, the combined Liberty Media and Starz are up 15% (with Starz up 42% since it began trading). If you had invested with Liberty Media since the issuance of the Liberty Capital tracking stock in May 2006, through March 28, 2013,¹ you would have earned a compounded annual rate of return of 33%; compared to 8% for the S&P Media Index and 3% for the S&P 500 Index.

SiriusXM

We couldn't be more pleased with our newest subsidiary, SiriusXM. In 2012, the company continued to exceed expectations by posting strong year-end results, finishing the year with 23.9 million subscribers and meeting or exceeding all of its financial guidance.

SiriusXM radios are installed in almost 70% of new cars sold in the U.S. and this year over 10 million new vehicles are likely to be equipped with a SiriusXM radio. Cumulative vehicles on the road in the United States with a satellite radio now exceed 50 million of the nation's 240 million cars. As older cars cycle out, this installed base should roughly double to 100 million in five years and triple to 150 million in ten years. Additionally, SiriusXM has a growing effort to attack the used car market as those vehicles turn over in the secondary market. The company now works with over 8,000 dealers in this effort, up from 3,000 at the beginning of 2012.

As more cars become "connected," SiriusXM is also exploring ways to exploit the combination of its robust satellite broadcast network with two-way wireless networks. The company has streamed its services over the Internet since 2003 and recently launched MySXM, which provides streaming users with a more personalized music experience.

While SiriusXM already has an incredible breadth of programming with over 150 channels in a variety of music, talk, sports and news formats, the company is considering ways to better target women and Hispanics, market segments that have been traditionally underrepresented in radio.

¹ Including the share price of DIRECTV on an as-exchanged basis assuming a sale of the shares on the one-year anniversary of the split and reinvestment of the proceeds in Liberty Media.

Given the current favorable conditions in the debt market and the strength of SiriusXM's financial model, we expect the company to continue to optimize its capital structure, and increase leverage accordingly. This additional capital plus SiriusXM's strong free cash flow can be used to fund its previously announced share repurchase program and its investments in business development endeavors.

MAJOR INVESTMENTS

Live Nation

Live Nation finished strong in 2012 and early indications for 2013 ticket sales are robust. The company's previously announced technology upgrade is over half-way complete and we expect to see margin benefit by the back half of 2014. This technology replatforming will allow clients to manage their manifest, make changes to pricing and receive data, with an option for more data at an additional cost. Live Nation estimates that it can save \$0.35 a ticket with these changes.

The company also plans to attack the secondary market, where \$4 billion of market value resides. The strategy addresses the opportunity by applying smarter ticket pricing at the onset limiting arbitrage opportunities for third parties. It has already seen VIP packages and premium pricing on the first few rows resonate with customers. Additionally, the company is repositioning the Ticketmaster online interface to shift the focus of the consumer experience from tickets being available only at the time of initial sale to always having tickets available. Customers will now be able to search, buy, transfer and re-sell their tickets on the Ticketmaster website or via mobile, never leaving the Ticketmaster ecosystem. This approach provides customers the convenience of a digital ticket and the comfort that the purchased tickets are genuine. Lastly, this integration of primary and secondary tickets will provide ongoing inventory on the website and drive more regular website traffic as opposed to only spikes related to new event sales.

Music is inherently social - from the live music experience to the way artists interact with their fans and build their global brand through social platforms. With Live Nation's technology upgrade, it has seen increased conversion through social and mobile platforms. Mobile transactions comprised 7% of ticketing revenue in 2012 and are expected to double in 2013. The company will continue to invest in mobile platforms and the next iteration will allow for push notifications, letting users know about events based on their current location.

Liberty continues to be actively involved with Live Nation. Throughout 2012 and in 2013, we opportunistically purchased additional shares and now own 27% of Live Nation. We are excited about the company's prospects for mobile, social and international growth.

Barnes & Noble

We were pleased with NOOK Media's ability to secure a strategic investment from Pearson, in addition to the strategic investment it has already received from Microsoft. NOOK Media is a leading retailer of content, digital media and education products. While the NOOK devices are critically acclaimed and have won a number of awards, the tablet and e-reader space has only gotten more competitive. We believe the company is taking the right steps by reevaluating its tablet strategy and putting more focus on the NOOK application. In the retail business, we expect the company to be the beneficiary of market consolidation within the physical book market.

Barnes & Noble's Chairman, Len Riggio, recently announced his plans to propose to purchase the retail business. Obviously, there can be no assurance that Mr. Riggio's proposal or the consideration of any transaction will result in a sale. However, this could be a good way to unlock value at the company. We are well positioned given that our investment through a convertible preferred security at the Barnes & Noble level provides us with a consent right on this potential transaction. Additionally, we have been earning a 7-3/4% dividend on this investment since August, 2011.

OTHER ASSETS

- The Atlanta Braves had a good regular season, finishing in a tie for the third best record in the National League. We are pleased that this top-performing team is returning largely intact and is off to a very fast start in 2013. To further strengthen the team, in the off season, the team signed BJ Upton and engineered a trade to acquire his brother Justin Upton, who are both all-star players. We are looking forward to the 2013 season. Go Braves!
- We sold some of our available for sale securities portfolio in 2012 to utilize some tax assets that were expiring. We continue to view this portfolio as a strong, liquid source of capital that we can tap when needed.
- In 2012, we won our case against Vivendi and obtained a judgment in the amount of €765 million. As expected, Vivendi is appealing this verdict, but we remain confident in the final outcome.

Annual Investor Meeting

This year's annual investor meeting will take place on October 10th, in New York City. The new location worked so well last year that we will hold it here again: the TimesCenter at 242 West 41st Street. We will continue to offer the Liberty experience, so please join us.

Looking Ahead

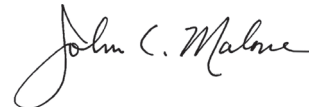
Liberty Media continues to own a broad range of media, communications and entertainment businesses and we couldn't be more excited about our portfolio of assets. With our acquisition of control of SiriusXM, the increased stake in Live Nation and our pending investment in Charter, we are well positioned. We plan to optimize the businesses we own or in which we have significant stakes, continue to make opportunistic investments and efficiently manage the disposition and monetization of non-core assets. These strategies, along with capital restructuring and repurchasing our own stock, have paid off well for our stockholders. We look forward to 2013 and beyond.

We appreciate your ongoing support.

Very truly yours,



Gregory B. Maffei
President and Chief Executive Officer



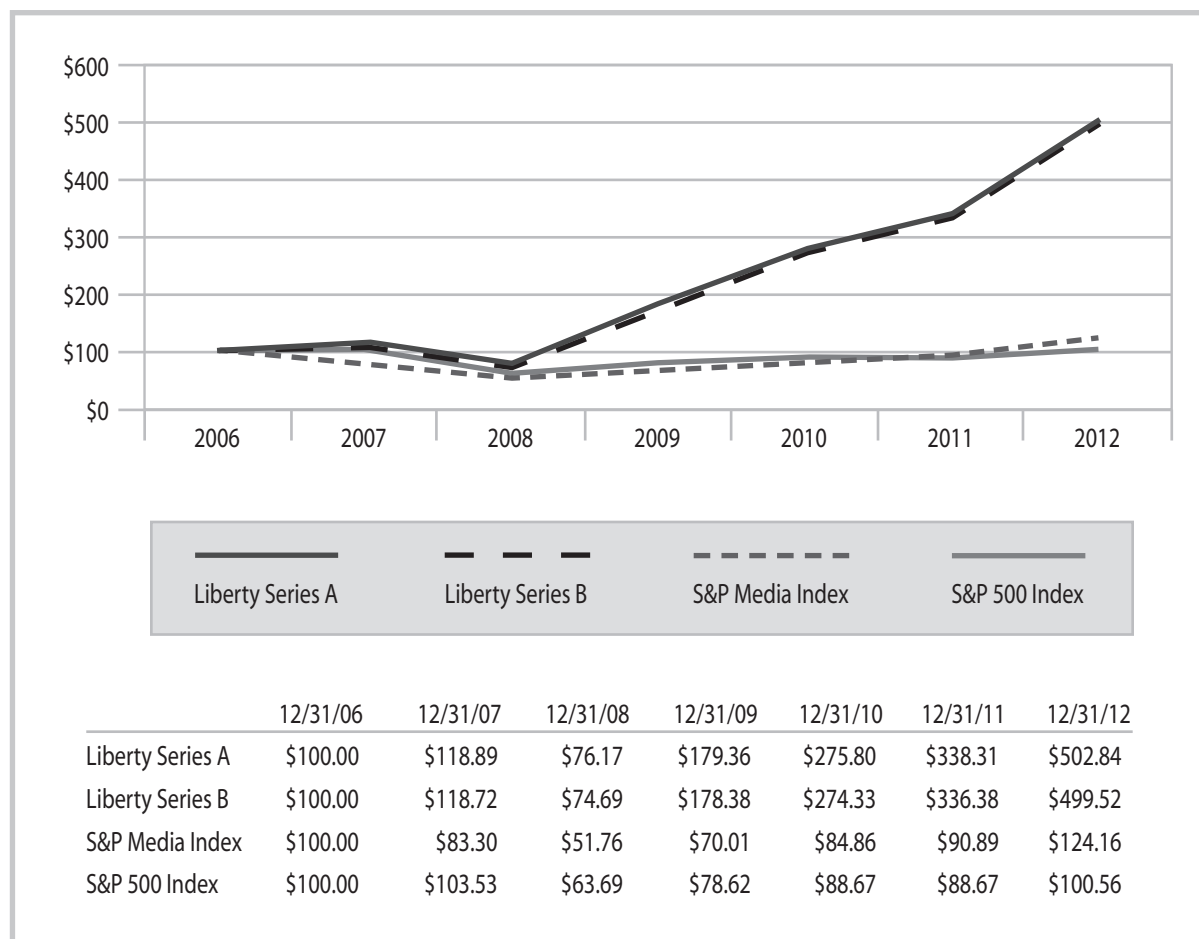
John C. Malone
Chairman of the Board

Stock Performance

The following graph compares the yearly percentage change in the cumulative total stockholder return on an investment in the former Series A and Series B Liberty Capital common stock from December 31, 2006 through December 31, 2012, 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 closing market prices of each of the securities that were predecessors to the former Series A and Series B Liberty Capital common stock 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 (i) the March 4, 2008 reclassification in which LIC reclassified a portion of assets and liabilities previously allocated to its Liberty Capital group to its newly created Liberty Entertainment group, (ii) the Liberty Entertainment group's subsequent redesignation as the Liberty Starz group, (iii) the share price of DIRECTV following the split-off of a portion of the Liberty Entertainment group and subsequent combination of that portion of the Liberty Entertainment group with DIRECTV, on an as-exchanged basis and assuming a sale of the resulting DIRECTV shares on the one-year anniversary of the split-off and reinvestment of the proceeds in Liberty Capital common stock, and (iv) 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.

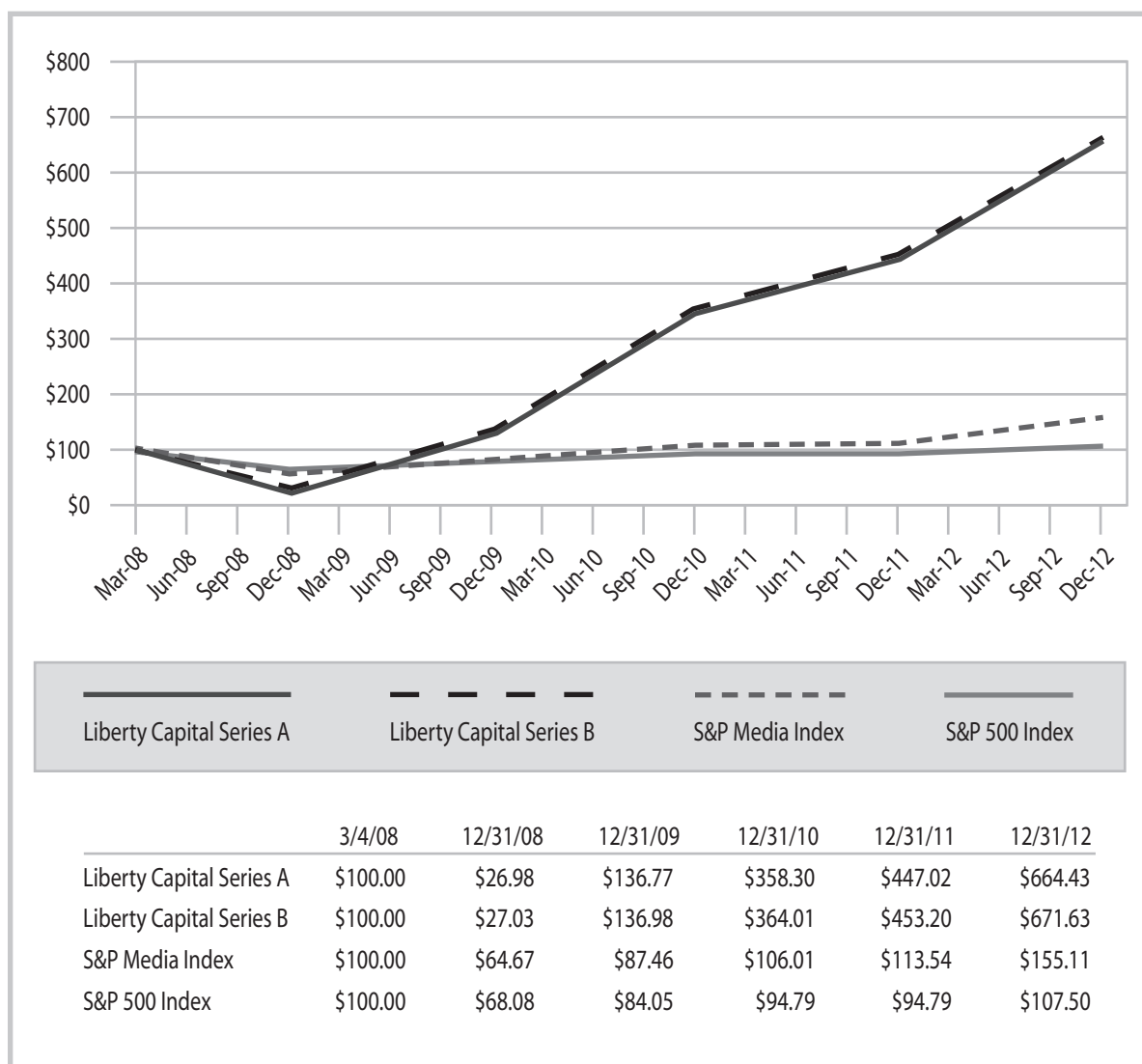
Liberty vs. S&P 500 and Media Indices

12/31/06 to 12/31/12



The following graph compares the percentage change in the cumulative total stockholder return on the former Series A and Series B Liberty Capital group tracking stock from March 4, 2008 through December 31, 2012, 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 500 and Media Indices 3/4/08 to 12/31/12



Investment Summary | As of March 15, 2013

Libertymedia.com/asset-list.aspx

Liberty Media Corporation owns interests in a broad range of media, communications and entertainment businesses. Those interests include subsidiaries Atlanta National League Baseball Club, Inc., TruePosition, Inc. and Sirius XM Radio Inc., interests in 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 Corporation'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 Corporation and, to the extent known by Liberty Media Corporation, other holders. In some cases, Liberty Media Corporation'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, that operates bookstores and conducts its online business through BN.com (www.bn.com), one of the Internet's largest eCommerce sites, which also features books, magazines, and more 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.	< 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%

ENTITY	DESCRIPTION OF OPERATING BUSINESS	OWNERSHIP
Liberty Associated Partners, L.P.	Principal investment firm specializing in private equity investments.	29%
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.	27%
MacNeil/Lehrer Productions	Producer of The PBS NewsHour 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)	A satellite radio company delivering commercial-free music, sports, news, talk, entertainment, traffic and weather.	>50%
Time Warner Cable Inc. (NYSE: TWC)	Among the largest cable operators in the U.S. offering 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.	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. Subsequent to year-end 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, 2012 and 2011.

	Liberty Capital			
	Series A (LMCA)		Series B (LMCB)	
	High	Low	High	Low
<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
<i>2012</i>				
First quarter	\$ 91.64	77.34	89.17	77.95
Second quarter	\$ 90.56	79.22	90.08	80.66
Third quarter	\$106.15	88.00	104.51	88.16
Fourth quarter	\$116.92	99.27	116.22	102.92
	Liberty Starz			
	Series A (LSTZA)		Series B (LSTZB)	
	High	Low	High	Low
<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

Holders

As of January 31, 2013, there were approximately 1,600 and 100 record holders of our Series A and Series B 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 2013 Annual Meeting of stockholders that will be filed with the Securities and Exchange Commission on or before April 30, 2013.

Purchases of Equity Securities by the Issuer

Share Repurchase Programs

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 replaced by the conversion date authorization. Fourth quarter repurchases and remaining availability under the repurchase program for Liberty Capital common stock was as follows:

<u>Period</u>	<u>Series A Liberty Capital Common Stock</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>	<u>(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs</u>
October 1 - 31, 2012	191,468	\$105.93	191,468	\$918 million
November 1 - 30, 2012 . . .	325,724	\$105.52	325,724	\$883 million
December 1 - 31, 2012 . . .	240,987	\$104.92	240,987	\$858 million
Total	<u>758,179</u>		<u>758,179</u>	

In addition to the shares listed in the table above, 3,561 shares of Series A Liberty Capital common stock were surrendered in the fourth quarter of 2012 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,				
	2012	2011	2010	2009	2008
	amounts in millions				
<i>Summary Balance Sheet Data:</i>					
Cash	\$1,353	2,070	2,090	3,951	2,228
Investments in available-for-sale securities and other cost investments	\$1,392	1,859	4,550	3,386	2,118
Investment in affiliates, accounted for using the equity method(3)	\$3,341	563	91	135	235
Assets of discontinued operations	\$ —	—	—	—	14,211
Total assets	\$8,325	7,719	10,792	11,915	24,688
Current portion of debt	\$ 4	754	37	1,269	441
Long-term debt	\$ 536	541	2,101	2,432	2,674
Deferred tax liabilities, noncurrent	\$ 802	409	—	736	1,144
Stockholders' equity	\$6,440	5,259	5,026	3,315	13,300

	Years ended December 31,				
	2012	2011	2010	2009	2008
	amounts in millions, except per share amounts				
<i>Summary Statement of Operations Data:</i>					
Revenue(1)	\$1,999	3,024	2,050	1,853	1,738
Operating income (loss)(1)(2)	\$ 326	957	195	9	(1,664)
Interest expense	\$ (33)	(21)	(65)	(132)	(194)
Share of earnings (loss) of affiliates, net(3)	\$1,346	87	(98)	(44)	(71)
Realized and unrealized gains (losses) on financial instruments, net	\$ 232	68	260	(34)	(20)
Gains (losses) on dispositions, net	\$ 22	(10)	36	242	13
Other than temporary declines in fair value of investments	\$ —	—	—	(9)	(1)
Earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders(3)(4):					
Liberty Capital common stock	\$1,414	607	794	127	(592)
Liberty Starz common stock	NA	229	206	213	(960)
	<u>\$1,414</u>	<u>836</u>	<u>1,000</u>	<u>340</u>	<u>(1,552)</u>
Basic earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share(3)(5):					
Series A and Series B Liberty Capital common stock	\$11.78	7.14	8.82	1.32	(5.24)
Series A and Series B Liberty Starz common stock	NA	4.49	4.12	0.46	(1.86)
Diluted earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share(3)(5):					
Series A and Series B Liberty Capital common stock	\$11.40	6.90	8.54	1.31	(5.24)
Series A and Series B Liberty Starz common stock	NA	4.32	3.96	0.46	(1.86)

(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) As discussed in note 3 in the accompanying consolidated financial statements, Liberty changed the accounting for certain equity method affiliates from a three month lag to current reporting of our investment in such equity method affiliates and applied the change in accounting principal on a retrospective basis.
- (4) 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.
- (5) 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

On January 11, 2013 Liberty Media Corporation ("Liberty" or "the Company" formerly known as Liberty Spinco, Inc.) was spun-off, through the distribution of shares of Liberty by means of a pro-rata dividend from Starz (previously Liberty Media Corporation) (the "Spin-Off"), which 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 separation of 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.

Due to the relative significance of Liberty to Starz (the legal spinor) and senior management's continued involvement with Liberty following the Spin-Off, Liberty will be treated as the "accounting successor" to Starz for financial reporting purposes, notwithstanding the legal form of the Spin-Off previously described. Therefore, the historical financial statements of Starz will continue to be the historical financial statements of Liberty and will present Starz as discontinued operations upon completion of the Spin-Off in the first quarter of 2013. Therefore, for purposes of this Form 10-K Liberty is treated as the spinor for purposes of discussion and as a practical matter of describing all the historical information contained herein.

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 significant reportable segments, are Starz, LLC (as used in the discussion herein, "Starz") and Atlanta National League Baseball Club, Inc., ("ANLBC"). 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.

Our "Corporate and Other" category includes our other consolidated subsidiaries, including TruePosition, Inc. and our revenue sharing arrangement with CNBC, and corporate expenses.

In addition to the foregoing businesses, we hold ownership interests in Sirius XM Radio, Inc. ("SIRIUS XM") (our other reportable segment) and Live Nation Entertainment, Inc. ("Live Nation"), which we account for as equity method investments at December 31, 2012; 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 conversion 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 no group could 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 the Consolidated 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:

- Renew and extend affiliation agreements with key distributors on favorable terms.
- Expand its original programming lineup over time.
- 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;

- 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 loss of subscribers due to economic conditions and competition from other networks and other video programming services.
- 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 distributors' willingness to market Starz 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.

ANLBC, Inc. ANLBC is focused on providing the best team, ballpark and entertainment experience to every member of its community (both locally and nationally). It owns and operates the Atlanta Braves Major League Baseball franchise as well as other minor league teams, which creates a player talent pipeline. The Atlanta Braves have earned 14 division championships, five National League pennants, and a World Series title. Based in Atlanta since 1966, the Braves franchise is the longest continuously operating franchise in Major League Baseball dating back to the late 1800s in Boston. ANLBC derives revenue from the sale of tickets for home games (played at Turner Field), game-day sales of concessions and other goods and services and broadcasting rights (local, regional and national). Key initiatives to help achieve these activities are as follows:

- Investment in acquisition and development of players, coaches and management talent;
- Strategic partnerships with Sponsors to mutually grow brand recognition;
- Providing patrons with a positive experience regardless of on-field performance by providing top-notch customer service and facility amenities from its expansive HD scoreboard to all-inclusive SunTrust homeplate club;
- Catering to a broad patron base by having a variety of game viewing options from suites and club level to general admission tickets;
- Expanding season ticket base, group sales and game-day sales through marketing efforts and pricing; and
- Brand recognition that is reflective of a top tier operation in its industry.

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,		
	2012	2011	2010
	amounts in millions		
Revenue			
Starz, LLC	\$1,631	1,615	1,626
ANLBC	225	208	203
Corporate and other	143	1,201	221
	<u>\$1,999</u>	<u>3,024</u>	<u>2,050</u>
Adjusted OIBDA			
Starz, LLC	445	449	343
ANLBC	22	(6)	6
Corporate and other	(17)	617	(25)
	<u>\$ 450</u>	<u>1,060</u>	<u>324</u>
Operating Income (Loss)			
Starz, LLC	406	424	281
ANLBC	(6)	(39)	(47)
Corporate and other	(74)	572	(39)
	<u>\$ 326</u>	<u>957</u>	<u>195</u>

Revenue. Our consolidated revenue decreased \$1,025 million and increased \$974 million for the years ended December 31, 2012 and 2011, as compared to the corresponding prior year periods. The current year decrease was primarily due to a decrease in revenue at TruePosition (included in Corporate and other) which had a one-time recognition of deferred revenue in the prior year. The prior 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. 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. 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 18 to the accompanying consolidated financial statements for a reconciliation of Adjusted OIBDA to Earnings (loss) from continuing operations before income taxes.

Consolidated Adjusted OIBDA decreased \$610 million and increased \$736 million for the years ended December 31, 2012 and 2011, as compared to the corresponding prior year periods. The decrease in the current year was primarily due to the one-time recognition of deferred revenues and costs at TruePosition, discussed above. The prior 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. 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 \$66 million, \$32 million and \$83 million of stock compensation expense for the years ended December 31, 2012, 2011 and 2010, respectively. The increase in stock compensation in 2012 was primarily due to the option exchange in the fourth quarter of 2012 which caused incremental compensation of approximately \$24 million. See note 14 in the accompanying consolidated financial statements for further discussion of the option exchange. The decrease in stock compensation expense for the year ended December 31, 2011 is due to a less significant increase in our stock prices as compared to the year ended December 31, 2010 as it relates to our liability classified awards and a decreased number of stock options granted during the year ended December 31, 2011. As of December 31, 2012, the total unrecognized compensation cost related to unvested Liberty equity awards was approximately \$150 million. Such amount will be recognized in our consolidated statements of operations over a weighted average period of approximately 1.8 years.

Operating income. Our consolidated operating income decreased \$631 million and increased \$762 million for the years ended December 31, 2012 and 2011 as compared to the corresponding prior year periods. The changes for the periods, as discussed above, are primarily the result of changes at TruePosition.

Other Income and Expense

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

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
Other income (expense):			
Interest expense	\$ (33)	(21)	(65)
Dividend and interest income	78	79	88
Share of earnings (losses) of affiliates	1,346	87	(98)
Realized and unrealized gains (losses) on financial instruments, net	232	68	260
Gains (losses) on dispositions, net	22	(10)	36
Other, net	41	5	10
	<u>\$1,686</u>	<u>208</u>	<u>231</u>

Interest expense. Interest expense increased \$12 million and decreased \$44 million for the years ended December 31, 2012 and 2011, as compared to the corresponding prior year periods, respectively. The overall increase in interest expense in the current year related to a higher interest rate on outstanding debt during the period, as compared to the corresponding prior year period. The Liberty Bank Facility was repaid early in 2012 which had a interest rate under 1%. The average interest rate increased in the current period as Starz entered into a new 5.00% Senior Note during the period the proceeds of which were used to repay the outstanding term loan under the Starz Bank Facility which had an average variable interest rate of approximately 2.5%. The overall decreases in interest expense in the prior year related to a lower average debt balance throughout the period, as compared to the corresponding prior year period. The lower average debt balance in the prior year is primarily due to the changes in attribution of certain debt of Liberty Interactive, LLC to Liberty Interactive's Interactive Group prior to the Split-Off.

Dividend and interest income. Dividend and Interest income has been fairly consistent from period to period.

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

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
SIRIUS XM	\$1,367	94	(41)
Live Nation	(45)	(22)	(34)
Other	24	15	(23)
	<u>\$1,346</u>	<u>87</u>	<u>(98)</u>

SIRIUS XM recognized approximately \$3.0 billion of tax benefit during the year ended December 31, 2012. SIRIUS XM recorded the tax benefit as the result of significant positive evidence that a valuation allowance was no longer necessary for its recorded deferred tax assets. The Company recognized our portion of this benefit (\$1,229 million) based on our ownership percentage at the time of the recognition of the deferred tax benefit by SIRIUS XM.

During the year ended December 31, 2012 we made additional investments in Live Nation common stock, obtaining approximately 11 million shares for \$107 million.

We previously recorded our share of earnings (loss) for SIRIUS XM and Live Nation on a three-month lag due to timeliness considerations. We have made additional investments in SIRIUS XM and Live Nation throughout the year and the individual companies have allowed us access to financial information we did not previously have prior to the fourth quarter and we determined it was preferable to start recording our share of earnings (loss) in these entities using the same fiscal periods we use. We note that under relevant GAAP when a Company transitions from a lag in reporting for a subsidiary (consolidated or treated as equity method affiliate) the appropriate presentation is to retrospectively apply the recognition of share of earnings (losses) in the appropriate periods. We have retroactively applied our share of earnings (loss) for all periods presented on a comparable basis. See note 3 in the accompanying consolidated financial statements for additional details.

In January 2013, we acquired an additional 50,000,000 shares of SIRIUS XM's common stock and converted all of our remaining shares of SIRIUS XM's Convertible Perpetual Preferred Stock into 1,293,509,076 shares of SIRIUS XM common stock, giving us more than 50% of the common stock of SIRIUS XM entitled to vote on any matter, including the election of directors. Therefore, we will begin consolidating SIRIUS XM in the first quarter of 2013. We believe that through the application of purchase accounting we will recognize a significant gain on our ownership interest in SIRIUS XM based on the current fair value of SIRIUS XM and our basis in SIRIUS XM. The consolidation of SIRIUS XM will alter the overall financial statement presentation of our company. See note 1 to the accompanying consolidated financial statements to see supplemental information on the Pro Forma impacts of consolidating SIRIUS XM and the impact of the Spin-Off.

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,		
	2012	2011	2010
	amounts in millions		
Non-strategic Securities(1)	\$310	254	669
Borrowed shares(1)	—	(104)	(254)
Net change in Non-strategic Securities(1)	310	150	415
Exchangeable senior debentures(2)	—	(85)	(111)
Other derivatives	(78)	3	(44)
	<u>\$232</u>	<u>68</u>	<u>260</u>

(1) Based on the nature of the borrowed share accounting, as described in note 9 in the accompanying consolidated 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 year ended December 31, 2011 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.

Other, net. The other category increased for the year ended December 31, 2012 as a result of a reversal of a contingent liability as discussed in more detail in note 17 in the accompanying financial statements.

Income taxes. Our effective tax rate for the years ended December 31, 2012 and 2011 were 30% and 29%, respectively. During the year ended December 31, 2010 we recognized net income tax benefits of \$571 million. Our effective tax rate for all three years were impacted for the following reasons:

- During 2012, our effective tax rate was lower than the federal tax rate of 35% due to tax benefits related to a capital loss realized on the taxable liquidation of a consolidated subsidiary, dividends received deductions and a change in valuation allowance offset slightly by state income taxes.
- 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).

Net earnings. We had net earnings of \$1,412 million, \$832 million and \$997 million for the years ended December 31, 2012, 2011 and 2010, respectively. The change in net earnings was the result of the above-described fluctuations in our revenue, expenses and other gains and losses.

Liquidity and Capital Resources

As of December 31, 2012, 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, 2012, the Company had a cash balance of \$1,353 million along with additional sources of liquidity of \$67 million in short term marketable securities and \$1,079 million of 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. Our operating businesses have provided, on average, approximately \$200 million in annual operating cash flow over the prior three years, almost all this operating cash flow is generated by Starz and with the completion of Spin-Off the operating cash flow of Starz will no longer be available to the Company. At the time of Spin-Off, a cash distribution was made of approximately \$1.2 billion from Starz to Liberty which will replace that operating cash flow for the near term. Additionally, on January 18, 2013 the Company obtained a controlling interest in SIRIUS XM which has significant

operating cash flows, although due to SIRIUS XM being a separate public company and the significant noncontrolling interest we will not have ready access to such cash flows.

	<u>Years ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
	amounts in millions		
Cash Flow Information			
Net cash provided (used) by operating activities	236	276	44
Net cash provided (used) by investing activities	214	(274)	(484)
Net cash provided (used) by financing activities	(1,167)	(22)	(1,421)

Our primary uses of cash during the years ended December 31, 2012, 2011 and 2010 were additional investments in cost and equity method investees (\$1,716 million (primarily purchases of SIRIUS XM and Live Nation common shares during the period), \$350 million and \$405 million, respectively), the reattribution of cash to Liberty Interactive (prior to the Split-Off) (zero, \$264 million and \$807 million, respectively), repurchases of shares of Series A common stock of Liberty's various tracking stocks (\$323 million, \$465 million and \$754 million, respectively) and debt repayments (\$1,254 million, \$59 million and \$1,047 million, respectively). These uses of cash were funded by cash provided by operating activities, net sales of short term investments, repayments of loans by cost and equity method investees, proceeds from the settlement of financial instruments, debt borrowings and cash on hand.

The projected uses of Liberty cash are primarily the investment in new or existing businesses. In January 2013, we acquired an additional 50,000,000 shares of SIRIUS XM for approximately \$160 million. Additionally, we may use cash for the potential buyback of common stock under our share buyback programs. Between the end of the year and January 31, 2013 we have acquired approximately 620,031 shares of our Series A common stock for \$70 million. As of January 11, 2013 the Company no longer has any outstanding debt to service on a go forward basis as all outstanding debt obligations remained with Starz in the Spin-Off. We expect that we will be able to use a combination of cash on hand, including the \$1.2 billion discussed above, and other sources of liquidity to fund future cash needs.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Starz has entered into an exclusive long-term licensing agreement for theatrically released films from Disney through 2015. The agreement provides Starz with exclusive pay TV rights to exhibit qualifying theatrically released live-action and animated feature films under the Disney, Touchstone, Pixar and Marvel labels. Theatrically released films produced by DreamWorks are not licensed to Starz under the agreement. In addition, Starz is obligated to pay programming fees for all qualifying films that are released theatrically in the U.S. by Sony's Columbia Pictures, Screen Gems, Sony Pictures Classics and Tristar labels through 2021, subject to certain limitations. On February 11, 2013, Starz announced a new, multi-year output licensing agreement for theatrically released motion pictures from Sony that extends its relationship with Sony through 2021. The previous agreement had covered motion pictures released theatrically through 2016. The programming fees to be paid by Starz to Disney and Sony are based on the quantity and domestic theatrical exhibition receipts of qualifying films. Starz has also entered into agreements with a number of other motion picture producers and is obligated to pay fees for the rights to exhibit certain films that are released by these producers.

The unpaid balance of Programming Fees for films that were available for exhibition by Starz at December 31, 2012, is reflected as a liability in the accompanying consolidated balance sheet. The balance due as of December 31, 2012, is payable as follows: \$57 million in 2013 and \$1 million in 2014.

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. Starz's estimate of amounts payable for rights to future programming (that have been released), including the Disney and Sony agreements, is as follows: \$325 million in 2013; \$101 million in 2014; \$72 million in 2015; \$64 million in 2016; \$64 million in 2017 and \$266 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, 2012, Liberty's guarantees for obligations for films released by such date aggregated \$399 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, LLC, then a wholly-owned subsidiary of Liberty, at December 31, 2012, Liberty has not recorded a separate indirect liability for its guarantee of these obligations as of such date. Following the Spin-Off we will continue to guarantee certain Starz obligations under certain of its studio output agreements and will determine the financial statement impact, if any, in the first quarter of 2013.

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, 2012 aggregated \$151 million, which is payable as follows: \$60 million in 2013, \$30 million in 2014, \$28 million in 2015, \$16 million in 2016 and \$17 million thereafter. 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, excluding uncertain tax positions as it is indeterminable when payments will be made, is summarized below (including Starz obligations).

	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)	\$ 540	4	9	15	512
Interest payments(2)	184	27	54	52	51
Programming Fees(3)	950	382	174	128	266
Operating lease obligations	57	12	20	9	16
Employment agreements	151	60	58	33	—
Purchase orders and other obligations	336	292	36	8	—
Total consolidated	\$2,218	777	351	245	845
Starz obligations	\$2,025	704	283	207	831
Contractual obligations without Starz	\$ 193	73	68	38	14

- (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, 2012, (ii) assume the interest rates on our variable rate debt remain constant at the December 31, 2012 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.

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 consolidated statement of operations. A high degree of judgment is required to estimate the fair value of our long-lived assets. We may use quoted market prices, prices for similar assets, present value techniques and other valuation techniques to prepare these estimates. We may need to make estimates of future cash flows and discount rates as well as other assumptions in order to implement these valuation techniques. 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, 2012, 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
Other	<u>20</u>	<u>—</u>	<u>20</u>
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. The Company adopted current accounting guidance, in the prior and current year, relating to the annual assessments of recoverability of goodwill and other non-amortizable intangibles and utilized a qualitative assessment for determining whether step one of the goodwill impairment analysis was necessary. The accounting guidance adopted was issued 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. 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 the relevant accounting guidance to determine whether it were more likely than not that an indicated impairment existed for any of our reporting units. The Company considered whether there were 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. 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 consolidated statement of operations. Other than temporary declines in fair value of our cost investments are recognized on a separate line in our consolidated statement of operations, and other than temporary declines in fair value of our equity method investments are included in share of losses of affiliates in our consolidated statement of operations.

The primary factors we consider in our determination of whether declines in fair value are other than temporary are the length of time that the fair value of the investment is below our carrying value; 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 consolidated statement of operations in the period in which they occur to the extent such decreases are deemed to be other than temporary. Subsequent increases in fair value will be recognized in our consolidated statement of operations only upon our ultimate disposition of the investment.

Program Rights. Programming costs are Starz's most significant individual operating cost. Program rights for films and television programs exhibited by Starz Networks are generally amortized on a film-by-film basis over the anticipated number of exhibitions. Starz estimates the number of exhibitions based on the number of exhibitions allowed in the agreement and the expected usage of the content. Starz generally has rights to two or three separate windows under its pay-television output agreements. For films with multiple windows, the license fee is allocated between the windows based upon the proportionate estimated value of each window. Starz 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 Starz 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, Starz 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 and original productions on Starz's networks and the estimate of ultimate revenue could result in the earlier recognition of 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 Starz's future results of operations and 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 U.S. Multichannel Video Programming 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 U.S. and throughout the world. Starz is managed by and organized around the Starz Networks (previously referred to as Starz Channels), Starz Distribution and Starz Animation business units. Starz Distribution includes the Home Video, Digital Media and Worldwide Distribution (previously referred to as Television) businesses.

A large portion of Starz's revenue is derived from the delivery of movies and original programming content to consumers through Starz Networks' distributors. Certain of Starz's affiliation agreements with its distributors provide for payments to Starz based on the number of subscribers that receive the Starz Networks' services ("consignment agreements"). Starz also has fixed-rate affiliation agreements with certain of its distributors. Pursuant to these agreements, distributors 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 into 2019. Starz's affiliation agreements expire from time to time and are subject to renegotiation with its distributors. Starz agreed to multiyear extensions with several of its distributors during the fourth quarter of 2012. The financial terms of the extensions related to two distributors are generally less favorable than the financial terms in the prior affiliation agreements. The financial terms of the extensions would have resulted in an approximate reduction of 3% of Starz Networks' revenue for the year ended December 31, 2012, on a proforma basis had the extended agreements been in effect on January 1, 2012. The agreements with these two distributors provide for contractually agreed upon increases in the amounts Starz receives on an annual basis beginning on the first anniversary of the extensions. During the year ended December 31, 2012, approximately 58% of the Starz Networks' revenue was generated by its three largest distributors, Comcast, DIRECTV, and Dish Network, each of which individually generated 10% or more of Starz Networks' revenue for such period.

Starz's operating results were as follows:

	<u>Years ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
	amounts in millions		
Revenue	\$1,631	1,615	1,626
Operating expenses	(971)	(928)	(981)
SG&A expenses	(215)	(238)	(302)
Adjusted OIBDA	445	449	343
Stock-based compensation	(20)	(7)	(39)
Depreciation and amortization	(19)	(18)	(23)
Operating income	<u>\$ 406</u>	<u>424</u>	<u>281</u>

Starz's revenue increased \$16 million or 1.0% for the year ended December 31, 2012, as compared to the corresponding prior year. Revenue for the year ended December 31, 2012 increased primarily as a result of increases in revenue from the Starz Distribution and Starz Networks' businesses which were partially offset by a decrease in revenue for the Starz Animation business. Starz Networks' revenue represented approximately 78% and 79% of Starz's total revenue for the years ended December 31, 2012 and 2011, respectively. The following table sets forth Starz's total revenue by business:

	<u>Years ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
	amounts in millions		
Starz Networks	\$1,277	1,270	1,224
Starz Distribution	321	311	367
Starz Animation	42	46	71
Eliminations	(9)	(12)	(36)
Total Revenue	<u>\$1,631</u>	<u>1,615</u>	<u>1,626</u>

Revenue from Starz Networks increased \$7 million or 0.6% for the year ended December 31, 2012, as compared to the corresponding prior year. The Starz Networks' growth in revenue for the year ended December 31, 2012 resulted from a \$34 million increase due to higher effective rates for the Starz Networks' services which was partially offset by a \$27 million decrease in volume. The decrease in volume was due primarily to the non-renewal of the Netflix agreement and a decrease in consignment subscriptions as discussed below.

The *Starz* and *Encore* channels are the primary drivers of Starz Networks' revenue. The following table sets forth information on *Starz* and *Encore* subscribers:

	Years ended December 31,		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
	in millions		
<i>Starz:</i>			
Fixed-rate subscriptions	13.0	9.4	8.6
Consignment subscriptions	<u>8.2</u>	<u>10.2</u>	<u>9.6</u>
Total <i>Starz</i> subscriptions	<u>21.2</u>	<u>19.6</u>	<u>18.2</u>
<i>Encore:</i>			
Fixed-rate subscriptions	23.2	19.6	19.5
Consignment subscriptions	<u>11.6</u>	<u>13.6</u>	<u>13.3</u>
Total <i>Encore</i> subscriptions	<u>34.8</u>	<u>33.2</u>	<u>32.8</u>

Starz average subscriptions increased 8.2% for the year ended December 31, 2012 as compared to the corresponding prior year and *Encore* average subscriptions increased 4.8% for the year ended December 31, 2012 as compared to the corresponding prior year. 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, 2012, subscriptions under fixed-rate agreements were 36.2 million while subscriptions under consignment agreements were 19.8 million. As of December 31, 2011, subscriptions under fixed-rate affiliation agreements were 29.0 million while subscriptions under consignment agreements were 23.8 million. The increase in fixed-rate subscriptions includes 3.9 million of subscriptions for certain distributors which moved from consignment to fixed-rate agreements.

Revenue from *Starz* Distribution increased \$10 million or 3.2% for the year ended December 31, 2012 as compared to the corresponding prior year. The increase for the year ended December 31, 2012 as compared to the corresponding prior year is primarily due to increased revenue from the Digital Media and Worldwide Distribution businesses which was offset by a decrease in revenue from the Home Video business. The Digital Media business experienced an increase in revenue from films released under the distribution agreement with The Weinstein Company (“TWC”) while Worldwide Distribution experienced an increase in revenue from distribution of *Starz*’s original programming. The home video business experienced a decrease in revenue from the TWC films released during the year ended December 31, 2012 as compared to the corresponding prior year. This decrease was partially offset by an increase in revenue from the distribution of AMC Network’s original series “*The Walking Dead*” and *Starz*’s original series “*Spartacus*.” Home Video revenue was positively impacted in 2011 by the release of TWC’s “*The King’s Speech*,” which won four Academy Awards®, including Best Picture, Best Actor, Best Director and Best Original Screenplay.

Operating expenses increased \$43 million or 4.6% during the year ended December 31, 2012 as compared to corresponding prior year. The increase for the year ended December 31, 2012 as compared to the corresponding prior year is due primarily to higher programming costs and production and acquisition costs.

Programming costs are *Starz*’s largest expense. Programming costs increased \$10 million or 1.5% for the year ended December 31, 2012 as compared to the corresponding prior year. Programming costs vary due to costs associated with original productions, the number of films licensed under *Starz*’s output and library programming agreements and the cost per film paid under *Starz*’s output and library agreements. Programming costs for the year ended December 31, 2012 as compared to the prior year have increased due to increased exhibitions of *Starz*’s original programming content and higher

production costs related to Starz's 2012 original series as compared to the 2011 series. Partially offsetting this increase in original programming during 2012 is higher utilization of lower cost second window films licensed under Starz's output agreements. We expect programming costs related to original programming to continue to increase in the future as Starz continues to invest in original content.

Production and acquisition costs primarily include the amortization of Starz's investments in films and television programs and participation costs. The license fee associated with original productions is included in programming costs and all remaining production and acquisition costs for original productions are amortized to production and acquisition costs based on the proportion that current revenue bears to an estimate of Starz's ultimate revenue for each original production. The amount of production and acquisition costs that Starz will incur for original productions is impacted by both the number of original productions and the various distribution rights that Starz acquires or retains for these productions. Participation costs represent amounts paid or due to participants under agreements Starz has whereby Starz Distribution distributes content in which a participant has an ownership interest in the content (e.g., TWC, AMC Networks, producers or writers of Starz's original programming, etc.).

Production and acquisition costs increased \$34 million or 21.4% for the year ended December 31, 2012 as compared to the corresponding prior year. The increase in production and acquisition costs is primarily due to higher Starz Distribution revenue associated with Starz's original series (which resulted in higher production cost amortization) and a higher gross margin in 2012 on films distributed which was primarily the result of higher advertising and marketing costs in 2011 as described below. In addition, revisions Starz made in ultimate revenue estimates resulted in impairments of \$17 million in 2012 as compared to impairments of \$13 million in 2011.

Starz's SG&A expenses decreased by \$23 million or 9.7% for the year ended December 31, 2012 as compared to the corresponding prior year. The decrease in SG&A expenses for the year ended December 31, 2012 as compared to the corresponding prior year was due primarily to a decrease in advertising and marketing for Starz Distribution and Starz Networks. Advertising and marketing for Starz Distribution was higher in 2011 primarily as a result of the home video release of "*The King's Speech*." Advertising and marketing costs for Starz Networks decreased for the year ended December 31, 2012 as compared to the corresponding prior year due to a lower number of original series premieres in 2012 than 2011. However, Starz expects that advertising and marketing costs related to original programming will increase in future periods as Starz continues to invest in original content.

Starz's Adjusted OIBDA decreased \$4 million or 0.9% for year ended December 31, 2012, as compared to the corresponding prior year. Starz Distribution's adjusted OIBDA decreased approximately \$9 million as increases in production and acquisition costs more than offset Starz Distribution's higher revenue. Starz Networks' adjusted OIBDA increased approximately \$4 million primarily due to a decrease in advertising and marketing 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, 2012 the baseball club increased revenue by \$17 million or 8.2% as compared to the prior year, due to slightly greater fan attendance and with a slightly higher average price per ticket. ANLBC's adjusted OIBDA was positively impacted by slightly lower player salaries in 2012. During the year ended December 31, 2011 player salaries were slightly higher 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 freed up additional salary in 2012 to be utilized in the acquisition of additional player talent. This one transaction caused Adjusted OIBDA to go from earnings to a loss for the year ended December 31, 2011. During the year ended December 31, 2012 there was a reduction in amortization

which was an incremental improvement to ANLBC's operating loss, as compared to the prior year period, due to certain intangible assets becoming fully amortized throughout 2011.

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, 2012, 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		
\$5	2.0%	\$535	5.09%

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, 2012, the fair value of our AFS equity securities was \$1,392 million. Had the market price of such securities been 10% lower at December 31, 2012, the aggregate value of such securities would have been \$139 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 II-21. 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 and principal accounting and 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, 2012 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.

See page II-19 for *Management’s Report on Internal Control Over Financial Reporting*.

See page II-20 for *Report of Independent Registered Public Accounting Firm* for their attestation regarding our internal control over financial reporting.

There has been no change in the Company’s internal control over financial reporting that occurred during the three months ended December 31, 2012 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Other Information.

None.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Liberty Media Corporation's (the "Company") management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting, as such term is defined in Rule 13a - 15(f) of the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The Company's management assessed the effectiveness of internal control over financial reporting as of December 31, 2012, using the criteria in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation the Company's management believes that, as of December 31, 2012, its internal control over financial reporting is effective.

The Company's independent registered public accounting firm audited the consolidated financial statements and related disclosures in the Annual Report on Form 10-K and have issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears on page II-20 of this Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Liberty Media Corporation:

We have audited Liberty Media Corporation's internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Liberty Media Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Liberty Media Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Liberty Media Corporation and subsidiaries as of December 31, 2012 and 2011, 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, 2012, and our report dated February 27, 2013 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Denver, Colorado
February 27, 2013

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, 2012 and 2011, and the related consolidated statements of operations, comprehensive earnings (loss), cash flows, and equity for each of the years in the threeyear period ended December 31, 2012. 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, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the threeyear period ended December 31, 2012, 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): Revenue Arrangements*. Also as discussed in note 3, in the fourth quarter of 2012, the Company elected to record its share of earnings (loss) in certain equity method investments on a current basis as opposed to a three-month lag, which resulted in retrospective application for all periods presented.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Liberty Media Corporation and subsidiaries' internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 27, 2013 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ **KPMG LLP**

Denver, Colorado
February 27, 2013

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2012 and 2011

	<u>2012</u>	<u>Recast 2011</u>
	<u>amounts in millions</u>	
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$1,353	2,070
Trade and other receivables, net	286	288
Program rights	340	388
Short term marketable securities	67	299
Restricted cash	4	709
Deferred income tax assets (note 11)	13	61
Other current assets	148	45
Total current assets	<u>2,211</u>	<u>3,860</u>
Investments in available-for-sale securities and other cost investments (note 6)	1,392	1,859
Investments in affiliates, accounted for using the equity method (note 7)	3,341	563
Property and equipment, at cost	468	504
Accumulated depreciation	<u>(261)</u>	<u>(289)</u>
	<u>207</u>	<u>215</u>
Intangible assets not subject to amortization (note 9)	475	475
Intangible assets subject to amortization, net (note 9)	120	135
Program rights	339	374
Other assets, at cost, net of accumulated amortization	240	238
Total assets	<u>\$8,325</u>	<u>7,719</u>

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets (Continued)
December 31, 2012 and 2011

	<u>2012</u>	<u>Recast 2011</u>
	<u>amounts in millions</u>	
<i>Liabilities and Equity</i>		
Current liabilities:		
Accounts payable	\$ 10	15
Accrued liabilities	285	313
Current portion of debt (note 10)	4	754
Deferred revenue	49	63
Other current liabilities	37	85
Total current liabilities	385	1,230
Long-term debt (note 10)	536	541
Deferred revenue	39	39
Deferred income tax liabilities (note 11)	802	409
Other liabilities	131	251
Total liabilities	1,893	2,470
Stockholders' equity (note 12, 14 and 16):		
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 111,852,001 and 112,411,965 shares at December 31, 2012 and 2011, respectively	1	1
Series B Liberty Capital common stock, \$.01 par value. Authorized 75,000,000 shares; issued and outstanding 9,886,838 and 9,918,454 shares at December 31, 2012 and 2011, respectively	—	—
Additional paid-in capital	3,348	3,564
Accumulated other comprehensive earnings, net of taxes	12	29
Retained earnings	3,079	1,665
Total stockholders' equity	6,440	5,259
Noncontrolling interests in equity of subsidiaries	(8)	(10)
Total equity	6,432	5,249
Commitments and contingencies (note 17)		
Total liabilities and equity	\$8,325	7,719

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Operations

Years ended December 31, 2012, 2011 and 2010

	<u>2012</u>	<u>Recast 2011</u>	<u>Recast 2010</u>
	amounts in millions, except per share amounts		
Revenue:			
Communications and programming services	\$1,999	3,024	2,050
Operating costs and expenses:			
Operating	1,201	1,600	1,284
Selling, general and administrative, including stock-based compensation (note 3)	414	396	525
Legal settlement	—	2	(48)
Depreciation and amortization	58	69	94
	<u>1,673</u>	<u>2,067</u>	<u>1,855</u>
Operating income	326	957	195
Other income (expense):			
Interest expense	(33)	(21)	(65)
Dividend and interest income	78	79	88
Share of earnings (losses) of affiliates, net (notes 3 and 8)	1,346	87	(98)
Realized and unrealized gains (losses) on financial instruments, net (note 9)	232	68	260
Gains (losses) on dispositions, net	22	(10)	36
Other, net (note 17)	41	5	10
	<u>1,686</u>	<u>208</u>	<u>231</u>
Earnings (loss) from continuing operations before income taxes	2,012	1,165	426
Income tax (expense) benefit (note 11)	(600)	(333)	571
Net earnings (loss)	1,412	832	997
Less net earnings (loss) attributable to the noncontrolling interests	(2)	(4)	(3)
Net earnings (loss) attributable to Liberty stockholders	<u>\$1,414</u>	<u>836</u>	<u>1,000</u>
Net earnings (loss) attributable to Liberty stockholders:			
Liberty Capital common stock	1,414	607	794
Liberty Starz common stock	NA	229	206
	<u>\$1,414</u>	<u>836</u>	<u>1,000</u>
Basic net earnings (loss) attributable to Liberty stockholders per common share (note 3):			
Series A and Series B Liberty Capital common stock	\$11.78	7.14	8.82
Series A and Series B Liberty Starz common stock	NA	4.49	4.12
Diluted net earnings (loss) attributable to Liberty stockholders per common share (note 3):			
Series A and Series B Liberty Capital common stock	\$11.40	6.90	8.54
Series A and Series B Liberty Starz common stock	NA	4.32	3.96

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Consolidated Statements Of Comprehensive Earnings (Loss)
Years ended December 31, 2012, 2011 and 2010

	<u>Years Ended December 31,</u>		
	<u>2012</u>	<u>Recast 2011</u>	<u>Recast 2010</u>
	<u>amounts in millions</u>		
Net earnings (loss)	\$1,412	832	997
Other comprehensive earnings (loss), net of taxes:			
Unrealized holding gains (losses) arising during the period	(3)	(24)	9
Recognition of previously unrealized (gains) losses on available-for-sale securities, net	(13)	—	(21)
Share of other comprehensive earnings (loss) from equity affiliates	—	2	—
Reattribution of other comprehensive earnings from Liberty Interactive	—	—	30
Other	(1)	(3)	1
Other comprehensive earnings (loss)	<u>(17)</u>	<u>(25)</u>	<u>19</u>
Comprehensive earnings (loss)	1,395	807	1,016
Less comprehensive earnings (loss) attributable to the noncontrolling interests	(2)	(4)	(3)
Comprehensive earnings (loss) attributable to Liberty stockholders	<u>\$1,397</u>	<u>811</u>	<u>1,019</u>
Comprehensive earnings (loss) attributable to Liberty stockholders:			
Liberty Capital common stock	1,397	584	813
Liberty Starz common stock	NA	227	206
	<u>\$1,397</u>	<u>811</u>	<u>1,019</u>

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Cash Flows

Years ended December 31, 2012, 2011 and 2010

	<u>2012</u>	<u>Recast 2011</u>	<u>Recast 2010</u>
	<u>amounts in millions</u>		
	<u>(see note 4)</u>		
Cash flows from operating activities:			
Net earnings (loss)	\$ 1,412	832	997
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	58	69	94
Amortization of program rights	759	737	729
Cash payments for program rights	(741)	(769)	(650)
Stock-based compensation	66	32	83
Cash payments for stock-based compensation	(52)	(21)	(204)
Excess tax benefit from stock-based compensation	(146)	(9)	(77)
Noncash interest expense	6	2	—
Share of (earnings) loss of affiliates, net	(1,346)	(87)	98
Realized and unrealized (gains) losses on financial instruments, net	(232)	(68)	(260)
Losses (gains) on disposition of assets, net	(22)	10	(36)
Change in tax accounts from Liberty Interactive, net	—	2	50
Deferred income tax expense (benefit)	450	72	(795)
Other noncash charges (credits), net	(33)	(605)	72
Changes in operating assets and liabilities			
Current and other assets	10	(78)	—
Payables and other liabilities	47	157	(57)
Net cash provided (used) by operating activities	<u>236</u>	<u>276</u>	<u>44</u>
Cash flows from investing activities:			
Cash proceeds from dispositions	766	17	71
Proceeds (payments) from settlement of financial instruments, net	(9)	—	751
Investments in and loans to cost and equity investees	(1,716)	(350)	(405)
Repayment of loan by Liberty Interactive	—	—	316
Repayment of loans by cost and equity investees	110	217	200
Return of investment in equity method affiliate	165	—	—
Capital expended for property and equipment	(31)	(14)	(16)
Net sales (purchases) of short term investments	232	277	(542)
Net (increase) decrease in restricted cash	705	(153)	(39)
Reattribution of cash to Liberty Interactive	—	(264)	(807)
Other investing activities, net	(8)	(4)	(13)
Net cash provided (used) by investing activities	<u>214</u>	<u>(274)</u>	<u>(484)</u>
Cash flows from financing activities:			
Borrowings of debt	500	506	132
Repayments of debt	(1,254)	(59)	(1,047)
Repurchases of Liberty common stock	(323)	(465)	(754)
Taxes paid in lieu of shares issued for stock-based compensation	(181)	(9)	—
Excess tax benefit from stock-based compensation	146	9	77
Other financing activities, net	(55)	(4)	171
Net cash provided (used) by financing activities	<u>(1,167)</u>	<u>(22)</u>	<u>(1,421)</u>
Net increase (decrease) in cash and cash equivalents	(717)	(20)	(1,861)
Cash and cash equivalents at beginning of period	<u>2,070</u>	<u>2,090</u>	<u>3,951</u>
Cash and cash equivalents at end of period	<u>\$ 1,353</u>	<u>2,070</u>	<u>2,090</u>

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Statement Of Equity

Years ended December 31, 2012, 2011 and 2010

	Stockholders' equity							Accumulated other comprehensive earnings	Retained earnings	Noncontrolling interest in equity of subsidiaries	Total equity	
	Preferred Stock		Liberty Capital		Liberty Starz		Additional Paid-in Capital					Parent's Investment
	Series A	Series B	Series A	Series B	Series A	Series B						
Balance at January 1, 2010 (recast)	\$—	\$—	\$—	\$—	\$—	\$—	\$ 3,446	\$ 35	\$ (171)	\$ —	\$3,310	
Net earnings	—	—	—	—	—	—	—	—	1,000	(3)	997	
Other comprehensive earnings	—	—	—	—	—	—	—	19	—	—	19	
Stock issued upon exercise of stock options	—	—	—	—	—	—	—	—	—	—	24	
Stock compensation	—	—	—	—	—	—	—	—	—	—	22	
Excess tax benefits on stock-based compensation	—	—	—	—	—	—	—	—	—	—	77	
Series A Liberty Starz stock repurchases	—	—	—	—	—	—	(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	829	—	5,000	
Net earnings	—	—	—	—	—	—	—	(25)	836	(4)	832	
Other comprehensive earnings	—	—	—	—	—	—	—	—	—	—	(25)	
Stock compensation	—	—	—	—	—	—	7	—	—	—	23	
Minimum withholding taxes on net share settlements of stock-based compensation	—	—	—	—	—	—	(9)	—	—	—	(9)	
Excess tax benefits on stock-based compensation	—	—	—	—	—	—	9	—	—	—	9	
Stock issued upon exercise of stock options	—	—	—	—	—	—	—	—	—	—	7	
Series A Liberty Starz stock repurchase	—	—	—	—	—	—	1	—	—	—	(365)	
Series A Liberty Capital stock repurchases	—	—	—	—	—	—	(152)	—	—	—	(100)	
Impact of reattribution with Liberty Interactive	—	—	—	—	—	—	(100)	—	—	—	(45)	
Transfer of tax attributes to Liberty Interactive	—	—	—	—	—	—	(59)	—	—	—	(59)	
Change in capitalization in connection with Split-off (note 1)	—	—	—	—	—	—	(3,809)	—	—	—	—	
Sale of noncontrolling interest, net of tax impacts	—	—	—	—	—	—	(100)	—	—	(6)	(106)	
Other	—	—	—	—	—	—	(3)	—	—	—	(3)	
Balance at December 31, 2011	—	—	—	—	—	—	—	29	1,665	(10)	5,249	
Net earnings	—	—	—	—	—	—	—	—	1,414	(2)	1,412	
Other comprehensive loss	—	—	—	—	—	—	—	(17)	—	—	(17)	
Stock compensation	—	—	—	—	—	—	68	—	—	—	68	
Minimum withholding taxes on net share settlements of stock-based compensation	—	—	—	—	—	—	(181)	—	—	—	(181)	
Excess tax benefits on stock-based compensation	—	—	—	—	—	—	146	—	—	—	146	
Stock issued upon exercise of stock options	—	—	—	—	—	—	—	—	—	—	7	
Series A Liberty Capital stock repurchases	—	—	—	—	—	—	(323)	—	—	—	(323)	
Non-cash benefit from reversal of contingent liability (note 17)	—	—	—	—	—	—	72	—	—	—	72	
Other	—	—	—	—	—	—	(5)	—	—	4	(1)	
Balance at December 31, 2012	—	—	—	—	—	—	\$3,348	\$ 12	\$3,079	\$ (8)	\$6,432	

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2012, 2011 and 2010

(1) Basis of Presentation

The accompanying consolidated financial statements of Liberty Media Corporation (formerly named Liberty Spinco, Inc.; see discussion below pertaining to the Spin-Off) (“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.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

(1) Basis of Presentation (Continued)

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 these amounts have not been 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 \$10 million and \$2 million of these allocated expenses were reimbursed to Liberty during the year ended December 31, 2012 and 2011 (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 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.

During August 2012, the Board of Directors of Starz (formerly known as Liberty Media Corporation) authorized a plan to distribute to the stockholders of Starz shares of a wholly-owned subsidiary, Liberty Media Corporation ("Liberty" and the "Company" formerly known as Liberty Spinco, Inc.), that holds, as of January 11, 2013, all of the businesses, assets and liabilities of Starz not associated with Starz, LLC (with the exception of the Starz, LLC office building) (the "Spin-Off"). The

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

(1) Basis of Presentation (Continued)

transaction was effected as a pro-rata dividend of shares of Liberty to the stockholders of Starz. The businesses, assets and liabilities not included in Liberty are part of a separate public company which was renamed Starz. Due to the relative significance of Liberty to Starz (the legal spinnor) and senior management's continued involvement with Liberty following the Spin-Off, Liberty will be treated as the "accounting successor" to Starz for financial reporting purposes, notwithstanding the legal form of the Spin-Off previously described. Therefore, the historical financial statements of Starz will continue to be the historical financial statements of Liberty and will present Starz as discontinued operations upon completion of the Spin-Off in the first quarter of 2013. Therefore, for purposes of these financial statements Liberty is treated as the spinnor for purposes of discussion and as a practical matter of describing all the historical information contained herein. The Spin-Off is intended to be tax-free to stockholders of Liberty.

Subsequent to December 31, 2012 two fairly significant transactions were completed which will significantly change the financial statements of Liberty. On January 11, 2013 Liberty completed the Spin-Off, previously discussed, whereas Liberty and Starz are separate public companies. Starz has been treated as an asset held and used, for purposes of these statements as the transaction was not completed until after December 31, 2012 and will be presented as discontinued operations in the first quarter of 2013. Additionally on January 18, 2013 Liberty settled a block transaction with a financial institution taking possession of an additional 50,000,000 shares of SIRIUS XM Radio, Inc. ("SIRIUS XM") as well as converting its remaining SIRIUS XM Convertible Perpetual Preferred Stock, Series B-1, par value \$0.001 per share, into 1,293,509,076 shares of SIRIUS XM Common Stock. As a result of these two transactions Liberty holds more than 50% of the capital stock of SIRIUS XM entitled to vote on any matter, including the election of directors. Following the transactions, Liberty also appointed certain directors to the board of directors and effectively controls the board as of January 18, 2013. This will result in the application of purchase accounting and the consolidation of SIRIUS XM in the first quarter of 2013. Liberty will record a significant gain in the first quarter of 2013 associated with application of purchase accounting based on the difference between fair value and the carrying value of the ownership interest Liberty has in SIRIUS XM.

The Pro Forma summarized combined unaudited balance sheets and statements of operation of Liberty using the historical financial statements for both Starz, LLC and SIRIUS XM, not giving effect to any purchase accounting related differences (valuation information was not available at the time for any initial purchase price allocation) which would significantly change these amounts, as if the

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

(1) Basis of Presentation (Continued)

transactions 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, 2010, are as follows:

Summary Balance Sheet Data:

	December 31, 2012	December 31, 2011
	amounts in millions (unaudited)	
Current assets	\$ 2,602	3,281
Investments in available-for-sale securities	\$ 1,392	1,859
Investments in equity method affiliates	\$ 575	482
Other assets	\$ 7,929	6,928
Total assets	\$12,498	12,550
Long-term debt	\$ 2,222	2,684
Other liabilities	\$ 3,828	5,591
Noncontrolling interests in equity of subsidiaries	\$ 2,020	350
Equity	\$ 4,428	3,925

Summary Operations Data:

	Years ended December 31,		
	2012	2011	2010
	amounts in millions (unaudited)		
Revenue	\$3,770	\$4,424	3,241
Operating income (loss)	789	1,206	377
Interest expense	(272)	(321)	(361)
Share of earnings (loss) of affiliates	(21)	(7)	(57)
Realized and unrealized gains (losses) on financial instruments, net	232	68	260
Less earnings (loss) attributable to the noncontrolling interests	1,737	210	19
Net Earnings (loss) from continuing operations attributable to Liberty stockholders:			
Liberty Capital group	\$1,531	726	856
Liberty Starz group	NA	(13)	44
Pro Forma basic net earnings (loss) from continuing operations attributable to Liberty stockholders per common share (note 3):			
Liberty Capital group	\$12.76	8.54	9.51
Liberty Starz group	NA	(0.25)	0.88
Pro Forma diluted net earnings (loss) from continuing operations attributable to Liberty stockholders per common share (note 3):			
Liberty Capital group	\$12.35	8.25	9.20
Liberty Starz group	NA	(0.25)	0.85

This Pro Forma information is not representative of Liberty's future financial position, future results of operations or future cash flows nor does it reflect what Liberty's financial position, results of

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

(1) Basis of Presentation (Continued)

operations or cash flows would have been as if these transactions happened previously and Liberty controlled or discontinued owning these entities during the periods presented.

(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 no group could 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 Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

(2) Tracking Stocks (Continued)

- 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 were 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.

(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.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

(3) Summary of Significant Accounting Policies (Continued)

Receivables

Receivables are reflected net of an allowance for doubtful accounts and sales returns. Such allowance aggregated \$36 million and \$39 million at December 31, 2012 and 2011, respectively. Activity in the periods ended December 31, 2012, 2011 and 2010 included \$1 million, \$9 million and zero of bad debt charged to expense, respectively, and \$2 million, \$2 million and \$3 million of write-offs, respectively.

Program Rights

The cost of program rights for films and television programs exhibited by Starz Networks are generally amortized on a film-by-film basis over the anticipated number of exhibitions. Starz Networks 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 Networks 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 estimates 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 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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

(3) Summary of Significant Accounting Policies (Continued)

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 (“Fair Value Option Securities”). Accordingly, changes in the fair value of Fair Value Option 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 \$1,079 million and \$1,435 million as of December 31, 2012 and 2011, 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.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

(3) Summary of Significant Accounting Policies (Continued)

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, 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 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 certain 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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

(3) Summary of Significant Accounting Policies (Continued)

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 of goodwill and other intangibles. The Company adopted current accounting guidance, in the prior and current year, relating to the annual assessments of recoverability of goodwill and other intangibles and utilized a qualitative assessment for determining whether step one of the goodwill impairment analysis was necessary. The accounting guidance adopted was issued 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. 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 the relevant accounting guidance 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.

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.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

(3) Summary of Significant Accounting Policies (Continued)

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

Effective January 1, 2009, the Company adopted 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 consolidated 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.

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, 2012, approximately 58% of the Starz Networks' revenue was generated by its three largest customers, Comcast, DIRECTV and Dish Network, each of which individually generated 10% or more of the Starz Networks' 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 was 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 revenue accounting guidance prospectively (see discussion below) 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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

(3) Summary of Significant Accounting Policies (Continued)

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 time of exhibition based on Starz'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.

Accounting guidance was issued 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 and amended outstanding guidance (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. Adoption, at the election of the Company, was either 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 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 current accounting requirements. This resulted in TruePosition 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 current guidance TruePosition utilized the estimated selling price to determine what portion of the overall consideration to allocate to the delivered and undelivered elements. 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 year ended December 31, 2011. 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.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

(3) Summary of Significant Accounting Policies (Continued)

Advertising Costs

Advertising costs generally are expensed as incurred. Advertising expense aggregated \$85 million, \$114 million and \$154 million for the years ended December 31, 2012, 2011 and 2010, 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 14, Liberty has granted to its directors, employees and employees of its subsidiaries options, restricted stock 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 consolidated statements of operations are the following amounts of stock-based compensation (amounts in millions):

Years ended:		
December 31, 2012	\$66
December 31, 2011	\$32
December 31, 2010	\$83

As of December 31, 2012, the total unrecognized compensation cost related to unvested Liberty equity Awards was approximately \$150 million. Such amount will be recognized in the Company’s consolidated statements of operations over a weighted average period of approximately 1.8 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 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.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

(3) Summary of Significant Accounting Policies (Continued)

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

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,		
	2012	2011	2010
	number of shares in millions		
Basic WASO	120	85	90
Stock options	4	3	3
Diluted WASO	124	88	93

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 MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

(3) Summary of Significant Accounting Policies (Continued)

Liberty Starz Common stock outstanding and the Basic and Diluted EPS calculations are through the Conversion date.

	Years ended December 31,		
	2012	2011	2010
	<u>number of shares in millions</u>		
Basic WASO	—	51	50
Stock options	—	<u>2</u>	<u>2</u>
Diluted WASO	<u>—</u>	<u>53</u>	<u>52</u>

Reclasses and adjustments

Certain prior period amounts have been reclassified for comparability with the current year presentation. Additionally, the Company added cash flow statement line items (Excess tax benefit from stock-based compensation and Taxes paid in lieu of shares issued for stock-based compensation) to reflect certain tax impacts from option exercises for the current and prior year periods presented.

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) recurring and nonrecurring 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.

Changes in Accounting Principle

In prior periods the Company elected to record its share of earnings (loss) for SIRIUS XM and Live Nation on a three-month lag due to timeliness considerations. As of December 31, 2012, the Company was able to obtain financial information for both of these equity method affiliates on a more timely basis and determined it was preferable to record the investment in these affiliates on a current basis as opposed to the previous three-month lag. In accordance with the applicable accounting literature this change in accounting requires retrospective application of the accounting treatment,

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

(3) Summary of Significant Accounting Policies (Continued)

unless it is considered impracticable. As the Company has all the appropriate information to apply the change on a retrospective basis these financial statements have been adjusted to reflect the investments in SIRIUS XM and Live Nation comparatively for prior periods. The balance of investments in affiliates, accounted for using the equity method was less by \$4 million and the deferred taxes were more by \$2 million, than previously reported, as a result of the retrospective application as of December 31, 2011. Additionally, opening retained earnings (deficit) as of January 1, 2010 is less by \$5 million than previously reported.

The following table presents the changes to the respective statement of operations captions in the prior periods as a result of the application of the change in accounting principle on a retrospective basis:

	<u>As Previously Reported</u>	<u>As Adjusted</u>	<u>Difference</u>
	<u>amounts in millions except per share amounts</u>		
2011:			
Share of earnings (losses) of affiliates, net	\$ 49	87	38
Income tax (expense) benefit	(319)	(333)	(14)
Net earnings (loss) attributable to Liberty stockholders:			
Liberty Capital common stock	583	607	24
Liberty Starz common stock	229	229	—
	<u>\$ 812</u>	<u>836</u>	<u>24</u>
Basic net earnings (loss) attributable to Liberty stockholders per Series A and Series B Liberty Capital common stock	\$ 6.86	7.14	0.28
Diluted net earnings (loss) attributable to Liberty stockholders per Series A and Series B Liberty Capital common stock	\$ 6.63	6.90	0.27
2010:			
Share of earnings (losses) of affiliates, net	\$ (64)	(98)	(34)
Income tax (expense) benefit	558	571	13
Net earnings (loss) attributable to Liberty stockholders:			
Liberty Capital common stock	815	794	(21)
Liberty Starz common stock	206	206	—
	<u>1,021</u>	<u>1,000</u>	<u>(21)</u>
Basic net earnings (loss) attributable to Liberty stockholders per common share:			
Series A and Series B Liberty Capital common stock	\$ 9.06	8.82	(0.24)
Diluted net earnings (loss) attributable to Liberty stockholders per common share:			
Series A and Series B Liberty Capital common stock	\$ 8.76	8.54	(0.22)

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

(4) Supplemental Disclosures to Consolidated Statements of Cash Flows

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
Cash paid for interest	\$ 20	12	66
Cash paid (received) for income taxes	\$129	193	161

(5) 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's assets and liabilities measured at fair value are as follows:

Description	December 31, 2012				December 31, 2011			
	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							
Cash equivalents	\$1,224	1,224	—	—	1,866	1,845	21	—
Short term marketable securities	\$ 67	—	67	—	299	—	299	—
Available-for-sale securities	\$1,361	978	383	—	1,851	1,441	410	—

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 related instruments 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 related instruments are reported in the foregoing table as Level 2 fair value.

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

All marketable equity and debt securities held by the Company are classified as available-for-sale ("AFS") and are carried at fair value generally based on quoted market prices. 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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

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

operations. The Company previously had entered into economic hedges for certain of its non-strategic AFS securities (although such instruments were 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 to account for those of its AFS securities which it considers to be non-strategic ("Fair Value Option Securities") at fair value. Accordingly, changes in the fair value of Fair Value Option Securities, as determined by quoted market prices, are reported in realized and unrealized gains (losses) on financial instruments in the accompanying consolidated statements of operations.

Investments in AFS securities, including Fair Value Option Securities separately aggregated, and other cost investments are summarized as follows:

	December 31, 2012	December 31, 2011
	amounts in millions	
Fair Value Option Securities		
Time Warner Inc.(1)	\$ 211	340
Time Warner Cable Inc.	230	150
Sprint Nextel Corporation ("Sprint")(2)	—	44
Viacom, Inc.(3)	192	345
Century Link, Inc.	70	67
Barnes & Noble, Inc.	262	253
Other equity securities	58	34
Other debt securities	56	202
Total Fair Value Option Securities	<u>1,079</u>	<u>1,435</u>
AFS and cost investments		
SIRIUS XM debt securities(4)	249	384
Live Nation debt Securities(5)	25	24
Other AFS and cost investments	39	16
Total AFS and cost investments	<u>313</u>	<u>424</u>
	<u>\$1,392</u>	<u>1,859</u>

- (1) In November 2012, Liberty physically settled a call option on 5 million shares of Time Warner Inc. common stock for proceeds of \$225 million offset by a \$24 million payment to settle the derivative obligation.
- (2) In November and December 2012, Liberty physically settled call options on 15 million shares of Sprint common stock for proceeds of \$84 million offset by a \$33 million payment to settle the derivative obligation.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

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

- (3) In the fourth quarter of 2012, Liberty physically settled call options on 2 million shares of Viacom, Inc. common stock for proceeds of \$105 million offset by a \$6 million payment to settle the derivative obligation.
- (4) During 2012 SIRIUS XM tendered and retired the 13% and 9.75% bonds of which Liberty owned approximately \$125 million in principal.
- (5) In June 2011, Liberty acquired an additional 5.5 million shares of Live Nation for \$58 million. The additional ownership required 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.

Unrealized Holding Gains and Losses

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

	December 31, 2012		December 31, 2011	
	Equity securities	Debt securities	Equity securities	Debt securities
	amounts in millions			
Gross unrealized holding gains	\$ 2	37	1	57
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.

(7) 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 and market value (level 1) of the more significant investments in affiliates at December 31, 2012, and the carrying amount at December 31, 2011:

	December 31, 2012			December 31, 2011
	Percentage ownership	Market Value	Carrying amount	Carrying amount
	dollar amounts in millions			
SIRIUS XM(a)(c)	49%	\$9,372	\$2,766	82
Live Nation(b)(c)	27%	\$ 469	406	355
Other	various	N/A	169	126
			\$3,341	563

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

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

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

	Years ended December 31,		
	2012	2011	2010
SIRIUS XM(a)(c)	\$1,367	94	(41)
Live Nation(b)(c)	(45)	(22)	(34)
Other	24	15	(23)
	\$1,346	87	(98)

- (a) During the year ended December 31, 2012, Liberty acquired an additional 312.5 million shares of SIRIUS XM in the open market for \$769 million. Additionally, Liberty settled a forward contract and purchased an additional 302.2 million shares of SIRIUS XM for \$649 million. SIRIUS XM recognized a 3.0 billion tax benefit during the year ended December 31, 2012. SIRIUS XM recorded the tax benefit as the result of significant positive evidence that a valuation allowance was no longer necessary for its recorded deferred tax assets. The Company recognized its portion of this benefit (\$1,229 million) based on our ownership percentage at the time of the recognition of the deferred tax benefit by SIRIUS XM.
- (b) 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. Additionally, during the year ended December 31, 2012 the Company acquired approximately 11 million shares of Live Nation for \$107 million.
- (c) The Company made the decision, in the fourth quarter of 2012, to start recording its investments in SIRIUS XM and Live Nation on a current basis instead of on a three-month lag as it had been doing since the equity method of accounting had been applied for each investment. The change in accounting requires retrospective application and as such all periods presented above are on a comparable basis and are of the same periods as the Company's year-end. The effects of this change to the applicable prior period balances are illustrated in note 3.

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. Subsequent to year-end the Company acquired additional shares which increased our voting control of SIRIUS XM over 50% and will consolidate the investment in the first quarter of 2013. For further discussion about the the potential impacts to the consolidated financial statements see note 1.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
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(7) Investments in Affiliates Accounted for Using the Equity Method (Continued)

Summarized unaudited financial information for SIRIUS XM is as follows:

SIRIUS XM Consolidated Balance Sheet

	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
	amounts in millions	
Current assets	\$1,828	1,277
Property and equipment, net	1,572	1,674
Intangible assets	2,520	2,574
Goodwill	1,815	1,835
Deferred tax assets	1,219	—
Other assets	<u>101</u>	<u>136</u>
Total assets	<u>\$9,055</u>	<u>7,496</u>
Current liabilities	\$2,315	2,248
Deferred tax liabilities	—	1,011
Long-term debt	2,222	2,684
Other liabilities	478	849
Stockholders' equity	<u>4,040</u>	<u>704</u>
Total liabilities and equity	<u>\$9,055</u>	<u>7,496</u>

SIRIUS XM Consolidated Statement of Operations

	<u>Years ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
	amounts in millions		
Revenue	\$ 3,402	\$ 3,015	2,817
Cost of services	(1,230)	(1,122)	(1,099)
Selling, general and administrative expenses	(1,034)	(949)	(915)
Restructuring, impairments and related costs	—	—	(64)
Depreciation and amortization	<u>(266)</u>	<u>(268)</u>	<u>(274)</u>
Operating income	872	676	465
Interest expense	(265)	(305)	(296)
Loss on extinguishment of debt	(133)	(7)	(120)
Other income (loss), net	1	77	(1)
Income tax (expense) benefit	<u>2,998</u>	<u>(14)</u>	<u>(5)</u>
Net income attributable to SIRIUS XM stockholders	<u>\$ 3,473</u>	<u>\$ 427</u>	<u>43</u>

As of December 31, 2012, the SIRIUS XM Preferred Stock and common stock owned had a market value of \$9,372 million based on the value of the common stock (level 1) into which it is convertible.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

(8) 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 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.

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,		
	2012	2011	2010
Non-strategic Securities(1)	\$310	254	669
Borrowed shares(1)	—	(104)	(254)
Net change from Non-strategic securities(1)	<u>310</u>	<u>150</u>	<u>415</u>
Exchangeable senior debentures	—	(85)	(111)
Other	<u>(78)</u>	<u>3</u>	<u>(44)</u>
	<u>\$232</u>	<u>68</u>	<u>260</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.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

(9) Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill are as follows:

	<u>Starz, LLC</u>	<u>ANLBC</u>	<u>Other</u>	<u>Total</u>
Balance at January 1, 2011	\$132	180	20	332
Other	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance at December 31, 2011	<u>132</u>	<u>180</u>	<u>20</u>	<u>332</u>
Other	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance at December 31, 2012	<u>\$132</u>	<u>180</u>	<u>20</u>	<u>332</u>

Other intangible assets not subject to amortization are Franchise Rights (\$143 million) owned by ANLBC as of December 31, 2012 and 2011. As of December 31, 2012, the accumulated impairment losses for Starz, LLC was \$2,960 million.

Intangible Assets Subject to Amortization

Intangible assets subject to amortization are comprised of the following:

	<u>December 31, 2012</u>			<u>December 31, 2011</u>		
	<u>Gross carrying amount</u>	<u>Accumulated amortization</u>	<u>Net carrying amount</u>	<u>Gross carrying amount</u>	<u>Accumulated amortization</u>	<u>Net carrying amount</u>
			<u>amounts in millions</u>			
Customer relationships	\$ 51	(23)	28	51	(20)	31
Other	<u>563</u>	<u>(471)</u>	<u>92</u>	<u>562</u>	<u>(458)</u>	<u>104</u>
Total	<u>\$614</u>	<u>(494)</u>	<u>120</u>	<u>613</u>	<u>(478)</u>	<u>135</u>

Customer relationships are amortized over 10-14 years. Amortization expense was \$23 million, \$32 million and \$48 million for the years ended December 31, 2012, 2011 and 2010, respectively. Based on its amortizable intangible assets as of December 31, 2012, Liberty expects that amortization expense will be as follows for the next five years (amounts in millions):

2013	\$20
2014	\$15
2015	\$12
2016	\$10
2017	\$10

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

(10) Debt

Debt is summarized as follows:

	Outstanding Principal December 31, 2012	Carrying value	
		December 31, 2012	December 31, 2011
	amounts in millions		
Bank Facility (Repaid in 2012)	—	—	750
Starz 5.00% Senior Notes due 2019	500	500	—
Starz Bank Facility	5	5	505
Other subsidiary debt	35	35	40
Total debt	<u>\$540</u>	540	1,295
Less current maturities		<u>(4)</u>	<u>(754)</u>
Total long-term debt		<u>\$536</u>	<u>541</u>

Starz 5.00% Senior Notes due 2019

In September 2012, Starz, LLC, a wholly owned subsidiary, issued \$500 million aggregate principal amount of 5.00% Senior Notes due September 15, 2019 at par. Proceeds from the notes were used to repay the term loan associated with the Starz Bank Facility.

Starz Bank Facility

In November 2011, Starz, LLC entered into a Credit Agreement that provides for a \$1 billion revolving credit facility, with a \$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 0.5% to 1.5% or the LIBO Rate (as defined in the Credit Agreement) plus a margin of 1.5% to 2.5%, 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. As discussed above the term loan was repaid in conjunction with issuance of the Starz 5.00% Senior Notes due 2019.

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.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

(10) Debt (Continued)

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, 2012 Starz is in compliance with all of its debt covenants. As of December 31, 2012, Starz had approximately \$995 million available under the credit facility.

Subsidiary Debt

Subsidiary debt at December 31, 2012 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):

2013	\$ 4
2014	\$ 4
2015	\$ 5
2016	\$10
2017	\$ 5

Fair Value of Debt

At December 31, 2012 the fair value of the Starz 5.00% Senior Notes was \$518 million. Due to its variable rate nature, the Company believes that the carrying amount of its other debt approximated fair value at December 31, 2012.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

(11) Income Taxes

Income tax benefit (expense) consists of:

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
Current:			
Federal	\$(146)	(253)	(211)
State and local	(2)	(7)	(8)
Foreign	(2)	(1)	(5)
	(150)	(261)	(224)
Deferred:			
Federal	(372)	(33)	734
State and local	(78)	(39)	61
Foreign	—	—	—
	(450)	(72)	795
Income tax benefit (expense)	\$(600)	(333)	571

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

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
Computed expected tax benefit (expense)	\$(704)	(408)	(149)
Disposition of consolidated subsidiaries	—	—	462
Settlements with taxing authorities	—	—	211
Taxable liquidation of a consolidated subsidiary	101	—	—
Dividends received deductions	40	9	7
State and local income taxes, net of federal income taxes	(57)	(28)	36
Change in valuation allowance affecting tax expense	24	(20)	7
Recognition of tax benefits not previously recognized, net	9	109	—
Other, net	(13)	5	(3)
Income tax benefit (expense)	\$(600)	(333)	571

For the year ended December 31, 2012 the significant reconciling items, as noted in the table above, are the result of a capital loss realized on the taxable liquidation of a consolidated subsidiary. The realized capital loss was approximately \$289 million and as a result a \$101 million federal tax benefit was recorded that offset federal tax expense from capital gains realized during the year ended December 31, 2012.

The significant reconciling items for the year ended December 31, 2011 and 2010, as noted in the table above, are the result of settlements reached with the IRS regarding some of our tax positions

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

(11) Income Taxes (Continued)

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.

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.

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

	December 31,	
	2012	2011
	amounts in	
	millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	\$ 46	76
Accrued stock compensation	7	41
Other accrued liabilities	42	60
Deferred revenue	16	18
Other future deductible amounts	9	31
Deferred tax assets	<u>120</u>	<u>226</u>
Valuation allowance	<u>(6)</u>	<u>(30)</u>
Net deferred tax assets	<u>114</u>	<u>196</u>
Deferred tax liabilities:		
Investments	794	417
Intangible assets	90	100
Other	19	27
Deferred tax liabilities	<u>903</u>	<u>544</u>
Net deferred tax liabilities	<u>\$789</u>	<u>348</u>

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

(11) Income Taxes (Continued)

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

	December 31,	
	2012	2011
	amounts in	
	millions	
Current deferred tax liabilities (assets)	\$(13)	(61)
Long-term deferred tax liabilities (assets)	802	409
Net deferred tax liabilities	\$789	348

The Company's net decrease in the valuation allowance was \$24 million in 2012. The gross change in valuation allowance that affected tax expense was \$24 million.

At December 31, 2012, the Company had federal net operating loss carryforwards for income tax purposes which, if not utilized to reduce taxable income in future periods, will expire between 2017 and 2027, the majority of which expire in 2017. These net operating loss carryforwards are subject to certain limitations and may not be currently utilized.

A reconciliation of unrecognized tax benefits is as follows:

	December 31,	
	2012	2011
	amounts in	
	millions	
Balance at beginning of year	\$34	158
Reductions for tax positions of prior years	(5)	(6)
Lapse of statute and settlements	—	(118)
Balance at end of year	\$29	34

As of December 31, 2012, the Company had recorded tax reserves of \$29 million related to unrecognized tax benefits for uncertain tax positions. If such tax benefits were to be recognized for financial statement purposes, \$23 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, 2012, the Company's 2001 through 2008 tax years are closed for federal income tax purposes, and the IRS has completed its examination of the Company's 2009 through 2011 tax years. The Company's tax loss carryforwards from its 2008 through 2011 tax years are still subject to adjustment. The Company's 2012 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. The Company does not believe it is reasonably possible that the amount of the Company's gross unrecognized tax benefits will change within the next twelve months.

As of December 31, 2012, the Company had no accrued interest and penalties recorded related to uncertain tax positions.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

(12) 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, 2012, 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, 2012, there were 5.2 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.

Purchases of Common Stock

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

During the year ended December 31, 2012 the Company repurchased 3,591,271 shares of Series A Liberty Capital common stock for the aggregate cash consideration of \$323 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.

(13) 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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

(13) Transactions with Officers and Directors (Continued)

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 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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

(13) Transactions with Officers and Directors (Continued)

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.

(14) 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 1 million shares of Liberty Capital common stock at December 31, 2012, 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.

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 MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
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(14) Stock-Based Compensation (Continued)

Liberty—Grants of stock options

Awards granted in 2012, 2011 and 2010 pursuant to the Incentive Plans discussed above are summarized as follows:

	Years ended December 31,					
	2012		2011		2010	
	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	834,000	\$42.04	162,347	\$33.95	1,135,622	\$19.56
Series A Liberty Capital from Option Exchange	3,713,000	\$37.25	—	\$ —	—	\$ —
Series A Liberty Starz	NA	NA	496,000	\$21.36	887,818	\$21.32

During the year ended December 31, 2012, Liberty granted, primarily to Starz employees, 834,000 options to purchase shares of Series A Liberty Capital common stock at a weighted average grant-date fair value of \$42.04 per share. These options primarily vest quarterly over a 4 year vesting period.

During the fourth quarter of 2012, the Company entered into a series of transactions with certain officers of Liberty and its subsidiaries, which transactions were associated with stock options, in order to recognize tax deductions in the current year versus future years (the “Option Exchange”). On December 4, 2012 (the “Grant Date”), pursuant to the approval of the Compensation Committee of its Board of Directors, the Company effected the acceleration of each unvested in-the-money option to acquire shares of LMCA held by certain of its and its subsidiaries’ officers (collectively, the “*Eligible Optionholders*”). Following this acceleration, also on the Grant Date, each Eligible Optionholder exercised, on a net settled basis, substantially all of his or her outstanding in-the-money vested and unvested options to acquire LMCA shares (the “*Eligible Options*”), and:

- with respect to each vested Eligible Option, the Company granted the Eligible Optionholder a vested new option with substantially the same terms and conditions as the exercised vested Eligible Option, except that the exercise price for the new option is the closing price per LMCA share on The Nasdaq Global Select Market on the Grant Date;
- and with respect to each unvested Eligible Option:
 - the Eligible Optionholder sold to the Company the shares of LMCA received upon exercise of such unvested Eligible Option on the Grant Date for cash equal to the closing price per LMCA share on The Nasdaq Global Select Market on the Grant Date;
 - Each Eligible Optionholder used the proceeds of that sale to purchase from the Company at that price an equal number of restricted LMCA shares which have a vesting schedule identical to that of the exercised unvested Eligible Option; and
 - the Company granted the Eligible Optionholder an unvested new option, with substantially the same terms and conditions as the exercised unvested Eligible Option, except that (a) the number of shares underlying the new option is equal to the number of shares underlying such exercised unvested Eligible Option less the number of restricted shares purchased from

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

(14) Stock-Based Compensation (Continued)

the Company as described above and (b) the exercise price of the new option is the closing price per LMCA share on The Nasdaq Global Select Market on the Grant Date.

As a result, the Option Exchange was considered a modification under ASC 718—*Stock Compensation*, with the following impacts on compensation expense. The unamortized value of the unvested Eligible Options that were exercised, which is \$37 million, will be expensed over the vesting periods of the restricted shares attributable to the exercise of those options. The grant of new vested options resulted in incremental compensation expense in the fourth quarter of 2012 of \$24 million. The grant of new unvested options resulted in incremental compensation expense totaling \$77 million, which will be amortized over the vesting periods of those options.

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 2012, 2011 and 2010, the range of expected terms was 1.3 to 9.0 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 2012, 2011 and 2010 grants.

	<u>Volatility</u>
<i>2012 grants</i>	
Liberty Capital options	25.1% - 54.2%
<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%

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

(14) Stock-Based Compensation (Continued)

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
	number of Awards in thousands	
Outstanding at January 1, 2012	7,665	\$ 36.57
Granted	834	\$ 93.38
Exercised	(1,712)	\$ 22.60
Option Exchange, Exercised	(5,199)	\$ 36.62
Option Exchange, Granted	3,713	\$105.56
Forfeited/Cancelled/Exchanged	(82)	\$ 68.13
Outstanding at December 31, 2012	<u>5,219</u>	<u>\$ 98.77</u>
Exercisable at December 31, 2012	<u>1,588</u>	<u>\$ 94.06</u>

There were no grants or exercises of any of the Company’s Series B options during 2012.

The following table provides additional information about outstanding Awards to purchase Liberty Capital common stock at December 31, 2012.

	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	5,219	\$98.77	6.5 years	\$89,992	1,588	\$94.06	6.2 years	\$34,853

As of December 31, 2012, the total unrecognized compensation cost related to unvested Liberty Awards was approximately \$150 million. Such amount will be recognized in the Company’s consolidated statements of operations over a weighted average period of approximately 1.8 years.

Liberty—Exercises

The aggregate intrinsic value of all options exercised during the years ended December 31, 2012, 2011 and 2010 was \$494 million, \$46 million and \$47 million, respectively. The aggregate intrinsic value of options exercised for the year ended December 31, 2012 includes approximately \$358 million related to the intrinsic value of options exercised as a result of the Option Exchange.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

(14) Stock-Based Compensation (Continued)

Liberty—Restricted Stock

Associated with the Option Exchange the Company issued approximately 1.5 million shares of unvested restricted Liberty Capital common stock. These shares generally vest over the next two years and as the Option Exchange was accounted for as a modification the compensation expense associated with these restricted shares was treated as incremental compensation, as discussed above, and is included in unrecognized compensation costs under the outstanding Awards section above. The Company had approximately 124,000 unvested restricted shares of Liberty common stock held by certain directors, officers and employees of the Company as of December 31, 2012, not issued under the Option Exchange, with a weighted average grant-date fair value of \$58.50 per share.

The aggregate fair value of all restricted shares of Liberty Capital common stock that vested during the years ended December 31, 2012, 2011 and 2010 was \$10 million, \$14 million and \$10 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.

(15) 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 \$12 million, \$12 million and \$12 million for the years ended December 31, 2012, 2011 and 2010, respectively.

(16) 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 Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

(16) Other Comprehensive Earnings (Loss) (Continued)

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

	Unrealized holding gains (losses) on securities	Other	AOCI
	amounts in millions		
Balance at January 1, 2010	42	(7)	35
Other comprehensive loss attributable to Liberty Media Corporation stockholders	<u>18</u>	<u>1</u>	<u>19</u>
Balance at December 31, 2010	60	(6)	54
Other comprehensive earnings (loss) attributable to Liberty Media Corporation stockholders	<u>(24)</u>	<u>(1)</u>	<u>(25)</u>
Balance at December 31, 2011	36	(7)	29
Other comprehensive earnings (loss) attributable to Liberty Media Corporation stockholders	<u>(16)</u>	<u>(1)</u>	<u>(17)</u>
Balance at December 31, 2012	<u>20</u>	<u>(8)</u>	<u>12</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, 2012:</i>			
Unrealized holding gains (losses) on securities arising during period	(5)	2	(3)
Reclassification adjustment for holding (gains) losses realized in net earnings (loss)	<u>(21)</u>	<u>8</u>	<u>(13)</u>
Other	<u>(2)</u>	<u>1</u>	<u>(1)</u>
Other comprehensive earnings	<u>(28)</u>	<u>11</u>	<u>(17)</u>
<i>Year ended December 31, 2011:</i>			
Unrealized holding gains 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 losses on securities arising during period	14	(5)	9
Reclassification adjustment for holding (gains) losses realized in net earnings (loss)	<u>(34)</u>	<u>13</u>	<u>(21)</u>
Reattribution of other comprehensive earnings between tracking stocks . . .	48	(18)	30
Other	<u>2</u>	<u>(1)</u>	<u>1</u>
Other comprehensive loss	<u>30</u>	<u>(11)</u>	<u>19</u>

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

(17) Commitments and Contingencies

Film Rights

Starz has entered into an exclusive long-term licensing agreement for theatrically released films from Disney through 2015. The agreement provides Starz with exclusive pay TV rights to exhibit qualifying theatrically released live-action and animated feature films under the Disney, Touchstone, Pixar and Marvel labels. Theatrically released films produced by DreamWorks are not licensed to Starz under the agreement. In addition, Starz is obligated to pay programming fees for all qualifying films that are released theatrically in the U.S. by Sony's Columbia Pictures, Screen Gems Sony Pictures Classics and Tristar labels through 2021, subject to certain limitations. On February 11, 2013, Starz announced a new, multi-year output licensing agreement for theatrically released motion pictures from Sony that extends its relationship with Sony through 2021. The previous agreement had covered motion pictures released theatrically through 2016. The programming fees to be paid by Starz to Disney and Sony are based on the quantity and domestic theatrical exhibition receipts of qualifying films. Starz has also entered into agreements with a number of other motion picture producers and is obligated to pay fees for the rights to exhibit certain films that are released by these producers.

The unpaid balance of Programming Fees for films that were available for exhibition by Starz at December 31, 2012 is reflected as a liability, in other liabilities, in the accompanying consolidated balance sheet. The balance due as of December 31, 2012 is payable as follows: \$57 million in 2013 and \$1 million in 2014.

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, 2012. Starz's estimate of amounts payable for rights to future programming (that have been released), including the Disney and Sony agreements, is as follows: \$325 million in 2013; \$101 million in 2014; \$72 million in 2015; \$64 million in 2016; \$64 million in 2017 and \$266 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, 2012, the Company's guarantees for obligations for films released by such date aggregated \$399 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. Following the Spin-Off the Company will continue to guarantee certain Starz obligations under certain of its studio output agreements and will determine the financial statement impact, if any, in the first quarter of 2013.

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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

(17) Commitments and Contingencies (Continued)

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, 2012 aggregated \$151 million, which is payable as follows: \$60 million in 2013, \$30 million in 2014, \$28 million in 2015, \$16 million in 2016. In addition to the foregoing amounts, certain players and coaches may earn incentive compensation under the terms of their employment contracts.

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 \$17 million, \$16 million and \$18 million for the years ended December 31, 2012, 2011 and 2010, respectively.

A summary of future minimum lease payments under noncancelable operating leases as of December 31, 2012 follows (amounts in millions):

Years ending December 31:	
2013	\$12
2014	\$11
2015	\$ 9
2016	\$ 7
2017	\$ 2
Thereafter	\$16

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 2012.

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.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

(17) Commitments and Contingencies (Continued)

In connection with a commercial transaction that closed during 2002 among Liberty, Vivendi Universal S.A. (“Vivendi”) and the former USA Holdings, Inc., Liberty brought suit against Vivendi and Universal Studios, Inc. in the United States District Court for the Southern District of New York, alleging, among other things, breach of contract and fraud by Vivendi. On June 25, 2012, a jury awarded Liberty damages in the amount of €765 million, plus prejudgment interest, in connection with a finding of breach of contract and fraud by the defendants. On January 17, 2013, the court entered judgment in favor of Liberty in the amount of approximately €945 million, including prejudgment interest. The parties are negotiating the terms of a stay of the execution of the judgment during the pendency of the appeal. Vivendi has filed notice of its appeal of the judgment to the United States Court of Appeals for the Second Circuit, and, in that court, Liberty intends to seek a higher rate of pre-judgment interest than what the district court awarded. As a result, the amount that Liberty may ultimately recover in connection with the final resolution of the action, if any, is uncertain. Any recovery by Liberty will not be reflected in our consolidated financial statements until such time as the final disposition of this matter has been reached.

Other

During the period from March 9, 1999 to August 10, 2001, Liberty Interactive (Liberty’s former parent) was included in the consolidated federal income tax return of AT&T and was party to a tax sharing agreement with AT&T (the “AT&T Tax Sharing Agreement”). While Liberty Interactive was a subsidiary of AT&T, Liberty Interactive recorded its stand-alone tax provision on a separate return basis. Under the AT&T Tax Sharing Agreement, Liberty Interactive received a cash payment from AT&T in periods when Liberty Interactive generated taxable losses and such taxable losses were utilized by AT&T to reduce its consolidated income tax liability. To the extent such losses were not utilized by AT&T, such amounts were available to reduce federal taxable income generated by Liberty Interactive in future periods, similar to a net operating loss carryforward, and were accounted for as a deferred federal income tax benefit. Subsequent to Liberty Interactive’s split off from AT&T, if adjustments were made to amounts previously paid under the AT&T Tax Sharing Agreement, such adjustments are reflected as adjustments to additional paid-in capital. During the period from March 10, 1999 to December 31, 2002, Liberty Interactive received cash payments from AT&T aggregating \$670 million as payment for Liberty Interactive’s taxable losses that AT&T utilized to reduce its income tax liability. AT&T requested a refund from Liberty of \$70 million, plus accrued interest, relating to losses that it generated in 2002 and 2003 and was able to carry back to offset taxable income previously offset by Liberty Interactive’s losses. AT&T had previously asserted that Liberty Interactive’s losses caused AT&T to pay \$70 million in alternative minimum tax (“AMT”) that it would not have been otherwise required to pay had Liberty Interactive’s losses not been included in its return.

Liberty indemnified Liberty Interactive for the contingent liability and therefore the liability remained with Liberty after the Split-Off. In prior years, a \$72 million contingent liability was recorded through additional paid in capital as these liabilities were considered to have been equity transactions with Liberty Interactive’s former parent. Additionally, interest was accrued on the liabilities and recorded through interest expense, until the amounts reached an amount the Company considered to be the maximum exposure under the contingent liability. The total liability recorded, including accrued interest was \$128 million. During the year ended December 31, 2012, the Company determined that a

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

(17) Commitments and Contingencies (Continued)

requisite amount of time had passed under the applicable state statutes and that the liability should be released. As \$72 million was originally set up through additional paid in capital that amount of the liability was relieved against additional paid in capital and the remainder was recorded through the Other, net line item in the Other income (expense) section of the accompanying consolidated Statement of Operations.

(18) 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, as discussed below.

The Company evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as revenue and Adjusted OIBDA. 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 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, 2012, the Company has identified the following consolidated subsidiaries and equity method affiliates 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.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

(18) Information About Liberty's Operating Segments (Continued)

- SIRIUS XM—a 49% owned equity method affiliate that provides a subscription based satellite radio service. SIRIUS XM broadcasts to subscribers over approximately 130 digital-quality channels, including more than 60 channels of 100% commercial-free music, plus exclusive channels of sports, news, talk, entertainment, traffic, weather and data through its two proprietary satellite radio systems—the Sirius system and the XM system.

During the current year it was determined that SIRIUS XM, due to the change in the investment balance during the year as a result of acquisitions of common stock throughout the period and the significant earnings recognized during the year, was a separate reportable segment. Additionally, TruePosition is no longer considered a reportable segment due to the overall size of the business in comparison to the consolidated results of Liberty. TruePosition in previous years met the quantitative thresholds because of accounting related to certain deferred amounts. We have reflected the results of SIRIUS XM (presented separately) and TruePosition (included in corporate and other) on a comparative basis for all periods presented in the tables below.

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,					
	2012		2011		2010	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in millions					
Starz, LLC	\$ 1,631	445	1,615	449	1,626	343
ANLBC	225	22	208	(6)	203	6
SIRIUS XM	3,402	1,202	3,015	997	2,817	863
Corporate and other	143	(17)	1,201	617	221	(25)
Total	5,401	1,652	6,039	2,057	4,867	1,187
Eliminate equity method affiliate	(3,402)	(1,202)	(3,015)	(997)	(2,817)	(863)
Consolidated Liberty	<u>\$ 1,999</u>	<u>450</u>	<u>3,024</u>	<u>1,060</u>	<u>2,050</u>	<u>324</u>

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

(18) Information About Liberty's Operating Segments (Continued)

Other Information

	December 31, 2012			December 31, 2011		
	Total assets	Investments in affiliates	Capital expenditures	Total assets	Investments in affiliates	Capital expenditures
	amounts in millions					
Starz, LLC	\$ 2,173	—	16	\$ 2,630	\$ —	\$ 8
ANLBC	526	32	2	545	31	1
SIRIUS XM	9,055	—	97	7,496	—	137
Corporate and other	5,626	3,309	13	4,544	532	5
Total	\$17,380	3,341	128	\$15,215	\$563	\$ 151
Eliminate equity method affiliate	\$(9,055)	—	(97)	\$(7,496)	\$ —	\$(137)
Consolidated Liberty	<u>\$ 8,325</u>	<u>3,341</u>	<u>31</u>	<u>\$ 7,719</u>	<u>\$563</u>	<u>\$ 14</u>

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

	Years ended December 31,		
	2012	2011	2010
Consolidated segment Adjusted OIBDA	\$ 450	1,060	324
Stock-based compensation	(66)	(32)	(83)
Gain (loss) on legal settlement	—	(2)	48
Depreciation and amortization	(58)	(69)	(94)
Interest expense	(33)	(21)	(65)
Dividend and interest income	78	79	88
Share of earnings (losses) of affiliates, net	1,346	87	(98)
Realized and unrealized gains (losses) on financial instruments, net	232	68	260
Gains (losses) on dispositions, net	22	(10)	36
Other, net	41	5	10
Earnings (loss) from continuing operations before income taxes	<u>\$2,012</u>	<u>1,165</u>	<u>426</u>

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

(19) Quarterly Financial Information (Unaudited)

	<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>2012:</i>				
Revenue	\$ 440	537	555	467
Operating income	<u>\$ 89</u>	<u>101</u>	<u>111</u>	<u>25</u>
Earnings from continuing operations	<u>\$ 151</u>	<u>938</u>	<u>220</u>	<u>103</u>
Net earnings (loss) attributable to Liberty Media Corporation stockholders(1):				
Series A and Series B Liberty Capital common stock	<u>\$ 150</u>	<u>937</u>	<u>221</u>	<u>106</u>
Basic net earnings (loss) attributable to Liberty Media Corporation stockholders per common share(1):				
Series A and Series B Liberty Capital common stock	<u>\$1.24</u>	<u>7.87</u>	<u>1.86</u>	<u>0.88</u>
Diluted net earnings (loss) attributable to Liberty Media Corporation stockholders per common share(1):				
Series A and Series B Liberty Capital common stock	<u>\$1.20</u>	<u>7.62</u>	<u>1.80</u>	<u>0.87</u>

(1) The following table presents the amounts reported prior to the application of a change in accounting principle, see note 3 for additional details:

	<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			
Amounts previously reported:				
Net earnings (loss) attributable to Liberty Media Corporation stockholders:				
Series A and Series B Liberty Capital common stock	<u>\$ 137</u>	<u>156</u>	<u>1,007</u>	
Basic net earnings (loss) attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	<u>\$1.13</u>	<u>1.31</u>	<u>8.46</u>	
Diluted net earnings (loss) attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	<u>\$1.10</u>	<u>1.27</u>	<u>8.19</u>	

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

(19) Quarterly Financial Information (Unaudited) (Continued)

	<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>2011:</i>				
Revenue	<u>\$ 973</u>	<u>538</u>	<u>540</u>	<u>973</u>
Operating income	<u>\$ 459</u>	<u>94</u>	<u>111</u>	<u>293</u>
Net earnings (loss) attributable to Liberty Media Corporation stockholders(2):				
Series A and Series B Liberty Capital common stock	<u>\$ 291</u>	<u>63</u>	<u>(103)</u>	<u>356</u>
Series A and Series B Liberty Starz common stock	<u>\$ 52</u>	<u>67</u>	<u>61</u>	<u>49</u>
Basic net earnings (loss) attributable to Liberty Media Corporation stockholders per common share(2):				
Series A and Series B Liberty Capital common stock	<u>\$3.55</u>	<u>0.78</u>	<u>(1.27)</u>	<u>3.79</u>
Series A and Series B Liberty Starz common stock	<u>\$1.02</u>	<u>1.31</u>	<u>1.20</u>	<u>0.98</u>
Diluted net earnings (loss) attributable to Liberty Media Corporation stockholders per common share(2):				
Series A and Series B Liberty Capital common stock	<u>\$3.46</u>	<u>0.78</u>	<u>(1.27)</u>	<u>3.63</u>
Series A and Series B Liberty Starz common stock	<u>\$0.98</u>	<u>1.26</u>	<u>1.15</u>	<u>0.94</u>

(2) The following table presents the amounts reported prior to the application of a change in accounting principle, see note 3 for additional details:

	<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			
Amounts previously reported:				
Net earnings (loss) attributable to Liberty Media Corporation stockholders:				
Series A and Series B Liberty Capital common stock	<u>279</u>	<u>22</u>	<u>(103)</u>	<u>385</u>
Basic net earnings (loss) attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	<u>3.40</u>	<u>0.27</u>	<u>(1.27)</u>	<u>4.10</u>
Diluted net earnings (loss) attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	<u>3.32</u>	<u>0.27</u>	<u>(1.27)</u>	<u>3.93</u>

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Corporate Data

BOARD OF DIRECTORS

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

John C. Malone
Chairman of the Board
Liberty Media Corporation

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

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

Richard N. Baer
*Senior Vice President
and General Counsel*

Mark D. Carleton
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

CORPORATE HEADQUARTERS

12300 Liberty Boulevard
Englewood, CO 80112
(720) 875-5400

STOCK INFORMATION

(EFFECTIVE JANUARY 2013)

Series A Common Stock (LMCA) and Series B Common Stock (LMCB) trade on the NASDAQ Global Select Market.

CUSIP NUMBERS

(EFFECTIVE JANUARY 2013)

LMCA - 531229 102

LMCB - 531229 201

TRANSFER AGENT

Liberty Media Shareholder Services
c/o Computershare
P.O. Box 43023
Providence, RI 02940-3023
Phone: (781) 575-4593
Toll free: (866) 367-6355
www.computershare.com
Telecommunication Device for the Deaf (TDD) (800) 952-9245

INVESTOR RELATIONS

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LIBERTY ON THE INTERNET

Visit Liberty Media's website at
www.libertymedia.com

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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