Liberty Media Corporation
Annual Report
April 2003

CONTENTS

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Selected financial information included in this document with respect to certain of the equity affiliates of Liberty Media Corporation was obtained directly from those affiliates. Liberty Media does not control the decision making processes or business management practices of its equity affiliates. Accordingly, we are reliant on the management of these affiliates and their independent accountants to provide us with accurate financial information prepared in accordance with generally accepted accounting principles that we use in the application of the equity method. As a result, we make no representations as to whether such information presented on a stand alone basis has been prepared in accordance with GAAP. We are not aware, however, of any errors in or possible misstatements of the financial information provided to us by our equity affiliates that would have a material effect on our consolidated financial statements. Further, Liberty Media could not, among other things, cause any non-controlled affiliate to distribute to Liberty Media its proportionate share of the revenue or operating cash flow of such affiliate.

TO OUR SHAREHOLDERS:

Each year, we use this report to provide Liberty Media shareholders with our perspective on our Company's activities and accomplishments during the past twelve months, as well as our view of how we are positioned for the future. The broad range of successes and challenges that we experienced in 2002 make the period more difficult to describe than most. However, overall we are pleased with the way our businesses performed last year, with nearly all of them meeting or exceeding our expectations in an extremely difficult economic environment. In addition, we made significant progress in the recapitalization of our foreign cable businesses, and we took steps to enhance our corporate liquidity and simplify the structure of our holdings.

Our primary disappointment during the year was related to the continuing decline in the public stock markets. While we have been very active in protecting ourselves against declines in some of our public stock holdings, we were unable to avoid the effect of a broad decline in the overall markets. This is evident in the significant charges we took in 2002 and 2001 to reflect the lower value of most of our public holdings.

We have amassed our portfolio of public securities primarily as a result of the continuing consolidation of the U.S. media industry, which has made it very attractive for us to acquire and develop businesses, and then sell them to larger companies. While we have been very successful in these activities, we also pay a price for that success in that we have a large concentration of public stock holdings. Our public stock portfolio has worked in our favor in strong market cycles; however, it is a less attractive position to be in during market declines like those we have experienced for the past three years.

We continuously work to address our vulnerability to stock market fluctuations through various stock hedging activities, and we have sought to augment these strategies by acquiring one or more large private operating companies. Owning more operating companies gives us several advantages, including reducing our relative exposure to stock market movements, and providing us with recurring sources of liquidity. This liquidity, in turn, gives us resources that we can reinvest while providing us with a more secure means of meeting our debt obligations.

In 2002, we pursued a number of opportunities in the European cable television industry. Since then, additional opportunities have arisen in other markets, including the U.S., and we are exploring these prospects as well. If we are successful in our mission to add more operating businesses to our portfolio, we expect to reduce the portion of our asset base that is comprised of public assets. However, our strategic goal will remain the same as it has always been: to create long-term value for our shareholders. What's more, the steps that we take to achieve that goal and create value will also be the same –namely driving internal growth, executing strategic transactions and exercising prudent capital structure management techniques.

Internal Growth: Private Assets

For our private assets, 2002 was a year of steady organic growth. It was also a year in which the vast majority of our private assets became self-sustaining businesses, generating their own free cash flow and requiring little to no additional financial support from Liberty Media. Accordingly, we expect funding of our private assets in 2003 to be less than $500 million, with the majority of this funding having already been made during the first quarter of 2003. Following are some highlights for our private asset businesses:

Starz Encore Group LLC The expanding base of digital video subscribers across both cable and satellite distribution platforms led Starz Encore to another year of double-digit percentage growth in both revenue and operating cash flow[1]. Revenue approached the billion-dollar mark, increasing 10% to $945 million, and operating cash flow increased 19% to $371 million. Starz Encore also generated sufficient free cash flow to reduce its outstanding debt to $375 million at year-end 2002.

In 2002, Starz Encore began consumer testing of **Starz OnDemand**, a new subscription video-on-demand service. **Starz OnDemand** provides cable and satellite operators with a new product they can use to differentiate their service offering and retain customers with one of the most important and profitable television categories – movies. **Starz OnDemand** is an enhancement to the **Starz SuperPak**, which is Encore's collection of up to twelve distinct digital movie channels. **Starz OnDemand** provides impulse viewing of more than 100 hit and classic Hollywood movies every month with full DVD-like functionality for a flat monthly charge and no fee per view. **Starz OnDemand** has already received encouraging feedback from focus groups, and it has been launched in test markets with several cable and satellite distributors. Starz Encore expects to begin commercial marketing of **Starz OnDemand** with at least two cable television companies in the second half of 2003. Starz Encore

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[1] Operating cash flow is defined as revenue less operating expense where operating expense consists of operating, selling, general and administrative expenses and excludes depreciation, amortization, stock compensation and other charges taken into account in determining operating income. Management utilizes revenue and operating cash flow for purposes of making decisions about allocating resources to, and assessing the performance of, Liberty Media's subsidiaries and affiliates. Liberty Media believes that operating cash flow is a widely used financial indicator of companies similar to Liberty Media and its affiliates, which 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 generally accepted accounting principles. See note 18 of the Notes to Consolidated Financial Statements included in this Annual Report for a reconciliation of segment operating cash flow, which includes Starz Encore's operating cash flow, to earnings before income taxes.

also announced an agreement with RealNetworks to offer a broadband Internet version of **Starz OnDemand** to subscribers of Starz Encore's core **Starz SuperPak** package. Beginning in 2003, Starz Encore will be the exclusive pay television home for Walt Disney Pictures, including select animated titles. This agreement solidifies Starz Encore as a leader in the crucial first-run movie category.

Discovery Communications, Inc. Discovery is one of the most widely recognized television brands in the world. Beginning with its powerful, high-quality flagship brand – the **Discovery Channel** – Discovery has built a business that spans 13 domestic networks and 33 international networks with distribution in 155 countries around the world. Discovery is one of the few truly global programming content companies, with an international footprint that maximizes its efficiencies in program development, marketing and advertising sales. Discovery has relatively low production costs and a vast library of content that travels easily across most cultural and political boundaries. As a result, the company's many networks are now distributed to more than 875 million subscribers worldwide. Approximately half of Discovery's revenue is generated from stable and predictable subscription fees, while the other half comes from less predictable advertising fees and consumer product sales. The first half of 2002 saw lingering effects from a soft advertising market in 2001. However, a solid recovery in the third and fourth quarter helped Discovery post total revenue of $1.7 billion, a 10% increase over 2001. Operating cash flow grew by 52% to $379 million in 2002. This substantial increase in operating cash flow is a testament to Discovery's ability to control costs, as well as to the power of its scale economics. Several years ago, Discovery launched a number of new networks in the U.S. and around the world. The incremental cost associated with launching these new networks was relatively small, as Discovery was able to draw from its content library and spread the costs across its substantial subscriber base.

Discovery is on course to take advantage of its large distribution base as well as its primetime viewership gains to narrow the gap between its advertising rates and those of the large U.S. over-the-air broadcasters. On a monthly basis, Discovery's U.S. networks can deliver over 110 million aggregate viewers during the important primetime viewing hours, which is on par with broadcasters. Yet, Discovery typically sees advertising rates that are 25% lower than those of the broadcasters. We expect recent additions to Discovery's management team and a focused effort on closing this gap to yield healthy, high-margin revenue gains for Discovery in the future.

QVC, Inc. For yet another year, QVC achieved strong growth, with revenue and operating cash flow increasing by 12% and 19%, respectively. Despite its enormous size and the proliferation of electronic retailing services, QVC has steadily reported double-digit percentage growth, quarter after quarter and year after year. QVC owes its success to an extremely loyal customer following, aggressive use of the Internet, targeted global expansion efforts, and its ability to deliver high-quality products for a good value. Revenue in 2002 was $4.4 billion, and operating cash flow was

$858 million. As a result of many years of consistently strong operations, QVC has now repaid all of the $1.1 billion of debt that was incurred to finance its acquisition in 1995.

During a 60-day window beginning in February of 2000 through 2004, Liberty Media has had the right to initiate an appraisal process to establish the fair market value of QVC. Once we establish the value of QVC, first Comcast, the majority owner of QVC, and then Liberty Media each has the opportunity to acquire the remaining interest in QVC not already owned by the purchasing shareholder. If neither Comcast nor Liberty Media elects to buy the other party's interest, we are able to force QVC to be put up for sale at auction, a process in which both Comcast and Liberty Media could participate. We initiated this process in February 2003, and we are presently assessing the fair market value of QVC.

Jupiter Telecommunications Co., Ltd. and Jupiter Programming Co., Ltd. In 2002, we began presenting stand-alone financial information for our Japanese businesses as they became increasingly valuable relative to our overall size. These businesses join Starz Encore, Discovery and QVC to round out our largest private assets. Jupiter Telecommunications Co., Ltd., or J-Com, has been expanding successfully since we first invested in the company in 1994. With 1.6 million subscribing households, it is now the largest cable television company in Japan, providing video, telephone and broadband Internet services across its network. J-Com reported revenue of $982 million and operating cash flow of $223 million in 2002, representing increases of 52% and 281%, respectively, over 2001. In January 2003, J-Com completed a seven-year, $1.2 billion bank financing. Since its inception, J-Com has been financed primarily through a combination of short-term bank financing and bank loans guaranteed by the shareholders. While this initial financing structure produced dramatically higher equity returns, it was better suited to a start-up business. Since J-Com is now a substantial business with strong future growth prospects, Liberty Media and the other J-Com shareholders recognized that it was time to put J-Com on a more stable long-term capital base.

In February 2003, Liberty Media acquired an additional 8% of J-Com from Sumitomo Corporation for $142 million. We are now the single largest shareholder in J-Com with a 44% ownership position, followed by Sumitomo at 28% and Microsoft at 23%. In addition, Liberty and Sumitomo have agreed to convert to equity a portion of our shareholder loans to J-Com. The resulting dilution will decrease Microsoft's ownership interest to approximately 19%, whereas our ownership interest and that of Sumitomo will increase to approximately 45% and 32%, respectively.

Our 50%-owned programming company, Jupiter Programming Co., Ltd., or JPC, is the largest owner and distributor of pay television channels in Japan. There are few strategies more powerful than the combination of distribution and content in the same markets, and JPC fulfills this synergistic role very well. All of J-Com's cable systems carry all of JPC's programming services. Similar to the role that key programming played in the development of the U.S. cable business, JPC is distributing valuable content to Japanese consumers and developing exciting new content that draws consumers to the power of multichannel pay television. In comparing 2002 with 2001, JPC reported a 36% increase in revenue to $291 million, and a 75% increase in operating cash flow to $35 million.

We also have a group of rapidly developing businesses that, while not as large as the aforementioned private assets, still make up an important basket of value or are growing at rapid rates. **CourtTV** is now seen by more than 75 million subscribers, an increase of 10% compared to 2001, and it generates positive operating cash flow. **Game Show Network** counts over 45 million subscribers, up 11% over last year. Finally, TruePosition, Inc. recently has started to deploy its network-based location technology applications under a contract for Cingular Wireless. TruePosition expects to sign new contracts with other domestic wireless operators in 2003.

Transaction Activity

When we entered 2002, we were focused on pursuing opportunities in the distressed European cable television marketplace. To this end, we acquired additional interests in a restructured UnitedGlobalCom, Inc. (UGC) in January 2002, using a combination of cash and the debt securities of UGC's principal subsidiary, United Pan-Europe Communications N.V. (UPC). The additional interests, combined with our existing ownership and open market purchases of UGC's stock, gave us an approximate 75% ownership stake by year-end 2002. The UPC debt securities that we used as partial payment to UGC positioned UGC to lead a restructuring of UPC. In September 2002, UPC announced that it had reached an agreement with UGC and a committee representing certain creditors on a recapitalization plan. We expect the UPC recapitalization to be completed in the second quarter of 2003. We continue to monitor other emerging opportunities to expand our European distribution footprint through acquisitions and joint ventures.

In March 2002, we acquired the ownership interest in Liberty Digital, Inc. that we did not already own, and in April, we and our partners sold Telemundo Communications Group to General Electric Corp.'s NBC unit for $2.2 billion. As a result of the Telemundo transaction, we received more than $675 million in cash. In May, we finalized the exchange of a portion of our ownership interest in USA Interactive, Inc. (formerly USA Networks, Inc.) and certain other assets for approximately three percent of Vivendi Universal S.A. Vivendi's interest in USA was, in effect, redeemed for USA's entertainment assets, resulting in virtually no change to our 20 percent stake in USA. Our objective in the transaction was to diversify our USA ownership into a more liquid Vivendi security, as well as to facilitate USA's strategy to become a focused pure play interactive business.

Also in May, Liberty Media announced the first in a series of transactions designed to establish a position in the interactive television (iTV) market. We believe that iTV will establish itself as an important technology in the future. Applications for iTV have taken longer to develop than originally promised, and the capital markets have been unwilling to await the emergence of a sustainable iTV business model. This situation presented an opportunity for us to search for attractively priced and complementary iTV businesses through our wholly-owned subsidiary, Liberty Broadband Interactive Television, Inc. (LBIT). We pursued this opportunity by acquiring a controlling interest in OpenTV Corp., followed in August by an acquisition of 100% of Wink Communications, Inc. OpenTV is currently in the process of acquiring 100% of ACTV, Inc., through a transaction that we expect to close in the second quarter of 2003. In all of these cases, we have drastically reduced cash burn rates, and we currently estimate that the businesses can now finance themselves. Though development will take several years, this is the kind of seed investment that we hope will yield substantial shareholder appreciation over time.

Earlier this year, we sent proposals to Liberty Satellite & Technology, Inc. (86% owned by Liberty Media) and On Command Corporation (74% owned by Liberty Media), expressing our interest in acquiring all of their stock that we do not currently own. We believe that simplification of the ownership structures will benefit Liberty Media as well as the shareholders of these subsidiaries. Both companies have established independent committees of their boards of directors to review our proposals.

In April 2003, we entered into an agreement with News Corporation that would give us the option, and in some cases the obligation, to invest $500 million in News Corporation's preferred limited voting ordinary shares at $21.50 per American Depository Share. We entered into this agreement, in part, based on our belief that News Corporation's recent announcement of a transaction involving Hughes Electronics Corporation, the owner of DirecTV, strategically positions News Corporation for growth in the U.S. and around the world.

Capital Structure Management

The silver lining to the three-year decline in equity valuations has been the effectiveness of our public stock hedging strategy and the opportunity to take advantage of depressed values for tax planning purposes. We spent a substantial amount of time in 2002 enhancing our liquidity and strengthening our capital resources. At the end of 2002, the value of the stand-alone derivative instruments related to our public stock holdings was approximately $4.6 billion. We have created sufficient shelter that would allow us to monetize the majority of these derivative positions in a tax-efficient fashion. While these activities do not receive the same level of public attention as some of our other activities, they are an important aspect of our approach to business.

In March 2002, we sold put options on 36.1 million shares of AOL Time Warner, Inc. common stock, generating cash proceeds of $484 million on a tax-efficient basis. In November, we unwound a portion of our Motorola, Inc. stock hedges which, when combined with the proceeds from the sale of a portion of our Motorola shares, generated $116 million.

During 2002, we completed a rights offering that achieved two primary objectives. First, the rights offering raised additional funds for the company. Second, it enabled us to satisfy our obligation to issue Liberty Media shares in order to comply with a tax ruling we received in the August 2001 split-off from AT&T Corp. The offering allowed Liberty Media shareholders to acquire additional shares at an attractive price, while avoiding dilution. The rights offering was fully subscribed, and we raised $618 million of cash.

In March 2003, we issued $1.75 billion of 0.75% senior exchangeable debentures. Each debenture is exchangeable into shares of AOL Time Warner common stock at a ratio that represents an initial exchange price of $17.42 per share. At the time we priced the debenture, AOL Time Warner stock closed at $11.46. This offering provided us with a unique opportunity to use a liquid public asset to raise a large sum of long-term capital on very attractive terms. The interest rate is extremely low, and we retained the first 52% of the upside on the underlying shares of AOL Time Warner, as well as the flexibility to satisfy the exchange and put features with our own stock and/or cash.

Liberty Media continues to have an authorized stock repurchase program in place and, over the past twelve months we have repurchased 42.1 million shares for $440 million. We carefully consider a number of factors when making stock repurchase decisions. First, because we do not generate recurring cash flow, we rely on financing opportunities to fund the majority of our operating and investment activities. We also rely on our assets, particularly our liquid assets, to be available for future debt service obligations. Accordingly, as a general rule, we protect our liquidity and capital resources perhaps more closely than companies generating substantial free cash flow. We also monitor events outside of our control that could cause further deterioration in equity values given the ongoing uncertainty in the equity markets, the economic outlook and the geopolitical landscape.

At the end of 2002, we had $2.2 billion in cash and cash equivalents, which is essentially the same amount we had at the end of 2001. Cash on-hand, derivative positions and a large portfolio of liquid public securities all combine to give us access to substantial amounts of capital in a relatively rapid manner. On the other side of the balance sheet, we reduced our total debt by $936 million to $5.0 billion at year-end. The average remaining maturity of our total debt is approximately 20 years, and our weighted average interest rate is just above 5% on a pre-tax basis. We continue to maintain an investment-grade rating with the major credit rating agencies.

Looking To The Future

As we enter 2003, we are well positioned to pursue strategic transactions and take advantage of opportunities where we see superior returns on invested capital. Our core media businesses performed well in 2002, and we expect continued organic revenue and operating cash flow growth from all of our businesses. We have seen a consolidation trend occur over the past few years in both the content and distribution industries. Liberty Media and our shareholders have benefited from this consolidation by selling certain of our media units at attractive prices to the consolidators.

At the same time, we continue to look for ways to strengthen our strategic position and enhance our operating and financial flexibility –objectives that can be met in a number of different ways, depending on what opportunities arise. We are seeking to complement the scale and market position of our existing businesses through acquisitions or mergers. We also are interested in acquiring businesses with strong and dependable cash flow streams that can be used to support our other activities. Ideally, we will be able to realize both of these goals simultaneously.

While we will continue these efforts in 2003, we cannot guarantee that we will find attractive opportunities that will meet our criteria. We can, however, assure you that the entire Liberty Media team shares a sense of commitment to preserving and increasing the long-term value of the company. As we are all shareholders, we approach the business as owners rather than managers. We believe Liberty Media's combination of strong operating companies, exceptional financial flexibility and focused, opportunistic management uniquely positions us to take advantage of future opportunties.

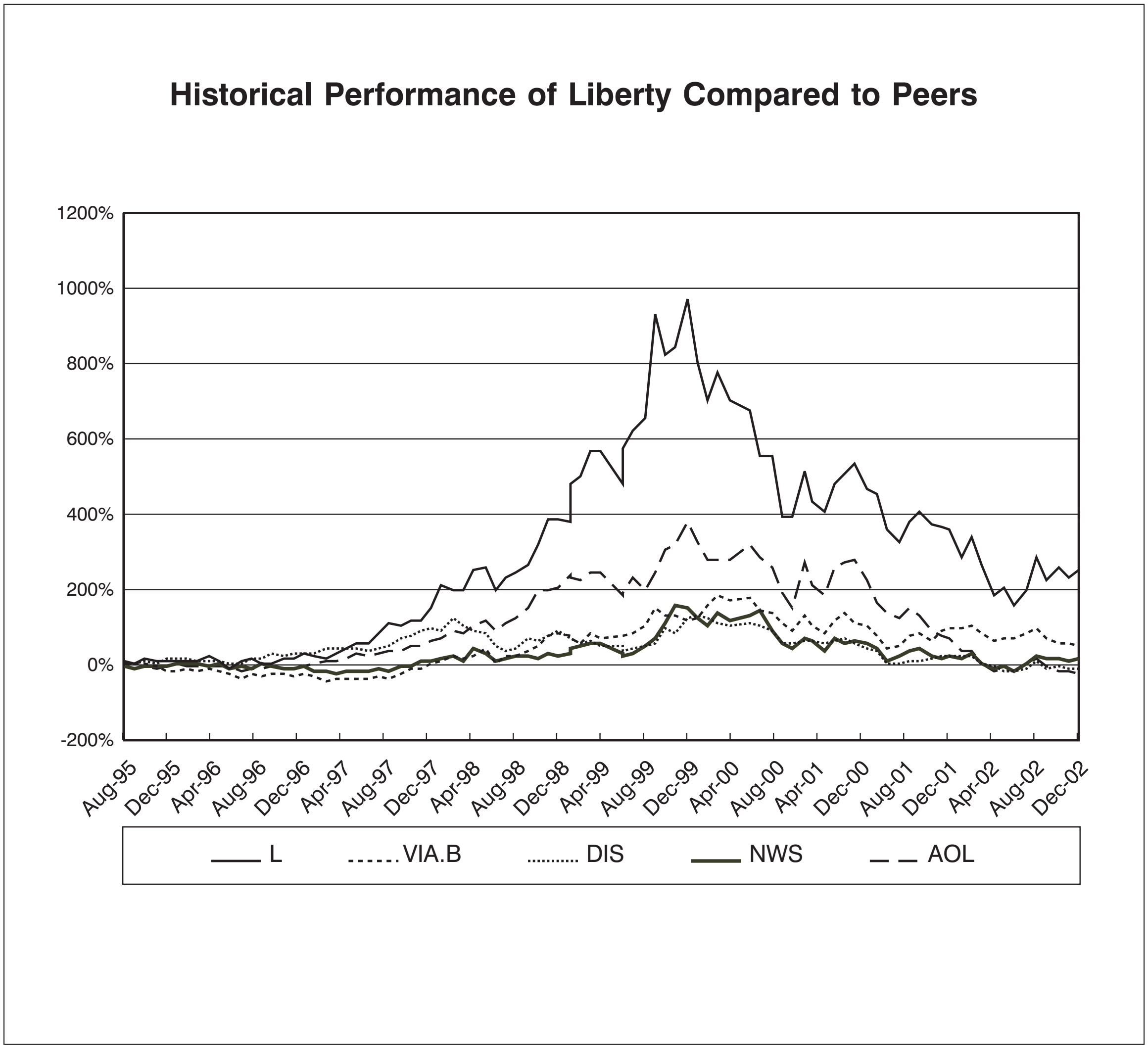
Thank you for your continued support of Liberty Media Corporation.

Very truly yours,

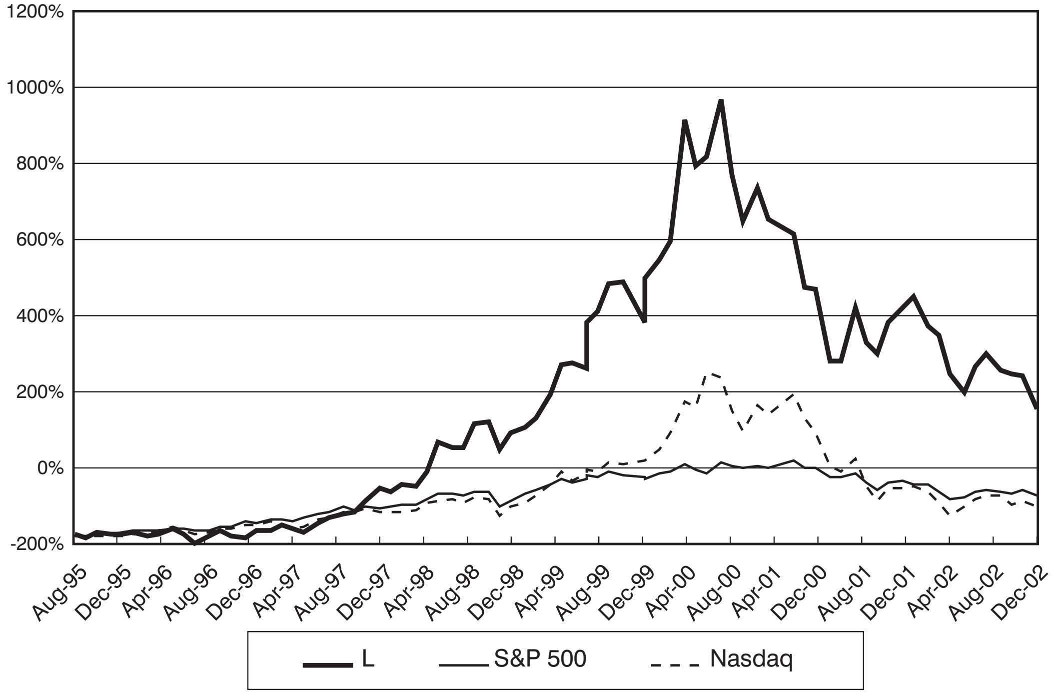
Robert R. Bennett, President and Chief Executive Officer	Dr. John C. Malone, Chairman of the Board

STOCK PERFORMANCE

The following tables illustrate the performance of the Liberty Media Corporation Series A Common Stock since it was initially issued by TCI in August of 1995 in comparison to its peers, and in comparison to the S&P 500 and Nasdaq indices.



Historical Performance of Liberty Compared to S&P 500 and Nasdaq



COMPANY PROFILE

Liberty Media holds interests in a broad range of domestic and international video programming, broadband distribution, interactive technology services and communications businesses. A complete listing of Liberty Media's domestic and international programming networks and businesses is included in the table below.

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

ENTITY	SUBSCRIBERS AT 12/31/02 (000's)	YEAR LAUNCHED	ATTRIBUTED OWNERSHIP AT 12/31/02
VIDEO PROGRAMMING			
AOL Time Warner Inc. (NYSE: AOL)			4%
Corus Entertainment Inc. (TSE: CJR.B; NYSE: CJR)			18%
Court TV	75,000	1991	50%
Crown Media Holdings, Inc. (Nasdaq: CRWN)			13%
Discovery Communications, Inc.			50%
Discovery Channel	87,000	1985	
The Learning Channel	85,000	1980	
Animal Planet	81,100	1996	
Travel Channel	68,400	1987	
Discovery Health Channel	41,000	1999	
Discovery Digital (aggregate units)[1]	97,000		
Discovery Civilization		1996	
Discovery Home & Leisure		1996	
Discovery Kids		1996	
Discovery Science		1996	
Discovery Wings		1998	
Discovery en Español		1998	
Animal Planet Asia	80,000	1998	25%
Animal Planet Europe	12,900	1998	
Animal Planet Japan[2]	1,380	2000	
Animal Planet Latin America	11,000	1998	25%
Animal Planet UK	8,200	1998	
Discovery Asia	57,500	1994	
Discovery Canada	7,100	1995	10%
Discovery India	26,500	1996	
Discovery Japan[2]	2,765	1996	
Discovery Europe	27,900	1989	

ENTITY	SUBSCRIBERS AT 12/31/02 (000's)	YEAR LAUNCHED	ATTRIBUTED OWNERSHIP AT 12/31/02
VIDEO PROGRAMMING (Cont.)			
Discovery Turkey	1,234	1997	
Discovery Germany	2,100	1996	25%
Discovery Italy/Africa	2,900	1996	
Discovery Latin America	15,400	1996	
Discovery Latin America Kids Network	12,700	1996	
People & Arts (Latin America)	13,400	1995	25%
Discovery Home & Leisure (Europe)	8,200	1999	
Europe Showcase	43,800	1998	
Health Latin America	7,100	2000	
Health UK	7,100	2000	
Travel & Adventure (Latin America)	5,200	2000	
Discovery.com, Inc.	Online	1995	
DMX MUSIC, Inc.	8,215	1986	56%
E! Entertainment Television	80,087	1990	10%
Style	24,222	1998	
ABC Family Worldwide, Inc.			(3)
Game Show Network	45,346	1994	50%
International Channel	12,283	1990	90%
Canales ñ(1)	85	1998	
Jupiter Programming Co., Ltd. (Japan)			50%
Animal Planet	1,380	2000	17%
Cable Soft Network	3,834	1989	50%
Nikkei CNBC	N/A	1997	10%
Discovery Japan	2,765	1996	25%
Golf Network	3,218	1996	45%
Jidaigeki	2,932	2000	5%
JSky Sports1	2,709	1998	29%
JSky Sports2	2,692	1998	29%
JSky Sports3	1,767	1998	29%
Kids Station	4,963	2000	8%
La La Media	3,079	2000	50%
Nihon-Eiga	1,498	2000	5%
Premium Anime Channel (AT-X)	56	2000	7%
Shop Channel	8,389	1996	35%
MacNeil/Lehrer Productions	N/A	N/A	67%
The News Corporation Limited (NYSE: NWS.A; ASX: NCPDP)			18%

ENTITY	SUBSCRIBERS AT 12/31/02 (000's)	YEAR LAUNCHED	ATTRIBUTED OWNERSHIP AT 12/31/02
VIDEO PROGRAMMING (Cont.)			
Pramer S.C.A. (Argentina)			100%
America Sports	4,317	1990	
Canal á	4,320	1996	
elgourmet.com	5,370	2000	
Europa Europa	3,512	2001	
Film & Arts	7,480	2000	
Magic Kids	4,156	1995	
MC Latino	1,850	2000	
P&E	1,687	1996	
Plus Satelital	3,902	1988	
Rio de la Plata	110	2000	
Solo Tango	2,820	1995	
The Premium Movie Partnership (Australia)	811	1995	20%
QVC, Inc.			42%
QVC	74,441	1986	
QVC-The Shopping Channel (UK)	10,429	1993	34%
QVC-Germany	25,048	1996	
QVC-Japan	4,796	2001	
iQVC	Online	1995	
Starz Encore Group LLC			100%
Encore	21,167	1991	
MOVIEplex	4,966	1995	
Thematic Multiplex (aggregate units)[1]	98,325		
Love Stories		1994	
Westerns		1994	
Mystery		1994	
Action		1994	
True Stories		1994	
WAM! America's Kidz Network		1994	
STARZ!	13,436	1994	
STARZ! Theater[1]		1996	
BLACK STARZ![1]		1997	
STARZ! Family[1]		1999	
STARZ! Cinema[1]		1999	
Torneos y Competencias, S.A.	N/A	N/A	54%
USA Interactive, Inc. (Nasdaq: USAI)			20%[4]
Viacom Inc. (NYSE: VIA)			<1%
Vivendi Universal, S.A. (NYSE: V)			3%[4]

ENTITY	HOMES IN SERVICE AREA/PASSED 12/31/02[5][6] (000's)	BASIC SUBS 12/31/02 (000's)	TELEPHONE LINES 12/31/02 (000's)	INTERNET SUBS 12/31/02	ATTRIBUTED OWNERSHIP AT 12/31/02
CABLE AND TELEPHONY					
Cablevisión S.A. (Argentina)	4,848/3,517	1,192	N/A	63	39%
Chorus Communications Limited (Ireland)	622/555	204	6	N/A	40%[7]
Digital Latin America LLC	N/A	129	N/A	N/A	43%
IDT Corporation (Nasdaq: IDT)					16%
Jupiter Telecommunications Co., Ltd. (Japan)	8,080/7,022	1,658	372	598	36%
Liberty Cablevision of Puerto Rico, Inc.	425/307	121	N/A	1	100%
Metrópolis-Intercom, S.A. (Chile)	1,600/1,128	239	N/A	24	50%
Omnipoint Communications, Inc.					4%
Sprint PCS Group (NYSE: PCS)					20%[8]
Telewest Communications plc (UK) (LN: TWT) (Nasdaq: TWSTY)	6,300/4,914	1,305	2,184	500	20%[7]
The Wireless Group (LN: TWG)					30%
UnitedGlobalCom, Inc. (Nasdaq: UCOMA)					75%[7]

ENTITY	BUSINESS DESCRIPTION	ATTRIBUTED OWNERSHIP AT 12/31/02
	INTERACTIVE TELEVISION SERVICES	
ACTV, Inc. (Nasdaq: IATV)	Producer of tools for interactive programming for television and Internet platforms.	16%
Ascent Media Group, Inc. (f.k.a. Liberty Livewire Corporation) (Nasdaq: AMGIA)	Provides a wide range of traditional audio and video post-production, transmission, library services, and audio/video distribution services via satellite and fiber to worldwide clients in the feature film, television and advertising industries.	94%(9)
OpenTV Corp. (Nasdaq: OPTV)	OpenTV provides a comprehensive suite of iTV solutions including operating middleware, web browser software, interactive applications, content creation tools, professional support services and strategic consulting.	46%(10)
priceline.com, Incorporated (Nasdaq: PCLN)	E-commerce service allowing consumers to make offers on products and services.	1%
	TECHNOLOGY AND MANUFACTURING	
Arris Group, Inc. (Nasdaq: ARRS)	Manufacturer of products for hybrid fiber/coaxial broadband networks.	9%(11)
Motorola, Inc. (NYSE: MOT)	Provider of integrated communications solutions and embedded electronic solutions.	3%
TruePosition, Inc.	Provider of wireless location technology and services.	89%

ENTITY	BUSINESS DESCRIPTION	ATTRIBUTED OWNERSHIP AT 12/31/02
	SATELLITE COMMUNICATIONS SERVICES	
Liberty Satellite & Technology, Inc. (OTC: LSTTA/LSTTB)	Pursues strategic opportunities worldwide in the distribution of internet data and other content via satellite and related businesses.	87%[12]
Aerocast.com, Inc.	Developer of terrestrial and satellite network to distribute streaming media to businesses and consumers.	39%
Astrolink International LLC	Astrolink is building a global communications system for the delivery of next-generation broadband service in over 40 countries.	27%
Hughes Electronics Corporation (NYSE: GMH)	A subsidiary of General Motors Corporation providing digital television entertainment (DirecTV), satellite services and satellite-based private business networks.	<1%
On Command Corporation (Nasdaq: ONCO)	Provider of in-room interactive entertainment, Internet access, business information and guest services for the lodging industry.	70%
Sky Latin America	Satellite delivered television platform currently servicing Mexico, Brazil, Chile and Colombia.	9%
Wildblue Communications, Inc.	Building a ka-band satellite network that will focus on providing broadband services to homes and small offices in North and South America.	13%
XM Satellite Radio Holdings, Inc. (Nasdaq: XMSR)	Transmits up to 100 national audio channels of music, news, talk, sports and children's programming from two satellites directly to vehicle, home and portable radios.	<1%

ENTITY	BUSINESS DESCRIPTION	ATTRIBUTED OWNERSHIP AT 12/31/02
OTHER		
Cendant Corporation (NYSE: CD)	Franchisor of hotels, rental car agencies, tax preparation services & real estate brokerage offices. Provides access to insurance, travel, shopping, auto and other services primarily through buying clubs. Provides vacation time share services, mortgage services and employee relocation. Operates in over 100 countries.	3%
Net2Phone Inc. (Nasdaq: NTOP)	Provider of voice and enhanced services over IP networks to consumers, businesses and carriers worldwide.	

COMPANY	CLASS	SHARES AT 12/31/02
PUBLIC STOCK INVESTMENTS		
ACTV, Inc. (Nasdaq: IATV)	Common	8,805,000
Alloy Online, Inc. (Nasdaq: ALOY)	Common	2,922,694
AOL Time Warner Inc. (NYSE: AOL)	Series LMCN-V Common	171,185,826[13]
Arris Group, Inc. (Nasdaq: ARRS)	Common Options	6,827,000 854,341[11][13]
Ascent Media Group, Inc. (f.k.a. Liberty Livewire Corporation) (Nasdaq: AMGIA)	Class A Common Class B Common	45,600[9] 52,341,164[9]
Cendant Corporation (NYSE: CD)	Common	26,356,979
Corus Entertainment Inc. (TSE: CJR.B; NYSE: CJR)	Class B Non-Voting	7,125,000
Crown Media Holdings, Inc. (Nasdaq: CRWN)	Class A Common	9,416,746
IDT Corporation (Nasdaq: IDT)	Class B Common	10,260,303

COMPANY	CLASS	SHARES AT 12/31/02
PUBLIC STOCK INVESTMENTS (Cont.)		
Liberty Satellite & Technology, Inc. (OTC: LSTTA/LSTTB)	Class A Common Class B Common	4,923,872 34,332,265(14)
Lightspan, Inc. (Nasdaq: LSPN)	Common Warrants	4,059,302 1,534(15)
Motorola, Inc. (NYSE: MOT)	Common	76,311,200
The News Corporation Limited (NYSE: NWS.A)(ASX: NCPDP)	Preferred Limited Voting ADRs	235,605,758
Open TV, Inc. (Nasdaq: OPTV)	Class A Ordinary Class B Ordinary	2,313,716(10) 30,510,150
priceline.com, Incorporated (Nasdaq: PCLN)	Common	3,125,000
Primedia (NYSE: PRM)	Common	8,000,000
Sprint PCS Group (NYSE: PCS)	Series 1 Common Series 2 Common Warrants Convertible Preferred	23,084,745 168,957,557 12,582,628(13)(16) 8,021,302(13)(17)
Telewest Communications plc (LN: TWT)	Ordinary Shares Convertible Limited Voting Shares	570,542,128(7)(13) 17,526,223(7)(13)
The Wireless Group plc (LN: TWG)	Ordinary Shares B Ordinary	21,146,374 1,166,000(13)
USA Interactive, Inc. (Nasdaq: USAI)	Common B Common	38,538,571(4) 51,199,996
UnitedGlobalCom, Inc. (Nasdaq: UCOMA)	Class A Common Class C Common	3,656,940(7) 301,053,081(7)
Viacom Inc. (NYSE: VIA)	Class B Common	15,182,499
Vivendi Universal, S.A. (NYSE: V)	Ordinary Shares	37,386,436(4)

(1) Digital services.

(2) Liberty's attributed ownership interest in this entity is listed under Jupiter Programming Co., Ltd. of which Liberty Media International, Inc. owns 50%.

(3) Liberty's interest consists of shares of 30-year 9% preferred stock which have a stated aggregate value of $345 million and are not convertible into common stock.

(4) On May 7, 2002, Vivendi Universal, S.A. consummated a transaction in which it acquired full control of the entertainment assets of USA Interactive. Liberty received American Depository Shares representing 37.4 million Vivendi Universal ordinary shares in exchange for a portion of its stake in USA Interactive and its 27% stake in the European cable programming company, MultiThématiques. Following the transaction, Liberty owns approximately 3% of Vivendi Universal and 20% of USA Interactive.

(5) Homes in Service Area: The number of homes to which the relevant operating company is permitted by law to offer its services. Not all service areas are granted exclusively to the respective operating company.

(6) Homes Passed: Homes that can be connected to a cable distribution system without further extension of the distribution network.

(7) On December 30, 2002, Liberty sold a 21% indirect ownership interest each in certain of its subsidiaries that own all or a portion of Liberty's interests in Telewest Communications plc, Chorus Communications plc and UnitedGlobalCom, Inc. This 21% indirect ownership was sold to BCI International Investments, LLC, an entity controlled by Bill Bresnan.

(8) Less than 1% of voting power. Liberty beneficially owns shares of Sprint PCS Group Stock and instruments convertible into Sprint PCS Group Stock.

(9) Excludes 28.4 million shares that would be received upon conversion of $224 million convertible debt facility. Assuming the conversion of the convertible debt, Liberty owns 94% of the equity and approximately 99% of the voting power of Ascent Media on a fully diluted basis.

(10) On August 27, 2002, Liberty completed a transaction by which Liberty acquired a controlling ownership interest in OpenTV Corp. When combined with Liberty's existing shareholdings, its total economic interest in OpenTV is approximately 46% and its total voting interest is approximately 89%.

(11) Assumes the exercise of options, with an average exercise price of $6.86.

(12) On April 1, 2002, Liberty contributed to Liberty Satellite 100% of the equity of Ascent Entertainment Group, Inc. and the 89.4% of Liberty Satellite, LLC that was previously held by Liberty. Also announced was a reverse 1-for-10 stock split. After giving effect to the stock split, Liberty received 34 million shares of Liberty Satellite's Series B Common Stock. Liberty holds preferred stock of Liberty Satellite which gives Liberty approximately 98% of the voting power and approximately 86% economic ownership of Liberty Satellite.

(13) Common equivalent shares.

(14) Excludes 1.7 million shares of Liberty Satellite Class B common stock that would be received upon conversion of $150 million of convertible preferred stock. Liberty also owns $150 million face amount of Liberty Satellite cumulative preferred stock.

(15) Liberty owns 1,534 warrants exercisable at $5 per share expiring June 30, 2004.

(16) Warrants exercisable at $12.01 per share expiring November 13, 2003.

(17) $123,314,991 face value convertible at $15.38 into shares of Series 2 PCS Stock.

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Market for Registrant's Common Equity and Related Stockholder Matters.

From March 9, 1999 to August 10, 2001, we were a wholly-owned subsidiary of AT&T Corp. ("AT&T") Effective August 10, 2001, AT&T effected our split-off pursuant to which our capital stock was recapitalized, and each outstanding share of AT&T Class A Liberty Media Group tracking stock was redeemed for one share of Liberty Series A common stock and each outstanding share of AT&T Class B Liberty Media Group tracking stock was redeemed for one share of Liberty Series B common stock. As a result of this split-off, our common stock began trading on the New York Stock Exchange on August 10, 2001 under the symbols LMC.A and LMC.B. Effective January 2, 2002, we changed the ticker symbol for our Series A common stock to "L." The following table sets forth the range of high and low sales prices of shares of our Series A and Series B common stock for the year ended December 31, 2002 and the period from August 10, 2001 to December 31, 2001; and for AT&T Class A and Class B Liberty Media Group tracking stock for the period from January 1, 2001 to August 9, 2001.

	Series A		Series B	
	High	Low	High	Low
2002				
First quarter	$15.03	11.90	15.90	12.65
Second quarter	$12.80	7.70	13.49	8.23
Third quarter	$ 9.60	6.16	9.75	6.38
Fourth quarter	$10.75	6.29	11.00	6.40
2001				
First quarter	$17.25	11.88	18.69	14.20
Second quarter	$18.04	11.50	18.82	12.50
Third quarter:				
July 1 - August 9	$17.85	14.50	18.35	15.50
August 10 - September 30	$16.50	9.75	18.15	12.00
Fourth quarter	$14.46	11.17	15.50	12.30

As of February 28, 2003, there were approximately 6,200 and 400 record holders of our Series A common stock and Series B common stock, respectively (which amounts do not include the number of shareholders whose shares are held of record by banks, brokerage houses or other institutions, but include each such institution as one shareholder).

We have not paid any cash dividends on our Series A common stock and Series B 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.

Selected Financial Data.

The following tables present selected historical information relating to our financial condition and results of operations for the past five years. The following data should be read in conjunction with our consolidated financial statements. We were a wholly-owned subsidiary of Tele-Communications, Inc. ("TCI") from August 1994 to March 9, 1999. On March 9, 1999, AT&T Corp. acquired TCI in a merger transaction (the "AT&T Merger"). For financial reporting purposes, the AT&T Merger is deemed to have occurred on March 1, 1999. In connection with the merger, our assets and liabilities were adjusted to their respective fair values pursuant to the purchase method of accounting. For periods prior to March 1, 1999, our assets and liabilities and the related consolidated results of operations are referred to below as "Old Liberty," and for periods subsequent to February 28, 1999, our assets and liabilities and the related consolidated results of operations are referred to as "New

Liberty." In connection with the merger, TCI effected an internal restructuring as a result of which certain assets and approximately $5.5 billion in cash were contributed to us.

	New Liberty				Old Liberty
	December 31,				December 31, 1998
	2002	2001	2000	1999	
	amounts in millions				
Summary Balance Sheet Data:					
Investment in affiliates	$ 7,390	10,076	20,464	15,922	3,079
Investments in available-for-sale securities and other cost investments	$14,369	21,152	16,774	27,906	10,539
Total assets	$39,685	48,539	54,268	58,658	15,783
Long-term debt	$ 4,316	4,764	5,269	2,723	1,912
Stockholders' equity	$24,682	30,123	34,109	38,408	8,820

	New Liberty				Old Liberty	
	Years ended December 31,			Ten months ended December 31, 1999	Two months ended February 28, 1999	Year ended December 31, 1998
	2002	2001	2000			
	amounts in millions, except per share amounts					
Summary Statement of Operations Data:						
Revenue	$ 2,084	2,059	1,526	729	235	1,359
Operating income (loss)(1)	$ (184)	(1,127)	436	(2,214)	(158)	(431)
Share of losses of affiliates, net(2)	$ (453)	(4,906)	(3,485)	(904)	(66)	(1,002)
Nontemporary declines in fair value of investments	$(6,053)	(4,101)	(1,463)	—	—	—
Realized and unrealized gains (losses) on derivative instruments, net	$ 2,122	(174)	223	(153)	—	—
Gains (losses) on dispositions, net	$ (415)	(310)	7,340	4	14	2,449
Net earnings (loss)(1)(2)	$(5,330)	(6,203)	1,485	(2,021)	(70)	622
Basic and diluted net earnings (loss) per common share(3)	$ (2.06)	(2.40)	.57	(.78)	(.03)	.24

(1) Effective January 1, 2002, we adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ("Statement 142"), which among other matters, provides that goodwill and other indefinite-lived assets no longer be amortized. Amortization expense for such assets aggregated $627 million, $598 million and $438 million for the years ended December 31, 2001 and 2000 and the ten months ended December 31, 1999, respectively, and was not significant in prior periods.

(2) Included in share of losses of affiliates are other-than-temporary declines in value aggregating $148 million, $2,396 million and $1,324 million for the years ended December 31, 2002, 2001, and 2000, respectively. In addition, share of losses of affiliates includes excess basis amortization of $798 million, $1,058 million and $463 million for the years ended December 31, 2001, 2000 and the ten months ended December 31, 1999, respectively. Pursuant to Statement 142, excess costs that are considered equity method goodwill are no longer amortized, but are evaluated for impairment under APB Opinion No. 18.

(3) The basic and diluted net earnings (loss) per common share for periods prior to our split off from AT&T is based upon 2,588 million shares of our Series A and Series B common stock issued upon consummation of 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.

From March 9, 1999 through August 9, 2001, AT&T Corp. ("AT&T") owned 100% of our outstanding common stock. During such time, the AT&T Class A Liberty Media Group common stock and the AT&T Class B Liberty Media Group common stock (together, the AT&T Liberty Media Group tracking stock) were tracking stocks of AT&T designed to reflect the economic performance of the businesses and assets of AT&T attributed to the Liberty Media Group. We were included in the Liberty Media Group, and our businesses and assets and those of our subsidiaries constituted all of the businesses and assets of the Liberty Media Group.

Effective August 10, 2001, AT&T effected our split-off pursuant to which our common stock was recapitalized, and each outstanding share of AT&T Class A Liberty Media Group tracking stock was redeemed for one share of Liberty Series A common stock and each outstanding share of AT&T Class B Liberty Media Group tracking stock was redeemed for one share of Liberty Series B common stock (the "Split Off Transaction"). Subsequent to the Split Off Transaction, we are no longer a subsidiary of AT&T and no shares of AT&T Liberty Media Group tracking stock remain outstanding. The Split Off Transaction has been accounted for at historical cost.

We own interests in a broad range of video programming, media, broadband distribution, interactive technology services and communications businesses. We and our affiliated companies operate in the United States, Europe, South America and Asia.

Our most significant consolidated subsidiaries at December 31, 2002, were Starz Encore Group LLC ("Starz Encore"), Ascent Media Group (formerly known as Liberty Livewire Corporation) ("Ascent Media") and On Command Corporation ("On Command"). These businesses are either wholly or majority owned and are controlled by us and, accordingly, the results of operations of these businesses are included in our consolidated results for the periods in which they are wholly or majority owned and controlled.

A significant portion of our operations are conducted through entities in which we do not have a controlling financial interest but in which we do have the ability to exercise significant influence over the investee's operating and financial policies. These businesses are accounted for using the equity method of accounting. Accordingly, our share of the results of operations of these businesses is reflected in our consolidated results as earnings or losses of affiliates. Included in our investments in affiliates at December 31, 2002 were Discovery Communications, Inc. ("Discovery"), QVC, Inc. ("QVC"), UnitedGlobalCom, Inc. ("UGC") and Jupiter Telecommunications Co., Ltd. ("Jupiter").

We also hold ownership interests in companies in which we do not have significant influence. The most significant of these include AOL Time Warner Inc. ("AOL Time Warner"), Sprint Corporation ("Sprint PCS"), The News Corporation Limited ("News Corp."), Vivendi Universal, S.A. ("Vivendi"), USA Interactive ("USAI"), Viacom, Inc. ("Viacom") and Motorola, Inc. ("Motorola") These investments are classified as available-for-sale securities and are carried at fair value.

Critical Accounting Policies

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States 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 policies 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 policies, estimates and assumptions, as well as the resulting impact to our financial statements, have been discussed with our audit committee.

Carrying Value of Investments. Our cost and equity method investments comprise 36% and 19%, respectively, of our total assets at December 31, 2002 and 44% and 21%, respectively, at December 31, 2001. We account for these investments pursuant to Statement of Financial Accounting Standards No. 115, Statement of Financial Accounting Standards No. 142 and Accounting Principles Board Opinion No. 18. These accounting principles require us to periodically evaluate our investments to determine if decreases in fair value below our cost bases are other than temporary or "nontemporary." If a decline in fair value is determined to be nontemporary, we are required to reflect such decline in our statement of operations. Nontemporary declines in fair value of our cost investments are recognized on a separate line in our statement of operations, and nontemporary declines in fair value of our equity method investments are included in share of losses of affiliates in our statement of operations.

We consider a number of factors in our determination of whether declines in fair value are nontemporary including (i) the financial condition, operating performance and near term prospects of the investee; (ii) the reason for the decline in fair value, be it general market conditions, industry specific or investee specific; (iii) analysts' ratings and estimates of 12 month share price targets for the investee; (iv) changes in stock price or valuation subsequent to the balance sheet date; (v) the length of time that the fair value of the investment is below our carrying value; and (vi) our intent and ability to hold the investment for a period of time sufficient to allow for a recovery in fair value. Fair value of our publicly traded investments is based on the market price of the security at the balance sheet date. We estimate the fair value of our other cost investments using a variety of methodologies, including cash flow multiples, 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 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 determined 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 statement of operations in the period in which they occur to the extent such decreases are deemed to be nontemporary. Subsequent increases in fair value will be recognized in our statement of operations upon our ultimate disposition of the investment.

Primarily all of our cost and equity method investments and the related impairment charges are included in our "Other" operating segment.

Accounting for Derivative Instruments. We use various derivative instruments, including equity collars, narrow-band collars, put spread collars, written put and call options, total return swaps, interest rate swaps and foreign exchange contracts, to manage fair value and cash flow risk associated with many of our investments, some of our variable rate debt and transactions denominated in foreign currencies. We account for these derivative instruments pursuant to Statement of Financial Accounting Standards No. 133 *"Accounting for Derivative Instruments and Hedging Activities"* ("Statement 133"). Statement 133 requires that all derivative instruments be recorded on the balance sheet at fair value. Changes in derivatives designated as cash flow hedges are recorded in other comprehensive income. Changes in derivatives designated as fair value hedges and changes in derivatives not designated as hedges are included in realized and unrealized gains (losses) on derivative instruments in our statement of operations.

We use the Black-Scholes model to estimate the fair value of our derivative instruments that we use to manage market risk related to certain of our available-for-sale securities ("AFS Derivatives").

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. We obtain volatility rates from independent sources based on the expected volatility of the underlying security over the term of the derivative instrument. The volatility assumption is generally evaluated annually to determine if it should be adjusted. We select a discount rate at the inception of the derivative instrument and update such rate each reporting period based on our estimate of the discount rate at which we could currently settle the derivative instrument. At December 31, 2002, the expected volatilities used to value our AFS Derivatives generally ranged from 40% to 90% and the discount rates ranged from 1.5% to 4%. Considerable management judgment is required in estimating the Black-Scholes variables. Actual results upon settlement or unwinding of our derivative instruments may differ materially from these estimates.

Changes in our assumptions regarding (1) the discount rate and (2) the volatility rates of the underlying securities that are used in the Black-Scholes model would have the most significant impact on the valuation of our AFS Derivatives. The table below summarizes changes in these assumptions and the resulting impacts on valuation.

Assumption	Estimated aggregate fair value of AFS Derivatives	Dollar value change
	amounts in millions	
As recorded at December 31, 2002	$4,564	—
25% increase in discount rate	$4,397	(167)
25% decrease in discount rate	$4,739	175
25% increase in expected volatilities	$4,548	(16)
25% decrease in expected volatilities	$4,560	(4)

We also use the Black-Scholes model to estimate the fair value of the imbedded call option in our exchangeable debentures. These exchangeable debentures are publicly traded debt securities that are exchangeable for the value of a specified number of shares of Sprint PCS Group common stock, Motorola common stock or Viacom Class B common stock, as applicable. The volatility and discount rates are selected in the same manner as for our AFS Derivatives described above. At December 31, 2002, the volatility rates ranged from 1% to 55% and the discount rate was 4.96%. The following table summarizes the impacts of changes in these assumptions:

Assumption	Estimated aggregate fair value of call options	Dollar value change
	amounts in millions	
As recorded at December 31, 2002	$536	—
25% increase in discount rate	$583	47
25% decrease in discount rate	$480	(56)
25% increase in expected volatilities	$567	31
25% decrease in expected volatilities	$503	(33)

Primarily all of all our derivative instruments are included in our "Other" operating segment.

Utilization of the Equity Method of Accounting for our Investment in UGC. We own approximately 74% of UGC's outstanding equity and approximately 94% of the voting power of UGC's common stock. UGC's operating and financial decisions are controlled by its Board of Directors. We hold substantially all of our voting interest in UGC through Class C common shares of which we are the only Class C shareholder. Under UGC's certificate of incorporation, the Class C shareholders are entitled to elect only 4 of the 12 directors. Certain long-term shareholders of UGC (the "UGC Founders"), have effective control to elect the remaining 8 directors through their ownership of UGC's Class B shares. Our ability to convert our Class C shares into Class B shares and to elect a majority of

UGC's Board of Directors following such conversion is limited by the terms of such shares and by a standstill agreement which is in effect until June 2010. While an earlier termination of the standstill agreement is possible in the event that the UGC Founders reduce their interests in Class B shares below certain specified levels, it is outside our control to effect such an early termination. The Class C shares have approval rights over certain material transactions and related party matters that are considered protective in nature.

As a result of the aforementioned governance arrangements, we have determined that our voting interest is not sufficient to allow us to control UGC and therefore apply consolidation accounting with respect to our investment in UGC. We do consider our Class C shareholder rights sufficient to exert significant influence over the financial and operating policies of UGC, and accordingly, we apply the equity method of accounting for this investment. If these governance arrangements were terminated we would then exercise control over UGC and consolidation accounting would be appropriate. We expect that the application of consolidation accounting for UGC would result in material changes to our financial statements.

Carrying Value of Long-lived Assets. Our property and equipment, intangible assets and goodwill (collectively, our "long-lived assets") also comprise a significant portion of our total assets at December 31, 2002 and 2001. We account for our long-lived assets pursuant to Statement of Financial Accounting Standards No. 142 and Statement of Financial Accounting Standards No. 144. These accounting standards require that we periodically, and upon the occurrence of certain triggering events, assess the recoverability of our long-lived assets. If the carrying value of our long-lived assets exceeds their estimated fair value, we are required to write the carrying value down to fair value. Any such writedown is included in impairment of long-lived assets in our consolidated statement of operations. A high degree of judgment is required to estimate the fair value of our long-lived assets. We may use quoted market prices, prices for similar assets, present value techniques and other valuation techniques to prepare these estimates. In addition, we may obtain independent appraisals in certain circumstances. We may need to make estimates of future cash flows and discount rates as well as other assumptions in order to implement these valuation techniques. Accordingly, any value ultimately derived from our long-lived assets may differ from our estimate of fair value.

As each of our operating segments has long-lived assets, this critical accounting policy affects the financial position and results of operations of each segment. In this regard, due to the slow-down in the movie and television industries in 2002 and 2001, our Ascent Media segment recorded long-lived asset impairment charges of $84 million and $313 million, respectively. In 2002 and 2001, we also recorded impairment charges of $99 million and $75 million, respectively, in our Other segment the majority of which is due to adverse economic conditions that affected our subsidiaries in South America, and we recorded a $92 million impairment charge in 2002 related to OpenTV Corp., which is also included in our Other segment.

Summary Of Operations

Starz Encore provides premium programming distributed by cable operators, direct-to-home satellite providers and other distributors throughout the United States. Ascent Media provides sound, video and ancillary post production and distribution services to the motion picture and television industries in the United States, Europe, Asia and Mexico. On Command provides in-room, on-demand video entertainment and information services to hotels, motels and resorts primarily in the United States. Due to the significance of their operations and to enhance the reader's understanding of our financial performance, separate financial data has been provided in the table below for Starz Encore, Ascent Media and On Command. The table sets forth, for the periods indicated, certain financial information and the percentage relationship that certain items bear to revenue, and includes purchase accounting adjustments related to On Command that have not been "pushed down" to On Command's publicly available financial statements. The other category includes our other consolidated subsidiaries and corporate expenses. Some of our significant other consolidated subsidiaries include DMX Music, TruePosition, Inc., OpenTV Corp., Pramer S.C.A. and Liberty Cablevision of Puerto Rico. DMX Music is principally engaged in programming, distributing and marketing digital and analog music services to homes and businesses. TruePosition provides equipment and technology that deliver location-based services to wireless users. OpenTV provides interactive television solutions, including operating middleware, web browser software, interactive applications, and consulting and support services. Pramer is an owner and distributor of video programming services throughout Latin America. Liberty Cablevision of Puerto Rico provides cable television and other broadband services in Puerto Rico. We hold significant equity investments, the results of which are not a component of operating income, but are discussed below under "Investments in Affiliates Accounted for Under the Equity Method." Other items of significance are also discussed separately below.

	Years ended December 31,					
	2002	% of revenue	2001	% of revenue	2000	% of revenue
	dollar amounts in millions					
Starz Encore						
Revenue	$ 945	100%	$ 863	100%	$ 733	100%
Operating, selling, general and administrative	(574)	(61)	(550)	(64)	(498)	(68)
Stock compensation	(5)	(1)	(88)	(10)	(163)	(22)
Depreciation and amortization	(69)	(7)	(157)	(18)	(157)	(22)
Operating income (loss)	$ 297	31%	$ 68	8%	$ (85)	(12)%
Ascent Media						
Revenue	$ 538	100%	$ 593	100%	$ 295	100%
Operating, selling, general and administrative	(451)	(84)	(504)	(85)	(251)	(85)
Stock compensation	—	—	(3)	—	42	14
Depreciation and amortization	(68)	(13)	(136)	(23)	(55)	(18)
Impairment of long-lived assets	(84)	(15)	(313)	(53)	—	—
Operating income (loss)	$ (65)	(12)%	$(363)	(61)%	$ 31	11%
On Command						
Revenue	$ 238	100%	$ 239	100%	$ 200	100%
Operating, selling, general and administrative	(172)	(72)	(195)	(82)	(151)	(76)
Depreciation and amortization	(133)	(56)	(141)	(59)	(108)	(54)
Impairment of long-lived assets	(9)	(4)	—	—	—	—
Operating loss	$ (76)	(32)%	$ (97)	(41)%	$ (59)	(30)%
Other						
Revenue	$ 363	(a)	$ 364	(a)	$ 298	(a)
Operating, selling, general and administrative	(463)		(433)		(286)	
Stock compensation	56		(41)		1,071	
Depreciation and amortization	(114)		(550)		(534)	
Impairment of long-lived assets	(182)		(75)		—	
Operating income (loss)	$(340)		$(735)		$ 549	

(a) Not meaningful.

Certain of our consolidated subsidiaries and equity affiliates (the "Programming Affiliates") are dependent on the entertainment industry for entertainment, educational and informational programming. In addition, a significant portion of certain of the Programming Affiliates' revenue is generated by the sale of advertising on their networks. The downturn in the economy has had and could continue to have a negative impact on the revenue and operating income of the Programming Affiliates. A slow economy could reduce (i) the development of new television and motion picture programming, thereby adversely impacting the Programming Affiliates' supply of service offerings; (ii) consumer disposable income and consumer demand for the products and services of the Programming Affiliates; and (iii) the amount of resources allocated for network and cable advertising by major corporations.

We have one consolidated subsidiary (Pramer) and two equity affiliates (Torneos y Competencias S.A. and Cablevisión S.A.) located in Argentina. While Argentina has been in a recession for the past five years, the Argentine government has historically maintained an exchange rate of one Argentine peso to one U.S. dollar (the "peg rate"). Due to worsening economic and political conditions in late 2001, the Argentine government eliminated the peg rate effective January 11, 2002. The value of the Argentine peso dropped significantly on the day the peg rate was eliminated and has dropped further since that date. In addition, the Argentine government placed restrictions on the payment of obligations to foreign creditors. While we cannot predict what future impact these economic events will have on our Argentine businesses, we note that during 2001 and 2002 these businesses experienced significant adverse effects as customers began extending payments and lenders began tightening credit criteria. See additional discussion below.

Consolidated Subsidiaries

Starz Encore. The majority of Starz Encore's revenue is derived from the delivery of movies to subscribers under affiliation agreements with cable operators and satellite direct-to-home distributors. In 1997, Starz Encore entered into a 25-year affiliation agreement with Tele-Communications, Inc. ("TCI"). TCI cable systems (referred to herein as AT&T Broadband) were acquired by AT&T in the AT&T Merger. Under this affiliation agreement, AT&T Broadband makes fixed monthly payments to Starz Encore in exchange for unlimited access to all of the existing Encore and STARZ! services. The payment from AT&T Broadband can be adjusted, in certain instances, if cable systems are acquired or sold or if Starz Encore's programming costs increase above certain specified levels. Substantially all of Starz Encore's other affiliation agreements generally provide for payments based on the number of subscribers that receive Starz Encore's services.

Starz Encore's revenue increased 10% and 18% in 2002 and 2001, respectively, as compared to the corresponding prior year. Such increases are primarily due to 25% and 38% increases in average subscription units from all forms of distribution. Subscription units grew at a faster rate than revenue primarily due to a disproportionate increase in units of Thematic Multiplex channels, which have lower subscription fee rates than other channels.

Starz Encore's subscription units at December 31, 2002, 2001 and 2000 are as follows:

	Subscriptions at December 31,		
Service Offering	**2002**	**2001**	**2000**
		in millions	
Thematic Multiplex	98.3	76.0	52.5
Encore	21.2	18.6	16.3
Starz!	13.4	13.0	11.5
Movieplex	5.0	6.5	7.6
	137.9	114.1	87.9

At December 31, 2002, cable, direct broadcast satellite, and other distribution represented 62%, 37% and 1%, respectively, of Starz Encore's total subscription units. AT&T Broadband generated 24% and DirecTV generated 21%, respectively, of Starz Encore's revenue for the year ended December 31, 2002.

Starz Encore's operating, selling, general and administrative expenses increased 4% and 10% during 2002 and 2001, respectively, as compared to the corresponding prior year. The 2002 increase is due primarily to increases in marketing support, salaries and related payroll expenses, and bad debt expense. The 2001 increase is due to an increase in programming expenses. Programming expenses increased due to an increase in programming license fees resulting from increased use of more expensive first-run films from certain movie studios. Higher marketing expenses and higher salaries and related payroll expenses also contributed to the increase in operating, selling, general and administrative expenses in 2001.

Effective January 1, 2002, Liberty and its subsidiaries, including Starz Encore, adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ("Statement 142"). Statement 142 provides that goodwill and indefinite lived intangibles are no longer amortized, but are evaluated periodically for impairment. The decrease in Starz Encore's depreciation and amortization in 2002 is due to the adoption of Statement 142.

Starz Encore has granted phantom stock appreciation rights to certain of its officers. Compensation relating to the phantom stock appreciation rights has been recorded based upon the fair value of Starz Encore as determined by a third-party appraisal. The amount of expense associated with the phantom stock appreciation rights is generally based on the vesting of such rights and the change in the fair value of Starz Encore.

AT&T Broadband has disputed the enforceability of various provisions of its affiliation agreement with Starz Encore. That dispute is the subject of a lawsuit brought in a Colorado state court by Starz Encore in which AT&T Broadband, Comcast Corporation and Comcast Holdings Corporation have been named as defendants. Comcast Corporation and Comcast Holdings Corporation have filed a lawsuit against Starz Encore in a federal district court in Pennsylvania, alleging that Comcast Corporation is entitled to terminate AT&T Broadband's affiliation agreement with Starz Encore and to replace that agreement with the agreement entered into by Comcast Holdings Corporation.

AT&T Broadband has stopped making payments under its affiliation agreement with Starz Encore. Instead, Comcast Corporation has made payments to Starz Encore related to distribution of Starz Encore's services on AT&T Broadband's cable systems based on its claim that the per subscriber fees payable under Comcast Holdings' affiliation agreement are applicable, which has resulted in lower aggregate payments to Starz Encore. In addition, both AT&T Broadband and Comcast have limited their cooperation with Starz Encore on various matters, including, for example, promotion of Starz Encore's channels.

Starz Encore is vigorously contesting Comcast's claims in the Pennsylvania federal court proceeding and believes that it will succeed in its defense of those claims. Starz Encore is also vigorously prosecuting its claims in the Colorado court proceeding and believes that it will succeed in obtaining a judgment against the defendants in that proceeding. However, because both actions are at an early stage, it is not possible to predict with a high degree of certainty the outcome of either action, and there can be no assurance that those actions will ultimately be resolved in favor of Starz Encore. If Starz Encore were to fail in its efforts to enforce its affiliation agreement with AT&T Broadband, that failure would have a material adverse effect on Starz Encore's revenue and operating income.

Because of the uncertainty in predicting the outcome of the court actions, Starz Encore has determined for financial reporting purposes to exclude from its revenue the amounts due under the AT&T Broadband affiliation agreement from and after November 18, 2002. Rather, from that date it is including revenue amounts due under the Comcast affiliation agreement on account of distribution of the Starz Encore service on AT&T Broadband's systems. This treatment is in accordance with SEC Staff Accounting Bulletin 101, which provides that revenue should not be recognized unless collectibility of amounts owed is reasonably assured. The reduction in revenue based upon the difference in payments prescribed in each of the Comcast and AT&T Broadband affiliation agreements was approximately $9 million for the period from November 18, 2002 through December 31, 2002.

For the year ending December 31, 2003, Starz Encore estimates that the difference in revenue as calculated under the AT&T Broadband and Comcast affiliation agreements, respectively, will be approximately $80 million. The estimated difference in revenue would have approximately a dollar-for-dollar impact on Starz Encore's operating income, as Starz Encore would not realize any significant cost savings associated with the reduction in revenue. The foregoing reduction in revenue does not reflect the impact of any changes in marketing efforts or packaging of Starz Encore's services that Comcast may implement. No assurance can be given that any marketing or packaging changes that Comcast may implement will not have a material adverse effect on Starz Encore's revenue and operating income.

There were no excess programming costs in 2002 that Starz Encore had the right to pass through to AT&T Broadband under its affiliation agreement, and none are currently expected in 2003. Because the amount of excess programming costs is subject to a variety of factors, including receipts from theatrical release of motion pictures covered by Starz Encore's agreements with movie studios, Starz Encore is unable to estimate the share of those excess programming costs that could be passed through to AT&T Broadband, were the AT&T Broadband affiliation agreement held enforceable, for 2004 and thereafter. However, such amounts could be significant.

Ascent Media. In April 2000, we acquired all of the outstanding common stock of Four Media Company in exchange for AT&T Class A Liberty Media Group common stock and cash. In June 2000, we acquired a controlling interest in The Todd-AO Corporation in exchange for AT&T Class A Liberty Media Group common stock. Immediately following the closing of such transaction, we contributed 100% of the capital stock of Four Media Company to Todd-AO in exchange for additional Todd-AO common stock. Following these transactions, Todd-AO changed its name to Liberty Livewire Corporation. In November 2002, Liberty Livewire changed its name to Ascent Media. In July 2000, we purchased all of the assets relating to the post production, content and sound editorial businesses of SounDelux Entertainment Group, and contributed such assets to Ascent Media for additional Ascent Media stock. Following these transactions, we owned approximately 88% of the equity and controlled approximately 99% of the voting power of Ascent Media, and as a result, began to consolidate the operations of Ascent Media during the quarter ended June 30, 2000. During 2001, Ascent Media consummated several smaller acquisitions for an aggregate purchase price of $140 million. Ascent Media is dependent on the television and movie production industries and the commercial advertising market for a substantial portion of its revenue.

Ascent Media's revenue decreased 9% during the year ended December 31, 2002, as compared to the prior year. This decrease is the net effect of decreases due to reduced television and motion picture production activity and lower television advertising production, which were partially offset by an increase due to acquisitions in the second half of 2001.

Ascent Media's operating, selling, general and administrative expenses decreased 11% during the year ended December 31, 2002, as compared to the prior year. This decrease is due to a decrease in variable expenses such as personnel and material costs. General and administrative expenses were relatively comparable over the 2001 and 2002 periods.

The decrease in depreciation and amortization in 2002 is due primarily to the adoption of Statement 142 and the resulting elimination of goodwill amortization.

Increases in Ascent Media's revenue and expenses that are included in our consolidated results of operations for the year ended December 31, 2001 are due to (i) the inclusion of Ascent Media for a full year in 2001, as compared to six months in 2000 and (ii) the acquisitions made by Ascent Media in 2001.

On a pro forma basis and assuming that all of the 2000 and 2001 acquisitions had been consummated on January 1, 2000, Ascent Media's revenue decreased $33 million or 5% in 2001, as compared to 2000; and expenses decreased $26 million or 5% in 2001, as compared to 2000. The decrease in revenue is due to weakness in the economy in general, and specifically in the entertainment and advertising industries in 2001. We believe that this pro forma discussion provides information that is useful in analyzing Ascent Media's business. However, pro forma operating results should be considered in addition to, and not as a substitute for, actual results.

In connection with its 2002 Statement 142 impairment analysis, Ascent Media recorded an $84 million charge to write off a portion of the goodwill related to its Entertainment Television reporting unit. As a result of the weakness in the economy and in the entertainment and advertising industries during 2001, Ascent Media did not meet its 2001 operating objectives and reduced its 2002 expectations. Accordingly, at December 31, 2001, Ascent Media assessed the recoverability of its property and equipment and intangible assets and determined that an impairment adjustment was necessary. In addition, in the fourth quarter of 2001, Ascent Media made the decision to consolidate certain of its operations and close certain facilities. In connection with these initiatives, Ascent Media recorded a restructuring charge related to lease cancellation fees and an additional impairment charge related to its property and equipment. All of the foregoing charges are included in impairment of long-lived assets in our statement of operations for the year ended December 31, 2001.

On Command. On Command has been one of our consolidated subsidiaries since our acquisition of 85% of the common stock of Ascent Entertainment Group, Inc., On Command's parent company, on March 28, 2000. On Command's principal business is providing in-room, on-demand entertainment and information services to hotels, motels and resorts.

On Command's revenue decreased less than 1% for the year ended December 31, 2002, as compared to 2001. This decrease is the resulting net effect of a decrease in revenue due to a decrease in occupancy rates in the hotel industry and a reduction in average rooms served by On Command partially offset by an increase in revenue due to an increase in average rates for certain pay-per-view products.

On Command's operating, selling, general and administrative expenses decreased 12% during the year ended December 31, 2002. Such decrease is due to (i) a decrease in repair, maintenance and support expenses that vary with the number of rooms served and (ii) a decrease in research and development and selling, general and administrative expenses due to cost cutting measures instituted in the second half of 2001. In addition, On Command incurred $15 million of restructuring and relocation costs during the year ended December 31, 2001.

The increase in 2001 in On Command's revenue and expenses is due primarily to having 12 months of operations in our 2001 consolidated results, as compared to nine months of operations in our 2000 consolidated results. However, for the full year ended December 31, 2001, On Command experienced a 10% decrease in revenue. The decrease in revenue is due primarily to a decrease in hotel occupancy rates in 2001. On Command believes that the lower hotel occupancy rates are attributable to a decrease in travel due to the events of September 11, 2001, as well as the downturn in the U.S. economy. Cost control measures instituted in the second half of 2001 by On Command resulted in a 5% decrease in operating, selling, general and administrative expenses in 2001. As a percentage of revenue, operating, selling, general and administrative expenses increased from 72% in 2000 to 75% (exclusive of the restructuring and relocation costs described above) in 2001 because certain of On Command's content fees and other room services costs do not vary with revenue or occupancy.

On Command's depreciation and amortization expense decreased in 2002 as a result of the adoption of Statement 142 and the resulting elimination of goodwill amortization. Assuming a modest increase in hotel occupancy rates in 2003, On Command expects that its operating margins will also increase slightly in 2003. However, as a result of On Command's depreciation expense, we expect On Command to report operating losses in 2003.

Other. Included in this information are the results of our other consolidated subsidiaries and corporate expenses.

Revenue decreased less than 1% in 2002 and increased 22% in 2001. The change in 2002 is primarily the net result of (A) increases due to (i) the May 2001 acquisition of AEI Music Networks, Inc. by DMX Music, Inc. ($31 million) and (ii) our September 2002 acquisition of OpenTV Corp. ($18 million) and (B) decreases due to (i) a decrease in Pramer's revenue due to the devaluation of the Argentine peso and the recessionary conditions in Argentina ($47 million) and (ii) the September 2001 sale of Ascent Network Services to Ascent Media ($15 million). In addition, Liberty Cablevision of Puerto Rico's revenue increased $9 million or 16% due to rate increases in 2002. The remaining change in revenue is due to individually insignificant fluctuations. The 2001 increase in revenue is attributable primarily to an increase in DMX Music's revenue due to the acquisition of AEI Music Networks, Inc. in 2001.

Operating, selling, general and administrative expenses increased 7% and 51% in 2002 and 2001, respectively, as compared to the corresponding prior year. The increase in 2002 is primarily the net result of (A) increases due to (i) our acquisition of OpenTV Corp. and Wink Communications, Inc. ($49 million) and (ii) the acquisition of AEI Music ($43 million) and (B) decreases due to Pramer and the devaluation of the Argentine peso ($29 million) and the sale of Ascent Network Services ($22 million). In addition, we incurred $11 million of expenses in 2001 related to our split off from AT&T and significant legal and consulting fees associated with certain transactions.

The increase in operating, selling, general and administrative expenses in 2001 is due primarily to increases in expenses at DMX Music of $54 million and TruePosition of $30 million. In addition, we incurred expenses related to our split off from AT&T which aggregated $11 million, as well as higher legal and consulting fees in 2001 related to our transaction with UGC and our unsuccessful acquisition of six German cable systems.

In connection with our rights offering in the fourth quarter of 2002 and pursuant to the antidilution provisions of the stock incentive plans we administer, the number of shares and the applicable exercise prices of all of our options were adjusted as of October 31, 2002, the record date for the rights offering. As a result of these modifications, all of our outstanding options are now accounted for as variable plan awards. The amount of expense associated with stock compensation is generally based on the vesting of the related stock options and stock appreciation rights and the market price of the underlying common stock. The expense reflected in the table is based on the market price of the underlying common stock as of the date of the financial statements and is subject to future adjustment based on market price fluctuations, vesting percentages and, ultimately, on the final determination of market value when the options are exercised.

Depreciation and amortization was comparable in 2001 and 2000. The decrease in depreciation and amortization in 2002 is due to the adoption of Statement 142 and the resulting elimination of goodwill amortization.

During the year ended December 31, 2002, we recorded impairments of goodwill related to OpenTV ($92 million), our Latin American consolidated and equity investments ($46 million) and DMX Music ($44 million). Such impairments were calculated as the difference between the carrying value and the estimated fair value of the goodwill. In 2001 we recorded impairments of goodwill of $75 million primarily related to the devaluation of the Argentine peso and the impact of such devaluation on Pramer.

Other Income and Expense

Interest expense. Interest expense was $423 million, $525 million and $399 million, for the years ended December 31, 2002, 2001 and 2000, respectively. The decrease in 2002 is due to a lower average debt balance in 2002 and lower interest rates on certain variable-rate subsidiary and parent company bank debt. The increase in 2001 is due to the issuance of our exchangeable debentures in 2000 and 2001, as well as the issuance of notes payable to UGC in 2001. We repaid these notes payable in late 2001 and early 2002.

Dividend and interest income. Dividend and interest income was $209 million, $272 million and $301 million for the years ended December 31, 2002, 2001 and 2000, respectively. The 2002 decrease is the net effect of lower interest rates on invested cash balances, offset by increases due to dividends from our Vivendi and News Corp. investments. In 2001, we also earned interest on certain debt securities that we purchased in the second and third quarter of 2001. The majority of these debt securities were contributed to UGC in January 2002. The decrease in 2001 is primarily attributable to lower interest rates on our invested cash balances, combined with the elimination of Time Warner dividends subsequent to the merger of Time Warner and AOL. These decreases were partially offset by interest earned on the aforementioned debt securities that were contributed to UGC. Interest and dividend income for the year ended December 31, 2002 was comprised of interest income earned on invested cash ($44 million), dividends on Vivendi common stock ($29 million), dividends on News Corp. American Depository Shares ("ADSs") ($33 million), dividends on ABC Family Worldwide preferred stock ($31 million) and other ($72 million).

Investments in Affiliates Accounted for Using the Equity Method. Our share of losses of affiliates was $453 million, $4,906 million and $3,485 million during the years ended December 31, 2002, 2001 and 2000, respectively. A summary of our share of losses of affiliates, including nontemporary declines in value and excess cost amortization, is included below:

	Percentage Ownership at December 31, 2002	Years ended December 31,		
		2002	2001	2000
		amounts in millions		
Discovery	50%	$ (32)	(293)	(293)
QVC	42%	154	36	(12)
Jupiter	36%	(22)	(90)	(114)
UGC	74%	(198)	(751)	(211)
Telewest Communications plc ("Telewest")	20%	(92)	(2,538)	(441)
USAI	*	20	35	(36)
Cablevisión S.A. ("Cablevisión")	39%	—	(476)	(49)
ASTROLINK International LLC ("Astrolink")	32%	(1)	(417)	(8)
Teligent, Inc. ("Teligent")	*	—	(85)	(1,269)
Gemstar	*	—	(133)	(254)
Other	Various	(282)	(194)	(798)
		$(453)	(4,906)	(3,485)

* No longer an equity affiliate

At December 31, 2002, the aggregate carrying amount of our investments in affiliates exceeded our proportionate share of our affiliates' net assets by $8,710 million. Prior to the adoption of Statement 142, this excess basis was being amortized over estimated useful lives of up to 20 years based on the useful lives of the intangible assets represented by such excess costs. Such amortization was $798 million and $1,058 million for the years ended December 31, 2001 and 2000, respectively, and is included in our share of losses of affiliates. Upon adoption of Statement 142, we discontinued amortizing equity method excess costs in existence at the adoption date due to their characterization as equity method goodwill. Unless otherwise noted below, the change in share of earnings (losses) of affiliates from 2001 to 2002 is due primarily to the elimination of excess basis amortization in 2002. Also included in share of losses for the years ended December 31, 2002, 2001 and 2000, are adjustments for nontemporary declines in value aggregating $148 million, $2,396 million and $1,324 million, respectively. We expect to continue to record shares of losses of affiliates for the foreseeable future.

Discovery. Exclusive of the effects of excess basis amortization, our share of losses of Discovery was $32 million, $105 million and $106 million in 2002, 2001, and 2000, respectively. The decrease in our share of losses of Discovery in 2002 is due to an improvement in Discovery's operating income, which resulted from an increase in revenue and a slight decrease in operating expenses. During the year ended December 31, 2002, Discovery reported increases in both affiliate revenue and advertising revenue.

QVC. Exclusive of the effects of excess basis amortization, our share of earnings of QVC was $154 million, $146 million and $98 million in 2002, 2001, and 2000, respectively. Such increases are due to increased revenue and operating margins and a decrease in interest expense.

Jupiter. Exclusive of the effects of excess basis amortization, our share of Jupiter's losses was $22 million, $76 million and $94 million in 2002, 2001, and 2000, respectively. These decreases are due to increased revenue and operating margins driven by increased cable distribution and growth in telephony and Internet revenue, which translated to reduced net losses for Jupiter.

UGC. Exclusive of the effects of excess basis amortization, our share of UGC's net loss was $198 million, $700 million and $165 million in 2002, 2001, and 2000, respectively. In addition, our share of UGC's Statement 142 transition loss of $264 million is included in cumulative effect of accounting change. Because we currently have no commitment to make additional capital contributions to UGC, our share of losses in 2002 represents the amount of losses that reduced the carrying value of our investment in UGC to zero. When our carrying value was reduced to zero, we suspended recording our share of UGC's losses. At December 31, 2002, such suspended losses aggregated approximately $582 million. In the event that we increase our investment in UGC in the future, we will be required to recognize these suspended losses to the extent of our additional investment, if such investment is deemed to represent funding of these suspended losses. The sum of our recognized losses and suspended losses ($780 million) exceeds our share of losses in 2001 due to our increased ownership of UGC partially offset by a decrease in UGC's net loss related to (i) increased foreign currency gains, (ii) improved operating margins in 2002 due to cost control measures, (iii) impairment and restructuring charges recorded in 2001, (iv) lower amortization in 2002 due to the implementation of Statement 142, and (v) lower interest expense in 2002 due to the extinguishment of certain of its debt. The increased loss in 2001 is due to charges recorded by UGC for impairment of long-lived assets, which aggregated $1,426 million. In addition, UGC incurred higher depreciation charges and interest expense in 2001, and recognized impairment losses on certain of its investments.

Telewest. Our share of Telewest's net loss included excess basis amortization of $109 million and a nontemporary decline in value of $1,801 million in 2001. Excluding the effects of the excess basis amortization and the nontemporary decline in value, our share of Telewest's net loss was $92 million, $628 million and $277 million in 2002, 2001, and 2000, respectively. Telewest's 2002 net loss decreased due to (1) the adoption of Statement 142 and the corresponding elimination of goodwill amortization, (2) lower foreign currency transaction losses and (3) higher operating margins. In addition, Telewest's net loss in 2001 included a $1,112 million charge related to the impairment of Telewest's long-lived assets.

As of December 31, 2002, our share of Telewest's losses had reduced our carrying value in Telewest to zero. Telewest has disclosed that it has reached a nonbinding preliminary agreement relating to a restructuring of a significant portion of its bonds. The agreement provides for the cancellation of all outstanding notes and debentures issued by Telewest and one of its subsidiaries, as well as certain other unsecured foreign exchange contracts, in exchange for new ordinary shares representing 97% of the issued share capital of Telewest immediately after the restructuring. Existing shareholders will retain a 3% interest in Telewest under the proposed restructuring. As a result of Telewest's proposed restructuring, which we expect will reduce our overall ownership in Telewest to below 10%, we determined that beginning in 2003 we will no longer have the ability to exercise significant control over the operations of Telewest. In addition, we have removed our representatives from the Telewest board of directors. Accordingly, we will no longer account for our investment in Telewest using the equity method.

At December 31, 2002, our accumulated other comprehensive earnings includes $287 million (before related deferred taxes) of unrealized foreign currency losses related to our investment in the equity of Telewest. Upon consummation of Telewest's proposed debt restructuring and the resulting dilution of our ownership interest in Telewest, we expect that we will recognize such unrealized foreign currency losses in our statement of operations.

USAI. Prior to May 7, 2002, USAI owned and operated businesses in television production, electronic retailing, ticketing operations, and internet services. We held 74.4 million shares of USAI's common stock and shares and other equity interests in certain subsidiaries of USAI that were exchangeable for an aggregate of 79.0 million shares of USAI common stock.

On May 7, 2002, we, USAI and Vivendi consummated a series of transactions. Upon consummation of these transactions, USAI contributed substantially all of its entertainment assets to Vivendi Universal Entertainment ("VUE"), a partnership controlled by Vivendi, in exchange for cash, common and preferred interests in VUE and the cancellation of approximately 320.9 million shares of USANi LLC, which were exchangeable on a one-for-one basis for shares of USAI common stock. In connection with these transactions, we entered into a separate agreement with Vivendi, pursuant to which Vivendi acquired from us 25 million shares of common stock of USAI, approximately 38.7 million shares of USANi LLC and all of our approximate 30% interest in multiThématiques S.A., together with certain liabilities with respect thereto, in exchange for 37.4 million Vivendi ordinary shares, which at the date of the transaction had an aggregate fair value of $1,013 million. In connection with this transaction, we agreed to restrictions on our ability to transfer 9.5 million of such shares prior to November 2003. We recognized a loss of $817 million in the second quarter of 2002 based on the difference between the fair value of the Vivendi shares received and the carrying value of the assets relinquished, including goodwill of $514 million which is allocable to the reporting unit holding the USAI interests. We own approximately 3% of Vivendi and account for such investment as an available-for-sale security.

Subsequent to the Vivendi transaction with USAI, we own approximately 20% of USAI. Due to certain governance arrangements which limit our ability to exert significant influence over USAI, we account for such investment as an available-for-sale security. Prior to the Vivendi transaction, we accounted for our investment in USAI using the equity method. Share of earnings for USAI in 2002 are for the period through May 7, 2002.

Cablevisión. Cablevisión provides cable television and high speed data services in Argentina. The Argentine government has historically maintained an exchange rate of one Argentine peso to one U.S. dollar (the "peg rate"). Due to deteriorating economic and political conditions in Argentina in late 2001, the Argentine government eliminated the peg rate effective January 11, 2002. The value of the Argentine peso dropped significantly on the day the peg rate was eliminated and has dropped further since that date. In addition, the Argentine government placed restrictions on the payment of obligations to foreign creditors. As a result of the devaluation of the Argentine peso, Cablevisión recorded foreign currency translation losses of $393 million in the fourth quarter of 2001. At December 31, 2001, we determined that our investment in Cablevisión had experienced a nontemporary decline in value, and accordingly, recorded an impairment charge of $195 million. Such charge is included in shares of losses of affiliates. Our share of losses in 2001, when combined with foreign currency translation losses recorded in other comprehensive loss at December 31, 2001, reduced the carrying value of our investment to zero as of December 31, 2001. Included in accumulated other comprehensive earnings at December 31, 2001, is $257 million (before related deferred taxes) of unrealized foreign currency translation losses related to our investment in Cablevisión. During 2002, we sold a portion of our investment in Cablevisión and recognized $56 million of such unrealized foreign currency translation losses. Such loss is included in loss on dispositions in our consolidated statement of operations.

Astrolink. Astrolink, a developmental stage entity, originally intended to build a global telecom network using Ka-band geostationary satellites to provide broadband data communications services. Astrolink's original business plan required significant additional financing over the next several years. During the fourth quarter of 2001, two of the members of Astrolink informed Astrolink that they did not intend to provide any of Astrolink's required financing. Based on an assessment of Astrolink's remaining sources of liquidity and Astrolink's inability to obtain financing for its business plan, we concluded that the carrying value of our investment in Astrolink should be reduced to reflect a fair value that assumes the liquidation of Astrolink. Accordingly, we wrote-off all of our remaining investment in Astrolink during the fourth quarter of 2001. Including such fourth quarter amount, we recorded losses and charges relating to our investment in Astrolink aggregating $417 million during the year ended December 31, 2001. As we have no obligation to make additional contributions to Astrolink, share of losses in 2002 have been limited to amounts advanced to Astrolink by us.

Teligent. In January 2000, we acquired a 40% equity interest in Teligent, a full-service facilities based communications company through our acquisition of Associated Group, Inc. During the year ended December 31, 2000, we determined that our investment in Teligent experienced a nontemporary decline in value. As a result, the carrying amount of this investment was adjusted to its estimated fair value resulting in a charge of $839 million. The balance of our share of loss results from recording our 40% share of their net loss for the year 2000. This impairment charge is included in share of losses of affiliates. In April 2001, we exchanged our investment in Teligent for shares of IDT Investments, Inc., a subsidiary of IDT Corporation. As the fair value of the consideration received in the exchange approximated the carrying value of our investment in Teligent, no gain or loss was recognized on the transaction.

Gemstar. On July 12, 2000, TV Guide and Gemstar completed a merger whereby Gemstar acquired TV Guide. As a result of this transaction, 133 million shares of TV Guide held by us were exchanged for 87.5 million shares of Gemstar common stock. Following the merger, we owned approximately 21% of Gemstar. Our share of Gemstar's net loss was $254 million from the date of acquisition through December 31, 2000 and included excess basis amortization of $199 million.

During 2001, we exchanged all of our Gemstar common stock for ADSs of News Corp. We recorded share of losses of $133 million prior to such exchange.

Other. During the year ended December 31, 2002, we recorded nontemporary declines in fair value aggregating $148 million related to certain of our other equity method investments. Such amount is included in share of losses of affiliates.

Nontemporary declines in fair value of investments. During 2002, 2001 and 2000, we determined that certain of our cost investments experienced nontemporary declines in value. As a result, the cost bases of such investments were adjusted to their respective fair values based primarily on quoted market prices at the balance sheet date. These adjustments are reflected as nontemporary declines in fair value of investments in the consolidated statements of operations. The following table identifies such adjustments attributable to each of the individual investments as follows:

Investments	Years ended December 31, 2002	2001	2000
	amounts in millions		
AOL Time Warner	$2,567	2,052	—
News Corp.	1,393	915	—
Sprint PCS	1,077	—	—
Vivendi	409	—	—
Telewest bonds	149	—	—
Motorola	136	232	1,276
Arris Group, Inc.	19	127	—
Viacom	—	201	—
United Pan-Europe Communications, N.V.	—	195	—
Others	303	379	187
	$6,053	4,101	1,463

Gains (losses) on dispositions. Aggregate gains (losses) from dispositions during the years ended December 31, 2002, 2001 and 2000, are comprised of the following.

Transaction	Years ended December 31, 2002	2001	2000
	amounts in millions		
UGC Transaction	$ 123	—	—
Exchange of USAI equity securities for Vivendi common stock	(817)	—	—
Sale of Telemundo Communications Group	344	—	—
Merger of Viacom and BET Holdings II, Inc.	—	559	—
Merger of AOL and Time Warner	—	253	—
Exchange of our Gemstar common stock for News Corp. ADSs	—	(965)	—
Merger of Motorola and General Instruments	—	—	2,233
Merger of Telewest and Flextech	—	—	649
Merger of TV Guide and Gemstar	—	—	4,391
Other	(65)	(157)	67
Total	$(415)	(310)	7,340

In all of the above exchange transactions, the gains or losses were calculated based upon the difference between the carrying value of the assets relinquished, as determined on an average cost basis, compared to the fair value of the assets received. See notes 5 and 6 to the accompanying consolidated financial statements for a discussion of the foregoing transactions.

Realized and unrealized gains (losses) on derivative instruments. Realized and unrealized gains (losses) on derivative instruments during the years ended December 31, 2002, 2001 and 2000 are comprised of the following:

	Years ended December 31,		
	2002	2001	2000
	amounts in millions		
Change in fair value of exchangeable debenture call option feature	$ 784	167	153
Change in time value of fair value hedges	(146)	275	—
Change in fair value of Sprint PCS narrow-band collar	1,800	—	—
Change in fair value of AOL Time Warner put options	(445)	—	—
Change in fair value of other derivatives not designated as hedging instruments(1)	129	(616)	70
Total realized and unrealized gains (losses), net	$2,122	(174)	223

(1) Comprised primarily of put spread collars and forward foreign exchange contracts.

During 2001 and 2002, we had designated our equity collars as fair value hedges. Pursuant to Statement of Financial Accounting Standards No. 133, *"Accounting for Derivative Instruments and Hedging Activities"* ("Statement 133"), the equity collars were recorded on the balance sheet at fair value, and changes in the fair value of the equity collars and of the hedged security were recognized in earnings. Effective December 31, 2002, we elected to dedesignate our equity collars as fair value hedges. This election had no impact on our financial position at December 31, 2002 or our results of operations for the year ended December 31, 2002. Subsequent to December 31, 2002, changes in the fair value of the hedged securities that previously had been reported in earnings will now be reported as a component of other comprehensive income on our balance sheet. Changes in the fair value of the equity collars will continue to be reported in earnings.

Income taxes. Our effective tax rate was 33%, 36% and 52% for the years ended December 31, 2002, 2001 and 2000, respectively. The effective tax rates differed from the U.S. Federal income tax rate of 35% primarily due to state and local taxes and amortization for book purposes that is not deductible for income tax purposes.

Cumulative effect of accounting change. We and our subsidiaries adopted Statement 142 effective January 1, 2002. Upon adoption, we determined that the carrying value of certain of our reporting units (including allocated goodwill) was not recoverable. Accordingly, in the first quarter of 2002, we recorded an impairment loss of $1,869 million, net of related taxes, as the cumulative effect of a change in accounting principle. This transitional impairment loss includes an adjustment of $325 million for our proportionate share of transition adjustments that our equity method affiliates have recorded.

Effective January 1, 2001, we adopted Statement 133, which establishes accounting and reporting standards for derivative instruments. All derivatives, whether designated in hedging relationships or not, are required to be 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 not designated as a hedge, changes in the fair value of the derivative are recognized in earnings.

The adoption of Statement 133 on January 1, 2001, resulted in a cumulative increase in net earnings of $545 million (after tax expense of $356 million) and an increase in other comprehensive loss of $87 million. The increase in net earnings was mostly attributable to separately recording the fair value of our embedded call option obligations associated with our senior exchangeable debentures. The increase in other comprehensive loss relates primarily to changes in the fair value of our warrants and options to purchase certain available-for-sale securities.

Prior to the adoption of Statement 133, the carrying amount of our senior exchangeable debentures was adjusted based on the fair value of the underlying security. Increases or decreases in the value of the underlying security above the principal amount of the senior exchangeable debentures were recorded as unrealized gains or losses on financial instruments in the consolidated statements of operations. If the value of the underlying security decreased below the principal amount of the senior exchangeable debentures there was no effect on the principal amount of the debentures.

Upon adoption of Statement 133, the call option feature of the exchangeable debentures is reported separately in the consolidated balance sheet at fair value. Changes in the fair value of the call option obligations subsequent to January 1, 2001 are recognized as unrealized gains (losses) on financial instruments in our consolidated statements of operations.

Liquidity and Capital Resources

Corporate

Although our sources of funds include our available cash balances, net cash from operating activities, and dividend and interest receipts, we are primarily dependent upon our financing activities, proceeds from asset sales and monetization of our public investment portfolio to generate sufficient cash resources to meet our future cash requirements and planned commitments. Our borrowings of debt aggregated $189 million, $2,667 million and $4,597 million for the years ended December 31, 2002, 2001 and 2000, respectively. Due to covenant restrictions in the bank credit facilities of our subsidiaries, we are generally not entitled to the cash resources or cash generated by operations of our subsidiaries and business affiliates. Similarly, our subsidiaries' debt is generally non-recourse to us.

During the year ended December 31, 2002, we received cash proceeds from dispositions of assets of $1,040 million, including $679 million from the sale of our investment in Telemundo Communications Group, cash proceeds of $423 million upon settlement of equity collars related to our Sprint PCS position and cash proceeds of $484 million from the sale of put options on a portion of our AOL Time Warner position.

On March 20, 2003, we announced that we intend to raise approximately $1.5 billion through an offering of 20-year exchangeable senior debentures that are exchangeable into shares of AOL Time Warner Inc. common stock, the value of which can be paid, at our option, with AOL Time Warner Inc. common stock, cash or any combination thereof, or, in specified circumstances, shares of our Series A common stock or any combination of the foregoing types of consideration. We may raise up to an additional $250 million upon exercise of an option to be granted in connection with the offering. We expect to use the net proceeds from the offering for general corporate purposes. The initial sale of the debentures is to be made only to qualified institutional buyers under Rule 144A.

During the fourth quarter of 2002, we completed a rights offering pursuant to which existing shareholders received .04 transferable subscription rights to purchase shares of Liberty Series A common stock for each share of common stock held by them at the close of business on October 31, 2002. Under the basic subscription privilege, each whole right entitled the holder to purchase one share of Liberty's Series A common stock at a subscription price of $6.00 per share. The rights offering expired on December 2, 2002. In connection with the rights offering, we issued 103,426,000 shares of Series A common stock for cash proceeds of $621 million before expenses of $3 million.

Our primary uses of cash in recent years have been investments in and advances to affiliates. In this regard, our investments in and advances to cost and equity method affiliates aggregated $1,227 million, $2,579 million and $3,359 million for the years ended December 31, 2002, 2001 and 2000, respectively. In addition, our cash paid for acquisitions aggregated $44 million, $113 million and

$735 million for the years ended December 31, 2002, 2001 and 2000, respectively. In addition, we had debt repayments of $1,110 million, $1,048 million and $2,156 million during the years ended December 31, 2002, 2001 and 2000, respectively. Also during 2002, we acquired shares of our common stock pursuant to a previously authorized share buy back program. We purchased 25.7 million shares of our Series A common stock in the open market for $281 million. During the first quarter of 2003, we purchased an additional 17.3 million shares in the open market for $170 million.

We anticipate that we will continue to fund our existing investees as they develop and expand their businesses, and that such investments and advances to affiliates will aggregate approximately $470 million in 2003, approximately $400 million of which we expect to fund in the first quarter. Although we may invest additional amounts in new or existing ventures in 2003, we are unable to quantify such investments at this time. In addition, we have $325 million of corporate debt and $330 million of subsidiary debt that is required to be repaid or refinanced in 2003. We intend to fund such investing and financing activities with a combination of available cash and short term investments, borrowings under existing credit facilities, monetization of existing marketable securities, proceeds from the sale of assets, and the issuance of debt and equity securities.

Starz Encore has granted Phantom Stock Appreciation Rights ("PSARs") to certain of its officers. The PSARs generally vest over a five-year period, and substantially all of the PSARs are fully vested as of December 31, 2002. Compensation for the PSARs is computed based upon the percentage of PSARs that are vested and a formula derived from the appraised fair value of the net assets of Starz Encore. Effective December 27, 2002, the chief executive officer of Starz Encore elected to exercise 54% of his outstanding PSARs. Such PSARs have an estimated value of $275 million. Such accrual is subject to further adjustment when an independent appraisal of Starz Encore is finalized. The ultimate amount to be paid is expected to be in the form of a combination of our Series A common stock and cash.

Based on currently available information, we expect to receive approximately $170 million in dividend and interest income during the year ended December 31, 2003. Based on current debt levels and current interest rates, we expect to make interest payments of approximately $400 million during the year ended December 31, 2003, of which approximately $325 million relates to parent company debt.

Subsidiaries

At December 31, 2002, our consolidated subsidiaries had $1,242 million outstanding and $408 million in unused availability under their respective bank credit facilities. Certain assets of our consolidated subsidiaries serve as collateral for borrowings under these bank credit facilities. Also, these bank credit facilities contain provisions which limit additional indebtedness, sale of assets, liens, guarantees, and distributions by the borrowers. At December 31, 2002, our subsidiary that operates the DMX Music service was not in compliance with three covenants contained in its bank loan agreement. The subsidiary is in discussions with its banks regarding the resolution of these defaults. The outstanding balance of the subsidiary's bank facility was $94 million at December 31, 2002. All other consolidated subsidiaries were in compliance with their debt covenants at December 31, 2002. The subsidiaries' ability to borrow the unused capacity noted above is dependent on their continuing compliance with their covenants at the time of, and after giving effect to, a requested borrowing.

Although On Command was in compliance with the covenants in its bank credit facility (the "On Command Revolving Credit Facility") at December 31, 2002, On Command believes that it will not be in compliance with the leverage ratio covenant at March 31, 2003. On Command is seeking an agreement with its bank lenders to (i) postpone until June 29, 2003 a step-down of the leverage ratio covenant; and (ii) restructure the On Command Revolving Credit Facility to, among other matters, extend the maturity date to December 31, 2007. It is anticipated that any closing of the restructuring of the On Command Revolving Credit Facility will be contingent upon the contribution of $40 million by us or one of our affiliates to On Command to be used to repay principal due, and permanently reduce lender commitments. The terms of our proposed contribution have not yet been agreed upon, and no assurance can be given that we will make such contribution, as contemplated by the terms of the proposed restructuring. In the event the proposed restructuring of the On Command Revolving Credit Facility does not close on or before June 29, 2003, On Command anticipates that it would seek a further postponement of the step-down of the leverage ratio covenant, and would continue to seek to refinance or restructure the On Command Revolving Credit Facility. In the event that a restructuring or refinancing is not completed by the date that the leverage ratio is reduced to 3.50, On Command anticipates that an event of default would occur. Upon the occurrence of a default, if left uncured, the bank lenders would have various remedies, including terminating their revolving loan commitment, declaring all outstanding loan amounts including interest immediately due and payable, and exercising their rights against their collateral which consists of substantially all of On Command's assets. No assurance can be given that On Command will be able to successfully restructure or refinance the Revolving Credit Facility on terms acceptable to On Command, or that On Command will be able to avoid a default under the On Command Revolving Credit Facility. In light of the foregoing circumstances, On Command's independent auditors have included an explanatory paragraph in their audit report that addresses the ability of On Command to continue as a going concern.

Equity Affiliates

Various partnerships and other affiliates of ours accounted for using the equity method finance a substantial portion of their acquisitions and capital expenditures through borrowings under their own credit facilities and net cash provided by their operating activities. Notwithstanding the foregoing, certain of our affiliates may require additional capital to finance their operating or investing activities. In the event our affiliates require additional financing and we fail to meet a capital call, or other commitment to provide capital or loans to a particular company, such failure may have adverse consequences to us. These consequences may include, among others, the dilution of our equity interest in that company, the forfeiture of our right to vote or exercise other rights, the right of the other stockholders or partners to force us to sell our interest at less than fair value, the forced dissolution of the company to which we have made the commitment or, in some instances, a breach of contract action for damages against us. Our ability to meet capital calls or other capital or loan commitments is subject to our ability to access cash.

On January 30, 2002, we completed a transaction (the "UGC Transaction") pursuant to which UGC was formed to own UGC Holdings, Inc. (formerly known as UnitedGlobalCom, Inc., "UGC Holdings"). Upon consummation of the UGC Transaction, all shares of UGC Holdings common stock were exchanged for shares of common stock of UGC. In addition, we contributed (i) cash consideration of $200 million; (ii) a note receivable from Belmarken Holding B.V., a subsidiary of UGC Holdings, with an accreted value of $892 million and a carrying value of $496 million and (iii) Senior Notes and Senior Discount Notes of United-Pan Europe Communications N.V. ("UPC"), a subsidiary of UGC Holdings, with an aggregate carrying amount of $270 million to UGC in exchange for 281.3 million shares of Class C common stock of UGC with a fair value of $1,406 million. After giving effect to the UGC Transaction, subsequent open market purchases of UGC Class A common stock and other transactions we own approximately 74% of UGC's outstanding equity, representing approximately 94% of the voting power. Due to certain voting and standstill arrangements entered into at the time of closing, we are currently unable to exercise control of UGC, and accordingly, we continue to use the equity method of accounting for our investment.

Also on January 30, 2002, UGC acquired our debt and equity interests in IDT United, Inc. and $751 million principal amount at maturity of UGC's $1,375 million 10¾% senior secured discount notes due 2008, which had been distributed to us in redemption of a portion of our interest in IDT United and repayment of a portion of IDT United's debt to us. IDT United was formed as an indirect subsidiary of IDT Corporation for purposes of effecting a tender offer for all outstanding 2008 Notes at a purchase price of $400 per $1,000 principal amount at maturity, which tender offer expired on February 1, 2002. The aggregate purchase price for our interest in IDT United of $448 million equaled the aggregate amount we had invested in IDT United, plus interest. Approximately $305 million of the purchase price was paid by the assumption by UGC of debt owed by us to a subsidiary of UGC Holdings and the remainder was credited against our $200 million cash contribution to UGC described above. In connection with the UGC Transaction, one of our subsidiaries made loans to a subsidiary of UGC aggregating $103 million. Such loans accrue interest at 8% per annum.

UGC and its significant operating subsidiaries have incurred losses since their formation, as they have attempted to expand and develop their businesses and introduce new services. In November 2001, United Australia/Pacific, Inc. (''UAP''), a 50% owned affiliate of UGC, failed to make interest payments on certain of its senior notes. Following such default, the trustee under the Indenture for UAP's senior notes declared the principal and interest due and payable. On March 29, 2002, voluntary and involuntary petitions were filed under Chapter 11 of the United States Bankruptcy Code with respect to UAP. UAP's ability to continue as a going concern is dependent on the outcome of this bankruptcy proceeding.

In February, May, August and November 2002, UPC failed to make required interest payments on certain of its senior notes. Since that time, UPC has been negotiating the restructuring of its debt instruments, and on September 30, 2002, UPC and an ad-hoc committee representing UPC's bondholders signed definitive agreements with respect to UPC's recapitalization. Under the terms of the agreement, approximately $5.4 billion of UPC's debt would be exchanged for equity of a new holding company of UPC (''New UPC''). If the recapitalization is consummated, UGC would receive approximately 65.5% of New UPC's equity in exchange for UPC debt securities that it owns; third-party noteholders would receive approximately 32.5% of New UPC's equity; and existing preferred and ordinary shareholders, including UGC, would receive 2% of UPC's equity. In December 2002, UPC filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code and commenced a moratorium of payments in The Netherlands under Dutch bankruptcy law. The U.S. Bankruptcy Court confirmed the plan of reorganization as modified on February 21, 2003. The Dutch court ratified the plan of compulsory composition (Akkord) on March 13, 2003. A UPC creditor has appealed the Dutch decision. As a result, UPC can give no assurance as to when the Dutch Akkord process will be completed, but expects that the restructuring will be finalized in the second quarter of 2003. Such proceedings could result in material changes in the nature of UPC's business, material changes to UPC's financial condition and results of operations, UPC's liquidation or a significant impact on UGC's ownership interest in UPC. In addition, certain other UGC subsidiaries do not have sufficient working capital to service their debt or other liabilities when due during the next year. As a result of the foregoing, there is substantial doubt about UGC's ability to continue as a going concern. UGC's management is taking steps to address these matters. However, no assurance can be given that such steps will be successful.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Starz Encore has entered into agreements with a number of motion picture producers which obligate Starz Encore to pay fees for the rights to exhibit certain films that are released by these producers (collectively, ''Film Licensing Obligation''). The unpaid balance under agreements for Film Licensing Obligations related to films that were available at December 31, 2002 is reflected as a liability in the accompanying consolidated balance sheet. The balance due as of December 31, 2002 is payable as follows: $126 million in 2003; $64 million in 2004; and $18 million in 2005.

Starz Encore has also contracted to pay Film Licensing Obligations for the rights to exhibit films that have been released, but are not available to Starz Encore until some future date. These amounts have not been accrued at December 31, 2002. Starz Encore's estimate of amounts payable under these agreements is as follows: $306 million in 2003; $200 million in 2004; $135 million in 2005; $114 million in 2006; $103 million in 2007 and $320 million thereafter.

Starz Encore is also obligated to pay fees for films that are released by certain producers through 2014 when these films meet certain criteria described in the agreements. No estimate of amounts payable under these agreements can be made at this time. However, such amounts could prove to be significant. Starz Encore's total film rights expense aggregated $358 million, $354 million and $336 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Liberty guarantees Starz Encore's Film Licensing Obligations under certain of its studio output agreements. At December 31, 2002, Liberty's guarantee for Film Licensing Obligations for films released by such date aggregated $722 million. While the guarantee amount for films not yet released is not determinable, such amount could be significant. As noted above Starz Encore has recognized the liability for a portion of its Film Licensing Obligations as of December 31, 2002. Liberty has not recorded a separate liability for its guarantee of these obligations.

Subsequent to December 31, 2002, Jupiter, an equity affiliate that provides broadband services in Japan, refinanced substantially all of its outstanding debt. In connection with such refinancing, we and the other principal Jupiter shareholders made subordinated loans to Jupiter. Our share of such loans aggregated $553 million, $308 million of which had been loaned as of December 31, 2002. Subsequent to the refinancing, we guarantee ¥15.6 billion ($131 million at December 31, 2002) of Jupiter's debt. Our guarantees expire as the underlying debt matures. The debt maturity dates range from 2005 to 2017. In connection with Jupiter's refinancing, we have agreed to fund up to an additional ¥20 billion ($168 million at December 31, 2002) to Jupiter in the event Jupiter's cash flow (as defined in the bank loan agreement) does not meet certain targets. This commitment expires after September 30, 2004, or sooner upon the occurrence of certain events.

We and the other investors have guaranteed transponder and equipment lease obligations through 2018 of our investee that provides direct-to-home satellite service in Latin America ("Sky Latin America"). At December 31, 2002, our portion of the guarantee of the remaining obligations due under such agreements aggregated $115 million, and is not reflected in our balance sheet at December 31, 2002. During the fourth quarter of 2002, GloboPar Communicacoes e Participacoes ("GloboPar"), another investor in Sky Latin America, announced that it was reevaluating its capital structure. As a result, we believe that it is probable that GloboPar will not meet some, if not all, of its future funding obligations with respect to Sky Latin America. To the extent that GloboPar does not meet its funding obligations, we and other investors could mutually agree to assume GloboPar's obligations. To the extent that we or such other investors do not fully assume GloboPar's funding obligations, any funding shortfall could lead to defaults under applicable lease agreements. We believe that the maximum amount of our aggregate exposure under the default provisions is not in excess of the gross remaining obligations guaranteed by us, as set forth above. Although no assurance can be given, such amounts could be accelerated under certain circumstances. We cannot currently predict whether we will be required to perform under any of such guarantees.

We have also guaranteed various loans, notes payable, letters of credit and other obligations (the "Guaranteed Obligations") of certain other affiliates. At December 31, 2002, the Guaranteed Obligations aggregated approximately $54 million and are not reflected in our balance sheet at December 31, 2002. Currently, we are not certain of the likelihood of being required to perform under such guarantees.

Information concerning the amount and timing of required payments under our contractual obligations is summarized below:

Contractual obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
	amounts in millions				
Long-term debt(1)	$ 7,221	655	476	306	5,784
Long-term derivative instruments	933	—	933	—	—
Operating lease obligations	406	56	99	76	175
Film Licensing Obligations	1,386	432	417	217	320
Other long-term liabilities	107	—	107	—	—
Total contractual payments	$10,053	1,143	2,032	599	6,279

(1) Includes all debt instruments, including the call option feature related to our exchangeable debentures. Amounts are stated at the face amount at maturity and may differ from the amounts stated in our consolidated balance sheet to the extent debt instruments (i) were issued at a discount or premium or (ii) are reported at fair value in our consolidated balance sheet. Also includes capital lease obligations.

AT&T, as the successor to TCI, is the subject of an Internal Revenue Service ("IRS") audit for the 1993-1999 tax years. The IRS has notified AT&T and us that it is proposing income adjustments and assessing certain penalties in connection with TCI's 1994 tax return. The IRS's position could result in recognition of approximately $305 million of additional income, resulting in as much as $107 million of additional tax liability, plus interest. In addition, the IRS has proposed certain penalties. AT&T and we do not agree with the IRS's proposed adjustments and penalties, and AT&T and we intend to vigorously defend our position. Pursuant to the AT&T Tax Sharing Agreement, we may be obligated to reimburse AT&T for any tax that is ultimately assessed as a result of this audit. We are currently unable to estimate a range of any such reimbursement.

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

Recent Accounting Pronouncements

In November 2002, the Financial Accounting Standards Board (the "FASB") issued FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34* ("FIN 45"). FIN 45 elaborates on the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions in FIN 45 are effective for all guarantees issued or modified after December 31, 2002. The disclosure provisions are effective for periods ending after December 15, 2002. We do not believe that the implementation of FIN 45 will have a material impact on our financial position or results of operations.

In January 2003, the FASB issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51* ("FIN 46"). FIN 46 addresses consolidation of variable interest entities which have characteristics described in the pronouncement. In general, if an entity is considered a variable interest entity ("VIE"), the party that has the most exposure to economic risks and potential rewards from the VIE is required to consolidate the VIE. The consolidation requirements of FIN 46 apply to all VIE's created after January 31, 2003. In addition, by July 1, 2003, the consolidation requirements must be applied to all VIE's in existence prior to February 1, 2003. Based upon our preliminary analysis of the provisions of FIN 46, we currently do not believe that the adoption of FIN 46 will have a significant impact on our financial position or results of operations. However, it is our understanding that the FASB continues to provide interpretive guidance with respect to FIN 46, which could change the implementation requirements. These changes could result in our identifying a significant variable interest, which could change our preliminary evaluation and could result in a significant impact to our financial position or results of operations.

Quantitative and Qualitative Disclosures about Market Risk.

We are exposed to market risk in the normal course of business due to our investments in different foreign countries and ongoing investing and financial activities. Market risk refers to the risk of loss arising from adverse changes in foreign currency exchange rates, interest rates and stock prices. 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.

Investments in and advances to our foreign affiliates are denominated in foreign currencies. Therefore, we are exposed to changes in foreign currency exchange rates. We do not hedge the majority of our foreign currency exchange risk because of the long-term nature of our interests in foreign affiliates. During 2001, we entered into a definitive agreement to acquire six regional cable television systems in Germany. That agreement was terminated in April 2002. A portion of the consideration for such acquisition was to be denominated in euros. In order to reduce our exposure to changes in the euro exchange rate, we had entered into forward purchase contracts with respect to euro 3,243 million as of December 31, 2001. We settled all of our euro contracts in 2002. Realized and unrealized gains on our euro contracts aggregated $42 million in 2002.

We have two equity affiliates in Japan. In order to reduce our foreign currency exchange risk related to these investments, we entered into forward sale contracts with respect to ¥10,802 million ($91 million at December 31, 2002) in 2002. In addition to the forward sale contracts, we entered into collar agreements with respect to ¥18,785 million ($158 million at December 31, 2002). These collar agreements have a remaining term of approximately two years, an average call price of 110 yen/U.S. dollar and an average put price of 133 yen/U.S. dollar. During 2002, we had unrealized losses of $11 million related to our yen contracts. We continually evaluate our foreign currency exposure based on current market conditions and the business environment in each country in which we operate.

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 and (ii) issuing short-term variable rate debt to take advantage of historically low short-term interest rates. As of December 31, 2002, $3,534 million or 71% of our debt was composed of fixed rate debt (as adjusted for the effects of interest rate swap agreements) with a weighted average stated interest rate of 5.54%. Our variable rate debt of $1,437 million had a weighted average interest rate of 3.60% at December 31, 2002. Had market interest rates been 100 basis points higher (representing an approximate 28% increase over our variable rate debt effective cost of borrowing) throughout the year ended December 31, 2002, we would have recognized approximately

$17 million of additional interest expense. Had the price of the securities underlying the call option obligations associated with our senior exchangeable debentures been 10% higher during the year ended December 31, 2002, we would have recognized an additional unrealized loss on derivative instruments of $75 million. For additional information regarding the impacts of changes in discount rates and volatilities on our derivative instruments, see—"Critical Accounting Policies-Accounting for Derivatives."

We are exposed to changes in stock prices primarily as a result of our significant holdings in publicly traded securities. We continually monitor changes in stock markets, in general, and changes in the stock prices of our holdings, specifically. We believe that changes in stock prices can be expected to vary as a result of general market conditions, technological changes, specific industry changes and other factors. We use equity collars, put spread collars, narrow-band 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. Equity collars provide us with a put option that gives us the right to require the counterparty to purchase a specified number of shares of the underlying security at a specified price (the "Company Put Price") at a specified date in the future. Equity collars also provide the counterparty with a call option that gives the counterparty the right to purchase the same securities at a specified price at a specified date in the future. The put option and the call option generally are equally priced at the time of origination resulting in no cash receipts or payments. Narrow-band collars are equity collars in which the put and call prices are set so that the call option has a relatively higher fair value than the put option at the time of origination. In these cases the Company receives cash equal to the difference between such fair values.

Put spread collars provide us and the counterparty with put and call options similar to equity collars. In addition, put spread collars provide the counterparty with a put option that gives it the right to require us to purchase the underlying securities at a price that is lower than the Company Put Price. The inclusion of the secondary put option allows us to secure a higher call option price while maintaining net zero cost to enter into the collar. However, the inclusion of the secondary put exposes us to market risk if the underlying security trades below the put spread price.

During the year ended December 31, 2002, we sold put options on 36.1 million shares of AOL Time Warner stock for cash proceeds of $484 million.

The following table provides information regarding our equity and put spread collars and put options at December 31, 2002:

Security	Type of collar	No. of underlying shares (000's)	Weighted average put spread price per share	Weighted average put price per share	Weighted average call price per share	Weighted average years to maturity
AOL	Equity collar	36,100	N/A	$ 47	$ 96	2.6
AOL	Put option	36,100	$ 40	N/A	N/A	2.6
AOL	Put spread	21,538	$ 28	$ 49	$118	2.2
Sprint PCS	Equity collar(1)	150,506	N/A	$ 25	$ 40	5.5
News Corp.	Equity collar	5,000	N/A	$ 45	$ 85	2.3
News Corp.	Put spread	6,916	$ 20	$ 33	$ 79	2.8
Motorola	Equity collar	51,919	N/A	$ 25	$ 50	1.2
Cendant	Equity collar	26,357	N/A	$ 19	$ 33	2.5
Priceline	Equity collar	3,125	N/A	$ 37	$ 92	2.5
GMH Hughes	Put spread	1,822	$ 15	$ 27	$ 54	0.8
XM Satellite	Equity collar	1,000	N/A	$ 29	$ 51	0.9

(1) Includes narrow-band collars.

At December 31, 2002, the fair value of the securities underlying the derivatives in the foregoing table was $2,437 million, (excluding the fair value of the related derivatives) and the total value of our available-for-sale equity securities was $14,254 million. Had the market price of the remaining available-for-sale securities been 10% lower at December 31, 2002, the aggregate value of such securities would have been $1,182 million lower resulting in an increase to unrealized losses in other comprehensive earnings.

Had the stock price of our publicly traded investments accounted for using the equity method been 10% lower at December 31, 2002, there would have been no impact on the carrying value of such investments assuming that the decline in value is deemed to be temporary.

From time to time we enter into total return debt swaps in connection with our purchase of our own or third-party public and private indebtedness. Under these arrangements, we direct a counterparty to purchase a specified amount of the underlying debt security for our benefit. We initially post collateral with the counterparty equal to 10% of the value of the purchased securities. We earn interest income based upon the face amount and stated interest rate of the debt securities, and we pay interest expense at market rates on the amount funded by the counterparty. In the event the fair value of the underlying debt securities declines 10%, we are required to post cash collateral for the decline, and we record an unrealized loss on financial instruments. The cash collateral is further adjusted up or down for subsequent changes in fair value of the underlying debt security. At December 31, 2002, the aggregate purchase price of third-party debt securities underlying total return debt swap arrangements was $85 million. As of such date, we had posted cash collateral equal to $42 million. In the event the fair value of the purchased debt securities were to fall to zero, we would be required to post additional cash collateral of $43 million.

In addition, during 2002, we entered into a total return debt swap agreement to purchase up to $250 million aggregate face value of our outstanding senior notes and debentures. Through December 31, 2002, we had directed the counterparty to purchase debt with a face value of $201 million for $200 million, including accrued interest, under this agreement.

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

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

- Execute our derivative instruments with several different counterparties, and
- Execute derivative instrument agreements which contain a provision that requires the counterparty to post the "in the money" portion of the derivative instrument into a cash collateral account for our benefit, if the respective counterparty's credit rating were to reach

certain levels, generally a rating that is below Standard & Poor's rating of A- and/or Moody's rating of A3.

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

Our counterparty credit risk by financial institution is summarized below:

Counterparty	Aggregate fair value of derivative instruments at December 31, 2002
	amounts in millions
Counterparty A	$1,376
Counterparty B	987
Counterparty C	827
Counterparty D	733
Counterparty E	577
Counterparty F	450
Other	607
	$5,557

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Liberty Media Corporation:

We have audited the accompanying consolidated balance sheets of Liberty Media Corporation and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2002. 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 auditing standards generally accepted in the United States of America. 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, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed in notes 3 and 7 to the consolidated financial statements, the Company changed its method of accounting for intangible assets in 2002 and for derivative financial instruments in 2001.

KPMG LLP

Denver, Colorado
March 17, 2003

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2002 and 2001

	2002	2001
	amounts in millions	
Assets		
Current assets:		
Cash and cash equivalents	$ 2,170	2,077
Short-term investments	107	397
Trade and other receivables, net	362	345
Prepaid expenses and program rights	355	352
Derivative instruments (note 7)	1,165	506
Deferred income tax assets (note 10)	286	311
Other current assets	55	38
Total current assets	4,500	4,026
Investments in affiliates, accounted for using the equity method, and related receivables (note 5)	7,390	10,076
Investments in available-for-sale securities and other cost investments (note 6)	14,369	21,152
Long-term derivative instruments (note 7)	4,392	1,897
Property and equipment, at cost	1,219	1,190
Accumulated depreciation	(304)	(249)
	915	941
Intangible assets not subject to amortization (note 3):		
Goodwill	6,812	9,058
Franchise costs	163	163
	6,975	9,221
Intangible assets subject to amortization	1,246	1,200
Accumulated amortization	(632)	(445)
	614	755
Other assets, at cost, net of accumulated amortization	530	471
Total assets	$39,685	48,539

(continued)

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2002 and 2001

	2002	2001
	amounts in millions	
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 133	127
Accrued interest payable	125	136
Other accrued liabilities	308	254
Accrued stock compensation (note 14)	659	833
Program rights payable	128	145
Derivative instruments (note 7)	19	39
Current portion of debt	655	1,143
Total current liabilities	2,027	2,677
Long-term debt (note 9)	4,316	4,764
Long-term derivative instruments (note 7)	1,469	1,688
Deferred income tax liabilities (note 10)	6,751	8,977
Other liabilities	189	177
Total liabilities	14,752	18,283
Minority interests in equity of subsidiaries	219	133
Obligation to redeem common stock (note 11)	32	—
Stockholders' equity (note 11):		
Preferred stock, $.01 par value. Authorized 50,000,000 shares; no shares issued and outstanding	—	—
Series A common stock $.01 par value. Authorized 4,000,000,000 shares; issued and outstanding 2,476,953,566 shares at December 31, 2002 and 2,378,127,544 shares at December 31, 2001	25	24
Series B common stock $.01 par value. Authorized 400,000,000 shares; issued and outstanding 212,044,128 shares at December 31, 2002 and 212,045,288 shares at December 31, 2001	2	2
Additional paid-in capital	36,498	35,996
Accumulated other comprehensive earnings, net of taxes (note 16)	226	840
Accumulated deficit	(12,069)	(6,739)
Total stockholders' equity	24,682	30,123
Commitments and contingencies (note 17)		
Total liabilities and stockholders' equity	$ 39,685	48,539

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2002, 2001 and 2000

	2002	2001	2000
	amounts in millions, except per share amounts		
Revenue:			
Unaffiliated parties	$ 2,078	1,832	1,266
Related parties (note 13)	6	227	260
	2,084	2,059	1,526
Operating costs and expenses:			
Operating	1,077	1,089	801
Selling, general and administrative ("SG&A")	583	573	348
Charges from related parties (note 13)	—	20	37
Stock compensation—SG&A (note 14)	(51)	132	(950)
Depreciation	193	209	122
Amortization	191	775	732
Impairment of long-lived assets (note 3)	275	388	—
	2,268	3,186	1,090
Operating income (loss)	(184)	(1,127)	436
Other income (expense):			
Interest expense	(423)	(525)	(399)
Dividend and interest income	209	272	301
Share of losses of affiliates, net (note 5)	(453)	(4,906)	(3,485)
Nontemporary declines in fair value of investments (note 6)	(6,053)	(4,101)	(1,463)
Realized and unrealized gains (losses) on derivative instruments, net (note 7)	2,122	(174)	223
Gains (losses) on dispositions, net (notes 5 and 6)	(415)	(310)	7,340
Other, net	(4)	(11)	3
	(5,017)	(9,755)	2,520
Earnings (loss) before income taxes and minority interest	(5,201)	(10,882)	2,956
Income tax benefit (expense) (note 10)	1,702	3,908	(1,534)
Minority interests in losses of subsidiaries	38	226	63
Earnings (loss) before cumulative effect of accounting change	(3,461)	(6,748)	1,485
Cumulative effect of accounting change, net of taxes (notes 3 and 7)	(1,869)	545	—
Net earnings (loss)	$(5,330)	(6,203)	1,485
Earnings (loss) per common share (note 3):			
Basic and diluted earnings (loss) before cumulative effect of accounting change	$ (1.34)	(2.61)	.57
Cumulative effect of accounting change, net of taxes	(.72)	.21	—
Basic and diluted net earnings (loss)	$ (2.06)	(2.40)	.57
Number of common shares outstanding	2,590	2,588	2,588

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Years ended December 31, 2002, 2001 and 2000

	2002	2001	2000
	amounts in millions		
Net earnings (loss)	$(5,330)	(6,203)	1,485
Other comprehensive earnings (loss), net of taxes (note 16):			
Foreign currency translation adjustments	(101)	(357)	(202)
Unrealized holding losses arising during the period	(4,111)	(1,013)	(6,115)
Recognition of previously unrealized losses (gains) on available-for-sale securities, net	3,598	2,694	(635)
Cumulative effect of accounting change (note 3)	—	(87)	—
Other comprehensive earnings (loss)	(614)	1,237	(6,952)
Comprehensive loss	$(5,944)	(4,966)	(5,467)

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended December 31, 2002, 2001 and 2000

	Preferred stock	Common stock Series A	Common stock Series B	Additional paid-in capital	Accumulated other comprehensive earnings (loss), net of taxes	Accumulated deficit	Total stockholders' equity
	amounts in millions						
Balance at January 1, 2000	$ —	—	—	33,874	6,555	(2,021)	38,408
Net earnings	—	—	—	—	—	1,485	1,485
Other comprehensive loss	—	—	—	—	(6,952)	—	(6,952)
Issuance of AT&T Class A Liberty Media Group common stock for acquisitions (note 8)	—	—	—	1,064	—	—	1,064
Gains in connection with issuances of stock by affiliates and subsidiaries, net of taxes	—	—	—	355	—	—	355
Utilization of net operating losses of Liberty by AT&T (note 10)	—	—	—	(38)	—	—	(38)
Other transfers to related parties, net	—	—	—	(213)	—	—	(213)
Balance at December 31, 2000	—	—	—	35,042	(397)	(536)	34,109
Net loss	—	—	—	—	—	(6,203)	(6,203)
Other comprehensive earnings	—	—	—	—	1,237	—	1,237
Issuance of common stock upon consummation of Split Off Transaction (note 2)	—	24	2	(26)	—	—	—
Contribution from AT&T upon consummation of Split Off Transaction (note 2)	—	—	—	803	—	—	803
Accrual of amounts due to AT&T for taxes on deferred intercompany gains (note 2)	—	—	—	(115)	—	—	(115)
Losses in connection with issuances of stock by subsidiaries and affiliates, net of taxes	—	—	—	(8)	—	—	(8)
Utilization of net operating losses of Liberty by AT&T prior to Split Off Transaction (note 10)	—	—	—	(2)	—	—	(2)
Stock option exercises and issuance of restricted stock prior to Split Off Transaction	—	—	—	302	—	—	302
Balance at December 31, 2001	—	24	2	35,996	840	(6,739)	30,123
Net loss	—	—	—	—	—	(5,330)	(5,330)
Other comprehensive loss	—	—	—	—	(614)	—	(614)
Issuance of common stock for acquisitions	—	—	—	195	—	—	195
Issuance of common stock pursuant to rights offering	—	1	—	617	—	—	618
Purchases of Liberty Series A common stock	—	—	—	(281)	—	—	(281)
Liberty Series A common stock put options, net of cash received (note 11)	—	—	—	(29)	—	—	(29)
Balance at December 31, 2002	$ —	25	2	36,498	226	(12,069)	24,682

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2002, 2001 and 2000

	2002	2001	2000
	amounts in millions (see note 4)		
Cash flows from operating activities:			
Net earnings (loss)	$(5,330)	(6,203)	1,485
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Cumulative effect of accounting change, net of taxes	1,869	(545)	—
Depreciation and amortization	384	984	854
Impairment of long-lived assets	275	388	—
Stock compensation	(51)	132	(950)
Payments of stock compensation	(117)	(244)	(319)
Share of losses of affiliates, net	453	4,906	3,485
Nontemporary decline in fair value of investments	6,053	4,101	1,463
Realized and unrealized losses (gains) on derivative instruments, net	(2,122)	174	(223)
Losses (gains) on disposition of assets, net	415	310	(7,340)
Minority interests in losses of subsidiaries	(38)	(226)	(63)
Deferred income tax expense (benefit)	(1,711)	(3,613)	1,821
Intergroup tax allocation	—	(222)	(294)
Payments from (to) AT&T pursuant to tax sharing agreement	(26)	166	414
Other noncash charges	32	40	15
Changes in operating assets and liabilities, net of the effect of acquisitions and dispositions:			
Receivables	(22)	30	(116)
Prepaid expenses and program rights	(45)	(148)	(121)
Other current assets	(32)	—	—
Payables and other current liabilities	14	(4)	88
Net cash provided by operating activities	1	26	199
Cash flows from investing activities:			
Investments in and loans to equity affiliates	(736)	(1,031)	(1,568)
Investments in and loans to cost investees	(491)	(1,548)	(1,791)
Cash paid for acquisitions, net of cash acquired	(44)	(113)	(735)
Capital expended for property and equipment	(189)	(358)	(221)
Cash proceeds from dispositions	1,040	471	456
Net sales of short term investments	148	346	972
Other investing activities, net	19	(5)	21
Net cash used by investing activities	(253)	(2,238)	(2,866)
Cash flows from financing activities:			
Borrowings of debt	189	1,639	4,597
Proceeds attributed to call option obligations upon issuance of senior exchangeable debentures	—	1,028	—
Repayments of debt	(1,110)	(1,048)	(2,156)
Purchases of Liberty Series A common stock	(281)	—	—
Proceeds from Rights Offering	618	—	—
Premium proceeds from derivative instruments	521	383	—
Proceeds from settlement of derivative instruments, net	410	366	—
Payment from AT&T related to Split Off Transaction	—	803	—
Cash transfers to related parties	—	(157)	(286)
Net proceeds from issuance of stock by subsidiaries	—	—	121
Other financing activities, net	(2)	(20)	(28)
Net cash provided by financing activities	345	2,994	2,248
Net increase (decrease) in cash and cash equivalents	93	782	(419)
Cash and cash equivalents at beginning of year	2,077	1,295	1,714
Cash and cash equivalents at end of year	$ 2,170	2,077	1,295

See accompanying notes to consolidated financial statements.

(1) *Basis of Presentation*

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

Liberty owns interests in a broad range of video programming, media, broadband distribution, interactive technology services and communications businesses. Liberty and its affiliated companies operate in the United States, Europe, South America and Asia.

(2) *AT&T Ownership of Liberty*

On March 9, 1999, AT&T Corp. ("AT&T") acquired Tele-Communications, Inc. ("TCI"), the former parent company of Liberty, in a merger transaction (the "AT&T Merger").

From March 9, 1999 through August 9, 2001, AT&T owned 100% of the outstanding common stock of Liberty. During such time, the AT&T Class A Liberty Media Group common stock and the AT&T Class B Liberty Media Group common stock (together, the AT&T Liberty Media Group tracking stock) were tracking stocks of AT&T designed to reflect the economic performance of the businesses and assets of AT&T attributed to the Liberty Media Group. Liberty was included in the Liberty Media Group, and the businesses and assets of Liberty and its subsidiaries constituted all of the businesses and assets of the Liberty Media Group.

Effective August 10, 2001, AT&T effected the split-off of Liberty pursuant to which Liberty's common stock was recapitalized, and each outstanding share of AT&T Class A Liberty Media Group tracking stock was redeemed for one share of Liberty Series A common stock and each outstanding share of AT&T Class B Liberty Media Group tracking stock was redeemed for one share of Liberty Series B common stock (the "Split Off Transaction"). Subsequent to the Split Off Transaction, Liberty is no longer a subsidiary of AT&T and no shares of AT&T Liberty Media Group tracking stock remain outstanding. The Split Off Transaction has been accounted for at historical cost.

In connection with the Split Off Transaction, Liberty was also deconsolidated from AT&T for federal income tax purposes. Pursuant to an agreement entered into at the time of the AT&T Merger, AT&T was required to pay Liberty an amount equal to 35% of the amount of the net operating loss carryforward reflected in TCI's final federal income tax return that had not been used as an offset to Liberty's obligations under a tax sharing agreement and that had been, or was reasonably expected to be, utilized by AT&T. The $803 million payment was received by Liberty prior to the Split Off Transaction and has been reflected as an increase to additional paid-in-capital in the accompanying consolidated statement of stockholders' equity. In addition, certain deferred intercompany gains were includible in AT&T's taxable income as a result of the Split Off Transaction, and AT&T was entitled to reimbursement from Liberty for the resulting tax liability of approximately $115 million. Such tax liability has been reflected as a reduction in additional paid-in-capital in the accompanying consolidated statement of stockholders' equity.

(3) *Summary of Significant Accounting Policies*

Cash and Cash Equivalents

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

Receivables

Receivables are reflected net of an allowance for doubtful accounts. Such allowance aggregated $28 million and $20 million at December 31, 2002 and 2001, respectively.

Program Rights

Prepaid program rights are amortized on a film-by-film basis over the anticipated number of exhibitions. Committed program rights and program rights payable are recorded at the estimated cost of the programs when the film is available for airing less prepayments. These amounts are amortized on a film-by-film basis over the anticipated number of exhibitions.

Investments

All marketable equity and debt securities held by the Company are classified as available-for-sale and are carried at fair value (''AFS Securities''). Unrealized holding gains and losses on securities that are classified as available-for-sale and are hedged with a derivative financial instrument that qualifies as a fair value hedge under Statement of Financial Accounting Standards No. 133 *''Accounting for Derivative Instruments and Hedging Activities''* (''Statement 133'') are recognized in the Company's consolidated statement of operations. Unrealized holding gains and losses of AFS Securities that are not hedged pursuant to Statement 133 are carried net of taxes as a component of accumulated other comprehensive earnings in stockholders' equity. Realized gains and losses are determined on an average cost basis. Other investments in which the Company's ownership interest is less than 20% and are not considered marketable securities are carried at the lower of cost or net realizable value.

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 affiliates as they occur rather then as dividends or other distributions are received, limited to the extent of the Company's investment in, advances to and commitments for the investee. If the Company's investment in the common stock of an affiliate is reduced to zero as a result of recording its share of the affiliate's net losses, and the Company holds investments in other more senior securities of the affiliate, the Company would continue to record losses from the affiliate to the extent of these additional investments. The amount of additional losses recorded would be determined based on changes in the hypothetical amount of proceeds that would be received by the Company if the affiliate were to experience a liquidation of its assets at their current book values. Prior to the Company's January 1, 2002 adoption of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (''Statement 142''), the Company's share of net earnings or losses of affiliates included the amortization of the difference between the Company's investment and its share of the net assets of the investee. Upon adoption of Statement 142, the portion of excess costs on equity method investments that represents goodwill (''equity method goodwill'') is no longer amortized, but continues to be considered for impairment under Accounting Principles Board Opinion No. 18. The Company's share of net earnings or loss of affiliates also includes any other-than-temporary declines in fair value recognized during the period.

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

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

Derivative Instruments and Hedging Activities

The Company uses various derivative instruments including equity collars, narrow-band collars, put spread collars, written put and call options, bond swaps, interest rate swaps and foreign exchange contracts to manage fair value and cash flow risk associated with many of its investments, some of its variable rate debt and transactions denominated in foreign currencies. Each of these derivative instruments is executed with a counterparty, generally well known major financial institutions. While Liberty believes these derivative instruments effectively manage the risks highlighted above, they are subject to counterparty credit risk. Counterparty credit risk is the risk that the counterparty is unable to perform under the terms of the derivative instrument upon settlement of the derivative instrument. To protect itself against credit risk associated with these counterparties the Company generally:

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

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

Effective January 1, 2001, Liberty adopted Statement 133, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. All derivatives, whether designated in hedging relationships or not, are recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive earnings. 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. Derivative gains and losses included in other comprehensive earnings are reclassified into earnings at the time the sale of the hedged item or transaction is recognized.

During 2001 and 2002, the only derivative instruments designated as hedges were the Company's equity collars, which were designated as fair value hedges. Effective December 31, 2002, the Company elected to dedesignate its equity collars as fair value hedges. Such election had no effect on the Company's financial position at December 31, 2002 or its results of operations for the year ended December 31, 2002. Subsequent to December 31, 2002, changes in the fair value of the Company's AFS Securities that previously had been reported in earnings due to the designation of equity collars as fair value hedges will be reported as a component of other comprehensive income on the Company's balance sheet. Changes in the fair value of the equity collars will continue to be reported in earnings.

The fair value of derivative instruments is 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 obtains volatility rates from independent sources based on the expected volatility of the underlying security over the term of the derivative instrument. The volatility assumption is generally evaluated annually to determine if it should be adjusted. A discount rate is selected at the inception of the derivative instrument and updated each reporting period based on the Company's estimate of the discount rate at which it could currently settle the derivative instrument. Considerable management judgment is required in estimating the Black-Scholes variables. Actual results upon settlement or unwinding of derivative instruments may differ materially from these estimates.

Prior to the adoption of Statement 133, changes in the fair value of the Company's equity collars were reported as a component of comprehensive earnings (in unrealized gains) along with changes in the fair value of the underlying securities. Changes in the fair value of put spread collars were recorded as unrealized gains (losses) on financial instruments in the consolidated statements of operations.

The adoption of Statement 133 on January 1, 2001, resulted in a cumulative increase in net earnings of $545 million, or $0.21 per common share, (after tax expense of $356 million) and an increase in other comprehensive loss of $87 million. The increase in net earnings was mostly attributable to separately recording the fair value of the embedded call option obligations associated with the Company's senior exchangeable debentures. The increase in other comprehensive loss relates primarily to changes in the fair value of the Company's warrants and options to purchase certain AFS Securities.

The Company assesses the effectiveness of equity collars by comparing changes in the intrinsic value of the equity collar to changes in the fair value of the underlying security. For derivatives designated as fair value hedges, changes in the time value of the derivatives, which are excluded from the assessment of hedge effectiveness, are recognized currently in earnings as a component of realized and unrealized gains (losses) on derivative instruments. Hedge ineffectiveness, determined in accordance with Statement 133, had no impact on earnings for the years ended December 31, 2002 and 2001.

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

Effective January 1, 2002, the Company adopted Statement 142, which along with Statement of Financial Accounting Standards No. 141, *Business Combinations* (“Statement 141”), was issued in June 2001. Statement 141 requires that the purchase method of accounting be used for all business combinations, and specifies criteria that intangible assets acquired in a purchase business combination must meet to be recognized and reported apart from goodwill. Statement 142 requires that goodwill and other intangible assets with indefinite useful lives (collectively, “indefinite lived intangible assets”) no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of Statement 142. Equity method goodwill is also no longer amortized, but continues to be considered for impairment under Accounting Principles Board Opinion No. 18. Statement 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (“Statement 144”).

Upon adoption, Statement 141 required the Company to evaluate its existing intangible assets and goodwill that were acquired in prior purchase business combinations, and make any necessary reclassifications in order to conform with the new criteria in Statement 141 for recognition apart from goodwill. Reclassification of previously acquired intangible assets, including intangible assets in equity method excess costs, is only made if (a) the asset meets the recognition criteria of Statement 141, (b) the asset had been assigned an amount equal to its estimated fair value at the date the business combination was initially recorded, and (c) the asset was accounted for separately from goodwill as evidenced by the maintenance of accounting records for the asset. The Company did not maintain separate accounting records for previously acquired intangible assets in equity method excess costs. Accordingly, such amounts are deemed to be equity method goodwill under Statement 142.

Statement 142 required the Company to reassess the useful lives and residual values of all intangible assets acquired, and make any necessary amortization period adjustments by the end of the first quarter of 2002. In addition, to the extent an intangible asset (other than goodwill) was identified as having an indefinite useful life, the Company was required to test the intangible asset for impairment in accordance with the provisions of Statement 142. Any impairment loss was measured as of the date of adoption and has been recognized as the cumulative effect of a change in accounting principle.

In connection with Statement 142’s transitional goodwill impairment evaluation, Statement 142 required the Company to perform an assessment of whether there was an indication that goodwill was impaired as of the date of adoption. To accomplish this, the Company identified its reporting units and determined the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. Statement 142 requires the Company to consider equity method affiliates as separate reporting units. As a result, a portion of the Company’s enterprise-level goodwill balance was allocated to various reporting units which included a single equity method investment as its only asset. For example, goodwill was allocated to a separate reporting unit which included only the Company’s investment in Discovery

Communications, Inc. This allocation is performed for goodwill impairment testing purposes only and does not change the reported carrying value of the investment. However, to the extent that all or a portion of an equity method investment which is part of a reporting unit containing allocated goodwill is disposed of in the future, the allocated portion of goodwill will be relieved as an adjustment to the gain or loss on disposal.

The Company determined the fair value of its reporting units using independent appraisals, public trading prices and other means. The Company then compared the fair value of each reporting unit to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeded its fair value, the Company performed the second step of the transitional impairment test. In the second step, the Company compared the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with Statement 141, to its carrying amount, both of which were measured as of the date of adoption.

As of the date of adoption, the Company had unamortized goodwill in the amount of $9,058 million, unamortized franchise costs of $163 million and unamortized other identifiable intangible assets in the amount of $755 million, all of which were subject to the transition provisions of Statements 141 and 142. In connection with its adoption of Statement 142, the Company recognized a $1,869 million transitional impairment loss, net of taxes of $127 million, as the cumulative effect of a change in accounting principle. The foregoing transitional impairment loss includes an adjustment of $325 million for the Company's proportionate share of transition adjustments that its equity method affiliates have recorded.

As noted above, indefinite lived intangible assets are no longer amortized. Adjusted net earnings (loss) and earnings (loss) per common share, exclusive of amortization expense related to goodwill, franchise costs and equity method goodwill, for periods prior to the adoption of Statement 142 are as follows (amounts in millions, except per share amounts):

	Years ended December 31,	
	2001	2000
Net earnings (loss), as reported	$(6,203)	1,485
Adjustments:		
Goodwill amortization	617	586
Franchise costs amortization	10	12
Equity method excess costs amortization included in share of losses of affiliates	798	1,058
Income tax effect	(333)	(426)
Net earnings (loss), as adjusted	$(5,111)	2,715
Basic and diluted earnings (loss) per common share, as reported	$ (2.40)	.57
Adjustments:		
Goodwill amortization	.24	.23
Franchise costs amortization	—	—
Equity method excess costs amortization included in share of losses of affiliates	.31	.41
Income tax effect	(.13)	(.16)
Basic and diluted earnings (loss) per common share, as adjusted	$ (1.98)	1.05

Amortization of intangible assets with finite useful lives was $191 million for the year ended December 31, 2002. Based on its current amortizable intangible assets, Liberty expects that amortization expense will be as follows for the next five years and thereafter (amounts in millions):

2003	$155
2004	110
2005	104
2006	81
2007	79
Thereafter	85
	$614

Changes in the carrying amount of goodwill for each of the Company's operating segments for the year ended December 31, 2002 are as follows:

	Starz Encore	Ascent Media	On Command	Other(2)	Total
			amounts in millions		
Balance at December 31, 2001	$1,540	430	73	7,015	9,058
Transition adjustment	—	(20)	(24)	(1,627)	(1,671)
2002 acquisitions(1)	—	—	—	191	191
Purchase price allocation adjustment for 2001 acquisition	—	—	—	36	36
Sale of equity method investments and related goodwill	—	—	—	(539)	(539)
Impairment of goodwill(1)	—	(84)	—	(180)	(264)
Other	—	1	3	(3)	1
Balance at December 31, 2002	$1,540	327	52	4,893	6,812

(1) During the year ended December 31, 2002, Liberty completed several small acquisitions for aggregate consideration of $328 million, comprised of stock valued at $195 million and cash of $133 million. In connection with these acquisitions, Liberty recorded additional goodwill of $191 million, which represents the excess of the purchase price over the estimated fair value of tangible and identifiable intangible assets acquired.

One of these acquisitions was Liberty's purchase of 38% of the common equity and 85% of the voting power of OpenTV Corp. ("OpenTV"), which when combined with Liberty's previous ownership interest in OpenTV, brought Liberty's total ownership to 41% of the equity and 86% of the voting power of OpenTV. During the period between the execution of the purchase agreement in May 2002 and the consummation of the acquisition in August 2002, OpenTV disclosed that it was lowering its revenue and cash flow projections for 2002 and extending the time before it would be cash flow positive. As a result, OpenTV wrote off all of its separately recorded goodwill. In light of the announcement by OpenTV and the adverse impact on its stock price, as well as other negative factors arising in its industry sector, Liberty determined that the goodwill initially recorded in purchase accounting ($92 million) was not recoverable. This assessment is supported by an appraisal performed by an independent third party. Accordingly, Liberty recorded an impairment charge for the entire amount of the goodwill during the third quarter of 2002.

In addition to the foregoing goodwill impairment related to OpenTV, the Company evaluated the recoverability of the goodwill related to its other reporting units (as defined in Statement 142) during 2002. This evaluation resulted in additional impairments related to the Company's Ascent Media ($84 million) and Other operating segments ($88 million).

(2) As noted above, the Company's enterprise-level goodwill is allocable to reporting units, whether they are consolidated subsidiaries or equity method investments. The following table summarizes these allocations at December 31, 2002 (amounts in millions).

Entity	Allocable goodwill
Discovery Communications, Inc.	$2,165
QVC, Inc.	1,464
Starz Encore Group LLC	606
Jupiter Telecommunications Co., Ltd.	196
Other	462
	$4,893

Impairment of Long-lived Assets

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

As a result of the weakness in the economy in 2001 certain subsidiaries of the Company did not meet their 2001 operating objectives and reduced their 2002 expectations. Accordingly, the subsidiaries assessed the recoverability of their property and equipment and intangible assets and determined that impairment adjustments were necessary. In addition, in the fourth quarter of 2001, a subsidiary made the decision to consolidate certain of its operations and close certain facilities. In connection with these initiatives, the subsidiary recorded a restructuring charge related to lease cancellation fees and an additional impairment charge related to its property and equipment. All of the foregoing charges are included in impairment of long-lived assets in the Company's statement of operations.

Minority Interests

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

Preferred stock (and accumulated dividends thereon) of subsidiaries are included in minority interests in equity of subsidiaries. Dividend requirements on such preferred stocks are reflected as minority interests in earnings of subsidiaries in the accompanying consolidated statements of operations and comprehensive loss.

Foreign Currency Translation

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

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

Unless otherwise indicated, convenience translations of foreign currencies into U.S. dollars are calculated using the applicable spot rate at December 31, 2002, as published in The Wall Street Journal.

Revenue Recognition

Revenue is recognized as follows:

- Programming revenue is recognized in the period during which programming is provided, pursuant to affiliation agreements.
- Advertising revenue is recognized, net of agency commissions, in the period during which underlying advertisements are broadcast.
- Revenue from post-production services is recognized in the period the services are rendered.
- Revenue from sales and licensing of software and related service and maintenance is recognized pursuant to Statement of Position No. 97-2 *"Software Revenue Recognition."* For multiple element contracts with vendor specific objective evidence, the Company recognizes revenue for each specific element when the earnings process is complete. If vendor specific objective evidence does not exist, revenue is deferred and recognized on a straight-line basis over the term of the maintenance period.
- Cable and other distribution revenue is recognized in the period that services are rendered. Cable installation revenue is recognized in the period the related services are provided to the extent of direct selling costs. Any remaining amount is deferred and recognized over the estimated average period that customers are expected to remain connected to the cable distribution system.

Advertising Costs

Advertising costs generally are expensed as incurred. Advertising expense aggregated $43 million, $43 million and $35 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Co-operative marketing costs are recognized as advertising expense to the extent an identifiable benefit is received and fair value of the benefit can be reasonably measured. Otherwise, such costs are recorded as a reduction of revenue.

Stock Based Compensation

As more fully described in note 14, the Company has granted to its employees options and options with tandem stock appreciation rights ("SARs") to purchase shares of Liberty Series A and Series B common stock. The Company accounts for these grants pursuant to the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, *"Accounting for Stock Issued to Employees*." ("APB Opinion No. 25") Under these provisions, options are accounted for as fixed plan awards and no compensation expense is recognized because the exercise price is equal to the market price of the underlying common stock on the date of grant; whereas options with tandem SARs are accounted for as variable plan awards, and compensation is recognized based upon the percentage of the options that are vested and the difference between the market price of the underlying common stock and the exercise price of the options at the balance sheet date. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, *"Accounting for Stock-Based Compensation,"* ("Statement 123") to its options. Compensation expense for options with tandem SARs is the same under APB Opinion No. 25 and Statement 123.

	Years ended December 31,		
	2002	2001	2000
	amounts in millions, except per share amounts		
Net earnings (loss)	$(5,330)	(6,203)	1,485
Deduct stock compensation as determined under the fair value method, net of taxes	(79)	(129)	—
Pro forma net earnings (loss)	$(5,409)	(6,332)	1,485
Basic and diluted net earnings (loss) per share:			
As reported	$ (2.06)	(2.40)	.57
Pro forma	$ (2.09)	(2.45)	.57

Agreements that may require Liberty to reacquire interests in subsidiaries held by officers and employees in the future are marked-to-market at the end of each reporting period with corresponding adjustments being recorded to stock compensation expense.

Earnings (Loss) Per Common Share

Basic earnings (loss) per common share is computed by dividing net earnings (loss) by the number of common shares outstanding. The number of outstanding common shares for periods prior to the Split Off Transaction is based upon the number of shares of Series A and Series B Liberty common stock issued upon consummation of the Split Off Transaction. Diluted earnings (loss) per common share 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. Excluded from diluted earnings per share for the years ended December 31, 2002 and 2001, are 78 million and 76 million potential common shares because their inclusion would be anti-dilutive.

Reclassifications

Certain prior period amounts have been reclassified for comparability with the 2002 presentation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Liberty considers the fair value of its derivative instruments and its assessment of nontemporary declines in value of its investments to be its most significant estimates.

Liberty holds a significant number of investments that are accounted for using the equity method. Liberty does not control the decision making process or business management practices of these affiliates. Accordingly, Liberty relies on management of these affiliates and their independent accountants to provide it with accurate financial information prepared in accordance with generally accepted accounting principles that Liberty uses in the application of the equity method. The Company is not aware, however, of any errors in or possible misstatements of the financial information provided by its equity affiliates that would have a material effect on Liberty's consolidated financial statements.

Recent Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board (the "FASB") issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51* ("FIN 46"). FIN 46 addresses consolidation of variable interest entities which have characteristics described in the pronouncement. In general, if an entity is considered a variable interest entity ("VIE"), the party that has the most exposure to economic risks and potential rewards from the VIE is required to consolidate the VIE. The consolidation requirements of FIN 46 apply to all VIE's created after January 31, 2003. In addition, by July 1, 2003, the consolidation requirements must be applied to all VIE's in existence prior to February 1, 2003. Based upon the Company's preliminary analysis of the provisions of FIN 46, it currently does not believe that the adoption of FIN 46 will have a significant impact on its financial position or results of operations. However, it is the Company's understanding that the FASB continues to provide interpretive guidance with respect to FIN 46, which could change the implementation requirements. These changes could result in the Company identifying a significant variable interest, which could change its preliminary evaluation and could result in a significant impact to its financial position or results of operations.

(4) *Supplemental Disclosures to Consolidated Statements of Cash Flows*

	Years ended December 31,		
	2002	2001	2000
	amounts in millions		
Cash paid for acquisitions:			
Fair value of assets acquired	$ 424	264	3,733
Net liabilities assumed	(57)	(136)	(1,208)
Deferred tax liability	(14)	(7)	(281)
Minority interest	(114)	(8)	(445)
Common stock issued	(195)	—	—
Contribution to equity for acquisitions	—	—	(1,064)
Cash paid for acquisitions, net of cash acquired of $89 million in 2002	$ 44	113	735
Cash paid for interest	$ 426	451	335
Cash paid for income taxes	$ —	9	2

(5) *Investments in Affiliates Accounted for Using the Equity Method*

Liberty has various investments accounted for using the equity method. The following table includes Liberty's carrying amount and percentage ownership of the more significant investments in affiliates at December 31, 2002 and the carrying amount at December 31, 2001:

	December 31, 2002		December 31, 2001
	Percentage Ownership	Carrying Amount	Carrying Amount
	dollar amounts in millions		
Discovery Communications, Inc. ("Discovery")	50%	$2,817	2,900
QVC, Inc. ("QVC")	42%	2,712	2,543
Jupiter Telecommunications Co., Ltd. ("Jupiter")	36%	782	407
UnitedGlobalCom, Inc. ("UGC")	74%	—	(418)
Telewest Communications plc ("Telewest")	20%	—	97
USA Interactive (formerly known as USA Networks, Inc.) ("USAI")	N/A	—	2,857
Other	various	1,079	1,690
		$7,390	10,076

The following table reflects Liberty's share of earnings (losses) of affiliates including excess basis amortization and nontemporary declines in value:

	Years ended December 31,		
	2002	2001	2000
	amounts in millions		
Discovery	$ (32)	(293)	(293)
QVC	154	36	(12)
Jupiter	(22)	(90)	(114)
UGC	(198)	(751)	(211)
Telewest	(92)	(2,538)	(441)
USAI	20	35	(36)
Cablevisión S.A. ("Cablevisión")	—	(476)	(49)
ASTROLINK International LLC ("Astrolink")	(1)	(417)	(8)
Teligent, Inc. ("Teligent")	—	(85)	(1,269)
Gemstar—TV Guide International, Inc. ("Gemstar")	—	(133)	(254)
Other	(282)	(194)	(798)
	$(453)	(4,906)	(3,485)

At December 31, 2002, the aggregate carrying amount of Liberty's investments in its affiliates exceeded Liberty's proportionate share of its affiliates' net assets by $8,710 million. Prior to the adoption of Statement 142, such excess was being amortized over estimated useful lives of up to 20 years based upon the useful lives of the intangible assets represented by such excess costs. Such amortization was $798 million and $1,058 million, for the years ended December 31, 2001 and 2000, respectively, and is included in share of losses of affiliates. Upon adoption of Statement 142, the Company discontinued amortizing its equity method excess costs in existence at the adoption date due to their characterization as equity method goodwill. Any calculated excess costs on investments made after January 1, 2002 are allocated on an estimated fair value basis to the underlying assets and liabilities of the investee. Amounts allocated to assets other than indefinite lived intangible assets are amortized over their estimated useful lives.

UGC

UGC is a global broadband communications provider of video, voice and data services with operations in over 25 countries throughout the world. On January 30, 2002, the Company and UGC completed a transaction (the "UGC Transaction") pursuant to which UGC was formed to own UGC Holdings, Inc. ("UGC Holdings"). Upon consummation of the New United Transaction, all shares of UGC Holdings common stock were exchanged for shares of common stock of UGC. In addition, the Company contributed (i) cash consideration of $200 million; (ii) a note receivable from Belmarken Holding B.V., a subsidiary of UGC Holdings, with an accreted value of $892 million and a carrying value of $496 million (the "Belmarken Loan") and (iii) Senior Notes and Senior Discount Notes of United-Pan Europe Communications N.V. ("UPC"), a subsidiary of UGC Holdings, with an aggregate carrying amount of $270 million to UGC in exchange for 281.3 million shares of UGC Class C common stock with a fair value of $1,406 million. After giving effect to the UGC Transaction, subsequent open market purchases of UGC Class A common stock and other transactions, Liberty owns approximately 307 million shares of UGC common stock, or an approximate 74% economic interest and a 94% voting interest in UGC. The closing price of UGC's Class A common stock was $2.40 on December 31, 2002. Pursuant to certain voting and standstill arrangements entered into at the time of closing, Liberty is currently unable to exercise control of UGC, and accordingly, Liberty continues to use the equity method of accounting for its investment.

Liberty has accounted for the UGC Transaction as the acquisition of an additional noncontrolling interest in UGC in exchange for monetary financial instruments. Accordingly, Liberty calculated a $440 million gain on the transaction based on the difference between the estimated fair value of the financial instruments and their carrying value. Due to its continuing indirect ownership in the assets contributed to UGC, Liberty limited the amount of gain it recognized to the minority shareholders' attributable share (approximately 28%) of such assets or $123 million (before deferred tax expense of $48 million).

Because Liberty currently has no commitment to make additional capital contributions to UGC, Liberty's share of losses in 2002, along with its share of UGC's Statement 142 transition loss, represents the amount of losses that reduced the carrying value of its investment in UGC to zero. When its carrying value was reduced to zero, Liberty suspended recording its share of UGC's losses. At December 31, 2002, such suspended losses aggregated approximately $582 million. In the event that Liberty increases its investment in UGC in the future, Liberty will be required to recognize these suspended losses to the extent of its additional investment, if such investment is deemed to represent funding of these suspended losses.

Also on January 30, 2002, UGC acquired from Liberty its debt and equity interests in IDT United, Inc. and $751 million principal amount at maturity of UGC Holdings' $1,375 million 10¾% senior secured discount notes due 2008 (the "2008 Notes"), which had been distributed to Liberty in redemption of a portion of its interest in IDT United. IDT United was formed as an indirect subsidiary of IDT Corporation for purposes of effecting a tender offer for all outstanding 2008 Notes at a purchase price of $400 per $1,000 principal amount at maturity, which tender offer expired on February 1, 2002. The aggregate purchase price for the Company's interest in IDT United of approximately $448 million was equal to the aggregate amount Liberty had invested in IDT United, plus interest. Approximately $305 million of the purchase price was paid by the assumption by UGC of debt owed by Liberty to a subsidiary of UGC Holdings, and the remainder was credited against the $200 million cash contribution by Liberty to UGC described above. In connection with the UGC Transaction, a subsidiary of Liberty agreed to loan to a subsidiary of UGC up to $105 million. As of December 31, 2002, such subsidiary of UGC has borrowed $103 million from the Liberty subsidiary. Such loan accrues interest at 8% per annum.

In June 2002, Liberty loaned an aggregate of $5.1 million to the chairman and Chief Executive Officer of UGC. The loans, which accrued interest at LIBOR plus 2%, were repaid in December 2002.

Telewest

Telewest operates cable television and telephone systems in the United Kingdom, and develops and sells a variety of television programming also in the U.K. At December 31, 2002, Liberty indirectly owned approximately 25% of the issued and outstanding Telewest ordinary shares. The closing price of Telewest's ordinary shares on December 31, 2002 was $.03 per share.

During the year ended December 31, 2002, Liberty purchased $370 million and £67 million face amount of Telewest public debt for aggregate cash consideration of $210 million, including accrued interest. Such investments are accounted for as available-for-sale securities.

On September 30, 2002, Telewest disclosed that it had reached a non-binding preliminary agreement relating to a restructuring of a significant portion of its bonds. The agreement provides for the cancellation of all outstanding notes and debentures issued by Telewest and one of its subsidiaries, as well as certain other unsecured foreign exchange contracts, in exchange for new ordinary shares representing 97% of the issued share capital of Telewest immediately after the restructuring. Existing shareholders will retain a 3% interest in Telewest under the proposed restructuring. Telewest has elected to defer payment of interest under certain of its notes, including a payment that was due on November 1, 2002. As a result, Telewest is in default under certain of its financing arrangements. Telewest anticipates that such defaults will be dealt with in connection with the restructuring of its debt.

Principally as a result of Telewest's proposed debt restructuring, which Liberty expects will reduce its ownership in Telewest to below 10%, Liberty determined that beginning in 2003 it will no longer have the ability to exercise significant influence over the operations of Telewest. In addition, Liberty has removed its representatives from the Telewest board of directors. Accordingly, Liberty will no longer account for its investment in Telewest using the equity method.

At December 31, 2002, Liberty's accumulated other comprehensive earnings includes $287 million (before related deferred taxes) of unrealized foreign currency losses related to its investment in the equity of Telewest. Upon consummation of Telewest's proposed debt restructuring and the resulting dilution of Liberty's ownership interest in Telewest, Liberty expects that it will recognize such unrealized foreign currency losses in its statement of operations.

During the year ended December 31, 2001, Liberty determined that its investment in Telewest experienced a nontemporary decline in value. As a result, the carrying value of Telewest was adjusted to its estimated fair value, and the Company recognized a charge of $1,801 million. Such charge is included in share of losses of affiliates.

In April 2000, Telewest acquired Flextech p.l.c. ("Flextech") which develops and sells a variety of television programming in the UK. Prior to the acquisition, Liberty owned an approximate 37% equity interest in Flextech and a 22% equity interest in Telewest. Liberty recognized a $649 million gain (excluding related tax expense of $227 million) on the acquisition based on the difference between the carrying value of Liberty's interest in Flextech and the fair value of the Telewest shares received.

USAI

Prior to May 7, 2002, USAI owned and operated businesses in television production, electronic retailing, ticketing operations, and internet services. Liberty held 74.4 million shares of USAI's common stock and shares and other equity interests in certain subsidiaries of USAI that were exchangeable for an aggregate of 79.0 million shares of USAI common stock.

On May 7, 2002, Liberty, USAI and Vivendi Universal, S.A. ("Vivendi") consummated a series of transactions. Upon consummation of these transactions, USAI contributed substantially all of its entertainment assets to Vivendi Universal Entertainment ("VUE"), a partnership controlled by Vivendi, in exchange for cash, common and preferred interests in VUE and the cancellation of approximately 320.9 million shares of USANi LLC, which were exchangeable on a one-for-one basis for shares of USAI common stock. In connection with these transactions, Liberty entered into a separate agreement with Vivendi, pursuant to which Vivendi acquired from Liberty 25 million shares of common stock of USAI, approximately 38.7 million shares of USANi LLC and all of Liberty's approximate 30% interest in multiThématiques S.A., together with certain liabilities with respect thereto, in exchange for 37.4 million Vivendi ordinary shares, which at the date of the transaction had an aggregate fair value of $1,013 million. In connection with this transaction, Liberty agreed to restrictions on its ability to transfer 9.5 million of such shares prior to November 2003. Liberty recognized a loss of $817 million in the second quarter of 2002 based on the difference between the fair value of the Vivendi shares received and the carrying value of the assets relinquished including goodwill of $514 million which is allocable to the reporting unit holding the USAI interests. Liberty owns approximately 3% of Vivendi and accounts for such investment as an available-for-sale security.

Subsequent to the Vivendi transaction with USAI, Liberty owns approximately 20% of USAI. Due to certain governance arrangements which limit its ability to exert significant influence over USAI, Liberty accounts for such investment as an available-for-sale security. Prior to the Vivendi transaction, Liberty accounted for its investment in USAI using the equity method. Liberty's share of earnings for USAI in 2002 are for the period through May 7, 2002.

Cablevisión

Cablevisión provides cable television and high speed data services in Argentina. At December 31, 2002, the Company has a 39% ownership in Cablevisión. The Argentine government has historically maintained an exchange rate of one Argentine peso to one U.S. dollar (the "peg rate"). Due to deteriorating economic and political conditions in Argentina in late 2001, the Argentine government eliminated the peg rate effective January 11, 2002. The value of the Argentine peso dropped significantly on the day the peg rate was eliminated and has dropped further since that date. In addition, the Argentine government placed restrictions on the payment of obligations to foreign creditors. As a result of the devaluation of the Argentine peso, Cablevisión recorded foreign currency translation losses of $393 million in the fourth quarter of 2001. At December 31, 2001, the Company determined that its investment in Cablevisión had experienced a nontemporary decline in value, and accordingly, recorded an impairment charge of $195 million. Such charge is included in share of losses of affiliates. The Company's share of losses in 2001, when combined with foreign currency translation losses recorded in other comprehensive loss at December 31, 2001, reduced the carrying value of its investment in Cablevisión to zero as of December 31, 2001. Included in accumulated other comprehensive earnings at December 31, 2001 is $257 million (before related deferred taxes) of unrealized foreign currency translation losses related to the Company's investment in Cablevisión. During 2002, the Company sold a portion of its investment in Cablevisión and recognized $56 million of such unrealized foreign currency translation losses. Such loss is included in loss on dispostions in the accompanying consolidated statement of operations.

Astrolink

Astrolink, a developmental stage entity, originally intended to build a global telecom network using Ka-band geostationary satellites to provide broadband data communications services. Astrolink's original business plan required significant additional financing over the next several years. During the fourth quarter of 2001, two of the members of Astrolink informed Astrolink that they did not intend to provide any of Astrolink's required financing. Based on an assessment of Astrolink's remaining sources of liquidity and Astrolink's inability to obtain financing for its business plan, the Company concluded that the carrying value of its investment in Astrolink should be reduced to reflect a fair value that assumes the liquidation of Astrolink. Accordingly, the Company wrote-off all of its remaining investment in Astrolink during the fourth quarter of 2001. Including such fourth quarter amount, the Company recorded losses and charges relating to its investment in Astrolink aggregating $417 million during the year ended December 31, 2001. As Liberty has no obligation to make additional contributions to Astrolink, its share of losses in 2002 has been limited to amounts advanced to Astrolink by Liberty.

Teligent

In January 2000, the Company acquired a 40% equity interest in Teligent, a full-service facilities based communications company. During the year ended December 31, 2000, the Company determined that its investment in Teligent experienced a nontemporary decline in value. As a result, the carrying amount of this investment was adjusted to its estimated fair value resulting in a charge of $839 million. This impairment charge is included in share of losses of affiliates. In April 2001, the Company exchanged its investment in Teligent for shares of IDT Investments, Inc., a subsidiary of IDT Corporation. As the fair value of the consideration received in the exchange approximated the carrying value of the Company's investment in Teligent, no gain or loss was recognized on the transaction. The Company accounts for its investment in IDT Investments, Inc. using the cost method.

Gemstar

Gemstar is a global technology and media company focused on consumer entertainment. The common stock of Gemstar is publicly traded. On July 12, 2000, Gemstar acquired TV Guide, Inc. (''TV Guide''). As a result of this transaction, 133 million shares of TV Guide held by Liberty were exchanged for 87.5 million shares or 21% of Gemstar common stock. Liberty recognized a $4,391 million gain (before deferred tax expense of $1,737 million) on such transaction during the third quarter of 2000 based on the difference between the carrying value of Liberty's interest in TV Guide and the fair value of the Gemstar securities received.

In May 2001, Liberty consummated a transaction (''Exchange Transaction'') with The News Corporation Limited (''News Corp.'') whereby Liberty exchanged 70.7 million shares of Gemstar for 121.5 million News Corp. American Depository Shares (''ADSs'') representing preferred, limited voting, ordinary shares of News Corp. Liberty recorded a loss of $764 million in connection with the Exchange Transaction as the fair value of the securities received by Liberty was less than the carrying value of the Gemstar shares. In December 2001, Liberty exchanged its remaining Gemstar shares for 28.8 million additional News Corp. ADSs and recorded an additional loss of $201 million.

Other

In April 2002, Liberty sold its 40% interest in Telemundo Communications Group for cash proceeds of $679 million, and recognized a gain of $344 million (before related tax expense of $134 million) based upon the difference between the cash proceeds and Liberty's basis in Telemundo, including allocated goodwill of $25 million.

During the year ended December 31, 2002, Liberty recorded nontemporary declines in fair value aggregating $148 million related to certain of its other equity method investments. Such amount is included in share of losses of affiliates.

Summarized unaudited combined financial information for affiliates is as follows:

	December 31, 2002	December 31, 2001
	amounts in millions	
Combined Financial Position		
Investments	$ 1,107	1,667
Property and equipment, net	12,103	12,111
Intangibles, net	6,676	17,935
Other assets, net	6,357	11,448
Total assets	$26,243	43,161
Debt	$19,531	24,384
Other liabilities	8,088	15,506
Owners' equity	(1,376)	3,271
Total liabilities and equity	$26,243	43,161

	Years ended December 31, 2002	2001	2000
	amounts in millions		
Combined Operations			
Revenue	$ 13,450	16,943	16,249
Operating expenses	(11,023)	(14,761)	(14,804)
Depreciation and amortization	(2,150)	(3,644)	(3,580)
Impairment charges	(833)	(2,539)	—
Operating loss	(556)	(4,001)	(2,135)
Interest expense	(1,830)	(2,320)	(2,201)
Statement 142 transition adjustment	(1,336)	—	—
Gain on early extinguishment of debt	2,098	—	—
Other, net	(44)	(902)	147
Net loss	$ (1,668)	(7,223)	(4,189)

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

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

	December 31, 2002	December 31, 2001
	amounts in millions	
AOL Time Warner Inc. ("AOL Time Warner")	$ 2,243	5,495
News Corp.	5,254	6,007
USAI	2,057	—
Sprint Corporation ("Sprint PCS")	968	5,008
Motorola, Inc. ("Motorola")	660	1,071
Viacom, Inc. ("Viacom")	619	670
Vivendi	604	—
United Pan-Europe Communications N.V. ("UPC")	—	709
Other AFS Securities	1,849	2,246
Other cost investments and related receivables	222	343
	14,476	21,549
Less short-term investments	(107)	(397)
	$14,369	21,152

AOL Time Warner

On January 11, 2001, America Online, Inc. completed its merger with Time Warner Inc. ("Time Warner") to form AOL Time Warner. In connection with the merger, each share of Time Warner common stock held by Liberty was converted into 1.5 shares of an identical series of AOL Time Warner stock. Liberty recognized a $253 million gain (before deferred tax expense of $100 million) based upon the difference between the carrying value of Liberty's interest in Time Warner and the fair value of the AOL Time Warner securities received.

News Corp.

In May 2001, Liberty consummated a transaction with News Corp. whereby Liberty exchanged 70.7 million shares of Gemstar for 121.5 million News Corp. ADSs. Included in losses on dispositions in the accompanying consolidated statement of operations for the year ended December 31, 2001 is a loss of $764 million recognized in connection with the Exchange Transaction based on the difference between the fair value of the securities received by Liberty and the carrying value of the Gemstar shares. In December 2001, Liberty exchanged its remaining Gemstar shares for 28.8 million additional News Corp. ADSs and recorded an additional loss of $201 million. In connection with these transactions, the Company agreed to restrictions on its ability to transfer certain of the ADSs prior to May 2003. In 1999, Liberty had acquired additional News Corp. ADSs in exchange for cash and Liberty's 50% interest in Fox/Liberty Networks. At December 31, 2002, Liberty owned approximately 18% of the outstanding equity of News Corp. Liberty accounts for its investment in News Corp. as an available-for-sale security.

Vivendi and USA Interactive

As more fully described in note 5, Liberty received 37.4 million Vivendi ordinary shares (9.5 million of which are subject to transfer restrictions until November 2003) in exchange for a portion of its investment in USAI and its investment in multiThématiques, S.A., and Liberty retained an approximate 20% ownership interest in USAI.

Sprint PCS

Liberty and certain of its consolidated subsidiaries collectively are the beneficial owners of shares of Sprint PCS Group Stock and certain other instruments convertible into such securities (the "Sprint Securities"). The Sprint PCS Group Stock is a tracking stock intended to reflect the performance of Sprint's domestic wireless PCS operations. Liberty accounts for its investment in the Sprint Securities as an available-for-sale security. As of December 31, 2002, Liberty beneficially owned approximately 19% of Sprint PCS Group common stock—Series 2.

Pursuant to a final judgment (the "Final Judgment") agreed to by Liberty, AT&T and the United States Department of Justice (the "DOJ") on December 31, 1998, Liberty transferred all of its beneficially owned Sprint Securities to a trustee (the "Trustee") prior to the AT&T Merger. The Final Judgment, which was entered by the United States District Court of the District of Columbia on August 23, 1999, required the Trustee, on or before May 23, 2002, to dispose of a portion of the Sprint Securities and to dispose of the balance of the Sprint Securities by May 23, 2004.

At Liberty's request following the Split Off Transaction, the DOJ joined Liberty and AT&T in a joint motion to terminate the Final Judgment which was filed in the District Court in February 2002. The District Court approved the motion to terminate the Final Judgment, with the result that the Trustee has no further obligations under the Final Judgment. The Trustee is in the process of returning direct ownership of the Sprint Securities to Liberty.

Motorola

On January 5, 2000, Motorola acquired General Instrument Corporation ("General Instrument"). In connection with such acquisition, Liberty received 54 million shares of Motorola common stock and warrants to purchase an additional 37 million shares in exchange for its holdings in General Instrument. Liberty recognized a $2,233 million gain (before deferred tax expense of $883 million) on such transaction during the first quarter of 2000 based on the difference between the carrying value of Liberty's interest in General Instrument and the fair value of the Motorola securities received.

During the year ended December 31, 2002, Liberty settled equity collars on approximately 13 million shares of Motorola by delivering the shares to the counterparty and receiving cash proceeds of $252 million. Liberty recognized a loss of $12 million upon settlement. At December 31, 2002, Liberty owns approximately 4% of Motorola's outstanding common stock.

Viacom

On January 23, 2001, BET Holdings II, Inc. ("BET") was acquired by Viacom in exchange for shares of Class B common stock of Viacom. As a result of the merger, Liberty received 15.2 million shares of Viacom's Class B common stock (less than 1% of Viacom's common equity) in exchange for its 35% ownership interest in BET, which investment had been accounted for using the equity method. Liberty accounts for its investment in Viacom as an available-for-sale security. Liberty recognized a gain of $559 million (before deferred tax expense of $221 million) in the first quarter of 2001 based upon the difference between the carrying value of Liberty's interest in BET and the value of the Viacom securities received.

UPC

In May 2001, the Company entered into a loan agreement with UPC and Belmarken Holding B.V. ("Belmarken"), a subsidiary of UPC, pursuant to which the Company loaned Belmarken $857 million, which represented a 30% discount to the face amount of the loan of $1,225 million. The loan accrued interest at 6% per annum, and all principal and interest were due in May 2007. After May 29, 2002, the loan was exchangeable, at the option of the Company, into shares of ordinary common stock of UPC at a rate of $6.85 per share. At inception, Liberty recorded the conversion feature of the loan at its estimated fair value of $420 million, and the $437 million remaining balance as a loan receivable. Liberty accounted for the convertible feature of the Belmarken Loan as a derivative security under Statement 133, and recorded the convertible feature at fair value with periodic market adjustments recorded in the statement of operations as unrealized gains or losses. The discounted loan receivable was being accreted up to the $1,225 million face amount over its term. Such accretion, which included the stated interest of 6%, was being recognized in interest income over the term of the loan. Upon consummation of the UGC Transaction, the Company contributed the Belmarken Loan to UGC in exchange for Class C shares of UGC. Liberty had previously purchased exchangeable preferred stock and warrants of UPC in December 2000 for $203 million.

During 2001, the Company acquired certain outstanding senior notes and senior discount notes of UPC. Liberty acquired approximately $1,435 million face amount of U.S. dollar denominated notes and euro 263 million face amount of euro denominated notes for an aggregate purchase price of $358 million. Such notes were contributed to UGC in connection with the UGC Transaction on January 30, 2002.

Nontemporary Declines in Fair Value of Investments

During the years ended December 31, 2002, 2001 and 2000, Liberty determined that certain of its AFS Securities and cost investments experienced nontemporary declines in value. As a result, the cost bases of such investments were adjusted to their respective fair values based primarily on quoted market prices at the balance sheet date. These adjustments are reflected as nontemporary declines in fair value of investments in the consolidated statements of operations. The following table identifies the realized losses attributable to each of the individual investments as follows:

	Years ended December 31,		
	2002	2001	2000
	amounts in millions		
Investments			
AOL Time Warner	$2,567	2,052	—
News Corp.	1,393	915	—
Sprint PCS	1,077	—	—
Vivendi	409	—	—
Telewest bonds	149	—	—
Motorola	136	232	1,276
Arris Group, Inc.	19	127	—
Viacom	—	201	—
UPC preferred stock	—	195	—
Others	303	379	187
	$6,053	4,101	1,463

Unrealized Holdings Gains and Losses

Unrealized holding gains and losses related to investments in available-for-sale securities that are included in accumulated other comprehensive earnings are summarized below. Such amounts are in addition to the unrealized gains and losses recognized in the Company's consolidated statements of operations.

	December 31, 2002		December 31, 2001	
	Equity securities	Debt securities	Equity securities	Debt securities
	amounts in millions			
Gross unrealized holding gains	$1,357	77	2,014	94
Gross unrealized holding losses	$ (87)	—	(53)	(46)

Management estimates that the fair market value of all of its investments in available-for-sale securities and other cost investments approximated their aggregate carrying value at December 31, 2002 and December 31, 2001. Management calculates market values of its other cost investments using a variety of approaches including multiple of cash flow, per subscriber value, or a value of comparable public or private businesses. No independent appraisals were conducted for those cost investment assets.

(7) *Derivative Instruments*

The Company's derivative instruments are summarized as follows:

Type of derivative	Underlying security	Fair value at December 31, 2002	Fair value at December 31, 2001
		amounts in millions	
Assets			
Narrow-band collars	Sprint PCS	$ 1,455	—
Equity collars	Sprint PCS	1,102	525
Warrants	Sprint PCS	—	164
Equity collars	AOL Time Warner	1,145	507
Put spread collars	AOL Time Warner	407	234
Equity collars	News Corp.	108	81
Put spread collars	News Corp.	51	30
Equity collars	Motorola	846	574
Warrants	Motorola	—	128
Other	N/A	443	160
Subtotal		5,557	2,403
Less current portion		(1,165)	(506)
		$ 4,392	1,897
Liabilities			
Narrow-band collars	Sprint PCS	$ —	345
Put options	AOL Time Warner	929	—
Exchangeable debenture call option obligations	Various	536	1,320
Other	N/A	23	62
Subtotal		1,488	1,727
Less current portion		(19)	(39)
		$ 1,469	1,688

Equity Collars, Narrow-Band Collars, Put Spread Collars and Put Options

The Company has entered into equity collars, narrow-band collars, put spread collars, written put options and other financial instruments to manage market risk associated with its investments in certain marketable securities. These instruments are recorded at fair value based on option pricing models. Equity collars provide the Company with a put option that gives the Company the right to require the counterparty to purchase a specified number of shares of the underlying security at a specified price (the "Company Put Price") at a specified date in the future. Equity collars also provide the counterparty with a call option that gives the counterparty the right to purchase the same securities at a specified price at a specified date in the future. The put option and the call option generally are equally priced at the time of origination resulting in no cash receipts or payments. Narrow-band collars are equity collars in which the put and call prices are set so that the call option has a relatively higher fair value than the put option at the time of origination. In these cases the Company receives cash equal to the difference between such fair values.

Put spread collars provide the Company and the counterparty with put and call options similar to equity collars. In addition, put spread collars provide the counterparty with a put option that gives it the right to require the Company to purchase the underlying securities at a price that is lower than the Company Put Price. The inclusion of the secondary put option allows the Company to secure a higher call option price while maintaining net zero cost to enter into the collar.

During the year ended December 31, 2002, the Company sold put options on 36.1 million shares of AOL Time Warner stock for cash proceeds of $484 million.

Exchangeable Debenture Call Option Obligations

Liberty has issued senior exchangeable debentures which are exchangeable for the value of a specified number of shares of Sprint PCS Group common stock, Motorola common stock or Viacom Class B common stock, as applicable. (See note 9 for a more complete description of the exchangeable debentures.)

Prior to the adoption of Statement 133, the exchangeable debenture call option feature and the long-term debt were reported together in the Company's consolidated balance sheet. Under Statement 133, the call option feature of the exchangeable debentures is reported separately in the consolidated balance sheet at fair value. Accordingly, at January 1, 2001, Liberty recorded a transition adjustment to reflect the call option obligations at fair value ($459 million) and to recognize in net earnings the difference between the fair value of the call option obligations at issuance and the fair value of the call option obligations at January 1, 2001. Such adjustment to net earnings aggregated $757 million (before tax expense of $299 million) and is included in cumulative effect of accounting change. Changes in the fair value of the call option obligations subsequent to January 1, 2001 are recognized as unrealized gains (losses) on derivative instruments in Liberty's consolidated statements of operations.

Forward Foreign Exchange Contracts

Historically, the Company has not hedged the majority of its foreign currency exchange risk because of the long term nature of its interests in foreign affiliates. During 2001, the Company entered into a definitive agreement to acquire cable television systems in Germany. That agreement was terminated in April 2002. A portion of the consideration for such acquisition was to be denominated in euros. In order to reduce its exposure to changes in the euro exchange rate, Liberty entered into forward purchase contracts with respect to euro 3,243 million as of December 31, 2001. Liberty settled all of its euro contracts in 2002. Realized and unrealized gains related to the euro contracts aggregated $42 million and $14 million in 2002 and 2001, respectively.

The Company has two equity affiliates in Japan. In order to reduce its foreign currency exchange risk related to these investments, the Company entered into forward sale contracts with respect to ¥10,802 million ($91 million at December 31, 2002) during the year ended December 31, 2002. In addition to the forward sale contracts, the Company entered into collar agreements with respect to ¥18,785 million ($158 million at December 31, 2002). These collar agreements have a remaining term of approximately two years, an average call price of 110 yen/U.S. dollar and an average put price of 133 yen/U.S. dollar. During the year ended December 31, 2002, the Company reported unrealized losses of $11 million related to its yen contracts.

Total Return Debt Swaps

From time to time the Company enters into total return debt swaps in connection with its purchase of its own or third-party public and private indebtedness. Under these arrangements, Liberty directs a counterparty to purchase a specified amount of the underlying debt security for the benefit of the Company. The Company initially posts collateral with the counterparty equal to 10% of the value of the purchased securities. The Company earns interest income based upon the face amount and stated interest rate of the underlying debt securities, and pays interest expense at market rates on the amount funded by the counterparty. In the event the fair value of the underlying debentures declines 10%, the Company is required to post cash collateral for the decline, and the Company records an unrealized loss on financial instruments. The cash collateral is further adjusted up or down for subsequent changes in the fair value of the underlying debt security. Liberty has the contractual right to net settle the total return debt swaps. Accordingly, Liberty records these instruments at their net fair market value.

At December 31, 2002, the aggregate purchase price of debt securities underlying Liberty's total return debt swap arrangements was $286 million. As of such date, the Company had posted cash collateral equal to $70 million. In the event the fair value of the purchased debt securities were to fall to zero, the Company would be required to post additional cash collateral of $216 million. The posting of such cash collateral and the related settlement of the agreements with respect to Liberty's senior notes and senior debentures would reduce the Company's outstanding debt by an equal amount ($201 million).

Realized and Unrealized Gains on Derivative Instruments

Realized and unrealized gains (losses) on derivative instruments during the years ended December 31, 2002, 2001 and 2000 are comprised of the following:

	Years ended December 31,		
	2002	2001	2000
	amounts in millions		
Change in fair value of exchangeable debenture call option feature	$ 784	167	153
Change in time value of fair value hedges	(146)	275	—
Change in fair value of Sprint PCS narrow-band collar	1,800	—	—
Change in fair value of AOL Time Warner put options	(445)	—	—
Change in fair value of other derivatives not designated as hedging instruments(1)	129	(616)	70
Total realized and unrealized gains (losses), net	$2,122	(174)	223

(1) Comprised primarily of put spread collars and forward foreign exchange contracts.

(8) *Acquisitions*

Associated Group, Inc. ("Associated Group")

On January 14, 2000, Liberty completed its acquisition of Associated Group pursuant to a merger agreement among AT&T, Liberty and Associated Group. Under the merger agreement, each share of Associated Group's Class A common stock and Class B common stock was converted into 0.49634 shares of AT&T common stock and 2.41422 shares of AT&T Class A Liberty Media Group common stock. At the time of the merger, Associated Group's primary assets were (1) 19.7 million shares of AT&T common stock, (2) 46.8 million shares of AT&T Class A Liberty Media Group common stock,

(3) 10.6 million shares of AT&T Class B Liberty Media Group common stock, (4) 21.4 million shares of common stock of Teligent, and (5) all of the outstanding shares of common stock of TruePosition, Inc., which provides location services for wireless carriers and users designed to determine the location of any wireless transmitter, including cellular and PCS telephones. Immediately following the completion of the merger, all of the assets and businesses of Associated Group were transferred to Liberty. All of the shares of AT&T common stock, AT&T Class A Liberty Media Group common stock and AT&T Class B Liberty Media Group common stock previously held by Associated Group were retired by AT&T.

The acquisition of Associated Group was accounted for as a purchase, and the excess of the fair value of the net assets acquired over the purchase price is included in goodwill in the accompanying consolidated balance sheet. As a result of the issuance of AT&T Class A Liberty Media Group common stock, net of the shares of AT&T Class A Liberty Media Group common stock acquired in this transaction, Liberty recorded a $778 million increase to additional paid-in-capital, which represents the total purchase price of this acquisition.

Liberty Satellite & Technology, Inc.

On March 16, 2000, Liberty purchased shares of preferred stock in TCI Satellite Entertainment, Inc. in exchange for Liberty's economic interest in approximately 5 million shares of Sprint PCS Group stock, which had a fair value of $300 million. During the third quarter of 2000, TCI Satellite Entertainment, Inc. changed its name to Liberty Satellite & Technology, Inc. (''LSAT''). Liberty received 150,000 shares of LSAT Series A 12% Cumulative Preferred Stock and 150,000 shares of LSAT Series B 8% Cumulative Convertible Voting Preferred Stock. In connection with this transaction, Liberty realized a $211 million gain (before related tax expense of $84 million) based on the difference between the cost basis and fair value of the economic interest in the Sprint PCS Group stock exchanged.

Ascent Entertainment Group, Inc. (''Ascent Entertainment'')

On March 28, 2000, Liberty completed its cash tender offer for the outstanding common stock of Ascent Entertainment at a price of $15.25 per share. Approximately 85% of the outstanding shares of common stock of Ascent Entertainment were tendered in the offer and Liberty paid approximately $385 million. On June 8, 2000, Liberty acquired the remaining 15% of Ascent Entertainment for an additional $67 million. The total purchase price for the acquisition was $452 million. Such transaction was accounted for as a purchase, and the excess of the purchase price over the fair value of the net assets acquired is included in goodwill in the accompanying consolidated balance sheet.

Ascent Media Group, Inc. (formerly Liberty Livewire Corporation) (''Ascent Media'')

On April 10, 2000, Liberty acquired all of the outstanding common stock of Four Media Company (''Four Media'') for total consideration of $462 million comprised of $123 million in cash, $194 million of assumed debt, 6.4 million shares of AT&T Class A Liberty Media Group common stock and a warrant to purchase approximately 700,000 shares of AT&T Class A Liberty Media Group common stock at an exercise price of $23 per share. Four Media provides technical and creative services to owners, producers and distributors of television programming, feature films and other entertainment products both domestically and internationally.

On June 9, 2000, Liberty acquired a controlling interest in The Todd-AO Corporation (''Todd-AO''), in exchange for approximately 5.4 million shares of AT&T Class A Liberty Media Group common stock valued at $106 million. Todd-AO provides sound, video and ancillary post production and distribution services to the motion picture and television industries in the United States and Europe.

Immediately following the closing of such transaction, Liberty contributed to Todd-AO 100% of the capital stock of Four Media, in exchange for approximately 16.6 million shares of the Class B Common Stock of Todd-AO increasing Liberty's ownership interest in Todd-AO to approximately 84% of the equity and approximately 98% of the voting power. Following Liberty's acquisition of Todd-AO, and the contribution by Liberty to Todd-AO of Liberty's ownership in Four Media, Todd-AO changed its name to Liberty Livewire Corporation. In November 2002, Liberty Livewire Corporation changed its name to Ascent Media.

On July 19, 2000, Liberty purchased all of the assets relating to the post production, content and sound editorial businesses of SounDelux Entertainment Group for $90 million in cash, and contributed such assets to Ascent Media in exchange for approximately 8.2 million additional shares of Ascent Media Class B Common Stock. Following this contribution, Liberty's ownership in Ascent Media increased to approximately 88% of the equity and approximately 99% of the voting power of Ascent Media.

Each of the foregoing acquisitions was accounted for as a purchase. In connection therewith, Liberty recorded an aggregate increase to additional paid-in-capital of $251 million. The excess purchase price over the fair value of the net assets acquired is included in goodwill in the accompanying consolidated balance sheet.

Pro Forma Information

The following unaudited pro forma information for the year ended December 31, 2000 was prepared assuming the 2000 acquisitions discussed above occurred on January 1, 2000. These pro forma amounts are not necessarily indicative of operating results that would have occurred if the acquisitions discussed above had occurred on January 1, 2000 (amounts in millions, except per share amounts).

Revenue	$1,769
Net earnings	$1,413
Basic and diluted earnings per common share	$ 0.55

(9) *Long-Term Debt*

Debt is summarized as follows:

	Weighted average interest rate 2002	December 31, 2002	December 31, 2001
		amounts in millions	
Parent company debt:			
Senior Notes	7.8%	$ 983	982
Senior Debentures	8.3%	1,486	1,486
Senior exchangeable debentures	3.7%	865	858
Bank debt	2.0%	325	675
Other debt		—	288
		3,659	4,289
Debt of subsidiaries:			
Bank credit facilities	3.6%	1,242	1,408
Other debt, at varying rates		70	210
		1,312	1,618
Total debt		4,971	5,907
Less current maturities		(655)	(1,143)
Total long-term debt		$4,316	4,764

Senior Notes and Debentures

Liberty has issued $750 million of 7⅞% Senior Notes due 2009, $500 million of 8½% Senior Debentures due 2029, $1 billion of 8¼% Senior Debentures due 2030, and $237.8 million of 7¾% Senior Notes due 2009. Interest on these obligations is payable semi-annually.

The Senior Notes and Senior Debentures are stated net of an aggregate unamortized discount of $19 million and $20 million at December 31, 2002 and 2001, respectively, which is being amortized to interest expense in the consolidated statements of operations.

Senior Exchangeable Debentures

In November 1999, Liberty issued $869 million of 4% Senior Exchangeable Debentures due 2029. Each $1,000 debenture is exchangeable at the holder's option for the value of 22.9486 shares of Sprint PCS Group stock. After the date Liberty's ownership level of Sprint PCS Group common stock falls below 10%, Liberty may, at its election, pay the exchange value in cash, Sprint PCS Group stock or a combination thereof. Prior to such time, the exchange value must be paid in cash. Liberty's ownership in Sprint PCS was 19% at December 31, 2002. On or after November 15, 2003, Liberty, at its option, may redeem the debentures, in whole or in part, for cash.

In February and March 2000, Liberty issued an aggregate of $810 million of 3¾% Senior Exchangeable Debentures due 2030. Each $1,000 debenture is exchangeable at the holder's option for the value of 16.7764 shares of Sprint PCS Group stock. After the date Liberty's ownership level of Sprint PCS Group stock falls below 10%, Liberty may, at its election, pay the exchange value in cash, Sprint PCS Group stock or a combination thereof. Prior to such time, the exchange value must be paid in cash. On or after February 15, 2004, Liberty, at its option, may redeem the debentures, in whole or in part, for cash.

In January 2001, Liberty issued $600 million of 3½% Senior Exchangeable Debentures due 2031. Each $1,000 debenture is exchangeable at the holder's option for the value of 36.8189 shares of Motorola common stock. Such exchange value is payable, at Liberty's option, in cash, Motorola stock or a combination thereof. On or after January 15, 2006, Liberty, at its option, may redeem the debentures for cash.

In March 2001, Liberty issued $817.7 million of 3¼% Senior Exchangeable Debentures due 2031. Each $1,000 debenture is exchangeable at the holder's option for the value of 18.5666 shares of Viacom Class B common stock. After January 23, 2003, such exchange value is payable at Liberty's option in cash, Viacom stock or a combination thereof. Prior to such date, the exchange value must be paid in cash. On or after March 15, 2006, Liberty, at its option, may redeem the debentures for cash.

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

Prior to the adoption of Statement 133, the carrying amount of the senior exchangeable debentures was adjusted based on the fair value of the underlying security. Increases or decreases in the value of the underlying security above the principal amount of the senior exchangeable debentures were recorded as unrealized gains or losses on derivative instruments in the consolidated statements of operations. If the value of the underlying security decreased below the principal amount of the senior exchangeable debentures there was no effect on the principal amount of the debentures.

Under Statement 133, the reported amount of the long-term debt portion of the exchangeable debentures is calculated as the difference between the face amount of the debentures and the fair value of the call option feature on the date of issuance. The fair value of the call option obligations related to the $1,418 million of exchangeable debentures issued during the year ended December 31, 2001, aggregated $1,028 million on the date of issuance. Accordingly, the long-term debt portion was recorded at $390 million. The long-term debt is accreted to its face amount over the term of the debenture using the effective interest method. Such accretion aggregated $7 million and $6 million during the years ended December 31, 2002 and 2001, respectively, and is included in interest expense in the accompanying consolidated statements of operations.

Subsidiary Bank Credit Facilities

At December 31, 2002, Liberty's subsidiaries had $1,242 million outstanding and $408 million in unused lines of credit under their respective bank credit facilities. Certain assets of Liberty's consolidated subsidiaries serve as collateral for borrowings under these bank credit facilities. The bank credit facilities generally contain restrictive covenants which require, among other things, the maintenance of certain financial ratios, and include limitations on indebtedness, liens, encumbrances, acquisitions, dispositions, guarantees and dividends. Additionally, the bank credit facilities require the payment of fees ranging from .15% to .375% per annum on the average unborrowed portions of the total commitments.

At December 31, 2002, the subsidiary of Liberty that operates the DMX Music service was not in compliance with three covenants contained in its bank loan agreement. The subsidiary is in discussions with its banks regarding the resolution of these defaults. The outstanding balance of the subsidiary's bank facility was $94 million at December 31, 2002, all of which is included in current portion of debt.

All other consolidated borrowers were in compliance with their debt covenants at December 31, 2002. The subsidiaries' ability to borrow the unused capacity noted above is dependent on their continuing compliance with their covenants at the time of, and after giving effect to, a requested borrowing.

Five Year Maturities

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

2003	$655
2004	$364
2005	$112
2006	$249
2007	$ 57

Fair Value of Debt

Liberty estimates the fair value of its debt based on the quoted market prices for the same or similar issues or on the current rate offered to Liberty for debt of the same remaining maturities. The fair value of Liberty's publicly traded debt at December 31, 2002 is as follows (amounts in millions):

Senior Notes of parent company	$1,092
Senior Debentures of parent company	$1,717
Senior exchangeable debentures of parent company, including call option liability	$2,058

Liberty believes that the carrying amount of the remainder of its debt, which is comprised primarily of variable rate debt, approximated its fair value at December 31, 2002.

A reconciliation of the carrying value of the Company's debt to the face amount at maturity is as follows (amounts in millions):

Carrying value at December 31, 2002	$4,971
Add:	
Unamortized issue discount on Senior Notes and Debentures	19
Unamortized discount attributable to call option feature of exchangeable debentures	2,231
Face amount at maturity	$7,221

(10) *Income Taxes*

During the period from March 9, 1999 to August 10, 2001, Liberty was included in the consolidated federal income tax return of AT&T and was a party to a tax sharing agreement with AT&T (the "AT&T Tax Sharing Agreement"). Liberty calculated its respective tax liability on a separate return basis. The income tax provision for Liberty was calculated based on the increase or decrease in the tax liability of the AT&T consolidated group resulting from the inclusion of those items in the consolidated tax return of AT&T which were attributable to Liberty.

Under the AT&T Tax Sharing Agreement, Liberty received a cash payment from AT&T in periods when Liberty generated taxable losses and such taxable losses were utilized by AT&T to reduce the consolidated income tax liability. This utilization of taxable losses was accounted for by Liberty as a current federal intercompany income tax benefit. To the extent such losses were not utilized by AT&T, such amounts were available to reduce federal taxable income generated by Liberty in future periods, similar to a net operating loss carryforward, and were accounted for as a deferred federal income tax benefit. During the period from March 31, 1999 to December 31, 2002, Liberty received cash payments from AT&T aggregating $555 million as payment for Liberty's taxable losses that AT&T utilized to reduce its income tax liability. In the event AT&T generates ordinary losses in 2002 or 2003 or capital losses in 2002 through 2004 and is able to carry back such losses to offset taxable income previously offset by Liberty's losses, Liberty may be required to refund some or all of these cash payments.

In periods when Liberty generated federal taxable income, AT&T agreed to satisfy such tax liability on Liberty's behalf up to a certain amount. Thereafter, Liberty was required to make cash payments to AT&T for federal tax liabilities of Liberty. The reduction of such computed tax liabilities was accounted for by Liberty as an increase to additional paid-in-capital.

To the extent AT&T utilized existing net operating losses of Liberty, such amounts were accounted for by Liberty as a reduction of additional paid-in-capital. The tax effect of Liberty's net operating losses of $2 million and $38 million were recorded as a reduction of additional paid-in-capital during the seven months ended July 31, 2001 and the year ended December 31, 2000, respectively.

Liberty generally made cash payments to AT&T related to states where it generated taxable income and received cash payments from AT&T in states where it generated taxable losses.

Income tax benefit (expense) consists of:

	Years ended December 31,		
	2002	2001	2000
	amounts in millions		
Current:			
Federal	$ (7)	297	277
State and local	(2)	(2)	10
	(9)	295	287
Deferred:			
Federal	1,449	3,166	(1,490)
State and local	262	447	(331)
	1,711	3,613	(1,821)
Income tax benefit (expense)	$1,702	3,908	(1,534)

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,		
	2002	2001	2000
	amounts in millions		
Computed expected tax benefit (expense)	$1,820	3,809	(1,035)
Amortization not deductible for income tax purposes	(275)	(260)	(187)
State and local income taxes, net of federal income taxes	169	289	(204)
Effect of change in estimated state tax rate	—	91	—
Other, net	(12)	(21)	(108)
	$1,702	3,908	(1,534)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2002 and 2001 are presented below:

	December 31,	
	2002	2001
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	$ 635	357
Accrued stock compensation	265	296
Other future deductible amounts	16	31
Deferred tax assets	916	684
Valuation allowance	(363)	(260)
Net deferred tax assets	553	424
Deferred tax liabilities:		
Investments	6,057	8,422
Intangible assets	120	164
Discount on exchangeable debentures	803	455
Other	38	49
Deferred tax liabilities	7,018	9,090
Net deferred tax liabilities	$6,465	8,666

At December 31, 2002, Liberty had net operating and capital loss carryforwards for income tax purposes aggregating approximately $1,863 million which, if not utilized to reduce taxable income in future periods, will expire as follows: 2004: $1 million; 2005: $15 million; 2006: $49 million; 2007: $267 million; 2008: $12 million; 2009: $64 million; 2010: $4 million; and beyond 2010: $1,451 million. Of the foregoing net operating and capital loss carryforward amount, approximately $1,084 million was generated by subsidiaries of Liberty that are not included in the Liberty tax consolidated group. Accordingly, this amount is not available to offset future taxable income of the Liberty tax consolidated group.

AT&T, as the successor to TCI, is the subject of an Internal Revenue Service ("IRS") audit for the 1993-1999 tax years. The IRS has notified AT&T and Liberty that it is proposing income adjustments and assessing certain penalties in connection with TCI's 1994 tax return. The IRS's position could result in recognition of approximately $305 million of additional income, resulting in as much as

$107 million of additional tax liability, plus interest. In addition, the IRS has proposed certain penalties. AT&T and Liberty do not agree with the IRS's proposed adjustments and penalties, and AT&T and Liberty intend to vigorously defend their position. Pursuant to the AT&T Tax Sharing Agreement, Liberty may be obligated to reimburse AT&T for any tax that AT&T is ultimately assessed as a result of this audit. Liberty is currently unable to estimate any such tax liability and resulting reimbursement.

(11) *Stockholders' Equity*

Preferred Stock

Liberty's preferred stock is issuable, from time to time, with such designations, preferences and relative participating, option or other special 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, 2002, no shares of preferred stock were issued.

Common Stock

The Series A common stock has one vote per share, and the Series B 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.

As of December 31, 2002, there were 50 million shares of Liberty Series A common stock and 28 million shares of Liberty Series B common stock reserved for issuance under exercise privileges of outstanding stock options and warrants.

Purchases of Series A Common Stock

During the year ended December 31, 2002, the Company purchased 25.7 million shares of its Series A common stock in the open market for aggregate cash consideration of $281 million. These purchases have been accounted for as retirements of common stock and have been reflected as a reduction of stockholders' equity in the accompanying consolidated balance sheet.

Also during the year ended December 31, 2002, the Company sold put options on 7.0 million shares of its Series A common stock for cash proceeds of $3 million. Put options with respect to 3.0 million shares expired prior to December 31, 2002, and the Company net cash settled the contracts for less than $1 million. The remaining put options expire in the first and second quarters of 2003 and have a weighted average strike price of $8.10. The Company accounts for these put options pursuant to EITF 00-19, *"Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock"* ("EITF 00-19"). The put option contracts meet the requirements of EITF 00-19 for initial classification as equity at fair value. Due to the assumption of physical settlement and the requirement for the delivery of cash as part of physical settlement, the cash redemption amount has been reclassified from equity to "obligation to redeem common stock" in the accompanying consolidated balance sheet.

Due to the short time between the balance sheet date and the expiration date of the put options, the Company believes the cash redemption amount approximates the fair value of the put option obligation. To the extent Liberty's share price declines in value, the obligation under the put contract increases.

(12) *Transactions with Officers and Directors*

Chairman's Employment Agreement

In connection with the AT&T Merger, an employment agreement between the Company's Chairman and TCI was assigned to the Company.

The Chairman's employment agreement provides for, among other things, deferral of a portion (not in excess of 40%) of the monthly compensation payable to him for all employment years commencing on or after January 1, 1993. The deferred amounts will be payable in monthly installments over a 20-year period commencing on the termination of the Chairman's employment, together with interest thereon at the rate of 8% per annum compounded annually from the date of deferral to the date of payment. The aggregate liability under this arrangement at December 31, 2002 is $1.5 million, and is included in other liabilities in the accompanying consolidated balance sheet.

The Chairman's employment agreement also provides that in the event of termination of his employment with Liberty, he will be entitled to receive 240 consecutive monthly payments equal to $15,000 increased at the rate of 12% per annum compounded annually from January 1, 1988 to the date payment commences ($73,307 per month as of December 31, 2002). Such payments would commence on the first day of the month succeeding the termination of employment. In the event of the Chairman's death, his beneficiaries would be entitled to receive the foregoing monthly payments. The aggregate liability under this arrangement at December 31, 2002 is $17.6 million, and is included in other liabilities in the accompanying consolidated balance sheet.

The Company's Chairman deferred a portion of his monthly compensation under his previous employment agreements with TCI. The Company assumed the obligation to pay that deferred compensation in connection with the AT&T Merger. The deferred obligation (together with interest at the rate of 13% per annum compounded annually), which aggregated $9.6 million at December 31, 2002 and is included in other liabilities, is payable on a monthly basis, following the occurrence of specified events, under the terms of the previous employment agreement. The rate at which interest accrues on the deferred obligation was established in 1983 pursuant to the previous employment agreement.

Other

In October 2000, Liberty restructured its ownership interests in certain assets into Liberty TP Management, Inc. ("Liberty TP Management"), a new consolidated subsidiary. Liberty then sold common and preferred interests in Liberty TP Management to Liberty's Chairman in exchange for approximately 540,000 shares of LSAT Series A common stock, approximately 3.3 million shares of LSAT Series B common stock and cash consideration of approximately $88 million. No gain or loss was recognized due to the related party nature of such transaction. The preferred interest has a liquidation value of $106 million and accrues dividends at 9% per annum payable quarterly in cash. Subsequent to these transactions, Liberty's Chairman holds all of the outstanding common stock of TP Investment, Inc., which in turn owns (1) all of the Class B preferred stock of Liberty TP Management and (2) a 5% membership interest, representing a 50% voting interest, in Liberty TP LLC. Liberty TP LLC holds 20.6% of the common equity and 27.2% of the voting power of Liberty TP Management. Liberty indirectly holds the remaining interests in Liberty TP LLC and Liberty TP Management.

During the third quarter of 2002, Liberty transferred an indirect 1% beneficial ownership interest in 55.5 million shares of Sprint PCS stock and related collar agreements with an aggregate market value of $8.9 million to Liberty TP Management in exchange for an unsecured $8.9 million note payable, which accrues interest at 5% and is due on demand.

During the second quarter of 2001, Liberty purchased 2,245,155 shares of common stock of On Command Corporation (“On Command”), a consolidated subsidiary of Liberty, from the Chairman and Chief Executive Officer of On Command, who is also a director of Liberty, for aggregate cash consideration of $25.2 million. Such purchase price represents a per share price of $11.22. The closing market price for On Command common stock on the day the transaction was signed was $7.77. The Company has included the difference between the aggregate market value of the shares purchased and the cash consideration paid in selling, general and administrative expenses in the accompanying consolidated statement of operations.

In August 2000, On Command sold shares of its Series A Convertible Participating Preferred Stock (the “Preferred Shares”) to a director of Liberty, who was also the Chairman and Chief Executive Officer of On Command, for a $21 million note. The Preferred Shares are convertible into 1.4 million shares of On Command’s common stock. The note is secured by the Preferred Shares or the proceeds from the sale of such shares and the director’s personal obligations under such loan are limited. The note, which matures on August 1, 2005, may not be prepaid and interest on the note accrues at a rate of 7% per annum.

Liberty is party to a call agreement with certain shareholders of Series B Liberty common stock, including the Company’s Chairman, which grants Liberty a right to acquire all of the Series B Liberty common stock held by such shareholders in certain circumstances. The price of acquiring such shares is generally limited to the market price of the Series A Liberty common stock, plus a 10% premium.

(13) *Transactions with AT&T and Other Related Parties*

Pramer S.C.A., a consolidated subsidiary of Liberty, provides uplink services and programming to several equity affiliates in South America. Total revenue for such services aggregated $6 million, $17 million and $17 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Certain subsidiaries of Liberty produce and/or distribute programming and other services to cable distribution operators (including AT&T) and others pursuant to long term affiliation agreements. Charges to AT&T are based upon customary rates charged to others. Amounts included in revenue for services provided to AT&T prior to the Split Off Transaction were $210 million and $243 million for the seven months ended July 31, 2001 and the year ended December 31, 2000, respectively.

Prior to the Split Off Transaction, AT&T allocated certain corporate general and administrative costs to Liberty pursuant to an intergroup agreement. Management believes such allocation methods were reasonable and materially approximated the amount that Liberty would have incurred on a stand-alone basis. In addition, there are arrangements between subsidiaries of Liberty and AT&T and its other subsidiaries for satellite transponder services, marketing support, programming, and hosting services. These expenses aggregated $20 million and $37 million during the seven months ended July 31, 2001 (the period immediately prior to the Split Off Transaction) and, the year ended December 31, 2000, respectively.

(14) *Stock Options and Stock Appreciation Rights*

Liberty

Effective with the Split Off Transaction, Liberty assumed from AT&T the Amended and Restated AT&T Corp. Liberty Media Group 2000 Incentive Plan and renamed it the Liberty Media Corporation

2000 Incentive Plan (the ''Liberty Incentive Plan''). Grants by TCI to current and former Liberty employees of options and options with tandem SARs with respect to shares of Liberty Media Group stock prior to 1999 were assumed by Liberty under the Liberty Incentive Plan. Grants of free standing SARs made under the Plan in 2000 and in 2001 prior to the Split Off Transaction were converted into options upon assumption by Liberty.

The Liberty Incentive Plan provides for awards to be made in respect of a maximum of 160 million shares of common stock of Liberty. Awards may be made as grants of stock options, SARs, restricted shares, stock units, cash or any combination of the foregoing.

Effective February 28, 2001 (the ''Effective Date''), the Company restructured the options and options with tandem SARs to purchase AT&T common stock and AT&T Liberty Media Group tracking stock (collectively the ''Restructured Options'') held by certain executive officers of the Company. Pursuant to such restructuring, all Restructured Options became exercisable on the Effective Date, and each executive officer was given the choice to exercise all of his Restructured Options. Each executive officer who opted to exercise his Restructured Options received consideration equal to the excess of the closing price of the subject securities on the Effective Date over the exercise price. The exercising officers received (i) a combination of cash and AT&T Liberty Media Group tracking stock for Restructured Options that were vested prior to the Effective Date and (ii) cash for Restructured Options that were previously unvested. The executive officers used the cash proceeds from the previously unvested options to purchase restricted shares of AT&T Liberty Media Group tracking stock which were converted into shares of Liberty common stock upon completion of the Split Off Transaction. Such restricted shares are subject to forfeiture upon termination of employment. The forfeiture obligation will lapse according to a schedule that corresponds to the vesting schedule applicable to the previously unvested options.

In addition, each executive officer was granted free-standing SARs equal to the total number of Restructured Options exercised. The free-standing SARs were tied to the value of AT&T Liberty Media Group tracking stock and will vest as to 30% in year one and 17.5% in years two through five. The free-standing SARs were granted with an exercise price of $14.70 ($15.35 in the case of Liberty Series B options) and had a fair value of $9.56 on the date of the grant. Upon completion of the Split Off Transaction, the free-standing SARs automatically converted to options to purchase Liberty Series A common stock (and in some cases Liberty Series B common stock). Prior to the Effective Date, the Restructured Options were accounted for using variable plan accounting pursuant to APB Opinion No. 25. Accordingly, the above-described transaction did not have a significant impact on Liberty's results of operations.

In addition to the SARs issued in the aforementioned option restructuring, during 2001 and pursuant to the Liberty Incentive Plan, Liberty awarded 2,104,000 options to purchase Liberty Series A common stock to certain officers and key employees of the Company. Such options have exercise prices ranging from $12.40 to $16.35, vest as to 25% in each of years 2 through 5 after the date of grant, and had a weighted-average grant date fair value of $9.40.

The estimated fair values of the options noted above are based on the Black-Scholes model and are stated in current annualized dollars on a present value basis. The key assumptions used in the model for purposes of these calculations generally include the following: (a) a discount rate equal to the 10-year Treasury rate on the date of grant; (b) a 45% volatility factor; (c) the 10-year option term; (d) the closing price of the respective common stock on the date of grant; and (e) an expected dividend rate of zero.

During the first quarter of 2002, the Company reduced the exercise price of 2.3 million stock options previously granted to three executive officers from a weighted average exercise price of $21.66 to $14.70, which new exercise price exceeded the closing market price of Liberty Series A common stock on the date of repricing. As a result of such repricing, these options are now accounted for as variable plan awards. Options held by Liberty's Chairman, Chief Executive Officer and Chief Operating Officer were not included in the foregoing repricing.

In connection with the Company's Rights Offering, which expired on December 2, 2002, and pursuant to the Liberty Incentive Plan antidilution provisions, the number of shares and the applicable exercise prices of all Liberty options granted pursuant to the Liberty Incentive Plan were adjusted as of October 31, 2002, the record date for the Rights Offering. As a result of the foregoing modifications, all of the Company's outstanding options are now accounted for as variable plan awards.

The following table presents the number and weighted average exercise price ("WAEP") of certain options and options with tandem SARs to purchase Liberty Series A and Series B common stock granted to certain officers and other key employees of the Company.

	Liberty Series A common stock	WAEP	Liberty Series B common stock	WAEP
	numbers of options in thousands			
Outstanding at January 1, 2000	70,734	$ 6.97	—	
Granted	2,341	$21.73	—	
Exercised	(7,214)	$ 5.69	—	
Canceled	(479)	$ 9.45	—	
Options issued in mergers	12,134	$ 4.75	—	
Outstanding at December 31, 2000	77,516	$ 7.20	—	
Granted	21,625	$14.72	27,462	$15.35
Exercised	(50,315)	$ 7.62	—	
Canceled	(1,167)	$16.88	—	
Outstanding at December 31, 2001	47,659	$11.69	27,462	$15.35
Granted	525	$12.38	—	
Exercised	(488)	$ 3.51	—	
Canceled	(995)	$25.70	—	
Options issued in mergers	744	$34.55	—	
Adjustments pursuant to antidilution provisions	1,216		703	
Outstanding at December 31, 2002	48,661	$ 9.60	28,165	$14.96
Exercisable at December 31, 2000	52,856		—	
Exercisable at December 31, 2001	23,494	$ 4.66	—	
Exercisable at December 31, 2002	30,402	$ 6.78	8,450	$14.96
Vesting period	5 yrs		5 yrs	

The following table provides additional information about the Company's outstanding options to purchase Liberty Series A common stock at December 31, 2002.

No. of outstanding options (000's)	Range of exercise prices	WAEP of outstanding options	Weighted average remaining life	No. of exercisable options (000's)	WAEP of exercisable options
17,520	$ 1.07-$ 4.07	$ 1.98	3.0 yrs	17,520	$ 1.98
1,151	$ 6.14-$ 9.70	$ 6.87	4.2 yrs	1,130	$ 6.82
29,110	$10.53-$14.37	$13.89	7.7 yrs	11,155	$13.37
880	$15.94-$33.72	$23.05	6.1 yrs	597	$24.54
48,661				30,402	

In November 2000, Liberty granted certain officers, a director of Liberty (the "Liberty Director"), and a board member of Ascent Media an aggregate 4.0725% common stock interest in Liberty LWR, Inc. ("LWR"), which owned a direct interest in Ascent Media. The common stock interest granted to these individuals had a value of approximately $400,000. LWR also awarded the Liberty Director a deferred bonus in the initial total amount of approximately $3.4 million, which amount will decrease by an amount equal to any increase over the five-year period from the date of the award in the value of certain of the common shares granted to the Liberty Director. Liberty and the individuals entered into a stockholders' agreement in which the individuals could require Liberty to repurchase, after five years, all or part of their common stock interest in exchange for Series A Liberty stock at its then fair market value. In addition, Liberty has the right to repurchase, in exchange for Series A Liberty common stock, the common stock interests held by the individuals at fair market value at any time.

In July 2001, LWR formed Liberty Livewire Holdings, Inc. ("Livewire Holdings") as a wholly owned subsidiary. LWR then sold to certain officers and the Liberty Director an aggregate 19.872% common stock interest in Livewire Holdings with an aggregate value of $600. Liberty, LWR and these individuals entered into a stockholders agreement pursuant to which the individuals can require Liberty to purchase, after five years, all or part of their common stock interest in Livewire Holdings, in exchange for Liberty common stock, at its then-fair market value. In addition, Liberty has the right to purchase, in exchange for its common stock, their common stock interests in Livewire Holdings for fair market value at any time.

In August 2001, in connection with the termination of Ascent Media's director and chief executive officer, LWR purchased his common stock interest in LWR. In October 2001, LWR purchased from the Liberty officers and the Liberty Director their respective common stock interests in LWR. In connection with the purchase of his common stock interest in LWR, the Liberty Director waived the right to receive his deferred bonus. Upon the completion of these purchases, LWR became a wholly owned subsidiary of the Company.

In September 2000, certain officers of Liberty purchased a 6% common stock interest in a subsidiary for $1.3 million. Such subsidiary owns an indirect interest in an entity that holds certain of Liberty's investments in satellite and technology related assets. Liberty and the officers entered into a shareholders agreement in which the officers could require Liberty to purchase, after five years, all or part of their common stock interest in exchange for Series A Liberty common stock at the then fair market value. In addition, Liberty has the right to purchase, in exchange for Series A Liberty common stock, the common stock interests held by the officers at fair market value at any time. During 2001, two of the officers resigned their positions with the Company, and the Company purchased their respective interests in the subsidiary for the original purchase price plus 6% interest.

In May 2000, Liberty's President and Chief Executive Officer, certain officers of a subsidiary and another individual purchased an aggregate 20% common stock interest in a subsidiary for $800,000. This subsidiary owns a 7% interest in Jupiter Telecommunications Co., Inc. Liberty and the individuals entered into a shareholders agreement in which the individuals could require Liberty to purchase, after five years, all or part of their common stock interest in exchange for Series A Liberty common stock at its then fair market value. In addition, Liberty has the right to purchase, in exchange for Series A Liberty common stock, the common stock interests held by the officers at fair market value at any time. Liberty recognized less than $1 million, $4 million and $3 million of compensation expense related to changes in the market value of its contingent liability to reacquire the common stock interests held by these officers during the years ended December 31, 2002, 2001 and 2000, respectively.

Starz Encore Group LLC ("Starz Encore")

Starz Encore Group Phantom Stock Appreciation Rights Plan. Starz Encore has granted Phantom Stock Appreciation Rights ("PSARS") to certain of its officers, including its chief executive officer, under this plan. PSARS granted under the plan generally vest over a five year period. Substantially all of these PSARs are fully vested as of December 31, 2002. Compensation under the PSARS is computed based upon the percentage of PSARS that are vested and a formula derived from the appraised fair value of the net assets of Starz Encore. All amounts earned under the plan are payable in cash, Liberty common stock or a combination thereof.

Effective December 27, 2002, the chief executive officer of Starz Encore elected to exercise 54% of his outstanding PSARS. Such PSARS have an estimated value of $275 million, which has been accrued at December 31, 2002. Such accrual is subject to further adjustment when an independent appraisal of Starz Encore is finalized. The ultimate amount to be paid is expected to be in the form of a combination of Liberty Series A common stock and cash.

Other

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

(15) *Employee Benefit Plans*

Liberty is the sponsor of the Liberty Media 401(k) Savings Plan (the "Liberty 401(k) Plan"), which provides employees an opportunity for ownership in the Company and creates a retirement fund. The Liberty 401(k) Plan provides for employees to contribute up to 10% of their compensation to a trust for investment in Liberty common stock, as well as several mutual funds. The Company, by annual resolution of the Board, generally contributes up to 100% of the amount contributed by employees. Certain of the Company's subsidiaries have their own employee benefit plans. Employer contributions to all plans aggregated $10 million, $10 million and $7 million for the years ended December 31, 2002, 2001 and 2000, respectively.

(16) *Other Comprehensive Earnings*

Accumulated other comprehensive earnings included in Liberty's consolidated balance sheets and consolidated statements of stockholders' equity reflect the aggregate of foreign currency translation adjustments and unrealized holding gains and losses on AFS Securities. The change in the components of accumulated other comprehensive earnings, net of taxes, is summarized as follows:

	Foreign currency translation adjustments	Unrealized gains (losses) on securities	Accumulated other comprehensive earnings (loss), net of taxes
		amounts in millions	
Balance at January 1, 2000	$ 60	6,495	6,555
Other comprehensive loss	(202)	(6,750)	(6,952)
Balance at December 31, 2000	(142)	(255)	(397)
Other comprehensive earnings (loss)	(357)	1,594	1,237
Balance at December 31, 2001	(499)	1,339	840
Other comprehensive loss	(101)	(513)	(614)
Balance at December 31, 2002	$(600)	826	226

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

	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
		amounts in millions	
Year ended December 31, 2002:			
Foreign currency translation adjustments	$ (166)	65	(101)
Unrealized holding losses on securities arising during period	(6,739)	2,628	(4,111)
Reclassification adjustment for losses realized in net loss	5,898	(2,300)	3,598
Other comprehensive loss	$ (1,007)	393	(614)
Year ended December 31, 2001:			
Foreign currency translation adjustments	$ (585)	228	(357)
Unrealized holding losses on securities arising during period	(1,661)	648	(1,013)
Reclassification adjustment for losses realized in net loss	4,416	(1,722)	2,694
Cumulative effect of accounting change	(143)	56	(87)
Other comprehensive earnings	$ 2,027	(790)	1,237
Year ended December 31, 2000:			
Foreign currency translation adjustments	$ (334)	132	(202)
Unrealized holding losses on securities arising during period	(10,116)	4,001	(6,115)
Reclassification adjustment for gains realized in net earnings	(1,050)	415	(635)
Other comprehensive loss	$(11,500)	4,548	(6,952)

(17) *Commitments and Contingencies*

Film Rights

Starz Encore, a wholly-owned subsidiary of Liberty, provides premium video programming distributed by cable operators, direct-to-home satellite providers and other distributors throughout the United States. Starz Encore has entered into agreements with a number of motion picture producers which obligate Starz Encore to pay fees for the rights to exhibit certain films that are released by these producers (collectively, "Film Licensing Obligations"). The unpaid balance under agreements for Film Licensing Obligations related to films that were available to Starz Encore at December 31, 2002 is reflected as a liability in the accompanying consolidated balance sheet. The balance due as of December 31, 2002 is payable as follows: $126 million in 2003; $64 million in 2004; and $18 million in 2005.

Starz Encore has also contracted to pay Film Licensing Obligations for the rights to exhibit films that have been released, but are not available to Starz Encore until some future date. These amounts have not been accrued at December 31, 2002. Starz Encore's estimate of amounts payable under these agreements is as follows: $306 million in 2003; $200 million in 2004; $135 million in 2005; $114 million in 2006; $103 million in 2007; and $320 million thereafter.

Starz Encore is also obligated to pay fees for films that are released by certain producers through 2014 when these films meet certain criteria described in the agreements. No estimate of amounts payable under these agreements can be made at this time. However, such amounts could prove to be significant. Starz Encore's total film rights expense aggregated $358 million, $354 million and $336 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Guarantees

Liberty guarantees Starz Encore's Film Licensing Obligations under certain of its studio output agreements. At December 31, 2002, Liberty's guarantee for Film Licensing Obligations for films released by such date aggregated $722 million. While the guarantee amount for films not yet released is not determinable, such amount could be significant. As noted above Starz Encore has recognized the liability for a portion of its Film Licensing Obligations as of December 31, 2002. Liberty has not recorded a separate liability for its guarantee of these obligations.

Subsequent to December 31, 2002, Jupiter, an equity affiliate that provides broadband services in Japan, refinanced substantially all of its debt. In connection with such refinancing, Liberty and the other principal Jupiter shareholders made subordinated loans to Jupiter. Liberty's share of such loans aggregated $553 million, $308 million of which had been loaned as of December 31, 2002. Subsequent to the refinancing, Liberty guarantees ¥15.6 billion ($131 million at December 31, 2002) of Jupiter's debt. Liberty's guarantees expire as the underlying debt matures. The debt maturity dates range from 2005 - 2017. In connection with Jupiter's refinancing, Liberty has agreed to fund up to an additional ¥20 billion ($168 million at December 31, 2002) to Jupiter in the event Jupiter's cash flow (as defined in the bank loan agreement) does not meet certain targets. This commitment expires after September 30, 2004, or sooner upon the occurrence of certain events.

Liberty has guaranteed transponder and equipment lease obligations through 2018 of one of its investees ("Sky Latin America"). At December 31, 2002, the Company's guarantee of the remaining obligations due under such agreements aggregated $115 million and is not reflected in Liberty's balance sheet at December 31, 2002. During the fourth quarter of 2002, Globo Communicacoes e Participacoes ("GloboPar"), another investor in Sky Latin America, announced that it was reevaluating its capital structure. As a result, Liberty believes that it is probable that GloboPar will not meet some, if not all, of its future funding obligations with respect to Sky Latin America. To the extent that GloboPar does not meet its funding obligations, Liberty and other investors could mutually agree to assume GloboPar's obligations. To the extent that Liberty or such other investors do not fully assume GloboPar's funding obligations, any funding shortfall could lead to defaults under applicable lease agreements. Liberty believes that the maximum amount of its aggregate exposure under the default provisions is not in excess of the gross remaining obligations guaranteed by Liberty, as set forth above. Although no assurance can be given, such amounts could be accelerated under certain circumstances. Liberty cannot currently predict whether it will be required to perform under any of such guarantees.

Liberty has also guaranteed various loans, notes payable, letters of credit and other obligations (the "Guaranteed Obligations") of certain other affiliates. At December 31, 2002, the Guaranteed Obligations aggregated approximately $54 million and is not reflected in Liberty's balance sheet at December 31, 2002. Currently, Liberty is not certain of the likelihood of being required to perform under such guarantees.

Operating Leases

Liberty leases business offices, has entered into pole rental and transponder lease agreements and uses certain equipment under lease arrangements. Rental expense under such arrangements amounted to $69 million, $76 million and $50 million for the years ended December 31, 2002, 2001 and 2000, respectively.

A summary of future minimum lease payments under noncancelable operating leases as of December 31, 2002 follows (amounts in millions):

Years ending December 31:	
2003	$ 56
2004	$ 51
2005	$ 48
2006	$ 42
2007	$ 34
Thereafter	$175

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 minimum lease commitments will not be less than the amount shown for 2002.

Litigation

Starz Encore Group LLC v. AT&T Broadband LLC and Satellite Services, Inc. In 1997, Starz Encore entered into a 25-year affiliation agreement with TCI. TCI cable systems subsequently acquired by AT&T in the TCI merger operate under the name AT&T Broadband. Under this affiliation agreement, AT&T Broadband makes fixed monthly payments to Starz Encore in exchange for unlimited access to all of the existing Encore and STARZ! services. The payment from AT&T Broadband can be adjusted if AT&T acquires or disposes of cable systems, or if Starz Encore's programming costs increase or decrease, as the case may be, above or below amounts specified in the agreement. In such cases, AT&T Broadband's payments under the affiliation agreement would be increased or decreased in an amount equal to a proportion of the excess or shortfall. Starz Encore requested payment from AT&T Broadband of its proportionate share of excess programming costs during the first quarter of 2001.

By letter dated May 29, 2001, AT&T Broadband has disputed the enforceability of the excess programming costs pass through provisions of the affiliation agreement and questioned whether the affiliation agreement, as a whole, is "voidable." In addition, AT&T Broadband raised certain issues concerning the interpretation of the contractual requirements associated with the treatment of acquisitions and dispositions. Starz Encore believes the position expressed by AT&T Broadband in that letter to be without merit. On July 10, 2001, Starz Encore Group initiated a lawsuit against AT&T Broadband and Satellite Services, Inc., a subsidiary of AT&T Broadband that is also a party to the affiliation agreement, in Arapahoe County District Court, Colorado for breach of contract and collection of damages and costs.

On October 19, 2001, the parties to the Colorado action entered into a standstill and tolling agreement whereby the parties agreed to move the court to stay the lawsuit until August 31, 2002 to permit the parties an opportunity to resolve their dispute. The court granted the stay on October 30, 2001. In conjunction with this agreement, Liberty and AT&T Broadband entered into various agreements whereby Starz Encore indirectly received full compensation for AT&T Broadband's proportionate share of the programming costs pass through for 2001.

On September 5, 2002, Starz Encore and AT&T Broadband jointly moved the court to extend the stay pending further negotiations in light of the proposed corporate transaction in which AT&T Broadband and Comcast Corporation would become subsidiaries of a new entity, AT&T Comcast Corporation. On October 2, 2002, the court granted the parties' joint request that the stay be extended to and including January 31, 2003, on condition that the parties undertake efforts to settle the dispute through a third-party mediator. The parties also extended their standstill and tolling agreement through to the conclusion of the extended stay, which expired without further extension.

On November 18, 2002, AT&T Broadband completed a transaction with Comcast Corporation (formerly known as AT&T Comcast Corporation) and Comcast Holdings Corporation (formerly known as Comcast Corporation) in which AT&T Broadband and Comcast Holdings Corporation became wholly owned subsidiaries of Comcast Corporation. On the same day, Comcast Corporation and Comcast Holdings Corporation filed an action for declaratory judgment against Starz Encore in the U.S. District Court for the Eastern District of Pennsylvania, alleging that Comcast Holdings' agreement with Starz Encore permits Comcast Corporation to terminate AT&T Broadband's affiliation agreement with Starz Encore and to replace that agreement with the affiliation agreement entered into by Comcast Holdings with Starz Encore. Comcast Holdings' affiliation agreement with Starz Encore provides for a per subscriber fee rather than the fixed monthly payments prescribed by the AT&T Broadband agreement and has no provision for the pass through of excess programming costs. Starz Encore has filed a motion to dismiss this case on grounds that the claims made by the plaintiffs should be made in the Colorado state court proceeding described above.

On January 31, 2003, Starz Encore amended its complaint in the Colorado action to add Comcast Corporation and Comcast Holdings Corporation as defendants, claiming, among other things, breach of contract and intentional interference with contractual relations by those parties. On March 3, 2003, Starz Encore filed a motion seeking leave to file a second amended complaint adding related claims arising from those parties' ongoing actions with respect to Starz Encore.

AT&T Broadband has stopped making payments under its affiliation agreement with Starz Encore. Instead, Comcast Corporation has made payments to Starz Encore related to distribution of Starz Encore's services on AT&T Broadband's cable systems based on its claim that the lower rates payable under Comcast Holdings' affiliation agreement are applicable, which has resulted in lower aggregate payments to Starz Encore. In addition, both AT&T Broadband and Comcast have limited their cooperation with Starz Encore on various matters, including, for example, promotion of Starz Encore's channels.

Starz Encore is vigorously contesting Comcast's claims in the Pennsylvania federal court proceeding and believes that it will succeed in its defense of those claims. Starz Encore is also vigorously prosecuting its claims in the Colorado state court proceeding and believes that it will succeed in obtaining a judgment against the defendants in that proceeding. However, because both actions are at an early stage, it is not possible to predict with a high degree of certainty the outcome of either action, and there can be no assurance that those actions will ultimately be resolved in favor of Starz Encore. If Starz Encore were to fail in its efforts to enforce its affiliation agreement with AT&T Broadband, that failure would have a material adverse effect on Starz Encore's revenue and operating income.

Because of the uncertainty in predicting the outcome of the court actions, Liberty has determined for financial reporting purposes to exclude from Starz Encore's revenue the amounts due under the AT&T Broadband affiliation agreement from and after November 18, 2002. Rather, from that date it is including revenue amounts due under the Comcast affiliation agreement on account of distribution of the Starz Encore service on AT&T Broadband's systems. This treatment is in accordance with SEC Staff Accounting Bulletin 101, which provides that revenue should not be recognized unless collectibility of amounts owed is reasonably assured. The reduction in revenue based upon the difference in payments prescribed in each of the Comcast and AT&T Broadband affiliation agreements was approximately $9 million for the period from November 18, 2002 through December 31, 2002.

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

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

Liberty is a holding company with a variety of subsidiaries and investments operating in the media, communications and entertainment industries. Each of these businesses is separately managed. Liberty identifies its reportable segments as those consolidated subsidiaries that represent 10% or more of its consolidated revenue, earnings or loss before income taxes or total assets; and those equity method affiliates whose share of earnings or losses represent 10% or more of its pre-tax earnings or loss. Subsidiaries and affiliates not meeting this threshold are aggregated together for segment reporting purposes. The segment presentation for prior periods has been conformed to the current period segment presentation.

For the year ended December 31, 2002, Liberty had four operating segments: Starz Encore, Ascent Media, On Command, and Other. Starz Encore provides premium programming distributed by cable operators, direct-to-home satellite providers and other distributors throughout the United States and is wholly owned and consolidated by Liberty. Ascent Media provides sound, video and ancillary post production and distribution services to the motion picture and television industries in the United States and Europe and is majority owned and consolidated by Liberty. On Command provides in-room, on-demand video entertainment and information services to hotels, motels and resorts primarily in the United States and is majority owned and consolidated by Liberty. Other includes Liberty's non-consolidated investments, corporate and other consolidated businesses not representing separately reportable segments.

The accounting policies of the segments that are also consolidated subsidiaries are the same as those described in the summary of significant accounting policies. Liberty evaluates performance based on the measures of revenue and operating cash flow, appreciation in stock price and non-financial measures such as average prime time rating, prime time audience delivery, subscriber growth and penetration, as appropriate. Liberty believes operating cash flow, which it defines as revenue less operating, selling, general and administrative expenses, is a widely used financial indicator of companies similar to Liberty and its affiliates, which 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 generally accepted accounting principles. Liberty generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current prices.

Liberty's reportable segments are strategic business units that offer different products and services. They are managed separately because each segment requires different technology, distribution channels and marketing strategies.

Liberty utilizes the following financial information for purposes of making decisions about allocating resources to a segment and assessing a segment's performance:

Performance Measures

	Years ended December 31,					
	2002		2001		2000	
	Revenue	Operating cash flow	Revenue	Operating cash flow	Revenue	Operating cash flow
			amounts in millions			
Starz Encore	$ 945	371	863	313	733	235
Ascent Media	538	87	593	89	295	44
On Command	238	66	239	44	200	49
Other	363	(100)	364	(69)	298	12
Eliminations	—	—	—	—	—	—
Consolidated Liberty	$2,084	424	2,059	377	1,526	340

Balance Sheet Information

	December 31,			
	2002		2001	
	Total assets	Investments in affiliates	Total assets	Investments in affiliates
		amounts in millions		
Starz Encore	$ 2,863	141	2,861	138
Ascent Media	786	4	915	—
On Command	397	—	433	—
Other	35,639	7,245	44,330	9,938
Eliminations	—	—	—	—
Consolidated Liberty	$39,685	7,390	48,539	10,076

The following table provides a reconciliation of segment operating cash flow to earnings before income taxes:

	Years ended December 31,		
	2002	2001	2000
	amounts in millions		
Segment operating cash flow	$ 424	377	340
Stock compensation	51	(132)	950
Depreciation and amortization	(384)	(984)	(854)
Impairment of long-lived assets	(275)	(388)	—
Interest expense	(423)	(525)	(399)
Share of losses of affiliates	(453)	(4,906)	(3,485)
Nontemporary declines in fair value of investments	(6,053)	(4,101)	(1,463)
Realized and unrealized gains (losses) on derivative instruments, net	2,122	(174)	223
Gains (losses) on dispositions, net	(415)	(310)	7,340
Other, net	205	261	304
Earnings (loss) before income taxes and minority interest	$(5,201)	(10,882)	2,956

During the year ended December 31, 2002, Liberty derived 12.5% its total revenue from a single customer. Such revenue is attributable to the Starz Encore segment and the Other segment.

(19) *Quarterly Financial Information (Unaudited)*

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
		amounts in millions, except per share amounts		
2002:				
Revenue	$ 513	510	525	536
Operating income (loss)	$ 52	13	(39)	(210)
Earnings (loss) before cumulative effect of accounting change, as previously reported	$ 306	(3,097)	(74)	
Adjustment to share of losses of UGC(1)	—	—	96	
Earnings (loss) before cumulative effect of accounting change, as adjusted	$ 306	(3,097)	22	(692)
Net loss, as previously reported	$(1,472)	(3,097)	(74)	
Adjustment to share of losses of UGC(1)	—	—	96	
Adjustment to cumulative effect of accounting change, net of taxes(2)	(91)	—	—	
Net loss, as adjusted	$(1,563)	(3,097)	22	(692)
Basic and diluted loss before cumulative effect of accounting change per common share, as previously reported	$ .12	(1.20)	(.03)	
Adjustment to share of losses of UGC(1)	—	—	.04	
Basic and diluted loss before cumulative effect of accounting change per common share, as adjusted	$ .12	(1.20)	.01	(.26)
Basic and diluted net loss per common share, as previously reported	$ (.57)	(1.20)	(.03)	
Adjustment to share of losses of UGC(1)	—	—	.04	
Adjustment to cumulative effect of accounting change, net of taxes(2)	(.03)	—	—	
Basic and diluted net loss per common share, as adjusted	$ (.60)	(1.20)	.01	(.26)

(1) The effect of retroactively recording Liberty's proportionate share of UGC's transition adjustment upon the adoption of Statement 142 in the first quarter of 2002 (see footnote 2 to this table) results in a retroactive decrease in Liberty's investment in UGC. As a result, equity in losses of UGC originally reported in the third quarter of 2002 reduced Liberty's adjusted investment in UGC to less than zero. As a result, Liberty's previously reported net loss for the third quarter was adjusted to restore its investment in UGC to zero. As indicated in note 5 to these consolidated financial statements, because Liberty has no commitment to make additional capital contributions to UGC, Liberty suspended the recognition of its proportionate share of UGC's losses once the carrying value of its investment in UGC was reduced to zero.

(2) As allowed by Statement 142, this amount represents adjustments to the Statement 142 transition adjustment for certain of the Company's subsidiaries and equity method affiliates, including UGC,

which were determined in the fourth quarter of 2002. Statement 142 requires that these adjustments be retroactively reflected in the first quarter of 2002.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	amounts in millions, except per share amounts			
2001:				
Revenue	$ 504	513	521	521
Operating loss	$(207)	(195)	(51)	(674)
Loss before cumulative effect of accounting change	$(697)	(2,125)	(215)	(3,711)
Net loss	$(152)	(2,125)	(215)	(3,711)
Basic and diluted loss before cumulative effect of accounting change per common share	$ (.27)	(.82)	(.08)	(1.43)
Basic and diluted net loss per common share	$ (.06)	(.82)	(.08)	(1.43)

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CORPORATE DATA

Board of Directors

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Chairman of the Board
Liberty Media Corporation

Robert R. Bennett
President and CEO
Liberty Media Corporation

Donne F. Fisher
President
Fisher Capital Partners, Ltd.

Paul A. Gould
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Consultant

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Secretary
and General Counsel

Tony G. Werner
Senior Vice President
and Chief Technology Officer

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Stock Information

Liberty Media Corporation Series A and Series B Common Stock (ticker symbols L and LMC.B) are listed on the New York Stock Exchange.

CUSIP Numbers

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LMC.B—530718 10 4

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Visit Liberty's web site at
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Financial Statements

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

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