ANNUAL REPORT 2010

LIBERTY

Liberty Media Corporation

CONTENTS

Certain statements in this Annual Report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business, product and marketing strategies; new service offerings; revenue growth and subscriber trends at QVC, Inc. and Starz, LLC; losses to be incurred by QVC Italy; the recoverability of our goodwill and other long-lived assets; counterparty performance under our derivative arrangements; our projected sources and uses of cash; our ability to complete the proposed split-off of the businesses, assets and liabilities attributed to our Capital and Starz tracking stock groups; the estimated value of our derivative instruments; and the anticipated non-material impact of certain contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. In particular, statements in our ''Letter to Shareholders'' and under ''Management's Discussion and Analysis of Financial Condition and Results of Operations'' and ''Quantitative and Qualitative Disclosures About Market Risk'' contain forward-looking statements. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

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

These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Annual Report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. When considering such forward-looking statements, you should keep in mind any risk factors identified and other cautionary statements contained in this Annual Report. Such risk factors and statements describe circumstances which could cause actual results to differ materially from those contained in any forward-looking statement.

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

Dear Fellow Shareholders:

Liberty Media owns media, eCommerce, communications and entertainment businesses and investments. We seek value for our shareholders through a variety of actions: adjusting the businesses we own, efficient disposition and monetization of non-core assets, balance sheet management, and opportunistic investments, including the repurchase of our stocks.

Where We Excel

We believe that we:

- Have a shareholder-centric culture – We think like owners and are focused on long-term gains rather than short-term results. The compensation structure of our management team is closely tied to our stock price and has a long-term focus, more than is typical for our peers;
- Are forward-looking – We seek to take advantage of the benefits and minimize the risks associated with the digital transition in the industries in which we invest;
- Empower management – We invest in strong teams, provide strategic input and capital, and aim to empower our teams;
- Are nimble – Our structure and focus allow us to move quickly when opportunities arise and we can be creative in our deal structures; and
- Demonstrate financial expertise – We have experience in mergers, divestitures, investing, capital deployment, credit analysis and setting capital structures.

The Economic Climate

The challenging US economic environment persists with high unemployment, rising fuel and commodity prices, unrest in the Middle East and increasing and unsustainable government debt levels. All of these factors affect consumer confidence and discretionary purchases. The international economies in which Liberty does business have been impacted by the same factors, although our reported results have been aided by the weak US dollar. Given this environment, our management teams focus on providing good value to our customers through our products and services, and this has been reflected in our positive shareholder results.

What We Did Well

Liberty continued to focus on simplifying our structure and unlocking value. In 2010, we announced the split-off of the Liberty Capital and Liberty Starz tracking stock groups which will become tracking stocks of a newly created public company. We hope to complete the split-off in Q3 2011. As a result of the split-off, the Liberty Interactive group will become an asset-backed stock under the Liberty Interactive name (subject to shareholder approval), which we believe will provide a currency for transactions, eliminate the tracking stock discount, lead to better credit ratings and increase focus on Liberty Interactive as a strong eCommerce player and retailer. By continuing Liberty Capital and Liberty Starz as tracking stocks at the new company, we retain flexibility and tax efficiency and can still provide value through effective balance sheet management.

Over the past two years we have vastly simplified the structure and assets and liabilities attributed to Liberty Capital. The balance sheet is more straightforward and there has been a significant decrease in deferred tax liabilities while maintaining a strong liquidity position.

In the third quarter of 2010, we changed the attribution of Starz Media to Liberty Starz, which puts the entire Starz business in one tracking stock group. This better reflects how the business is managed and simplifies the story of an integrated, premium entertainment company.

Our 2009 investment in SiriusXM continues to be an incredible success for our shareholders. The business continues to benefit from synergies of the merger of Sirius and XM, achieving cost savings while also growing subscribers in an environment where the auto sales market has not completely rebounded from the recession. Due to its strong results, SiriusXM's stock price has increased significantly in 2011 and, as of July 25, the value of Liberty's stake is $5.5 billion.

In December 2010, we exchanged our IAC shares for evite.com, gifts.com and $220 million in cash in a tax-free transaction. We have consolidated these businesses with BUYSEASONS to form Celebrate Interactive, which is attributed to the Liberty Interactive group. We believe both these businesses will strengthen our offerings in the gifting and party space.

At Liberty Interactive we continued to improve the debt profile. QVC took advantage of the favorable financing markets to obtain a revolving credit facility that provides the company with ample capacity at favorable rates. As of March 31, QVC had approximately $1.2 billion of available capacity on this $2 billion facility and leverage at QVC was a very manageable 1.7x adjusted OIBDA.

Starz remained focused on its operations and lined up a full-slate of original programming in 2011, with a new event each quarter. This exclusive programming has helped to elevate the brand and drive subscriber growth.

Where We Could Have Done Better

For the duration of 2010, we had a substantial amount of cash attributed to all three of our tracking stock groups. We would have liked to earn a higher return on this cash and actively sought out acquisition and investment opportunities, but were unable to complete any sizeable transactions because the opportunities available did not meet our investment criteria of offering significant ownership stakes at compelling valuations.

All of our equities had strong returns in 2010. With the benefit of 20/20 hindsight, more aggressive stock buybacks would have further enhanced those returns, but we weigh stock repurchases against many factors, including potential future investments, market and company specific risks and preserving a strong balance sheet. We believe all of the Liberty equities have strong liquidity and cash flow generation which will enable us to both make investments for growth and shrink equity, while maintaining a healthy balance sheet.

We continue to evaluate how to efficiently monetize non-strategic equity stakes. This process is not entirely within our control as we generally need the agreement of the issuers of those securities to exchange our shares for assets or structure tax-efficient transactions. We believe we do not get full value for these holdings in the market and will continue to explore ways to monetize them.

Stock Performance / Report Card

As noted, Liberty's stocks fared well in 2010. We posted gains of 46% for Liberty Interactive, 162% for Liberty Capital and 44% for Liberty Starz. We significantly outperformed market indices and various peer groups. The S&P Retail Index increased 21% (23% with dividends), the S&P 500 increased 13% (15% with dividends) and the S&P Media Index increased 21% (23% with dividends) in 2010. The 2011 trend remains positive as well. As of July 25, all Liberty stocks were up: Liberty Interactive 7%, Liberty Capital 36% and Liberty Starz 17%. If you had been invested with Liberty since we announced our tracking stock structure in late 2005, through July 25 (including the share price of DIRECTV), you would have earned a compounded annual rate of return of 18%, compared to 4.1% for the S&P Media Index, −0.3% for the S&P Retail Index, and 1.6% for the S&P 500 Index.

Liberty Interactive

Liberty Interactive is centered on video and eCommerce through QVC and our eCommerce companies.

QVC is one of the largest multimedia retailers in the world and offers customers access through its live broadcast, website, and mobile applications. QVC continues to focus on providing its customers the ability to access QVC, wherever they may be. In the US, QVC launched QVC apps for iPad and for Android and Blackberry smartphones, along with a second generation iPhone app. To date, these applications have been downloaded more than 800,000 times. The growth in revenue from mobile orders has been astounding. Mobile orders represented less than 1% of QVC's US revenue in 2010 and we expect them to grow to 3% in 2011. QVC updates and enhances mobile applications in response to market changes and customer feedback.

QVC's social networking efforts are continuing in earnest and resulted in nearly 500,000 Facebook friends around the world. Many QVC hosts have their own sites on which they interact with the QVC community. For example, with David Venable, who hosts ''In the Kitchen with David,'' QVC created an application where users can get recipes, see David's videos and product recommendations and interact with him.

These efforts have increased the amount of business QVC generates from its websites and in 2010 we achieved $2.2 billion in worldwide eCommerce revenues. In the US, QVC now generates 36% of revenue from QVC.com and each quarter this percentage increases. QVC again set new records when it observed its largest Black Friday in 2010, realizing more than $42 million in sales. On Cyber Monday, QVC.com attracted over 1.4 million unique visitors with 2 million sessions, the highest amount of traffic in QVC's history, with nearly 50% of the day's sales coming from QVC.com.

QVC continues to grow its customer base by offering new national and proprietary brands and engaging personalities. Each week QVC offers nearly 1,000 distinct products in the US, around 250 of which are new, and throughout the year hosts 22,000 on-air guests. 2010 launches included: K-DASH by Kardashian, Josie Maran's beauty line, Bliss Spa-inspired beauty, a jewelry collection by Melania Trump, and Gordon Ramsay's specialty cookware collection.

Mike George, QVC's CEO, heads a management team that did an impressive job. Each QVC market experienced customer growth, and worldwide revenue from new customers increased by 11% in 2010. In the US, revenue from new customers grew by double digits for six consecutive quarters as of December 2010. Every market delivered good revenue and eCommerce growth. With a keen focus on operations, QVC continues to have unmatched adjusted OIBDA margins and is in the top tier of free cash flow yield when compared to traditional brick-and-mortar retailers and eCommerce companies.

QVC entered its first new international market in almost a decade with the launch of QVC Italy in October 2010. QVC Italy had the highest initial home launch of any QVC international market reaching over 18 million homes in less than six months. We are pleased with the early market indicators in Italy to date: customer satisfaction of 96%, high repeat customer purchase rates and the lowest return rate experience of any market. While initial sales were lower than anticipated, sales are ramping nicely and we are pleased with the launch.

Due to the earthquake and tsunami in March 2011, QVC Japan was off the air for 12 days. However, in the first month after returning to air, sales were running only 8-10% below those of 2010, which speaks to the resilience of the Japanese consumer and the QVC Japan team. The ongoing impacts from power shortages and the longer term effects to the Japanese economy are still unknown, but we are optimistic in light of the results since returning to air. Japan is an important market for QVC and prior to these tragedies, QVC Japan was our first international market to reach $1 billion in annual revenue.

In 2011 QVC plans to make investments in many areas for the long term. These include new headquarters in the UK and Japan (which were planned prior to the tragic events), a worldwide technology upgrade supporting our websites and the implementation of a customer relations management application.

As mentioned earlier, QVC continued to refine its debt profile and entered into a new revolving credit facility providing flexible liquidity at attractive rates. In early 2011 we completed the reattribution of certain assets and liabilities between Liberty Interactive and Liberty Capital. This reattribution was a financially neutral event, providing Liberty Interactive with better near-term liquidity and long-term, low interest rate debt together with the securities that underlie this debt. Liberty Interactive and QVC also received credit rating upgrades and a positive outlook from Fitch and Moody's, respectively.

Our eCommerce companies continued to show strong growth under the outstanding stewardship of their founders and leaders and by focusing on the convergence of content, community and commerce. They realized 18% in revenue growth for the year compared to a widely recognized eCommerce market report stating that industry growth was 9.8%. Bodybuilding.com drove the most impressive revenue and adjusted OIBDA growth of the group, on a percentage basis. We continue to share best practices across this group of eCommerce companies and QVC and focused in 2010 on launching mobile commerce websites for every one of our companies, and taking full advantage of social media opportunities. For the first time in 2010, *Internet Retailer* ranked Liberty Interactive as a top 10 e-retailer in the US.

Liberty Starz

Liberty Starz now tracks the entire business of Starz, LLC: the Starz Channels (the legacy Starz Entertainment business, excluding ancillary revenue and expenses related to original programming) and Home Video, Television, Digital Media and Animation (the legacy Starz Media businesses). Starz' new CEO, Chris Albrecht, and his team did an outstanding job in 2010. While the economic environment continues to be challenging, Starz was able to demonstrate impressive subscriber growth with STARZ and ENCORE subscribers growing by 8% and 7%, respectively.

Starz made significant strides in building its brand over the past year. The second installment of the Starz Original series, *Spartacus: Gods of the Arena,* the prequel to the successful first season, debuted in January 2011 and this winter was the highest rated show across all premium channels. In April, STARZ premiered *Camelot,* which set a viewership record for a network premiere. *Torchwood: Miracle Day,* a continuation of the hit BBC franchise, debuted in July. We are excited about a strong continuing slate of originals which include: *Boss*, a political drama starring Kelsey Grammar premiering in October 2011; the second full season of the hit series *Spartacus*, with *Spartacus: Vengeance* in January 2012; and also planned for 2012 are *Magic City*, set in 1950s Miami, as well as *Noir,* a series set in Paris during the Cold War featuring two female assassins.

Starz continued to renew agreements with its distribution partners and expanded distribution of the authenticated STARZ ONLINE, ENCORE ONLINE, and MOVIEPLEX ONLINE services. Starz is evaluating its digital strategy and seeking partners that will build STARZ viewership and brand while maintaining the premium nature of its business.

Liberty Capital

Liberty Capital's strategy is to convert non-strategic assets into well-positioned operating assets or cash and to grow its businesses both organically and through acquisitions.

The largest asset at Liberty Capital continues to be our 40% investment in SiriusXM. As mentioned, we are pleased with the strength and success of this business and the substantial increase in the value of our investment.

Over the past year, we also increased our stake in Live Nation Entertainment due to its position as the largest ticket seller in the world with a top four eCommerce site in North America. Live Nation connects over 200 million fans to over 100,000 events in 40 countries annually, providing the foundation to grow the company's sponsorship and advertising businesses. The management team continues to realize synergies from the merger with Ticketmaster and is investing in upgrading its eCommerce, sponsorship and online advertising platforms. Given the reach of the business and its breadth of services we believe in the long-term prospects of the company.

Experience Liberty

At the 2010 annual investor meeting we invited many of you to experience Liberty by offering a shopping experience, and the ways in which customers can experience Liberty continue to grow. We encourage you to download the QVC application on your tablet, order an item or watch a live stream of a QVC show. Enjoy a Starz original by watching it on TV, online or get the DVD and catch up on our hit series, *Spartacus*. Chat with the gear gurus at Backcountry.com, find the right workout regime from Bodybuilding.com, invite your BFFs to a party using Evite or order chocolate covered strawberries from Shari's Berries. Buy tickets on ticketmaster.com and go to a concert or attend an Atlanta Braves game. The list goes on...

Looking Ahead

Liberty continues to take action to drive value for our shareholders. The most immediate of these actions will be the split-off of Liberty Capital and Liberty Starz, which we hope will close shortly. Across the company our biggest challenge continues to be finding attractive investments for our cash on-hand, which we expect to grow. As of the writing of this letter, we have an outstanding offer to acquire a significant stake in Barnes & Noble, which we made based on the potential for growth in Barnes & Noble's digital business. We will work to realize the value of non-consolidated investments which could involve acquisitions that cause the assets to become core or dispositions in an efficient manner. We will continue to assist our operating companies with strategy and operations, and ensure that they have optimal capital structures to achieve their growth goals whether in the US or internationally, via organic growth or through acquisition. We are pleased with the performance of our equities in 2010, look forward to the next chapter of Liberty and remain optimistic for the future. We appreciate your ongoing support.

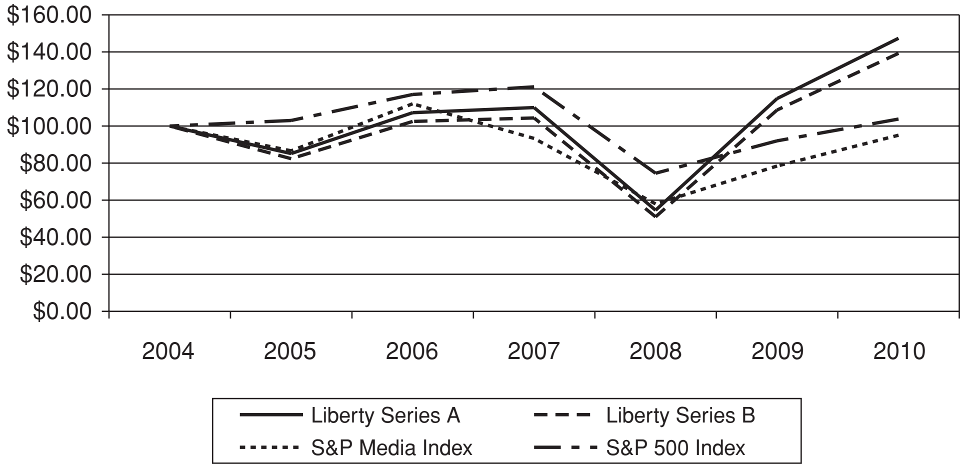
Very truly yours,

Gregory B. Maffei
President and Chief Executive Officer

John C. Malone
Chairman of the Board

The following graph compares the yearly percentage change in the cumulative total shareholder return on the former Liberty Media Corporation Series A and Series B common stock from December 31, 2004 through December 31, 2010, in comparison to the S&P 500 Media Index, which reflects the performance of companies in our peer group, and the S&P 500 Index. We have combined the tracking stock closing market prices based on the ratios used to issue the Liberty Capital group, Liberty Interactive group, and Liberty Starz group tracking stocks. The returns presented below include the May 9, 2006 restructuring in which we issued two new tracking stocks, Liberty Capital common stock and Liberty Interactive common stock, the March 3, 2008 reclassification in which we reclassified a portion of assets and liabilities previously allocated to the Liberty Capital group tracking stock to the newly issued Liberty Entertainment group tracking stock, and the November 19, 2009 partial redemption of the Liberty Entertainment group tracking stock and its concurrent redesignation as the Liberty Starz group tracking stock.

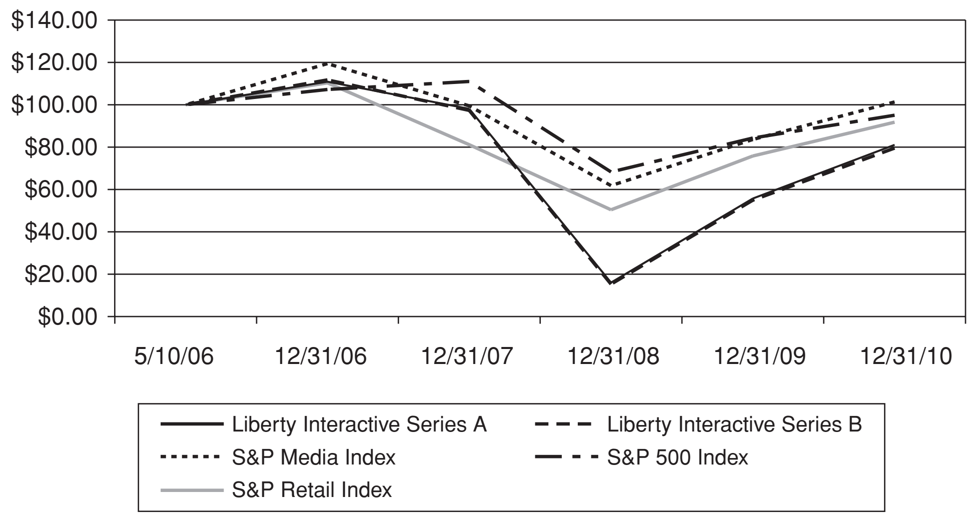
Liberty vs. S&P Media and 500 Indices
12/31/04 to 12/31/10



	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10
Liberty Series A	$100.00	$ 85.15	$107.21	$109.97	$54.57	$114.82	$147.36
Liberty Series B	$100.00	$ 82.38	$102.48	$104.36	$51.00	$108.64	$139.25
S&P Media Index	$100.00	$ 86.63	$112.01	$ 93.31	$57.98	$ 78.42	$ 95.05
S&P 500 Index	$100.00	$103.00	$117.03	$121.16	$74.53	$ 92.01	$103.77

The following graph compares the percentage change in the cumulative total shareholder return on the Liberty Interactive Series A and Series B tracking stocks from May 10, 2006 through December 31, 2010, in comparison to the S&P Media Index, the S&P 500 Index, and the S&P Retail Index.

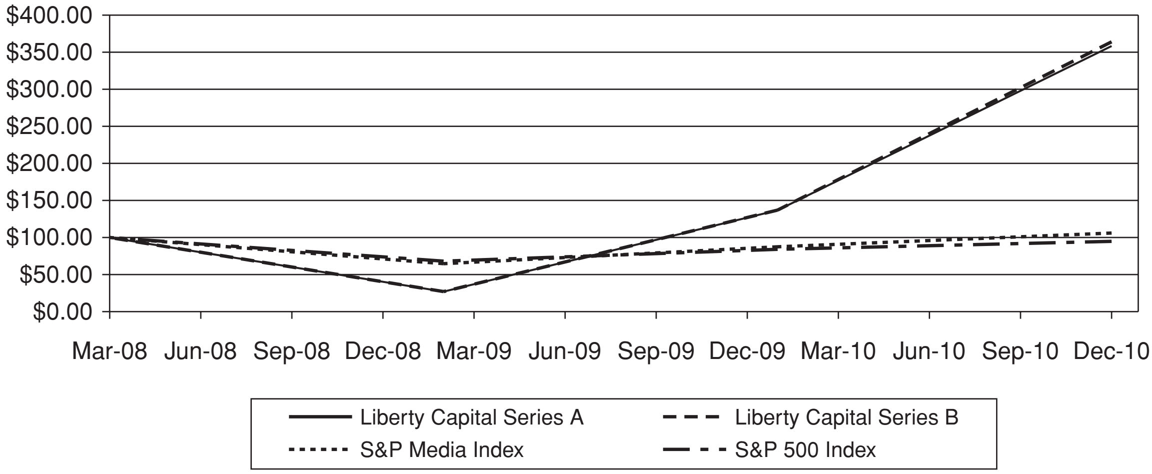
Liberty Interactive Common Stock vs. S&P Media, 500 & Retail Indices
5/10/06 to 12/31/10



	5/10/06	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10
Liberty Interactive Series A	$100.00	$110.90	$ 98.10	$16.04	$55.73	$ 81.08
Liberty Interactive Series B	$100.00	$111.76	$ 97.34	$15.29	$54.94	$ 79.54
S&P Media Index	$100.00	$119.43	$ 99.49	$61.82	$83.61	$101.34
S&P 500 Index	$100.00	$107.22	$111.00	$68.28	$84.30	$ 95.07
S&P Retail Index	$100.00	$110.34	$ 81.15	$50.41	$75.82	$ 91.78

The following graph compares the percentage change in the cumulative total shareholder return on the Liberty Capital Series A and Series B tracking stocks from March 4, 2008 through December 31, 2010, in comparison to the S&P Media Index and the S&P 500 Index.

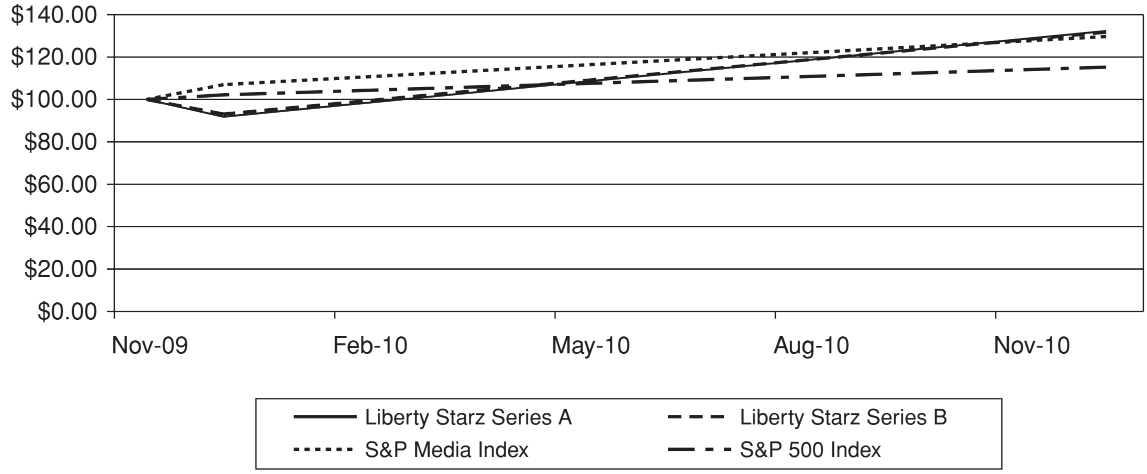
Liberty Capital Common Stock vs. S&P Media and 500 Indices
3/4/08 to 12/31/10



	3/4/08	12/31/08	12/31/09	12/31/10
Liberty Capital Series A	$100.00	$26.98	$136.77	$358.30
Liberty Capital Series B	$100.00	$27.03	$136.98	$364.01
S&P Media Index	$100.00	$64.67	$ 87.46	$106.01
S&P 500 Index	$100.00	$68.08	$ 84.05	$ 94.79

The following graph compares the percentage change in the cumulative total shareholder return on the Liberty Starz Series A and Series B tracking stocks from November 20, 2009 through December 31, 2010, in comparison to the S&P Media Index and the S&P 500 Index.

Liberty Starz Common Stock vs. S&P Media and 500 Indices
11/20/09 to 12/31/10



	11/20/09	12/31/09	12/31/10
Liberty Starz Series A	$100.00	$ 91.84	$132.30
Liberty Starz Series B	$100.00	$ 93.09	$131.76
S&P Media Index	$100.00	$106.99	$129.68
S&P 500 Index	$100.00	$102.17	$115.23

LIBERTY MEDIA CORPORATION
INVESTMENT SUMMARY
(As of July 1, 2011)

Liberty Media Corporation is a holding company that owns interests in a broad range of electronic retailing, media, communications and entertainment businesses. Those interests are attributed to three tracking stock groups: Liberty Capital, Liberty Interactive, and Liberty Starz.

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

LIBERTY CAPITAL

ENTITY	DESCRIPTION OF OPERATING BUSINESS	ATTRIBUTED OWNERSHIP
AOL Inc. (NYSE: AOL)	Global Web services company with a suite of brands and offerings. The company's business spans online content, products and services that it offers to consumers, publishers and advertisers.	1%[(1)]
Atlanta National League Baseball Club, Inc.	Owner of the Atlanta Braves, a major league baseball club, as well as certain of the Atlanta Braves' minor league clubs.	100%
CenturyLink, Inc. (NYSE: CTL)	Leading provider of high-quality voice, broadband and video services over its advanced communications networks to consumers and businesses in 33 states.	1%
Crown Media Holdings, Inc. (NASDAQ: CRWN)	Owns and operates cable television channels in the U.S. dedicated to high-quality, broad appeal, entertainment programming.	3%
Current Group, LLC	Provider of Broadband over Powerline (BPL) solutions and services to electric distribution companies.	8%[(2)]

ENTITY	DESCRIPTION OF OPERATING BUSINESS	ATTRIBUTED OWNERSHIP
Jingle Networks, Inc.	Operator of the advertiser-supported 1.800.FREE411 service which allows callers to obtain residential, business and government telephone numbers for no charge.	9%[(3)]
Kroenke Arena Company, LLC	Owner of the Pepsi Center, a sports and entertainment facility in Denver, Colorado.	7%
Leisure Arts, Inc.	Publisher and marketer of needlework, craft, decorating, entertaining and other lifestyle interest ''how-to'' books.	100%
Live Nation Entertainment, Inc. (NYSE: LYV)	Largest live entertainment company in the world, consisting of five businesses: concert promotion and venue operations, sponsorship, ticketing solutions, eCommerce and artist management.	21%
MacNeil/Lehrer Productions	Producer of *The PBS NewsHour* in addition to documentaries, web sites, interactive DVDs, civic engagement projects and educational programs.	67%
Mobile Streams (LSE: MOS)	Global mobile content retailer that retails a wide range of mobile content including full-track downloads, truetones, polyphonic ringtones, videos, graphics and games.	16%
Motorola Mobility, Inc. (NYSE: MMI)	Fuses innovative technology with human insights to create experiences that simplify, connect and enrich people's lives.	2%
Motorola Solutions, Inc. (NYSE: MSI)	Leading provider of mission-critical communication products and services for enterprise and government customers.	2%
priceline.com Incorporated (NASDAQ: PCLN)	An online travel company, which offers a range of travel services, including hotel rooms, car rentals, airline tickets, vacation packages, cruises and destination services.	1%

ENTITY	DESCRIPTION OF OPERATING BUSINESS	ATTRIBUTED OWNERSHIP
Sirius XM Radio Inc. (NASDAQ: SIRI)	America's satellite radio company delivering commercial-free music channels, premier sports, news, talk, entertainment, traffic and weather to more than 20.6 million subscribers.	40%
Sprint Nextel Corporation (NYSE: S)	Provider of a comprehensive range of communications services bringing mobility to consumer, business and government customers.	2%
Time Warner Cable Inc. (NYSE: TWC)	The second-largest cable operator in the U.S. who offers residential and commercial video, high-speed data and voice services over its broadband cable systems.	1%(4)
Time Warner Inc. (NYSE: TWX)	Media and entertainment company whose businesses include filmed entertainment, interactive services, television networks, cable systems, music and publishing.	1%(5)
TruePosition, Inc.	Leading provider of mission-critical location-based solutions for the public safety and national security markets worldwide.	100%
Viacom Inc. (NYSE: VIA)	Global media company, with positions in cable television, motion picture, Internet, mobile, and video game platforms. Brands include MTV, Nickelodeon, Nick at Nite, VH1, BET, Paramount Pictures, Viacom Outdoor, UPN, TV Land, Comedy Central, CMT: Country Music Television, and Spike TV.	1%

LIBERTY INTERACTIVE

ENTITY	DESCRIPTION OF OPERATING BUSINESS	ATTRIBUTED OWNERSHIP
AOL Inc. (NYSE: AOL)	Global Web services company with a suite of brands and offerings. The company's business spans online content, products and services that it offers to consumers, publishers and advertisers.	2%(6)
Backcountry.com, Inc.	eCommerce business that sells performance gear for backcountry adventures, including backpacking, climbing, skiing, snowboarding, trail running and adventure travel. Backcountry.com also operates BackcountryOutlet.com, Dogfunk.com, Tramdock.com, SteepandCheap.com and WhiskeyMilitia.com.	81%
Bodybuilding.com	eCommerce business that sells supplements, clothing, tanning supplies, accessories and other bodybuilding products as well as hosts an online site where visitors can network and exchange information related to bodybuilding.	83%
Borba, LLC	Provider of full range of nutraceutical and cosmeceutical products.	25%
Celebrate Interactive	Leading catalog and online retailer of party supplies and costumes.	100%
CommerceHub	Industry's leading provider of integration and fulfillment solutions for multi-channel eCommerce merchants.	100%
Evite	The leading online invitation and social event planning service on the web.	100%
Expedia, Inc. (NASDAQ: EXPE)	Empowers business and leisure travelers with the tools and information needed to research, plan, book and experience travel. It also provides wholesale travel to offline retail travel agents. Expedia's main companies include: Expedia.com, Hotels.com, Hotwire, Expedia Corporate Travel, TripAdvisor and Classic Vacations. Expedia's companies operate internationally in Canada, the UK, Germany, France, Italy, the Netherlands and China.	25%(7)

ENTITY	DESCRIPTION OF OPERATING BUSINESS	ATTRIBUTED OWNERSHIP
Gifts.com	The #1 gift recommendation site, offering consumers great gift ideas and interactive, personalized shopping services that enable them to become better, more organized gift-givers.	100%
HSN, Inc. (NASDAQ: HSNI)	A retailer and interactive lifestyle network offering an assortment of products through television home shopping programming on HSN television network and HSN.com.	32%
Interval Leisure Group, Inc. (NASDAQ: IILG)	Provider of membership services to the vacation ownership industry.	29%
Liberty Advertising	An online advertising sales organization	100%
LOCKERZ	Aims to be the destination for generation Z where commerce, content, and community converge.	41%
Provide Commerce, Inc.	eCommerce marketplace company providing a collection of branded websites each offering high quality, perishable products shipped directly from the supplier to the consumer and designed specifically around the way consumers shop. Comprised of Cherry Moon Farms, ProFlowers, Red Envelope, and Shari's Berries.	100%
QVC, Inc.	Markets and sells a wide variety of consumer products in the U.S. and several foreign countries, primarily by means of televised shopping programs on the QVC television networks and via the Internet through its domestic and international websites.	100%
The Right Start	eCommerce and traditional retailer of premium baby gear and products that offers parents a carefully selected assortment of the best products for their babies including travel gear, feeding products, décor and toys.	100%

ENTITY	DESCRIPTION OF OPERATING BUSINESS	ATTRIBUTED OWNERSHIP
Time Warner Cable Inc. (NYSE: TWC)	The second-largest cable operator in the U.S. who offers residential and commercial video, high-speed data and voice services over its broadband cable systems.	2%[8]
Time Warner Inc. (NYSE: TWX)	Media and entertainment company whose businesses include filmed entertainment, interactive services, television networks, cable systems, music and publishing.	2%[9]
Tree.com, Inc. (Lending Tree) (NASDAQ: TREE)	An online lending and real estate business which matches consumers with lenders and loan brokers.	25%

LIBERTY STARZ

ENTITY	DESCRIPTION OF OPERATING BUSINESS	ATTRIBUTED OWNERSHIP
Starz, LLC	Provider of video programming distributed by cable operators, direct-to-home satellite providers, other distributors and via the Internet throughout the United States.	100%

(1) In addition to its approximate 1% equity interest in AOL Inc. attributed to Liberty Capital, Liberty Media also owns an approximate 2% of AOL Inc. equity attributed to Liberty Interactive.

(2) Liberty Media owns interests in Current Group, LLC through two different partnerships, Liberty Associated Partners and Associated Partners.

(3) Liberty Media owns interests in Jingle Networks, Inc. through two different partnerships, Liberty Associated Partners and Associated Partners.

(4) In addition to its approximate 1% equity interest in Time Warner Cable Inc. attributed to Liberty Capital, Liberty Media also owns an approximate 2% of Time Warner Cable Inc. equity attributed to Liberty Interactive.

(5) In addition to its approximate 1% equity interest in Time Warner Inc. attributed to Liberty Capital, Liberty Media also owns an approximate 2% of Time Warner Inc. equity attributed to Liberty Interactive.

(6) In addition to its approximate 2% equity interest in AOL Inc. attributed to Liberty Interactive, Liberty Media also owns an approximate 1% of AOL Inc. equity attributed to Liberty Capital.

(7) Liberty Media owns approximate 25% of Expedia common stock representing an approximate 59% voting interest; however, the Chairman and CEO of Expedia currently has the authority to vote these shares.

(8) In addition to its approximate 2% equity interest in Time Warner Cable Inc. attributed to Liberty Interactive, Liberty Media also owns an approximate 1% of Time Warner Cable Inc. equity attributed to Liberty Capital.

(9) In addition to its approximate 2% equity interest in Time Warner Inc. attributed to Liberty Interactive, Liberty Media also owns an approximate 1% of Time Warner Inc. equity attributed to Liberty Capital.

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

Market Information

We have three tracking stocks outstanding as of December 31, 2010. Our Series A and Series B Liberty Interactive tracking stock (LINTA and LINTB) have been outstanding since May 2006. Our Series A and Series B Liberty Capital tracking stock (LCAPA and LCAPB) and our Series A and Series B Liberty Starz tracking stock (formerly Liberty Entertainment tracking stock) (LSTZA and LSTZB, formerly LMDIA and LMDIB) have been outstanding since March 4, 2008 when each share of our previous Liberty Capital tracking stock was reclassified into one share of the same series of new Liberty Capital and four shares of the same series of Liberty Entertainment. On November 19, 2009, we completed the split off (the "LEI Split-Off") of our subsidiary Liberty Entertainment, Inc. ("LEI"). The LEI Split-Off was accomplished by a redemption of 90% of the outstanding shares of Liberty Entertainment common stock in exchange for all of the outstanding shares of common stock of LEI. LEI had been attributed to the Entertainment Group. Subsequent to the LEI Split-Off, the Entertainment Group was renamed the Starz Group. Each series of our common stock trades on the Nasdaq Global Select Market. The following table sets forth the range of high and low sales prices of shares of our common stock for the years ended December 31, 2010 and 2009.

	Liberty Capital			
	Series A (LCAPA)		Series B (LCAPB)	
	High	Low	High	Low
2009				
First quarter	$ 7.46	4.35	10.60	4.46
Second quarter	$15.42	6.61	15.98	6.30
Third quarter	$23.52	11.04	23.68	12.46
Fourth quarter	$25.05	20.35	25.01	20.46
2010				
First quarter	$37.16	23.62	37.00	23.50
Second quarter	$46.05	36.48	45.94	37.50
Third quarter	$53.25	40.42	52.74	41.42
Fourth quarter	$63.67	52.01	63.28	51.62

	Liberty Interactive			
	Series A (LINTA)		Series B (LINTB)	
	High	Low	High	Low
2009				
First quarter	$ 3.99	2.42	3.81	1.75
Second quarter	$ 7.34	2.83	7.27	2.89
Third quarter	$11.48	4.53	11.40	4.31
Fourth quarter	$12.81	9.82	12.79	10.23
2010				
First quarter	$15.41	10.20	15.25	10.29
Second quarter	$16.65	10.45	16.65	10.79
Third quarter	$14.00	10.08	13.76	10.35
Fourth quarter	$16.22	13.63	16.10	13.51

	Liberty Starz			
	Series A (LSTZA)		Series B (LSTZB)	
	High	Low	High	Low
2009				
First quarter	$20.94	16.03	20.10	15.25
Second quarter	$27.07	19.54	27.23	19.58
Third quarter	$31.38	24.68	31.11	24.43
Fourth quarter (thru November 19)	$36.26	29.86	36.10	30.01
Fourth quarter (beginning November 20)	$51.50	46.10	50.34	46.86
2010				
First quarter	$54.73	46.04	53.67	46.64
Second quarter	$57.12	48.17	57.04	48.90
Third quarter	$65.56	49.89	67.00	51.50
Fourth quarter	$69.15	60.12	69.15	61.84

Holders

As of January 31, 2011, there were approximately 1,900 and 100 record holders of our Series A and Series B Liberty Capital common stock, respectively, approximately 2,800 and 100 record holders of our Series A and Series B Liberty Interactive common stock, respectively, and approximately 1,500 and 100 record holders of our Series A and Series B Liberty Starz common stock, respectively. The foregoing numbers of record holders do not include the number of stockholders whose shares are held of record by banks, brokerage houses or other institutions, but include each such institution as one shareholder.

Dividends

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

Securities Authorized for Issuance Under Equity Compensation Plans

Information required by this item will be filed in an amendment to this Form 10-K with the Securities and Exchange Commission on or before April 29, 2011.

Purchases of Equity Securities by the Issuer

Share Repurchase Programs

On several occasions our board of directors authorized share repurchase programs for our Series A and Series B Liberty Capital common stock, Series A and Series B Liberty Starz common stock and Series A and Series B Interactive common stock. On November 9, 2009 our board authorized the repurchase of $500 million Series A and Series B Liberty Starz common stock of which $447 million is available for future repurchases. On each of May 5, 2006, November 3, 2006 and October 30, 2007 our board authorized the repurchase of $1 billion of Liberty Interactive Series A and Series B common stock for a total of $3 billion. Approximately $740 million may yet be purchased under such Liberty Interactive common stock repurchase programs. On each of March 10, 2008 and August 13, 2008 our board authorized $300 million of share repurchases of Series A Liberty Capital common stock, an authorization of $500 million in share repurchases on May 6, 2010 and an additional authorization of $500 million in share repurchases on September 16, 2010 for a total of $1.6 billion.

Fourth quarter repurchases and remaining availability under the repurchase program for Liberty Capital is as follows:

	Series A Liberty Capital Common Stock			
Period	**(a) Total Number of Shares Purchased**	**(b) Average Price Paid per Share**	**(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs**
October 1 - 31, 2010	—	N/A	—	$530 million
November 1 - 30, 2010	754,800	$58.10	754,800	$486 million
December 1 - 31, 2010	1,387,200	$60.13	1,387,200	$403 million
Total	2,142,000		2,142,000	

In addition to the shares listed in the table above, 7,199 shares of Series A Liberty Capital common stock, 20,958 shares of Series A Liberty Interactive common stock and 2,628 shares of Series A Liberty Starz common stock were surrendered in the fourth quarter of 2010 by certain of our officers to pay withholding taxes in connection with the vesting of their restricted stock.

Selected Financial Data.

The following tables present selected historical 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.

	December 31,				
	2010	**2009**	**2008**	**2007**	**2006**
	amounts in millions				
Summary Balance Sheet Data:					
Cash	$ 3,179	4,835	3,060	3,128	3,098
Investments in available-for-sale securities and other cost investments	$ 4,551	4,120	2,857	6,920	10,462
Investment in affiliates	$ 1,040	1,030	1,136	1,568	1,589
Assets of discontinued operations	$ —	—	14,211	11,050	12,012
Total assets	$26,600	28,631	41,903	45,649	47,638
Deferred tax liabilities, current	$ 864	1,247	773	93	—
Long-term debt(1)	$ 6,788	7,842	9,630	11,524	8,909
Deferred tax liabilities, noncurrent	$ 2,211	2,675	3,143	5,033	6,071
Equity	$11,442	10,238	19,757	20,452	21,923

	Years ended December 31,				
	2010	2009	2008	2007	2006
	amounts in millions, except per share amounts				
Summary Statement of Operations Data:					
Revenue	$10,982	10,158	9,817	9,378	8,592
Operating income (loss)(2)	$ 1,303	1,050	(758)	758	1,158
Realized and unrealized gains (losses) on financial instruments, net	$ 232	(155)	(260)	1,269	(279)
Gains on dispositions, net	$ 569	284	15	646	607
Other than temporary declines in fair value of investments	$ —	(9)	(441)	(33)	(4)
Earnings (loss) from continuing operations(2)(3):					
Liberty Capital common stock	$ 812	127	(526)	—	—
Liberty Starz common stock	206	213	(967)	—	—
Liberty Interactive common stock	919	297	(737)	470	521
Old Liberty Capital common stock	—	—	(59)	1,489	125
Liberty common stock	—	—	—	—	178
	$ 1,937	637	(2,289)	1,959	824
Basic earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share(4):					
Series A and Series B Liberty Capital common stock	$ 9.06	1.32	(4.65)	—	—
Series A and Series B Liberty Starz common stock	$ 4.12	.46	(1.87)	—	—
Series A and Series B Liberty Interactive common stock	$ 1.46	.43	(1.31)	.70	.73
Old Series A and Series B Liberty Capital common stock	$ —	—	(.46)	11.19	.91
Liberty common stock	$ —	—	—	—	.06
Diluted earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share(4):					
Series A and Series B Liberty Capital common stock	$ 8.76	1.31	(4.65)	—	—
Series A and Series B Liberty Starz common stock	$ 3.96	.46	(1.87)	—	—
Series A and Series B Liberty Interactive common stock	$ 1.44	.43	(1.31)	.69	.73
Old Series A and Series B Liberty Capital common stock	$ —	—	(.46)	11.11	.91
Liberty common stock	$ —	—	—	—	.06

(1) Excludes the call option portion of our exchangeable debentures for periods prior to January 1, 2007.

(2) Includes $1,569 million of long-lived asset impairment charges in 2008.

(3) Includes earnings from continuing operations attributable to the noncontrolling interests of $45 million, $39 million, $44 million, $41 million and $33 million for the years ended December 31, 2010, 2009, 2008, 2007 and 2006, respectively.

(4) Basic and diluted earnings per share have been calculated for Liberty Capital and Liberty Starz common stock for the period subsequent to March 3, 2008. Basic and diluted EPS have been calculated for Liberty Interactive common stock for the periods subsequent to May 9, 2006. Basic and diluted EPS have been calculated for old Liberty Capital for the period from May 9, 2006 to March 3, 2008. EPS has been calculated for Liberty common stock for all periods prior to May 10, 2006.

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.

Overview

We own controlling and non-controlling interests in a broad range of video and on-line commerce, media, communications and entertainment companies. Our more significant operating subsidiaries, which are also our reportable segments, are QVC, Inc. and Starz, LLC. QVC markets and sells a wide variety of consumer products in the United States and several foreign countries, primarily by means of televised shopping programs on the QVC networks and via the Internet through its U.S. and international websites. Starz provides premium networks which are distributed by cable operators, direct-to-home satellite providers, telephone companies and other distributors in the United States and develops, produces and acquires entertainment content and distributes such content to consumers in the United States and throughout the world.

Our "Corporate and Other" category includes our other consolidated subsidiaries and corporate expenses. Our other consolidated subsidiaries include Provide Commerce, Inc., Backcountry.com, Inc., Bodybuilding.com, LLC, Atlanta National League Baseball Club, Inc. ("ANLBC"), TruePosition, Inc. and Celebrate Interactive Holdings, Inc. ("Celebrate"). Provide operates an e-commerce marketplace of websites for perishable goods, including flowers and fruits and desserts, as well as upscale personalized gifts. Backcountry operates websites offering outdoor and backcountry sports gear and clothing. Bodybuilding manages websites related to sports nutrition, bodybuilding and fitness. ANLBC owns the Atlanta Braves, a major league baseball club, as well as certain of the Atlanta Braves' minor league clubs. TruePosition provides equipment and technology that deliver location-based services to wireless users. Celebrate operates websites that offer costumes, accessories, décor, party supplies, on-line party invitations and gifts.

In addition to the foregoing businesses, we hold ownership interests in Sirius XM Radio Inc. ("SIRIUS XM"), Expedia, Inc. and HSN, Inc., which we account for as equity method investments, and we continue to maintain investments and related financial instruments in public companies such as Time Warner, Time Warner Cable, Motorola, Inc., Live Nation Entertainment, Inc. ("Live Nation") and Sprint Nextel Corporation, which are accounted for at their respective fair market values and are included in corporate and other.

Tracking Stocks

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

On November 19, 2009, we completed a split-off (the "LEI Split-Off") of our wholly owned subsidiary, Liberty Entertainment, Inc. ("LEI"), and the business combination transaction among our company, LEI and The DIRECTV Group, Inc. ("DIRECTV") (the "DTV Business Combination"). The LEI Split-Off was accomplished by a partial redemption of 90% of the outstanding shares of Liberty Entertainment common stock in exchange for all of the outstanding shares of common stock of LEI, pursuant to which, 0.9 of each outstanding share of Liberty Entertainment common stock was redeemed for 0.9 of a share of the corresponding series of common stock of LEI, with payment of cash in lieu of any fractional shares. LEI held our 57% interest in DIRECTV, 100% interest in Liberty Sports Holdings, LLC, 65% interest in Game Show Network, LLC and approximately $120 million in cash and cash equivalents, and approximately $2 billion of indebtedness. All of the businesses, assets and liabilities that were attributed to the Entertainment Group and were not held by LEI have remained with our company and continue to be attributed to the Entertainment Group, which we have redesignated as the Starz Group.

Immediately following the LEI Split-Off, we, LEI and DIRECTV completed the DTV Business Combination, and each of LEI and DIRECTV became wholly owned subsidiaries of a new public holding company named DIRECTV ("Holdings"). Pursuant to the DTV Business Combination, (i) John C. Malone, Chairman of the boards of Liberty Media, LEI and DIRECTV, and certain related persons (collectively, "the Malones") contributed each of their shares of LEI Series B common stock to Holdings for 1.1113 shares of Holdings Class B common stock (with payment of cash in lieu of any fractional shares), (ii) LEI merged with a wholly-owned subsidiary of Holdings, and each share of LEI common stock (other than shares of LEI Series B common stock held by the Malones) was exchanged for 1.1113 shares of Holdings Class A common stock (with payment of cash in lieu of any fractional shares), and (iii) DIRECTV merged with a wholly-owned subsidiary of Holdings, and each share of DIRECTV common stock was exchanged for one share of Holdings Class A common stock.

Because the LEI Split-Off was conditioned on, among other matters, satisfaction and waiver of all conditions to the DTV Business Combination, the LEI Split-Off and the DTV Business Combination have been recorded at fair value, and we recognized an approximate $5.9 billion gain on the transaction. Such gain is included in earnings from discontinued operations in our accompanying consolidated statement of operations.

During the second quarter of 2010, Liberty announced that its board of directors had authorized its management to proceed with a plan to separate its Liberty Capital and Liberty Starz tracking stock groups from its Liberty Interactive tracking stock group.

The proposed split-off will be effected by the redemption of all the outstanding shares of Liberty Capital tracking stock and Liberty Starz tracking stock in exchange for shares in a newly formed company ("Splitco"). Splitco will hold all the assets and be subject to all the liabilities currently attributed to the Liberty Capital and Liberty Starz tracking stock groups. In February of 2011 we changed the attribution of approximately $264 million of cash, exchangeable debt in the principal amount of $1.1 billion and the stock into which such debt is exchangeable from Liberty Capital to Liberty Interactive. The common stock of Splitco will be divided into two tracking stock groups, one tracking assets that are currently attributed to the Liberty Capital group ("Splitco Capital") and the other tracking assets that are currently attributed to the Liberty Starz group ("Splitco Starz"). In the redemption, holders of Liberty Capital tracking stock will receive shares of Splitco Capital tracking stock and holders of Liberty Starz tracking stock will receive shares of Splitco Starz tracking stock. After the redemption, Splitco and Liberty will be separate public companies.

The proposed split-off is intended to be tax-free to stockholders of Liberty and its completion will be subject to various conditions, including the receipt of IRS private letter rulings, the opinions of tax counsel and required governmental approvals. The redemption that is necessary to effect the proposed split-off will require the affirmative vote of (i) a majority of the voting power of the outstanding shares of Liberty Capital tracking stock and (ii) a majority of the voting power of the outstanding shares of Liberty Starz tracking stock, in each case, present and voting at a meeting called to consider the redemption. In August 2010, Liberty filed suit in the Delaware Court of Chancery against the trustee under the indenture governing the public indebtedness issued by the Company's subsidiary, Liberty Media LLC. The lawsuit was filed in response to allegations made by a law firm purporting to represent a holder with a large position in this public indebtedness. The lawsuit seeks a declaratory judgment by the court that the proposed split-off will not constitute a disposition of "all or substantially all" of the assets of Liberty Media LLC, as those terms are used in the indenture, as well as related injunctive relief. Resolution of the subject matter of this lawsuit is a condition to Liberty completing the proposed split-off. Subject to the satisfaction of the conditions described above, Liberty intends to complete the proposed split-off in the first half of 2011.

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

The term "Interactive Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities which we have attributed to it. As of December 31, 2010, the assets and businesses we have attributed to the Interactive Group are those engaged in video and on-line commerce, and include our subsidiaries QVC, Provide, Backcountry, Bodybuilding and Celebrate and our interests in Expedia, HSN, Inc., Interval Leisure Group, Inc. and Tree.com, Inc. In addition, we have attributed $3,075 million principal amount (as of December 31, 2010) of our public debt to the Interactive Group. The Interactive Group will also include such other businesses that our board of directors may in the future determine to attribute to the Interactive Group, including such other businesses as we may acquire for the Interactive Group.

Similarly, the term "Starz Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities which we have attributed to it. The Starz Group is comprised primarily of our subsidiary Starz, LLC and approximately $878 million (as of December 31, 2010) of cash, including subsidiary cash.

The term "Capital Group" also does not represent a separate legal entity, rather it represents all of our businesses, assets and liabilities which we have attributed to it. The Capital Group has attributed to it all of our businesses, assets and liabilities not attributed to the Interactive Group or the Starz Group, including our subsidiaries Starz Media through September 30, 2010, ANLBC and TruePosition, and our investments in SIRIUS XM, Live Nation Entertainment, Inc., Time Warner Inc., Time Warner Cable and Sprint Nextel Corporation. In addition, we have attributed $1,212 million of cash, including subsidiary cash and $1,888 million principal amount (as of December 31, 2010) of our exchangeable senior debentures and other parent debt to the Capital Group. The Capital Group will also include such other businesses that our board of directors may in the future determine to attribute to the Capital Group, including such other businesses as we may acquire for the Capital Group.

On February 25, 2010, we announced that our board of directors had resolved to effect the following changes in attribution between the Capital Group and the Interactive Group, effective immediately (the "February Reattribution"):

- the change in attribution from the Interactive Group to the Capital Group of our 14.6% ownership interest in Live Nation Entertainment, Inc.;
- the change in attribution from the Capital Group to the Interactive Group of the following debt securities:
    - $469 million in principal amount of 4% Exchangeable Senior Debentures due 2029 (the "2029 Exchangeables");

    - $460 million in principal amount of 3.75% Exchangeable Senior Debentures due 2030 (the "2030 Exchangeables"); and
    - $492 million in principal amount of 3.5% Exchangeable Senior Debentures due 2031 (the "2031 Exchangeables", and together with the 2029 Exchangeables and the 2030 Exchangeables, the "Exchangeable Notes");
- the change in attribution from the Capital Group to the Interactive Group of approximately $830 million in net taxable income to be recognized ratably in tax years 2014 through 2018 as a result of the cancellation in April 2009 of $400 million in face amount of 2029 Exchangeables and $350 million in face amount of 2030 Exchangeables; and
- the change in attribution from the Capital Group to the Interactive Group of $807 million in cash.

The Liberty Media board determined that the February Reattribution would enable the Liberty Interactive Group to obtain long-term debt financing on better terms than would have been available to it in the capital markets at that time and improve the liquidity of the Liberty Interactive Group. In addition, the Liberty Interactive Group's generation of meaningful taxable income would better position it to utilize more directly and efficiently the tax benefits associated with the Exchangeable Notes. Previously, the Liberty Interactive Group was using these tax benefits, which were then attributed to the Liberty Capital Group, and compensating the Liberty Capital Group for such use. Lastly, the Liberty Media board believed that Liberty Media's equity interests in Live Nation Entertainment should be reattributed to the Liberty Capital Group in order to position it to take advantage of potential synergies associated with the Liberty Capital Group's interests in Sirius XM Radio.

In establishing the terms of the February Reattribution, the Liberty Media board reviewed, among other things, (i) a range of estimated values for the Exchangeable Notes (between $482 million and $526 million), which took into account the trading prices of the Exchangeable Notes and their unique tax attributes, among other things, and (ii) the estimated value of Liberty Media's equity interests in Live Nation Entertainment (approximately $298 million), which was based on the $12 per share offer price in Liberty Media's tender offer for additional shares of Live Nation during February 2010. Consistent with Liberty Media's Management and Allocation Policies, the Liberty Media board determined that the exchange of assets and liabilities between the two groups in the February Reattribution was completed on a fair value basis.

On September 16, 2010, Liberty Media's board of directors approved a change in attribution of Liberty Media's interest in Starz Media, LLC along with $15 million in cash from its Capital Group to its Starz Group, effective September 30, 2010 (the "Starz Media Reattribution"). As a result of the Starz Media Reattribution, an intergroup payable of approximately $54.9 million owed by Liberty Media's Capital Group to its Starz Group has been extinguished, and its Starz Group has become attributed with approximately $53.7 million in bank debt, interest rate swaps and any shutdown costs associated with the winding down of the Overture Films business. Notwithstanding the Starz Media Reattribution, the board determined that certain tax benefits relating to the operation of the Starz Media, LLC business by Liberty Media's Capital Group that may be realized from any future sale or other disposition of that business by Liberty Media's Starz Group will remain attributed to its Capital Group.

The Starz Media Reattribution enabled the Liberty Starz Group to acquire the complementary Starz Media business. Starz Entertainment had been engaging in mutually beneficial content distribution and programming arrangements with Starz Media, and it was inefficient for these arrangements to be treated as inter-group transactions. Accordingly, the Liberty Media board reattributed Starz Media, and its related debt, from the Liberty Capital Group to the Liberty Starz

Group. This also enabled the Liberty Capital Group to repay indebtedness it owed to the Liberty Starz Group without using any of its cash reserves.

In establishing the terms of the Starz Reattribution, the Liberty Media board considered, among other things, (i) a range of estimated values for the Starz Media assets (between $95 million and $122 million), (ii) the $53.7 million in Starz Media liabilities to be assumed and (iii) the $54.9 million payable owed by the Liberty Capital Group to the Liberty Starz Group. Consistent with Liberty Media's Management and Allocation Policies, the Liberty Media board determined that the exchange of assets and liabilities between the two groups in the Starz Reattribution was completed on a fair value basis.

On February 9, 2011, Liberty Media's Board of Directors approved the change in attribution of (i) approximately $1.138 billion principal amount of Liberty Media LLC's 3.125% Exchangeable Senior Debentures due 2023 (the "TWX Exchangeable Notes"), (ii) 21,785,130 shares of Time Warner Inc. common stock, 5,468,254 shares of Time Warner Cable Inc. common stock and 1,980,425 shares of AOL, Inc. common stock, which collectively represent the basket of securities into which the TWX Exchangeable Notes are exchangeable (the "Basket Securities") and (iii) $263.8 million in cash from the Capital Group to the Interactive Group, effective immediately (the "TWX Reattribution"). The TWX Reattribution had no effect on the assets and liabilities attributed to the Starz Group, nor did it effect any change to the obligor of the TWX Exchangeable Notes, which remains Liberty Media LLC.

The Liberty Media board determined to effect the TWX Reattribution in light of the proposed split-off, to eliminate ambiguity regarding the terms of this reattribution and to better align the TWX Exchangeable Notes with the tracking stock group that has the strongest cashflow generation. The reattribution of the TWX Exchangeable Notes was necessary to complete the pending proposed split-off because the obligor thereunder, Liberty Media LLC, will remain with Liberty Media following that split-off. The Liberty Media board believed that waiting to complete this reattribution until an unknowable time when the conditions to the split-off would be satisfied was creating confusion in the marketplace over the terms of the pending reattribution, including the amount of cash to be reattributed. In addition, and irrespective of the split-off, the Liberty Media board believes the Interactive Group is best positioned to fulfill the obligations under the Exchangeable Notes given its strong cash flow and solid credit position. Accordingly, the Liberty Media board decided to complete the TWX Reattribution at its February 9, 2011 board meeting.

In establishing the terms of the TWX Reattribution, the Liberty Media board reviewed, among other things, (i) the principal amount of the TWX Exchangeable Notes, (ii) a range of values for tax liabilities associated with the delivery of the Basket Securities (between $162 million and $168 million), (iii) a range of values in payment for the risk that the Basket Securities are worth less than the face amount of the TWX Exchangeable Notes at the first date on which the TWX Exchangeable Notes can be redeemed, which is March 30, 2013 (between $36 million to $55 million), and (iv) the estimated value of the Basket Securities, using closing market prices on February 8, 2011 ($1.2 billion in the aggregate).

We accounted for the reattributions prospectively in our unaudited attributed financials. The changes in attribution, which are intended to be value neutral, had no effect on the consolidated assets and liabilities of Liberty Media Corporation.

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

Strategies and Challenges of Business Units

QVC. During 2010, QVC continued to see improved economic conditions and operating results. In 2010 QVC continues to adjust its product mix, improve its programming, enhance and optimize its website and invest in multi-media opportunities.

During 2010, QVC continued to see improved operating results despite continued economic uncertainty.QVC continued to adjust its product mix, improve its programming, enhance and optimize its website and invest in multi-media opportunities. All established markets have grown their ecommerce sales and penetration percentage. The count of new customers increased 8% worldwide and QVC's revenue from new customers increased 11%.

In 2010, each of QVC's international businesses showed improved operating results in local currency, but QVC-UK and QVC-Germany were negatively impacted by a stronger U.S. dollar, while QVC-Japan was helped by a stronger Japanese yen.

QVC's goal is to become the preeminent global multimedia shopping community and to deliver a shopping experience that is as much about entertainment and enrichment as it is about buying. QVC's objective is to provide an integrated shopping experience that utilizes all forms of media including television, the Internet and mobile Internet. In 2011, QVC intends to employ several strategies to achieve these goals and objectives. Among these strategies are to (1) extend the breadth, relevance and exposure of the QVC brand, (2) source products that represent unique quality and value, (3) create engaging presentation content in televised programming, mobile and online, (4) leverage customer loyalty and continue multi-platform expansion and (5) create a compelling and differentiated customer experience. In addition, QVC expects to leverage its existing systems, infrastructure and skills.

QVC-US has identified certain product growth opportunities and will continue to pursue compelling brands, unique items and dynamic and relevant personalities to fuel a constant flow of fresh concepts and large scale programming events. The QVC-US store front, or sets, have been updated to provide a fresh, inviting look and feel to create customer interest as well as improved product demonstration capability. The enhanced website will provide improved product search and guided navigation, a second live counter programming show stream and the ability to create micro-sites.

QVC's programming service is already received by substantially all of the multichannel television households in the US, UK and Germany. QVC's future net revenue growth will primarily depend on additions of new customers from households already receiving our television programming, growth in sales to existing customers and international expansion. QVC's future net revenue may also be affected by (1) the willingness of multichannel television distributors to continue carrying QVC's programming service, (2) the ability to maintain favorable channel positioning, which may become more difficult as distributors convert analog customers to digital, (3) changes in television viewing habits because of the proliferation of personal video recorders, video-on-demand and Internet video services and (4) general economic conditions.

Starz, LLC. Starz's focus in 2011 will be directed to several initiatives. First, Starz will continue to differentiate itself from other pay television programmers by investing in, producing and airing original programming on its Starz Channels. Secondly, Starz will continue to work with its distributors to package its channels in lower tier product offerings to gain wider distribution. Thirdly, Starz will continue to explore and invest in additional distribution channels and products, including on demand, high definition, Internet and mobile Internet products. Finally, Starz has finalized new affiliation agreements with certain distributors whose agreements had expired and will continue to work to finalize new affiliation agreements with other distributors whose agreements have expired or are about to expire.

Starz faces certain challenges in its attempt to meet these goals, including: (1) cable operators' promotion of bundled service offerings rather than premium video services; (2) the impact on viewer habits of new technologies such as Internet capable televisions and blu-ray players; (3) potential consolidation in the broadband and satellite distribution industries; (4) an increasing number of alternative movie and programming sources and (5) loss of subscribers due to economic conditions.

Results of Operations

General. We provide in the tables below information regarding our Consolidated Operating Results and Other Income and Expense, as well as information regarding the contribution to those items from our reportable segments categorized by tracking stock group. The "corporate and other" category for each tracking stock group consists of those assets or businesses which do not qualify as a separate reportable segment. For a more detailed discussion and analysis of the financial results of the principal reporting segments of each tracking stock group, see "Interactive Group", "Starz Group" and "Capital Group" below. As discussed more fully in Management's Discussion and Analysis for the Starz Group the Starz Media Reattribution impacted the year-ended December 31, 2010 presentation for the Starz Group and Capital Group due to the change in attribution of the Starz Media businesses to the Starz Group as of September 30, 2010. The results for Starz Media remain in the Capital Group for the nine months ended September 30, 2010, the period those businesses were attributed to that group, and are included in the Starz Group for the final three months of the year in the results of Starz, LLC (the combined entity).

Consolidated Operating Results

	Years ended December 31,		
	2010	2009	2008
	amounts in millions		
Revenue			
Interactive Group			
QVC	$ 7,807	7,352	7,285
Corporate and other	1,125	953	794
	8,932	8,305	8,079
Starz Group			
Starz, LLC	1,329	1,193	1,111
Corporate and other	13	11	13
	1,342	1,204	1,124
Capital Group			
Starz Media	317	364	321
Corporate and other	391	285	293
	708	649	614
Consolidated Liberty	$10,982	10,158	9,817
Adjusted OIBDA			
Interactive Group			
QVC	$ 1,671	1,556	1,494
Corporate and other	75	98	61
	1,746	1,654	1,555
Starz Group			
Starz, LLC	415	384	301
Corporate and other	(14)	(10)	(11)
	401	374	290
Capital Group			
Starz Media	(67)	(93)	(189)
Corporate and other	(10)	(82)	(108)
	(77)	(175)	(297)
Consolidated Liberty	$ 2,070	1,853	1,548
Operating Income (Loss)			
Interactive Group			
QVC	$ 1,130	1,014	951
Corporate and other	(22)	27	(45)
	1,108	1,041	906
Starz Group			
Starz, LLC	358	330	(975)
Corporate and other	(31)	(58)	(38)
	327	272	(1,013)
Capital Group			
Starz Media	(71)	(100)	(395)
Corporate and other	(61)	(163)	(256)
	(132)	(263)	(651)
Consolidated Liberty	$ 1,303	1,050	(758)

Revenue. Our consolidated revenue increased 8.1% in 2010 and 3.5% in 2009, as compared to the corresponding prior year. The increase in 2010 is due to increases for most of our subsidiaries including QVC ($455 million), our e-commerce businesses ($172 million) and TruePosition ($111 million). The increase in 2009 is due to increases for most of our subsidiaries including our e-commerce businesses ($155 million), Starz, LLC ($82 million) and QVC ($67 million). See Management's Discussion and Analysis for the Interactive Group, Starz Group and Capital Group below for a more complete discussion of the respective results of operations.

In November 2006, TruePosition signed an amendment to its existing services contract with AT&T Corp. that required TruePosition to develop and deliver additional software features. Under generally accepted accounting principles TruePosition was required to defer recognition of revenue under that contract until all contracted items had been delivered. In the second quarter of 2010 TruePosition delivered the final specified upgrade in accordance with the amended AT&T contract. The delivery of this upgrade caused TruePosition to commence recognizing previously deferred revenue and costs into operations for the year ended December 31, 2010 ($117 million and $40 million, respectively). In February of 2011 TruePosition signed an amended contract that materially changed the terms of the existing AT&T contract. Due to the transition provisions of the new revenue recognition rules a contract that is materially modified is subject to the new accounting standard (see discussion in Recent Accounting Pronouncements). Therefore, the Company is currently analyzing the impacts of the material modification and believe that recognition of a significant portion of the deferred revenue and deferred cost associated with that contract may be required in the first quarter of 2011, under the new provisions. As of December 31, 2010, deferred revenue and deferred cost under the AT&T arrangement were $576 million and $168 million, respectively.

Adjusted OIBDA. We define Adjusted OIBDA as revenue less cost of sales, operating expenses and selling, general and administrative ("SG&A") expenses (excluding stock compensation). Our chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate our businesses and make decisions about allocating resources among our businesses. We believe this is an important indicator of the operational strength and performance of our businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows us to view operating results, perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes such costs as depreciation and amortization, stock compensation, separately disclosed litigation settlements and impairments of long-lived assets that are included in the measurement of operating income pursuant to generally accepted accounting principles ("GAAP"). Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. See note 20 to the accompanying consolidated financial statements for a reconciliation of Adjusted OIBDA to Earnings (Loss) From Continuing Operations Before Income Taxes.

Consolidated Adjusted OIBDA increased $217 million or 11.7% and $305 million or 19.7% in 2010 and 2009, respectively, as compared to the corresponding prior year. The 2010 increase is due to improvements at QVC ($115 million), TruePosition ($74 million) and the combined Starz results. The 2009 increase is due primarily to improvements for Starz Media, Starz Entertainment, QVC and our e-commerce companies. See Management's Discussion and Analysis for the Interactive Group, Starz Group and Capital Group below for a more complete discussion of the respective results.

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

We recorded $150 million, $128 million and $49 million of stock compensation expense for the years ended December 31, 2010, 2009, and 2008, respectively. The 2010 increase in stock compensation is partially due to the increased number of options granted during the year and the related expense for the year associated with such grants. A portion of the options granted had an extended vesting term as a long-term incentive for Liberty officers. Additionally, the 2010 increase was partially due to the settlement of PSARs at Starz Entertainment held by the founder and former CEO. The fluctuations in stock compensation expense in 2009 related to our SARs and Starz Entertainment's PSAR plans and are due to changes in our stock prices and the value of Starz Entertainment and to the vesting of Starz Entertainment PSARs. As of December 31, 2010, the total unrecognized compensation cost related to unvested Liberty equity awards was approximately $191 million. Such amount will be recognized in our consolidated statements of operations over a weighted average period of approximately 2.5 years.

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

Impairment of long-lived assets. No significant impairments were recorded in 2010 and 2009.

In December 2008, we performed our annual evaluation of the recoverability of our goodwill and other indefinite lived intangible assets. We compared the estimated fair value of each reporting unit to its carrying value, including goodwill (the "Step 1 Test"). In our Step 1 Test, we estimated the fair value of each of our reporting units using a combination of discounted cash flows and market-based valuation methodologies. For those reporting units whose estimated fair value exceeded the carrying value, no further testwork was required and no impairment was recorded. For those reporting units whose carrying value exceeded the fair value, a second test was required to measure the impairment loss (the "Step 2 Test"). In the Step 2 Test, the fair value of the reporting unit was allocated to all of the assets and liabilities of the reporting unit with any residual value being allocated to goodwill. The difference between such allocated amount and the carrying value of the goodwill was recorded as an impairment charge. In connection with our analysis, we recorded the following impairment charges (amounts in millions):

Starz Entertainment	$1,239
Starz Media	192
Other	138
	$1,569

While Starz Entertainment had increasing revenue and Adjusted OIBDA in the years leading up to the 2008 test, it failed the Step 1 Test due to lower future growth expectations and the compression of market multiples. In performing the Step 2 Test, Starz Entertainment allocated a significant portion of its estimated fair value to amortizable intangibles such as affiliation agreements and trade names which have little or no carrying value. The resulting residual goodwill was significantly less than its carrying value. Accordingly, Starz Entertainment recorded an impairment charge. The impairment loss for Starz Media was due primarily to a lowered long-term forecast for its home video distribution reporting unit resulting from the poor economic conditions in 2008.

Operating income. We generated consolidated operating income of $1,303 million and $1,050 million in 2010 and 2009, respectively, and a consolidated operating loss of $758 million in 2008. The operating loss in 2008 is largely due to the $1,569 million of impairment charges discussed above.

Other Income and Expense

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

	Years ended December 31,		
	2010	2009	2008
	amounts in millions		
Interest expense			
Interactive Group	$(582)	(496)	(473)
Starz Group	(2)	(2)	(22)
Capital Group	(63)	(130)	(172)
Consolidated Liberty	$(647)	(628)	(667)
Dividend and interest income			
Interactive Group	$ 4	8	22
Starz Group	2	2	16
Capital Group	86	115	136
Consolidated Liberty	$ 92	125	174
Share of earnings (losses) of affiliates			
Interactive Group	$ 114	(14)	(1,192)
Starz Group	—	(10)	(7)
Capital Group	(64)	(34)	(64)
Consolidated Liberty	$ 50	(58)	(1,263)
Realized and unrealized gains (losses) on financial instruments, net			
Interactive Group	$ (28)	(121)	(240)
Starz Group	(2)	8	272
Capital Group	262	(42)	(292)
Consolidated Liberty	$ 232	(155)	(260)
Gains (losses) on dispositions, net			
Interactive Group	$ 533	42	2
Starz Group	(2)	27	(3)
Capital Group	38	215	16
Consolidated Liberty	$ 569	284	15
Other than temporary declines in fair value of investments			
Interactive Group	$ —	—	(440)
Starz Group	—	—	—
Capital Group	—	(9)	(1)
Consolidated Liberty	$ —	(9)	(441)
Other, net			
Interactive Group	$ (48)	7	177
Starz Group	2	(6)	(12)
Capital Group	5	11	4
Consolidated Liberty	$ (41)	12	169

Interest expense. Consolidated interest expense increased 3.0% and decreased 5.8% for the years ended December 31, 2010 and 2009, respectively, as compared to the corresponding prior year. The increase in 2010 is due to the addition of longer term debt with higher interest rates replacing shorter term debt primarily at QVC. We note the change in interest expense between the groups was the result of the February Reattribution whereas longer term debt was moved to the Interactive Group from the Capital Group. The decrease in 2009 is due to retirements of Liberty public debt, partially offset by higher interest rates on the QVC debt.

Dividend and interest income. Interest income decreased in 2010 and 2009 primarily due to lower invested cash balances and lower interest rates.

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

	Years ended December 31,		
	2010	2009	2008
	amounts in millions		
Interactive Group			
Expedia	$103	72	(726)
Other	11	(86)	(466)
Starz Group			
Other	—	(10)	(7)
Capital Group			
SIRIUS XM	(41)	(28)	—
Other	(23)	(6)	(64)
	$ 50	(58)	(1,263)

When we applied our initial equity method accounting on the SIRIUS XM investment, our basis in the investment was different than the underlying equity in the net assets of SIRIUS XM. As a result, we established an excess basis account and allocated the differences to certain fair value adjustments to the outstanding debt (at the time of our initial investment) and certain intangible assets. Even though SIRIUS XM had net income during the current year the amortization of the excess basis resulted in us recording share of losses. In the third quarter of 2010 these share of losses were accelerated as SIRIUS XM refinanced certain debt which had an associated discount recorded in our excess basis account. As SIRIUS XM repays certain debt issuances where we have established debt discounts, the extinguishment typically results in a loss on the retirement of our excess basis account.

Our share of earnings of Expedia increased in 2009 due to impairment charges recorded by Expedia in the fourth quarter of 2008. In response to the impairment charges taken by Expedia, we wrote off our excess basis in Expedia in the amount of $119 million. Such charge is included in our 2008 share of losses of Expedia. Our 2008 share of losses for the Interactive Group also includes other than temporary impairment charges of $136 million related to Interval, $242 million related to Ticketmaster and $85 million related to HSN.

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

	Years ended December 31,		
	2010	2009	2008
	amounts in millions		
Non-strategic Securities(1)(4)(5)	$ 669	1,074	(2,882)
Exchangeable senior debentures(2)(4)	(257)	(856)	1,509
Equity collars(4)	(2)	(132)	870
Borrowed shares(4)(5)	(254)	(301)	791
Other derivatives(3)	76	60	(548)
	$ 232	(155)	(260)

(1) See note 3 to the accompanying consolidated financial statements for a discussion of our accounting for Non-strategic Securities.

(2) See note 3 to the accompanying consolidated financial statements for a discussion of our accounting for our exchangeable senior debentures.

(3) Other derivative losses in 2008 include losses of $289 million on debt swap arrangements related to certain of our public debt issuances and losses of $182 million on put options related to our common stock, as well as losses on interest rate swaps and other derivatives.

(4) Changes in fair value are due to improvements in the equity and debt markets in 2010 and 2009 and declines in such markets in 2008.

(5) The unrealized gains (losses) on non-strategic securities for the years ended December 31, 2010, 2009 and 2008 included gains of $254 million and $301 million and losses of $791 million, respectively, related to securities pledged as collateral under the share borrowing arrangements.

Gains (losses) on dispositions. In December of 2010 we exchanged our ownership interest in IAC for a subsidiary of IAC that owns Evite and Gifts.com along with $218 million in cash which were attributed to the Interactive Group. This exchange resulted in the recognition of $165 million in gain on disposition. In the first quarter of 2010 Ticketmaster and Live Nation merged whereby our ownership interest decreased from 29% in Ticketmaster to approximately 15% in the new entity Live Nation Entertainment, Inc. The transaction was recorded at fair value and a gain of $178 million was recorded. Additionally, in the first quarter of 2010 QVC disposed of its investment in GSI Commerce for a gain of $105 million. The Capital Group's 2009 gains from dispositions are due primarily to (i) the sale of our interest in WildBlue Communications Corp. to ViaSat, Inc. ($128 million) and our transactions with SIRIUS XM ($85 million).

See notes 7 and 8 to the accompanying consolidated financial statements for a discussion of the foregoing transactions.

Other than temporary declines in fair value of investments. During 2009 and 2008, we determined that certain of our cost investments experienced other than temporary declines in value. As a result, the cost bases of such investments were adjusted to their respective fair values based primarily on quoted market prices at the date each adjustment was deemed necessary. These adjustments are reflected as other than temporary declines in fair value of investments in our consolidated statements of operations. Our 2008 other than temporary declines for the Interactive Group related to our investment in IAC.

Income taxes. We had pre-tax income from continuing operations of $1,558 million and $621 million and a tax benefit of $379 million and $16 million in 2010 and 2009, respectively. Our effective tax rate was 24.5% in 2008. The 2010 tax benefit was primarily due to three significant changes in deferred taxes as follows:

- In October 2010, we recognized a net federal tax benefit of $211 million as we reached an agreement with the IRS with respect to certain disputed items reported on our 2009 income tax return. In 2009, we settled various variable share forward sale contracts relating to Sprint and CenturyLink shares using borrowed shares. We received $177 million when we entered into those contracts in 2001 and $1,180 million in connection with the settlement of such contracts in 2009. We treated the settlement as an open transaction and deferred approximately $1,203 million in gain for tax purposes. For financial statement purposes, we recorded approximately $421 million in current deferred federal income tax expense as a result of the settlement. In connection with its review of our 2009 tax return the IRS questioned whether the gain realized on the settlement of the forward sale contracts should be deferred. In October 2010 we and the IRS reached an agreement with respect to this issue. Pursuant to that agreement we made federal income tax payments totaling approximately $210 million. For financial statement purposes, we recorded a current tax expense of approximately $210 million and we recorded a deferred federal income tax benefit of approximately $421 million during the fourth quarter of 2010. We have settled other derivative positions in the same manner and we may be required to make tax payments associated with these transactions if we are required to unwind share borrowing arrangements or if it were determined that the delivery of borrowed shares to settle derivative instruments was not effective to defer the recognition of taxable gain for federal income tax purposes. We have recorded current deferred tax liabilities associated with these borrowed share settlements of approximately $760 million as of December 31, 2010.
- During the fourth quarter of 2010 we recognized a deferred tax benefit of $462 million from the sale of certain consolidated subsidiaries. In 2005 we acquired all the equity in two corporations in tax-free reorganizations. For tax purposes, our outside tax basis in the shares of the corporations was approximately $1,323 million. Under relevant accounting literature we were required to recognize as a deferred tax asset only the tax basis of the assets held by the two corporations ("inside" tax basis) which could be realized. As of December 2010 this inside tax basis was significantly less than the tax basis in the stock of the subsidiaries. In December 2010 we sold all the stock of the two corporations and realized a capital loss of approximately $1,317 million which is being carried forward. For financial statement purposes this resulted in the recognition of a federal income tax benefit of approximately $462 million based on the difference between the outside tax basis realized and the inside tax basis.
- In the fourth quarter of 2010 we exchanged our ownership interest in IAC for a subsidiary of IAC that owns Evite, Gifts.com and $218 million in cash. This exchange qualified as an IRC Section 355 transaction and therefore did not trigger federal or state income tax obligations. In addition upon consummation of this exchange federal deferred taxes previously recorded for the difference between our book and tax bases in our IAC investments of $112 million were reversed with the offset to federal income tax benefit.

The 2010 matters are currently being reviewed by the IRS under the CAP (Compliance Assurance Process) program. We believe the positions that we have taken, with respect to these matters, are appropriate but there can be no assurance that we would prevail if the IRS were to dispute our treatment of these matters.

In 2009, due to the completion of audits with taxing authorities, we recognized previously unrecognized tax benefits of $201 million.

Our 2008 effective tax rate was lower than the U.S. federal income tax rate of 35% due primarily to the impairment of goodwill which is not deductible for income tax purposes.

Net earnings. Our net earnings were $1,937 million, $6,501 million and $3,523 million for the years ended December 31, 2010, 2009 and 2008, respectively, and were the result of the above-described fluctuations in our revenue and expenses. In addition, we recognized earnings from discontinued operations of $5,864 million and $5,812 million for the years ended December 31, 2009 and 2008, respectively. Our 2009 earnings from discontinued operations include a $5,927 million gain that we recognized in connection with the LEI Split-Off and DTV Business Combination. Earnings from discontinued operations in 2008 includes a $3,665 million gain and a $1,791 million tax benefit related to our exchange of our News Corporation investment for certain assets and businesses of News Corporation.

Liquidity and Capital Resources

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

As of December 31, 2010, substantially all of our cash and cash equivalents are invested in U.S. Treasury securities, other government securities or government guaranteed funds, AAA rated money market funds and other highly rated commercial paper.

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

Standard & Poor's Ratings Services and Moody's Investors Services each lowered their rating on our corporate credit in previous periods. These rating services put our corporate ratings on credit watch with developing implications and possible downgrade, respectively, following the Company's proposed split-off announcement in June of 2010. In the event we need to obtain external debt financing at the corporate level, such possible downgrades could negatively impact our ability to obtain financing at the corporate level and could increase the cost of any financing we are able to obtain.

Consolidated Liberty. As of December 31, 2010 Liberty had a cash balance of $3,179 million along with additional sources of liquidity of $509 million in short term marketable securities and $2,212 million of unpledged non-strategic available-for-sale securities. To the extent the Company recognizes any taxable gains from the sale of assets we may incur tax expense and be required to make tax payments, thereby reducing any cash proceeds. Further, our operating businesses have provided, on average, more than $1 billion in operating cash flow over the prior three years and we do not anticipate any significant reductions in that amount in future years.

The projected uses of Liberty cash are the costs to service outstanding debt, continued capital improvement spending and the potential buyback of common stock under the approved share buyback programs. Additionally, we may make investments in existing or new businesses, however, we do not have any investment commitments at this time. We expect that we will be able to use a combination of cash on hand, cash from operations and other liquid sources to fund future cash needs of Liberty.

Interactive Group. During the year ended December 31, 2010, the Interactive Group's primary uses of cash were $5,107 million of debt repayments, including the repayment of $316 million in intergroup notes and $258 million of capital expenditures. These uses of cash were funded primarily with $1,905 million of borrowings under the new QVC bank facility, $1,000 million from the issuance of

QVC bonds, $1,256 million of cash provided by operating activities (including a $501 million noninterest bearing cash deposit returned from GE Money Bank (discussed below) and net of $162 million of intercompany tax payments to the Capital Group), $807 million of cash reattributed from the Capital Group and $459 million of cash proceeds from the disposition of certain investments. Additionally, the exchange of our ownership interest in IAC for a subsidiary of IAC added $218 million of cash to the Interactive Group. As of December 31, 2010, the Interactive Group had a cash balance of $1,089 million.

Effective August 2, 2010, upon the expiration of the existing contract, QVC entered into a new agreement with GE Money Bank, who provides revolving credit directly to QVC customers solely for the purchase of merchandise from QVC. Under the new agreement QVC receives a portion of the economics from the credit card program according to percentages that vary with the performance of the portfolio. The new agreement, which will expire in August 2015, is substantially different than the expired agreement between the parties. QVC estimates operating income (and adjusted OIBDA) would have been negatively impacted by approximately $20-25 million per year over the previous three years based on the terms of the new contract as compared to the expired contract. QVC also recovered its noninterest bearing cash deposit maintained in connection with the prior arrangement in the amount of $501 million. This deposit had previously been recorded as a component of accounts receivable. QVC's liquidity and capital resources have been significantly strengthened due to this increase in cash. As a result, QVC expects the overall net economics of the new agreement will not have a material negative impact to its cash flows as the cash from the arrangement was used to lower interest costs by paying down a portion of its outstanding bank facility.

Additionally, during the third quarter of 2010 QVC entered into a new credit agreement which provides for a $2 billion revolving credit facility, with a $250 million sub-limit for standby letters of credit. Proceeds drawn under the new facility were used to repay outstanding indebtedness under the previous bank facilities which are no longer outstanding.

The projected uses of Interactive Group cash for 2011 include approximately $380 million for interest payments on QVC and parent debt attributed to the Interactive Group, capital expenditures of approximately $330 million and additional tax payments. In addition, we may make repurchases of Liberty Interactive common stock and additional investments in existing or new businesses and attribute such investments to the Interactive Group. We do not have any commitments to make new investments at this time.

We expect that the Interactive Group will fund its 2011 cash needs with cash reattributed in the TWX Reattribution, cash on hand and cash provided by operating activities. In addition, at December 31, 2010, unused capacity under the QVC Bank Credit Facility aggregated $1,215 million.

QVC was in compliance with its debt covenants as of December 31, 2010 and based on current projections we do not see any compliance issues in the foreseeable future.

Starz Group. During the year ended December 31, 2010, the Starz Group's primary uses of cash were investments in marketable securities of $243 million, the payment of $196 million associated with stock-based compensation, including $150 million to settle PSARs held by the founder and former CEO of Starz Entertainment, and the repurchases of Liberty Starz common stock for $40 million. The uses of cash were funded by a repayment of the outstanding intergroup loan of $158 million by the Interactive Group and cash from operations. As of December 31, 2010, the Starz Group had a cash balance of $878 million.

The projected uses of Starz Group cash in 2011 include additional investments in original programming and tax payments to the Capital Group. In addition, we may make additional repurchases of Liberty Starz common stock and additional investments in existing or new businesses and attribute such investments to the Starz Group. However, we do not have any significant commitments to make new investments at this time. We expect that we will be able to use a combination of cash on hand, cash from operations and short term marketable securities to fund Starz Group cash needs in 2011.

Capital Group. During the year ended December 31, 2010, the Capital Group's primary uses of cash were the repayment of $1,015 million in outstanding debt primarily the derivative loans, $843 million of cash reattributed to the Interactive and Starz Groups, $714 million in Liberty Capital tracking stock repurchases, $704 million of additional investments in cost investments, equity method affiliates and short-term marketable securities and income tax payments of $461 million. In October 2010, we reached a settlement with the IRS with respect to certain disputed items reported on our 2009 income tax return. In 2009, we settled various variable share forward sale contracts relating to Sprint and Century Link shares using borrowed shares. We received $177 million when we entered into those contracts in 2001 and $1,180 million in connection with the settlement of such contracts in 2009. We treated the settlement as an open transaction and deferred approximately $1,203 million in gain for tax purposes. For financial statement purposes, we recorded approximately $421 million in current deferred federal income taxes as a result of the settlement. In connection with its review of our 2009 tax return the IRS questioned whether the gain realized on the settlement of the forward sale contracts should be deferred. In October 2010 we and the IRS reached an agreement with respect to this issue. Pursuant to that agreement we made federal income tax payments totaling approximately $210 million. We have settled other derivative positions in the same manner and we may be required to make tax payments associated with these transactions if we are required to unwind share borrowing arrangements or if it were determined that the delivery of borrowed shares to settle derivative instruments was not effective to defer the recognition of taxable gain for federal income tax purposes. We have recorded current deferred tax liabilities associated with these borrowed share settlements of approximately $760 million as of December 31, 2010.

The uses of cash, described above, were funded by cash on hand, cash proceeds of $751 million from the settlement of derivatives and the repayment of the outstanding intergroup loan of $158 million by the Interactive Group.

The projected uses of Capital Group cash for 2011 include the reattribution of approximately $264 million to the Interactive Group as a result of the TWX Reattribution, interest payments of approximately $40 million, repurchases of Liberty Capital common stock under the approved share repurchase program and federal and state tax payments. In addition we may make investments in existing or new businesses and attribute such investments to the Capital Group. We do not have any commitments to make new investments at this time, except for the commitment to purchase an additional 5.5 million shares of Live Nation for approximately $57.7 million.

We expect that the Capital Group's cash needs will be funded with a combination of cash on hand, net tax payments from the Interactive Group and the Starz Group and dispositions of non-strategic assets. At December 31, 2010, the Capital Group's sources of liquidity include $1,212 million in cash along with $334 million in short term marketable securities and $2,212 million of unpledged non-strategic AFS securities. To the extent the Capital Group recognizes any taxable gains from the sale of assets we may incur current tax expense and be required to make tax payments, thereby reducing any cash proceeds attributable to the Capital Group.

See note 19 to the accompanying consolidated financial statements for further discussion of our commitments and contingencies.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Starz Group

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

Starz has entered into agreements with a number of motion picture producers which obligate Starz to pay fees ("Programming Fees") for the rights to exhibit certain films that are released by these producers. The unpaid balance under agreements for film rights related to films that were available for exhibition by Starz at December 31, 2010 is reflected as a liability in the accompanying consolidated balance sheet. The balance due as of December 31, 2010 is payable as follows: $50 million in 2011 and $3 million in 2012.

Starz has also contracted to pay Programming Fees for the rights to exhibit films that have been released theatrically, but are not available for exhibition by Starz until some future date. These amounts have not been accrued at December 31, 2010. In addition, Starz has agreed to pay Sony Pictures Entertainment ("Sony") (i) a total of $190 million in four equal annual installments beginning in 2011 for a contract extension through 2014, and (ii) total of $120 million in three equal annual installments beginning in 2015 for a new output agreement. Starz's estimate of amounts payable under these agreements is as follows: $493 million in 2011; $118 million in 2012; $81 million in 2013; $67 million in 2014; $55 million in 2015 and $90 million thereafter.

In addition, Starz is obligated to pay Programming Fees for all qualifying films that are released theatrically in the United States by studios owned by The Walt Disney Company ("Disney") through 2015 and all qualifying films that are released theatrically in the United States by studios owned by Sony through 2016. Films are generally available to Starz for exhibition 9 - 12 months after their theatrical release. The Programming Fees to be paid by Starz are based on the quantity and domestic theatrical exhibition receipts of qualifying films. As these films have not yet been released in theatres, Starz is unable to estimate the amounts to be paid under these output agreements. However, such amounts are expected to be significant.

Liberty guarantees Starz's film licensing obligations under certain of its studio output agreements. At December 31, 2010, Liberty's guarantees for studio output obligations for films released by such date aggregated $653 million. While the guarantee amount for films not yet released is not determinable, such amount is expected to be significant. As noted above, Starz has recognized the liability for a portion of its obligations under the output agreements. As this represents a direct commitment of Starz, a consolidated subsidiary of ours, we have not recorded a separate indirect liability for our guarantees of these obligations.

Capital Group

The Atlanta Braves have entered into long-term employment contracts with certain of their players and coaches whereby such individuals' compensation is guaranteed. Amounts due under guaranteed contracts as of December 31, 2010 aggregated $200 million, which is payable as follows: $83 million in 2011, $71 million in 2012, $20 million in 2013, $13 million in 2014 and $13 million in 2015. In addition to the foregoing amounts, certain players and coaches may earn incentive compensation under the terms of their employment contracts.

Capital Group, Starz Group and Interactive Group

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

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

Information concerning the amount and timing of required payments, both accrued and off-balance sheet, under our contractual obligations is summarized below. This table has been prepared as of December 31, 2010, and does not reflect any impacts of the TWX Reattribution.

	Payments due by period				
	Total	Less than 1 year	2 - 3 years	4 - 5 years	After 5 years
	amounts in millions				
Attributed Starz Group contractual obligations					
Long-term debt(1)	$ 105	37	36	10	22
Interest payments(2)	15	4	5	3	3
Programming Fees(3)	904	493	199	122	90
Operating lease obligations	31	6	11	9	5
Purchase orders and other obligations	131	50	31	20	30
Total Starz Group	1,186	590	282	164	150
Attributed Capital Group contractual obligations					
Long-term debt(1)	1,888	—	750	—	1,138
Interest payments(2)	439	40	72	72	255
Long-term financial instruments	8	—	8	—	—
Operating lease obligations	47	6	12	10	19
Purchase orders and other obligations	217	93	96	28	—
Total Capital Group	2,599	139	938	110	1,412
Attributed Interactive Group contractual obligations					
Long-term debt(1)	5,939	45	348	802	4,744
Interest payments(2)	4,133	380	700	603	2,450
Long-term financial instruments	86	—	86	—	—
Operating lease obligations	281	32	56	38	155
Purchase orders and other obligations	1,337	1,289	34	14	—
Total Interactive Group	11,776	1,746	1,224	1,457	7,349
Consolidated contractual obligations					
Long-term debt(1)	7,932	82	1,134	812	5,904
Interest payments(2)	4,587	424	777	678	2,708
Programming Fees(3)	904	493	199	122	90
Long-term financial instruments	94	—	94	—	—
Operating lease obligations	359	44	79	57	179
Purchase orders and other obligations	1,685	1,432	161	62	30
Total consolidated	$15,561	2,475	2,444	1,731	8,911

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

(2) Amounts (i) are based on our outstanding debt at December 31, 2010, (ii) assume the interest rates on our variable rate debt remain constant at the December 31, 2010 rates and (iii) assume that our existing debt is repaid at maturity.

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

Recent Accounting Pronouncements

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

We do not believe the impact of these changes will be material upon the initial adoption of the provisions as we have decided to adopt the new revenue recognition rules on a prospective basis. We note that in February of 2011 our subsidiary, TruePosition, Inc., signed an amended contract that materially changed the terms of the existing AT&T contract. Due to the transition provisions of the new revenue recognition rules a contract that is materially modified is subject to the new accounting standards. Therefore, we are currently analyzing the impacts of the material modification and believe that we may be required to recognize a significant portion of deferred revenue and deferred cost associated with that contract in the first quarter of 2011, under the new provisions. As of December 31, 2010, deferred revenue and deferred cost under the AT&T arrangement were $576 million and $168 million, respectively.

Critical Accounting Estimates

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

Fair Value Measurements

Financial Instruments. We record a number of assets and liabilities in our consolidated balance sheet at fair value on a recurring basis, including available-for-sale ("AFS") securities, financial instruments and our exchangeable senior debentures. GAAP provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. We use quoted market prices, or Level 1 inputs, to value substantially all our AFS securities. As of December 31, 2010, the carrying value of our AFS securities was $4,541 million. As of December 31, 2010, the carrying value of our financial instrument liabilities was $1,358 million. We used quoted market prices in active markets to determine the fair value of $1,219 million of these financial instruments therefore, they fall in Level 1.

Level 2 inputs are inputs, other than quoted market prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. We use quoted market prices to determine the fair value of our exchangeable senior debentures. However, these debentures are not traded on active markets as defined in GAAP, so these liabilities fall in Level 2. As of December 31, 2010, the principal amount and carrying value of our exchangeable debentures were $3,098 million and $2,506 million, respectively.

Level 3 inputs are unobservable inputs for an asset or liability. We currently have no Level 3 financial instrument assets or liabilities.

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

As of December 31, 2010, the intangible assets not subject to amortization for each of our significant reporting units was as follows:

	Goodwill	Trademarks	Other	Total
	amounts in millions			
QVC	$5,363	2,428	—	7,791
Starz, LLC	132	—	—	132
Other	820	85	153	1,058
Consolidated	$6,315	2,513	153	8,981

We perform our annual assessment of the recoverability of our goodwill and other nonamortizable intangible assets as of December 31, except for ANLBC which is evaluated as of October 31. With respect to QVC, we performed the Step 1 Test using a discounted cash flow analysis prepared as of December 31, 2010. The cash flow projections (the "2010 Cash Flow Projections") used in our analysis were prepared by QVC management and represent management's estimate of the future cash flows to be generated by QVC's operations during 2011 through 2015 (Years 1-5). For the 5 years ended December 31, 2010, QVC's revenue grew at a compound annual growth rate of approximately 3.7%, including growth of 6.2% in 2010. Similarly, QVC's Adjusted OIBDA grew at a compound annual growth rate of approximately 3.4% for the 5 years ended December 31, 2010, including decreases of .2% in 2007 and 9.2% in 2008. Given the continued improving trends in the economy during 2010, as well as QVC's expansion of its international operations into new markets, the 2010 Cash Flow Projections include growth rates which are higher than QVC's recent historical growth rates and slightly higher than the growth rates used in the 2009 cash flow projections. The growth rates used in the 2010 Cash Flow Projections are considered by management to be appropriate and reflect the current state of the domestic and world wide economies. The 2010 Cash Flow Projections include many assumptions, including the continuation of an economic recovery and the impact of any such recovery on QVC's operations. In this regard, the 2010 Cash Flow Projections are based on the economy continuing to stabilize in 2011 and return to historical levels in future years.

The projected cash flows for QVC's U.S. business were discounted using a discount rate of 13.3%. Such rate was derived using a weighted average cost of capital approach and compares to a 13.4% rate that was used in 2009. Such decrease is primarily driven by a lower risk-free rate. The discount rates for QVC's international businesses were adjusted to reflect the appropriate risk of operating in international regions and were each slightly higher than the discount rates used in 2009 due to the country specific risks. Terminal growth rates after Year 5 consider the above noted factors for the initial five years forecasted cash flows and forecasted CPI increases.

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

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

The foregoing impairment test requires a high degree of judgment with respect to estimates of future cash flows and discount rates as well as other assumptions. Therefore, any value ultimately derived from QVC may differ from our estimate of fair value. Further if the retail environment continues to experience recessionary pressures for an extended period of time, our cash flow projections will need to be revised downward and we could have impairment charges in the future. In this regard, we estimate that if we were to use a compound annual growth rate for QVC's revenue that was as much as 45% lower than the rate currently used in the 2010 Cash Flow Projections and that QVC achieved the margins assumed in the 2010 Cash Flow Projections, we would still not fail the Step 1 Test and would not be required to perform the Step 2 Test to measure any impairment of QVC's goodwill.

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

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

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

Retail Related Adjustments and Allowances. QVC records adjustments and allowances for sales returns, inventory obsolescence and uncollectible receivables. Each of these adjustments is estimated based on historical experience. Sales returns are calculated as a percent of sales and are netted against revenue in our consolidated statement of operations. For the years ended December 31, 2010, 2009 and 2008, sales returns represented 18.9%, 18.7% and 19.8% of QVC's gross product revenue, respectively. The inventory obsolescence reserve is calculated as a percent of QVC's inventory at the end of a reporting period based on among other factors, the average inventory balance for the preceding 12 months and historical experience with liquidated inventory. The change in the reserve is included in cost of goods sold in our consolidated statements of operations. At December 31, 2010, QVC's inventory is $939 million, which is net of the obsolescence adjustment of $103 million. QVC's allowance for doubtful accounts is calculated as a percent of accounts receivable at the end of a reporting period, and the change in such allowance is recorded as bad debt expense in our consolidated statements of operations. At December 31, 2010, QVC's trade accounts receivable are $856 million, net of the allowance for doubtful accounts of $66 million. Each of these estimates requires management judgment and may not reflect actual results.

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

Interactive Group

At December 31, 2010, the Interactive Group consists of our subsidiaries QVC, Provide, Backcountry, Bodybuilding and Celebrate, our interests in Expedia, HSN, Interval and Tree.com and $3,075 million principal amount (as of December 31, 2010) of our publicly-traded debt.

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

Results of Operations

	Years ended December 31,		
	2010	2009	2008
	amounts in millions		
Revenue			
QVC	$7,807	7,352	7,285
e-commerce businesses	1,125	953	794
Corporate and other	—	—	—
	$8,932	8,305	8,079
Adjusted OIBDA			
QVC	$1,671	1,556	1,494
e-commerce businesses	103	112	79
Corporate and other	(28)	(14)	(18)
	$1,746	1,654	1,555
Operating Income (Loss)			
QVC	$1,130	1,014	951
e-commerce businesses	40	54	(24)
Corporate and other	(62)	(27)	(21)
	$1,108	1,041	906

Operating Results by Business

QVC. QVC is a retailer of a wide range of consumer products, which are marketed and sold primarily by merchandise-focused televised shopping programs and via the Internet. In the United States, QVC's live programming is distributed via its nationally televised shopping network 24 hours a day, 364 days a year ("QVC-US"). Internationally, QVC's program services are based in the United Kingdom ("QVC-UK"), Germany ("QVC-Germany"), Japan ("QVC-Japan") and Italy ("QVC-Italy"). QVC-UK distributes its program 24 hours a day with 17 hours of live programming and QVC-Germany and QVC-Japan each distribute live programming 24 hours a day. QVC- Italy launched on October 1, 2010 and is distributing programming live for 17 hours a day on satellite and public television and an additional 7 hours a day of recorded programming on satellite television.

QVC's operating results are as follows:

	Years ended December 31,		
	2010	2009	2008
	amounts in millions		
Net revenue	$ 7,807	7,352	7,285
Cost of sales	(5,006)	(4,748)	(4,713)
Gross profit	2,801	2,604	2,572
Operating expenses	(715)	(684)	(703)
SG&A expenses (excluding stock-based compensation)	(415)	(364)	(375)
Adjusted OIBDA	1,671	1,556	1,494
Stock-based compensation	(18)	(16)	(15)
Depreciation and amortization	(523)	(526)	(528)
Operating income	$ 1,130	1,014	951

Net revenue is generated in the following geographical areas:

	Years ended December 31, 2010	2009	2008
	amounts in millions		
QVC-US	$5,235	4,965	4,893
QVC-UK	599	578	660
QVC-Germany	956	942	954
QVC-Japan	1,015	867	778
QVC-Italy	2	—	
	$7,807	7,352	7,285

QVC's consolidated net revenue increased 6.2% and 0.9% for the years ended December 31, 2010 and 2009, respectively, as compared to the corresponding prior year. The 2010 increase in net revenue is comprised of $358 million due to a 4.4% increase in units shipped from 157.8 million to 164.8 million, $193 million increase due to an increase of 2.3% in average selling price per unit ("ASP"), $34 million increase due to an increase in shipping and handling revenue and a $4 million increase due to net favorable foreign currency rates. These increases were partially offset by $134 million increase in estimated product returns. Returns as a percent of gross product revenue increased slightly to 18.9% from 18.7% due primarily to higher return rates experienced in the accessories, jewelry and electronics product categories.

The 2009 increase is comprised of $120 million due to a 2.1% increase in the ASP, $86 million due to lower estimated product returns and $46 million primarily due to an increase in shipping and handling revenue. These increases were partially offset by a $129 million decrease due to a 2.1% decrease in the number of units sold from 161.1 million to 157.8 million and $56 million due to unfavorable foreign currency rates. Returns as a percent of gross product revenue decreased from 19.8% to 18.7% and reflect a shift in the mix from jewelry and apparel to home and accessories products which typically have lower return rates.

During the years ended December 31, 2010 and 2009, the changes in revenue and expenses were impacted by changes in the exchange rates for the UK pound sterling, the euro and the Japanese yen. In the event the U.S. dollar strengthens against these foreign currencies in the future, QVC's revenue and operating cash flow will be negatively impacted. The percentage increase (decrease) in revenue for each of QVC's geographic areas in U.S. dollars and in local currency is as follows:

	Percentage increase (decrease) in net revenue			
	Year ended December 31, 2010		Year ended December 31, 2009	
	U.S. dollars	Local currency	U.S. dollars	Local currency
QVC-US	5.4%	5.4%	1.5%	1.5%
QVC-UK	3.6%	5.3%	(12.4)%	2.2%
QVC-Germany	1.5%	6.7%	(1.3)%	3.1%
QVC-Japan	17.1%	9.7%	11.4%	1.4%

QVC's net revenue increased in local currency in each geographical area each quarter in the year ended December 31, 2010 as compared to the prior year period. QVC-US growth in net revenue of 5.4% is due primarily to a 4.5% increase in ASP and a 1.7% increase in units sold, as well as higher shipping and handling revenue, partially offset by an increase in return rates. QVC-US shipped sales increased due to growth in sales of electronics, beauty and accessories products. QVC-UK's growth is the result of increased sales in the beauty and apparel product categories. Growth in QVC-Germany is due primarily to increased sales of home and accessories products while QVC-Japan experienced growth in apparel and beauty. Jewelry sales declined in each previously mentioned QVC market. Italy sales consisted of primarily home and beauty products.

The QVC service is already received by substantially all of the cable television and direct broadcast satellite homes in the U.S., the UK and Germany. In addition, in Japan, analog customers are expected to be converted to a digital environment in July 2011. However, to comply with local regulations, cable operators are required to carry an analog signal by converting the digital signal at their head-end to continue analog viewership until 2015 for those who could not receive a digital signal. It is likely that such analog switch-off will have some negative impact on the overall number of subscribers viewing the program. QVC is currently evaluating the possible impact on QVC-Japan's results as well as opportunities to acquire subscribers via other distribution channels that will aid in mitigating the impact of the conversion. QVC's future sales growth will primarily depend on expansions into new countries, such as Italy, sales growth from our e-commerce platforms, additions of new customers from homes already receiving the QVC service and growth in sales to existing customers. QVC's future sales may also be affected by (i) the willingness of cable and satellite distributors to continue carrying QVC's programming service, (ii) QVC's ability to maintain favorable channel positioning, which has become more difficult as distributors convert analog customers to digital, (iii) changes in television viewing habits because of personal video recorders, video-on-demand and IP television and (iv) general economic conditions.

QVC's gross profit percentage was 35.9%, 35.4% and 35.3% for the three years ended December 31, 2010, 2009 and 2008, respectively. The increase in the gross profit percentage in 2010 is due primarily to lower obsolescence expense as QVC continued to maintain tight inventory control.

QVC's operating expenses are principally comprised of commissions, order processing and customer service expenses, credit card processing fees, telecommunications expense and production costs. Operating expenses increased $31 million or 4.5% and decreased $19 million or 2.7% for the years ended December 31, 2010 and 2009, respectively. The increase in 2010 is due primarily to an $11 million increase related to operating expenses for QVC-Italy due to the October 2010 launch. Other increases include an increase in commissions expense due to sales growth, an increase in production personnel expenses and an increase in credit card fees due to sales growth as well as an increase in rates. Despite the Italy expense, as a percent of net revenue, operating expenses declined from 9.3% to 9.2% for the year ended December 31, 2010 compared to the prior year. The 2010 decrease in operating expenses as a percent of net revenue is due primarily to lower customer service expenses due to an improvement in staff efficiencies as well as an increase in online ordering. In addition, telecommunications expense decreased due to more favorable contract rates. The decrease in 2009 operating expense is due primarily to lower customer service expenses due to staff efficiencies.

QVC's SG&A expenses include personnel, information technology, provision for doubtful accounts, credit card income and marketing and advertising expenses. Such expenses increased 14.0% and decreased 2.9% for years ended December 31, 2010 and 2009, respectively.

Included in QVC's SG&A results are $18 million and $2 million of costs for years ended December 31, 2010 and 2009, respectively, related to the launch of the QVC-Italy service. QVC-Italy incurred an adjusted OIBDA loss in 2010 and 2009 of $32 million and $5 million, respectively.

Net credit card operations income increased $3 million for the year ended December 31, 2010. Effective August 2, 2010, upon the expiration of the existing contract, QVC entered into a new agreement with GE Money Bank, who provides revolving credit directly to QVC customers solely for the purchase of merchandise from QVC. Under the new agreement QVC receives a portion of the economics from the credit card program according to percentages that vary with the performance of the portfolio. The new agreement, which will expire in August 2015, is substantially different than the expired agreement. QVC's operating income (and adjusted OIBDA) will be negatively impacted due to the terms of the new agreement. However, QVC has used the $501 million of cash proceeds from the recovery of its noninterest bearing cash deposit maintained at GE Money Bank in connection with the prior arrangement to retire a portion of its outstanding bank facility in order to reduce debt service cost. QVC's net credit card income would have been $14 million more favorable in 2010 based on the terms of the expired contract compared to the new contract.

Excluding the impact of Italy and net credit card operations, QVC's SG&A expense increased $38 million or 8.4% for the year ended December 31, 2010. The increase is due primarily to an $8 million increase in online marketing and public relations events, a $7 million increase in personnel expenses primarily related to increased management bonus compensation, $7 million increase in software expense, $6 million increase in outside services, $5 million increase in bad debt expense and a $4 million increase in franchise and sales tax due primarily to favorable audit settlements recorded in the prior year.

SG&A expenses decreased in 2009 as higher bad debt expense of $15 million was more than offset by lower personnel and marketing expenses and higher credit card income.

e-commerce businesses. Our e-commerce businesses are comprised primarily of Provide, Backcountry, Bodybuilding and Celebrate. Revenue for the e-commerce businesses is seasonal due to certain holidays, which drive a significant portion of the e-commerce businesses' revenue. The third quarter is generally lower, as compared to the other three quarters, due to fewer holidays. Revenue increased $172 million or 18.0% and $159 million or 20.0% for the years ended December 31, 2010 and 2009, respectively, as compared to the corresponding prior year periods. Overall product revenue growth was partially offset by lower commission revenue earned when customers sign-up for third-party on-line discount services. In the first quarter of 2010, a decision was made to change the way these promotions are offered which we believe caused revenue from this program to be lower for 2010 by $25 million. Revenue earned from the commissions yielded significantly higher margins than product sales, and therefore, the reduction in this revenue more negatively impacted Adjusted OIBDA on a percentage basis. Additionally, during the period increased marketing spend helped grow revenue and new customer names but impacted the margin percentage negatively. These negative impacts offset the growth in product related Adjusted OIBDA that was achieved by our other e-commerce businesses. Adjusted OIBDA for the e-commerce businesses decreased 8.0% for the year ended December 31, 2010 and represented 9.2% of revenue in 2010, as compared to 11.8% in 2009.

Starz Group

The Starz Group is primarily comprised of our subsidiary Starz, LLC and approximately $878 million (as of December 31, 2010) of cash, including subsidiary cash.

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

Results of Operations

	Years ended December 31,		
	2010	2009	2008
	amounts in millions		
Revenue			
Starz, LLC	$1,329	1,193	1,111
Corporate and other	13	11	13
	$1,342	1,204	1,124
Adjusted OIBDA			
Starz, LLC	$ 415	384	301
Corporate and other	(14)	(10)	(11)
	$ 401	374	290
Operating Income (Loss)			
Starz, LLC	$ 358	330	(975)
Corporate and other	(31)	(58)	(38)
	$ 327	272	(1,013)

Starz, LLC. Starz, LLC ("Starz") provides premium networks distributed by cable operators, direct-to-home satellite providers, telephone companies and other distributors in the United States and develops, produces and acquires entertainment content and distributes such content to consumers in the United States and throughout the world. Additionally, as of September 30, 2010, Starz includes the remaining operations of Starz Media. Starz is managed based on the following lines of business: Starz Channels (legacy Starz Entertainment business, excluding ancillary revenue and expenses related to original programming) and Home Video, Animation, Television, Digital Media and Theatrical (legacy Starz Media businesses). We believe, with the decisions that have been made surrounding the legacy Starz Media businesses, the prospective results of Starz will be largely driven by the results of Starz Channels.

The following discussion regarding the results of Starz include the twelve months of activity for legacy Starz Entertainment and 3 months of activity for the legacy Starz Media businesses. A large portion of Starz's revenue is derived from the delivery of movies and original programming by Starz Channels. Some of Starz's affiliation agreements provide for payments to Starz based on the number of subscribers that receive the channel services ("consignment agreements"). Starz also has fixed-rate affiliation agreements with certain of its customers. Pursuant to these agreements, the customers pay an agreed-upon rate regardless of the number of subscribers. The agreed-upon rate may be increased annually to the extent the contract provides for an increase. The affiliation agreements expire in 2011 through 2018. During the year ended December 31, 2010, approximately 56% of the Starz Channels' revenue was generated by its three largest customers, Comcast, DIRECTV and Dish Network, each of which individually generated more than 10% of the Starz Channel revenue for such period.

Starz's operating results are as follows:

	Years ended December 31,		
	2010	2009	2008
	amounts in millions		
Revenue	$1,329	1,193	1,111
Operating expenses	(762)	(677)	(675)
SG&A expenses	(152)	(132)	(135)
Adjusted OIBDA	415	384	301
Stock-based compensation	(41)	(38)	(19)
Depreciation and amortization	(16)	(16)	(18)
Impairment of long-lived assets	—	—	(1,239)
Operating income (loss)	$ 358	330	(975)

As discussed above, the year ended December 31, 2010 results for Starz include twelve months of legacy Starz Entertainment business operations and three months of Starz Media operations due to the Starz Media Reattribution being treated prospectively for tracking stock purposes. The historical results for Starz as of December 31, 2009 and 2008 are the historical results of Starz Entertainment. The Starz Media historical operations and results for the nine months ended September 30, 2010 are described in the Liberty Capital tracking stock group results starting at page II-34. For the year ended December 31, 2010 the breakdown of Revenue, Adjusted OIBDA and Operating Income of Starz, LLC between the legacy Starz Entertainment business and the legacy Starz Media business is as follows:

	Starz Entertainment	Starz Media	Intercompany Elimination	Starz, LLC
Revenue	$1,247	$96	$(14)	$1,329
Adjusted OIBDA	$ 407	$14	$ (6)	$ 415
Operating Income	$ 352	$12	$ (6)	$ 358

Starz's revenue increased 11.4% and 7.4% for the years ended December 31, 2010 and 2009, respectively, as compared to the corresponding prior year. The 2010 revenue increase is largely because of the addition of the Starz Media businesses in the fourth quarter. Excluding the Starz Media revenue Starz's revenue increased 4.5% from the same prior year period due to increases in the average number of subscriptions for the Starz Channels' networks as well as rate increases and ancillary revenues. The 2010 increase in revenue is comprised of $19 million due to growth in the weighted average number of subscriptions, $16 million due to a higher effective rate for Starz Channels' services and $18 million due primarily to an increase in ancillary revenue from home video and international television revenue associated with original programs (primarily *Spartacus: Blood and Sand*). The 2009 increase in revenue is comprised of $30 million due to growth in the weighted average number of subscriptions, $31 million due to a higher effective rate for Starz Channels' services and $21 million due to new products and services.

Starz, Encore and the Encore thematic multiplex channels ("EMP") are the primary drivers of Starz's revenue. Starz average subscriptions were relatively flat in 2010 and increased 2.8% in 2009; and EMP average subscriptions increased 1.2% in 2010 and were essentially flat in 2009. The impact on revenue due to subscription increases is affected by the relative percentages of increases under consignment agreements and fixed-rate affiliation agreements. In this regard, as of December 31, 2010 subscriptions under fixed-rate agreements were 26.8 million while subscriptions under consignment agreements were 24.2 million. As of December 31, 2009, subscriptions under fixed-rate affiliation agreements were 25.4 million while subscriptions under consignment agreements were 22.1 million.

Starz's operating expenses increased 12.5% in 2010 and were relatively flat in 2009. The increase in 2010 is primarily due to the Starz Media Reattribution which added $54 million in operating expense in the fourth quarter of 2010. Excluding the impacts of Starz Media operating expenses increased 4.6%. Programming expenses are Starz's primary operating expense and comprised approximately 97%, 98% and 98% of total operating expense for 2010, 2009 and 2008, respectively. In 2010 we note that programming expense as a percentage of operating expense decreased but overall programming increased due primarily to increased original programming aired in the period. We expect that programming costs and home video costs for original programming will continue to increase in the future as Starz continues to invest in original programming.

Starz's SG&A expenses increased by $20 million in 2010 and decreased slightly in 2009. The 2010 increase was entirely due to the Starz Media Reattribution. The 2009 decrease is due to lower advertising expenses.

In accordance with the appraisal proceeding, Starz settled the outstanding balance of an equity appreciation right held by the founder and former CEO in December of 2010 for approximately $150 million in cash and recorded an additional $33 million in stock based compensation expense as a result during the fourth quarter of 2010.

In connection with our 2008 annual evaluation of the recoverability of our goodwill, we estimated the fair value of our reporting units using a combination of discounted cash flows and market comparisons and determined that the carrying value of the goodwill for Starz exceeded its fair value. As a result, we recorded an impairment charge of $1,239 million. See our discussion of our consolidated results of operations above for a more complete description of these impairment charges.

Capital Group

The Capital Group is comprised of our subsidiaries and assets not attributed to the Interactive Group or the Starz Group, including our subsidiaries Starz Media through September 30, 2010 (results of Starz Media will be included in the Starz Group prospectively), ANLBC and TruePosition, as well as investments in SIRIUS XM, Time Warner Inc., Sprint Nextel Corporation and other public and private companies. In addition, we have attributed $1,888 million principal amount (as of December 31, 2010) of our exchangeable senior debentures and other parent debt to the Capital Group.

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

Results of Operations

	Years ended December 31,		
	2010	2009	2008
	amounts in millions		
Revenue			
Starz Media	$ 317	364	321
Corporate and other	391	285	293
	$ 708	649	614
Adjusted OIBDA			
Starz Media	$ (67)	(93)	(189)
Corporate and other	(10)	(82)	(108)
	$ (77)	(175)	(297)
Operating Loss			
Starz Media	$ (71)	(100)	(395)
Corporate and other	(61)	(163)	(256)
	$(132)	(263)	(651)

Revenue. The Capital Group's combined revenue increased 9.1% and 5.7% for the years ended December 31, 2010 and 2009, respectively, as compared to the corresponding prior year. The revenue increase for 2010 was primarily driven by TruePosition's delivery of the final specified upgrade under their AT&T contract. The delivery of this upgrade resulted in TruePosition recognizing previously deferred revenue ($117 million) under that contract in 2010. In February of 2011 TruePosition signed an amended contract that materially changed the terms of the existing AT&T contract. Due to the transition provisions of the new revenue recognition rules a contract that is materially modified is subject to the new accounting standard. Therefore, the Company is currently analyzing the impacts of the material modification and believe that recognition of a significant portion of the deferred revenue and deferred cost associated with that contract may be required in the first quarter of 2011, under the new provisions. As of December 31, 2010, deferred revenue and deferred cost under the AT&T arrangement were $576 million and $168 million, respectively. This revenue growth was offset by Starz Media being reattributed to the Starz Group as of September 30, 2010. Accordingly Starz Media's results were only reflected for nine months in 2010 versus twelve months in 2009. The 2009 increase in Starz Media's revenue is attributable to a $50 million aggregate increase in theatrical, home video and television revenue from movies released by Overture Films, including $17 million of intercompany revenue from Starz Entertainment related to the airing of Overture Films' movies on Starz Channels' networks. Such intercompany revenue is eliminated in corporate and other. The increases for Overture Films were partially offset by lower theatrical, home video and for-hire animation revenue at Starz Media's other divisions. Included in Capital Group's corporate and other revenue are payments from CNBC related to a revenue sharing agreement between our company and CNBC. The agreement has no termination date, and payments aggregated $24 million for all years presented.

Adjusted OIBDA. The Capital Group's Adjusted OIBDA loss decreased $98 million and $122 million in 2010 and 2009, respectively, as compared to the corresponding prior year. The primary reason for the decreased Adjusted OIBDA losses for 2010 is the recognition of revenue and costs at TruePosition as described above. Adjusted OIBDA losses for TruePosition decreased by $74 million in 2010 as compared to 2009. The number of movies released and the timing of revenue and expenses related to such movies released by Overture Films primarily drove the lower Adjusted OIBDA loss in 2010 and 2009. Theatrical print costs and advertising expenses related to the release of a film are recognized at the time the advertisements are run and generally exceed the theatrical revenue earned from the film. In July 2010, a decision was made to shutdown Overture Films' theatrical and distribution operations. At September 30, 2010, the remaining film library for Overture Films were attributed to the Starz Group in the Starz Media Reattribution. Therefore, the associated revenue and amortization of film costs are reflected in the Starz, LLC operations for the fourth quarter.

The lower 2009 Adjusted OIBDA loss for corporate and other is due to TruePosition which improved $36 million as a result of lower operating costs for its primary equipment business and reduced marketing expenses for its new product and service initiatives. The improvement for TruePosition was partially offset by higher Adjusted OIBDA losses for the Capital Group's other subsidiaries.

Impairment of long-lived assets. In connection with our 2008 annual evaluation of the recoverability of our goodwill, we estimated the fair value of our reporting units using a combination of discounted cash flows and market comparisons and determined that the carrying value of the goodwill for Starz Media and certain of our other subsidiaries exceeded its fair value, and we recorded an aggregate impairment charge of $251 million. See our discussion of our consolidated results of operations above for a more complete description of this impairment charge.

Operating loss. The Capital Group's operating losses decreased in 2010 and in 2009. Such changes are due to the Adjusted OIBDA losses and impairment charges discussed above.

Quantitative and Qualitative Disclosures about Market Risk.

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

We are exposed to changes in interest rates primarily as a result of our borrowing and investment activities, which include investments in fixed and floating rate debt instruments and borrowings used to maintain liquidity and to fund business operations. The nature and amount of our long-term and short-term debt are expected to vary as a result of future requirements, market conditions and other factors. We manage our exposure to interest rates by maintaining what we believe is an appropriate mix of fixed and variable rate debt. We believe this best protects us from interest rate risk. We have achieved this mix by (i) issuing fixed rate debt that we believe has a low stated interest rate and significant term to maturity, (ii) issuing variable rate debt with appropriate maturities and interest rates and (iii) entering into interest rate swap arrangements when we deem appropriate. As of December 31, 2010, our debt is comprised of the following amounts.

	Variable rate debt		Fixed rate debt	
	Principal amount	Weighted avg interest rate	Principal amount	Weighted avg interest rate
	dollar amounts in millions			
Interactive Group	$813	2.5%	$5,125	6.0%
Capital Group	$750	0.5%	$1,138	3.1%
Starz Group	$ 60	2.4%	$ 45	5.5%

In addition, QVC has entered into (i) interest rate swaps with an aggregate notional amount of $2.2 billion pursuant to which it pays a fixed rate of 5.0-5.3% and receives variable payments at 3-month LIBOR.

Each of our tracking stock groups is exposed to changes in stock prices primarily as a result of our 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.

At December 31, 2010, the fair value of our AFS securities attributed to the Capital Group was $3,701 million. Had the market price of such securities been 10% lower at December 31, 2010, the aggregate value of such securities would have been $370 million lower. Our exchangeable senior debentures are also subject to market risk. Because we mark these instruments to fair value each reporting date, increases in the stock price of the respective underlying security generally result in higher liabilities and unrealized losses in our statement of operations.

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

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

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

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

Due to the importance of these derivative instruments to our risk management strategy, we actively monitored the creditworthiness of each of these counterparties.

At December 31, 2010, we have no derivative assets. Therefore, we have no counterparty credit risk as of December 31, 2010.

Financial Statements and Supplementary Data.

The consolidated financial statements of Liberty Media Corporation are filed under this Item, beginning on Page II-41. The financial statement schedules required by Regulation S-X are filed under Item 15 of this Annual Report on Form 10-K.

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

None.

Controls and Procedures.

In accordance with Exchange Act Rules 13a-15 and 15d-15, the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer, principal accounting officer and principal financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of December 31, 2010 to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

See page II-39 for *Management's Report on Internal Control Over Financial Reporting.*

See page II-40 for *Report of Independent Registered Public Accounting Firm* for our accountant's attestation regarding our internal control over financial reporting.

There has been no change in the Company's internal control over financial reporting that occurred during the three months ended December 31, 2010 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Other Information.

None.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Liberty Media Corporation's management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements and related disclosures in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements and related disclosures in accordance with generally accepted accounting principles; (3) provide reasonable assurance that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (4) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements and related disclosures.

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

The Company assessed the design and effectiveness of internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework*.

Based upon our assessment using the criteria contained in COSO, management has concluded that, as of December 31, 2010, Liberty Media Corporation's internal control over financial reporting is effectively designed and operating effectively.

Liberty Media Corporation's independent registered public accountants audited the consolidated financial statements and related disclosures in the Annual Report on Form 10-K and have issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears on page II-40 of this Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Liberty Media Corporation:

We have audited Liberty Media Corporation's internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control—Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Liberty Media Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, Liberty Media Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control—Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Liberty Media Corporation and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, comprehensive earnings, cash flows, and equity for each of the years in the three-year period ended December 31, 2010, and our report dated February 28, 2011 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Denver, Colorado
February 28, 2011

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Liberty Media Corporation:

We have audited the accompanying consolidated balance sheets of Liberty Media Corporation and subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of operations, comprehensive earnings, cash flows, and equity for each of the years in the three-year period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Liberty Media Corporation and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

As discussed in note 3 to the consolidated financial statements, effective January 1, 2009, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51* (included in FASB ASC Topic 810, *Consolidation*).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Liberty Media Corporation and subsidiaries' internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control—Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 28, 2011 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

Denver, Colorado
February 28, 2011

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2010 and 2009

	2010	2009
	amounts in millions	
Assets		
Current assets:		
Cash and cash equivalents	$ 3,179	4,835
Trade and other receivables, net	1,142	1,518
Inventory, net	1,069	985
Program rights	411	469
Financial instruments (note 9)	—	752
Short term marketable securities	509	35
Other current assets	245	133
Total current assets	6,555	8,727
Investments in available-for-sale securities and other cost investments, including $1,219 million and $851 million pledged as collateral for share borrowing arrangements (note 7)	4,551	4,120
Investments in affiliates, accounted for using the equity method (note 8)	1,040	1,030
Property and equipment, at cost	2,297	2,163
Accumulated depreciation	(1,012)	(858)
	1,285	1,305
Intangible assets not subject to amortization (note 10):		
Goodwill	6,315	6,225
Trademarks	2,513	2,508
Other	153	153
	8,981	8,886
Intangible assets subject to amortization, net (note 10)	2,759	3,027
Other assets, at cost, net of accumulated amortization	1,429	1,536
Total assets	$26,600	28,631

(continued)

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)

December 31, 2010 and 2009

	2010	2009
	amounts in millions	
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 651	598
Accrued liabilities	995	1,037
Financial instruments (note 9)	1,264	1,002
Current portion of debt (note 11)	530	1,932
Deferred tax liabilities (note 12)	864	1,247
Deferred revenue	347	137
Other current liabilities	88	223
Total current liabilities	4,739	6,176
Long-term debt, including $2,506 million and $2,254 million measured at fair value (note 11)	6,788	7,842
Long-term financial instruments (note 9)	94	132
Deferred tax liabilities (note 12)	2,211	2,675
Deferred revenue	860	1,040
Other liabilities	466	528
Total liabilities	15,158	18,393
Equity		
Stockholders' equity (note 13):		
Preferred stock, $.01 par value. Authorized 50,000,000 shares; no shares issued	—	—
Series A Liberty Capital common stock, $.01 par value. Authorized 2,000,000,000 shares; issued and outstanding 75,139,893 shares at December 31, 2010 and 89,814,862 shares at December 31, 2009	1	1
Series B Liberty Capital common stock, $.01 par value. Authorized 75,000,000 shares; issued and outstanding 7,363,948 shares at December 31, 2010 and 7,405,151 shares at December 31, 2009	—	—
Series A Liberty Starz common stock, $.01 par value. Authorized 4,000,000,000 shares; issued and outstanding 49,130,652 shares at December 31, 2010 and 49,673,954 shares at December 31, 2009	—	—
Series B Liberty Starz common stock, $.01 par value. Authorized 150,000,000 shares; issued and outstanding 2,917,815 shares at December 31, 2010 and 2,365,545 shares at December 31, 2009	—	—
Series A Liberty Interactive common stock, $.01 par value. Authorized 4,000,000,000 shares; issued and outstanding 570,731,067 shares at December 31, 2010 and 567,044,845 shares at December 31, 2009	6	6
Series B Liberty Interactive common stock, $.01 par value. Authorized 150,000,000 shares; issued and outstanding 29,059,016 shares at December 31, 2010 and 29,276,689 shares at December 31, 2009	—	—
Additional paid-in capital	8,338	8,900
Accumulated other comprehensive earnings, net of taxes (note 17)	226	352
Retained earnings (deficit)	2,742	850
Total stockholders' equity	11,313	10,109
Noncontrolling interests in equity of subsidiaries	129	129
Total equity	11,442	10,238
Commitments and contingencies (note 19)		
Total liabilities and equity	$26,600	28,631

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2010, 2009 and 2008

	2010	2009	2008
	amounts in millions, except per share amounts		
Revenue:			
Net retail sales	$ 8,932	8,305	8,079
Communications and programming services	2,050	1,853	1,738
	10,982	10,158	9,817
Operating costs and expenses:			
Cost of sales	5,705	5,332	5,224
Operating	2,083	1,923	1,945
Selling, general and administrative, including stock-based compensation (note 15)	1,274	1,178	1,149
Depreciation	185	189	191
Amortization	476	477	497
Legal settlement	(48)	—	—
Impairment of long-lived assets (note 10)	4	9	1,569
	9,679	9,108	10,575
Operating income (loss)	1,303	1,050	(758)
Other income (expense):			
Interest expense	(647)	(628)	(667)
Dividend and interest income	92	125	174
Share of earnings (losses) of affiliates, net (note 8)	50	(58)	(1,263)
Realized and unrealized gains (losses) on financial instruments, net (note 9)	232	(155)	(260)
Gains on dispositions, net (notes 7 and 8)	569	284	15
Other than temporary declines in fair value of investments (note 7)	—	(9)	(441)
Gain (loss) on early extinguishment of debt	(39)	(11)	240
Other, net	(2)	23	(71)
	255	(429)	(2,273)
Earnings (loss) from continuing operations before income taxes	1,558	621	(3,031)
Income tax benefit (note 12)	379	16	742
Earnings (loss) from continuing operations	1,937	637	(2,289)
Earnings from discontinued operations, net of taxes (note 5)	—	5,864	5,812
Net earnings	1,937	6,501	3,523
Less net earnings attributable to the noncontrolling interests	45	39	44
Net earnings attributable to Liberty Media Corporation stockholders	$ 1,892	6,462	3,479
Net earnings (loss) attributable to Liberty Media Corporation stockholders:			
Liberty Capital common stock	$ 815	127	(526)
Liberty Starz common stock	206	6,077	(616)
Liberty Interactive common stock	871	258	(781)
Old Liberty Capital common stock	—	—	5,402
	$ 1,892	6,462	3,479

(continued)

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)

Years ended December 31, 2010, 2009 and 2008

	2010	2009	2008
	amounts in millions, except per share amounts		
Basic earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share (note 3):			
Series A and Series B Liberty Capital common stock	$ 9.06	1.32	(4.65)
Series A and Series B Liberty Starz common stock	$ 4.12	.46	(1.87)
Series A and Series B Liberty Interactive common stock	$ 1.46	.43	(1.31)
Old Series A and Series B Liberty Capital common stock	$ —	—	(.46)
Diluted earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share (note 3):			
Series A and Series B Liberty Capital common stock	$ 8.76	1.31	(4.65)
Series A and Series B Liberty Starz common stock	$ 3.96	.46	(1.87)
Series A and Series B Liberty Interactive common stock	$ 1.44	.43	(1.31)
Old Series A and Series B Liberty Capital common stock	$ —	—	(.46)
Basic net earnings (loss) attributable to Liberty Media Corporation stockholders per common share (note 3):			
Series A and Series B Liberty Capital common stock	$ 9.06	1.32	(4.65)
Series A and Series B Liberty Starz common stock	$ 4.12	13.13	(1.19)
Series A and Series B Liberty Interactive common stock	$ 1.46	.43	(1.31)
Old Series A and Series B Liberty Capital common stock	$ —	—	41.88
Diluted net earnings (loss) attributable to Liberty Media Corporation stockholders per common share (note 3):			
Series A and Series B Liberty Capital common stock	$ 8.76	1.31	(4.65)
Series A and Series B Liberty Starz common stock	$ 3.96	13.04	(1.19)
Series A and Series B Liberty Interactive common stock	$ 1.44	.43	(1.31)
Old Series A and Series B Liberty Capital common stock	$ —	—	41.55

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
Years ended December 31, 2010, 2009 and 2008

	2010	2009	2008
	amounts in millions		
Net earnings	$1,937	6,501	3,523
Other comprehensive earnings (loss), net of taxes (note 17):			
Foreign currency translation adjustments	(37)	3	(19)
Unrealized holding gains (losses) arising during the period	79	230	(500)
Recognition of previously unrealized losses (gains) on available-for-sale securities, net	(219)	(27)	273
Share of other comprehensive earnings (loss) of equity affiliates	7	(5)	(10)
Other	59	43	(62)
Other comprehensive earnings (loss) from discontinued operations	—	31	(2,618)
Other comprehensive earnings (loss)	(111)	275	(2,936)
Comprehensive earnings	1,826	6,776	587
Less comprehensive earnings attributable to the noncontrolling interests	60	32	71
Comprehensive earnings attributable to Liberty Media Corporation stockholders	$1,766	6,744	516
Comprehensive earnings (loss) attributable to Liberty Media Corporation stockholders:			
Liberty Capital common stock	$ 834	167	(537)
Liberty Starz common stock	206	6,108	(649)
Liberty Interactive common stock	726	469	(1,114)
Old Liberty Capital common stock	—	—	2,816
	$1,766	6,744	516

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2010, 2009 and 2008

	2010	2009	2008
	amounts in millions (see note)		
Cash flows from operating activities:			
Net earnings	$ 1,937	6,501	3,523
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Earnings from discontinued operations	—	(5,864)	(5,812)
Depreciation and amortization	661	666	688
Impairment of long-lived assets	4	9	1,569
Stock-based compensation	150	128	49
Cash payments for stock-based compensation	(224)	(11)	(24)
Noncash interest expense	90	97	8
Share of losses (earnings) of affiliates, net	(50)	58	1,263
Return on investments	21	—	—
Realized and unrealized losses (gains) on financial instruments, net	(232)	155	260
Gains on disposition of assets, net	(569)	(284)	(15)
Other than temporary declines in fair value of investments	—	9	441
Deferred income tax benefit	(820)	(158)	(997)
Other noncash charges (credits), net	211	75	(80)
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions:			
Current and other assets	209	19	(143)
Payables and other current liabilities	(11)	47	(88)
Net cash provided by operating activities	1,377	1,447	642
Cash flows from investing activities:			
Cash proceeds from dispositions	530	557	35
Proceeds from settlement of financial instruments	723	1,374	33
Cash received in exchange transactions	218	—	—
Cash paid for acquisitions, net of cash acquired	(33)	(4)	(77)
Investments in and loans to cost and equity investees	(406)	(750)	(591)
Repayment of loan by equity investee	200	634	—
Capital expended for property and equipment	(274)	(264)	(202)
Net sales (purchases) of short term and other marketable securities	(542)	69	(25)
Net decrease (increase) in restricted cash	(37)	54	383
Other investing activities, net	(28)	(16)	(58)
Net cash provided (used) by investing activities	351	1,654	(502)
Cash flows from financing activities:			
Borrowings of debt	3,106	3,338	3,031
Repayments of debt	(5,838)	(4,682)	(2,763)
Repurchases of Liberty common stock	(754)	(18)	(537)
Settlement of financial instruments	(63)	(149)	(346)
Premium proceeds from financial instruments	161	332	—
Distribution to noncontrolling interests, net	(66)	(57)	(17)
Other financing activities, net	56	56	7
Net cash used by financing activities	(3,398)	(1,180)	(625)
Effect of foreign currency exchange rates on cash	14	(25)	17
Net cash provided by (to) discontinued operations:			
Cash provided (used) by operating activities	—	(5)	2
Cash used by investing activities	—	(15)	(1,464)
Cash provided by financing activities	—	—	1,930
Change in available cash held by discontinued operations	—	(101)	(68)
Net cash provided by (to) discontinued operations	—	(121)	400
Net increase (decrease) in cash and cash equivalents	(1,656)	1,775	(68)
Cash and cash equivalents at beginning of year	4,835	3,060	3,128
Cash and cash equivalents at end of year	$ 3,179	4,835	3,060

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

Years ended December 31, 2010, 2009 and 2008

	Stockholders' Equity												Noncontrolling interests in equity of subsidiaries	Total equity
		Common stock												
	Preferred stock	Liberty Capital		Liberty Starz		Liberty Interactive		Old Liberty Capital		Additional paid-in capital	Accumulated other comprehensive earnings	Retained earnings (deficit)		
		Series A	Series B	Series A	Series B	Series A	Series B	Series A	Series B					
	amounts in millions													
Balance at January 1, 2008	$—	—	—	—	—	6	—	1	—	25,637	4,073	(10,131)	866	20,452
Net earnings	—	—	—	—	—	—	—	—	—	—	—	3,479	44	3,523
Other comprehensive earnings (loss)	—	—	—	—	—	—	—	—	—	—	(2,963)	—	27	(2,936)
Cumulative effects of accounting changes (note 3)	—	—	—	—	—	—	—	—	—	—	(1,040)	1,040	—	—
Distribution of Liberty Entertainment and Liberty Capital common stock to stockholders (note 2)	—	1	—	5	—	—	—	(1)	—	(5)	—	—	—	—
Stock compensation	—	—	—	—	—	—	—	—	—	35	—	—	—	35
Series A Liberty Interactive stock repurchases	—	—	—	—	—	—	—	—	—	(75)	—	—	—	(75)
Series A Liberty Capital stock repurchases	—	—	—	—	—	—	—	—	—	(462)	—	—	—	(462)
Unwind of special purpose entity	—	—	—	—	—	—	—	—	—	—	—	—	(750)	(750)
Liberty purchase of noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—	—	(11)	(11)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	(21)	(21)
Other	—	—	—	—	—	—	—	—	—	2	—	—	—	2
Balance at December 31, 2008	—	1	—	5	—	6	—	—	—	25,132	70	(5,612)	155	19,757
Net earnings	—	—	—	—	—	—	—	—	—	—	—	6,462	39	6,501
Other comprehensive earnings (loss)	—	—	—	—	—	—	—	—	—	—	282	—	(7)	275
Split Off of Liberty Entertainment, Inc. (note 2)	—	—	—	(5)	—	—	—	—	—	(16,481)	—	—	—	(16,486)
Stock compensation	—	—	—	—	—	—	—	—	—	158	—	—	—	158
Stock issued upon exercise of stock options	—	—	—	—	—	—	—	—	—	117	—	—	—	117
Series A Liberty Starz stock repurchases	—	—	—	—	—	—	—	—	—	(13)	—	—	—	(13)
Series A Liberty Capital stock repurchases	—	—	—	—	—	—	—	—	—	(5)	—	—	—	(5)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	(59)	(59)
Other	—	—	—	—	—	—	—	—	—	(8)	—	—	1	(7)
Balance at December 31, 2009	—	1	—	—	—	6	—	—	—	8,900	352	850	129	10,238
Net earnings	—	—	—	—	—	—	—	—	—	—	—	1,892	45	1,937
Other comprehensive earnings (loss)	—	—	—	—	—	—	—	—	—	—	(126)	—	15	(111)
Stock compensation	—	—	—	—	—	—	—	—	—	148	—	—	—	148
Stock issued upon exercise of stock options	—	—	—	—	—	—	—	—	—	34	—	—	—	34
Series A Liberty Starz stock repurchases	—	—	—	—	—	—	—	—	—	(40)	—	—	—	(40)
Series A Liberty Capital stock repurchases	—	—	—	—	—	—	—	—	—	(714)	—	—	—	(714)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	(64)	(64)
Other	—	—	—	—	—	—	—	—	—	10	—	—	4	14
Balance at December 31, 2010	$—	1	—	—	—	6	—	—	—	8,338	226	2,742	129	11,442

See accompanying notes to consolidated financial statements.

(1) Basis of Presentation

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

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

(2) Tracking Stocks

Prior to March 3, 2008, Liberty had two tracking stocks, Liberty Interactive common stock and Liberty Capital common stock, which were intended to track and reflect the economic performance of one of two groups, the Interactive Group and the Capital Group, respectively.

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

As more fully described in note 5, on November 19, 2009, Liberty completed its split-off (the "LEI Split-Off") of its wholly owned subsidiary, Liberty Entertainment, Inc. ("LEI"), and the business combination transaction among Liberty, LEI and The DIRECTV Group, Inc. ("DIRECTV") (the "DTV Business Combination"). The LEI Split-Off was accomplished by a redemption (the "Redemption") of 90% of the outstanding shares of Liberty Entertainment common stock in exchange for all of the outstanding shares of common stock of LEI, pursuant to which, 0.9 of each outstanding share of Liberty Entertainment common stock was redeemed for 0.9 of a share of the corresponding series of common stock of LEI, with payment of cash in lieu of any fractional shares. Subsequent to the Redemption, Liberty redesignated the Entertainment Group as the Starz Group.

During the second quarter of 2010, Liberty announced that its board of directors had authorized its management to proceed with a plan to separate its Liberty Capital and Liberty Starz tracking stock groups from its Liberty Interactive tracking stock group.

The proposed split-off will be effected by the redemption of all the outstanding shares of Liberty Capital tracking stock and Liberty Starz tracking stock in exchange for shares in a newly formed company ("Splitco"). Splitco will hold all the assets and be subject to all the liabilities currently attributed to the Liberty Capital and Liberty Starz tracking stock groups, other than approximately $264 million of cash, exchangeable debt in the principal amount of $1.1 billion and the stock into which such debt is exchangeable which were reattributed from Liberty Capital to Liberty Interactive on February 9, 2011. The common stock of Splitco will be divided into two tracking stock groups, one tracking assets that are attributed to the Liberty Capital group ("Splitco Capital") and the other tracking assets that are attributed to the Liberty Starz group ("Splitco Starz"). In the redemption, holders of Liberty Capital tracking stock will receive shares of Splitco Capital tracking stock and holders of Liberty Starz tracking stock will receive shares of Splitco Starz tracking stock. After the redemption, Splitco and Liberty will be separate public companies.

The proposed split-off is intended to be tax-free to stockholders of Liberty and its completion will be subject to various conditions including the receipt of IRS private letter rulings, the opinions of tax counsel and required governmental approvals. The redemption that is necessary to effect the proposed split-off will require the affirmative vote of (i) a majority of the voting power of the outstanding shares of Liberty Capital tracking stock and (ii) a majority of the voting power of the outstanding shares of Liberty Starz tracking stock, in each case, present and voting at a meeting called to consider the redemption. On August 6, 2010, Liberty announced that it had filed suit in the Delaware Court of Chancery against the trustee under the indenture governing the public indebtedness issued by the Company's subsidiary, Liberty Media LLC. The lawsuit was filed in response to allegations made by a law firm purporting to represent a holder with a large position in this public indebtedness. The lawsuit seeks a declaratory judgment by the court that the proposed split-off will not constitute a disposition of "all or substantially all" of the assets of Liberty Media LLC, as those terms are used in the indenture, as well as related injunctive relief. Resolution of the subject matter of this lawsuit is a condition to Liberty completing the proposed split-off. Subject to the satisfaction of the conditions described above, Liberty intends to complete the proposed split-off in the first half of 2011.

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

The term "Interactive Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities which Liberty has attributed to that group. As of December 31, 2010, the assets and businesses Liberty has attributed to the Interactive Group are those engaged in video and on-line commerce, and include its subsidiaries QVC, Inc. ("QVC"), Provide Commerce, Inc. ("Provide"), Backcountry.com, Inc. ("Backcountry"), Bodybuilding.com, LLC ("Bodybuilding") and Celebrate Interactive Holdings, Inc. ("Celebrate") and its interests in Expedia, Inc. ("Expedia"), HSN, Inc. ("HSN"), Interval Leisure Group, Inc. ("Interval") and Tree.com, Inc. ("Lending Tree"). In addition, Liberty has attributed $3,075 million principal amount (as of December 31, 2010) of its public debt to the Interactive Group. The Interactive Group will also include such other businesses, assets and liabilities that Liberty's board of directors may in the future determine to attribute to the Interactive Group, including such other businesses and assets as Liberty may acquire for the Interactive Group.

Similarly, the term "Starz Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities which Liberty has attributed to that group. The Starz Group focuses primarily on video programming and is comprised primarily of Starz, LLC ("Starz") and $878 million (as of December 31, 2010) of cash, including subsidiary cash. In addition, as discussed below, as of September 30, 2010 Starz, LLC includes the results of Starz Media, LLC ("Starz Media") which has been reattributed to the Starz Group. The Starz Group will also include such other businesses, assets and liabilities that Liberty's board of directors may in the future determine to attribute to the Starz Group, including such other businesses as Liberty may acquire for the Starz Group.

The term "Capital Group" also does not represent a separate legal entity, rather it represents all of Liberty's businesses, assets and liabilities other than those which have been attributed to the Interactive Group or the Starz Group. The assets and businesses attributed to the Capital Group include Liberty's subsidiaries: Starz Media through September 30, 2010, Atlanta National League Baseball Club, Inc. ("ANLBC") and TruePosition, Inc. ("TruePosition"); and its interests in Sirius XM Radio Inc. ("SIRIUS XM"), Live Nation Entertainment, Inc. ("Live Nation"), Time Warner Inc., Time Warner Cable Inc. and Sprint Nextel Corporation. In addition, Liberty has attributed $1,212 million of cash, including subsidiary cash, and $1,888 million principal amount (as of December 31, 2010) of its exchangeable senior debentures and other parent debt to the Capital Group. The Capital Group will also include such other businesses, assets and liabilities that Liberty's board of directors may in the future determine to attribute to the Capital Group, including such other businesses and assets as Liberty may acquire for the Capital Group.

During the second quarter of 2009, each of the Starz Group and the Capital Group made intergroup loans to the Interactive Group in the amount of $250 million. These intergroup loans were partially repaid in 2009 and the remaining balance was repaid in the first quarter of 2010.

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

- the change in attribution from the Interactive Group to the Capital Group of Liberty's 14.6% ownership interest in Live Nation Entertainment, Inc.;
- the change in attribution from the Capital Group to the Interactive Group of the following debt securities:
  - $469 million in principal amount of 4% Exchangeable Senior Debentures due 2029 (the "2029 Exchangeables");
  - $460 million in principal amount of 3.75% Exchangeable Senior Debentures due 2030 (the "2030 Exchangeables"); and
  - $492 million in principal amount of 3.5% Exchangeable Senior Debentures due 2031 (the "2031 Exchangeables", and together with the 2029 Exchangeables and the 2030 Exchangeables, the "Exchangeable Notes");
- the change in attribution from the Capital Group to the Interactive Group of approximately $830 million in net taxable income to be recognized ratably in tax years 2014 through 2018 as a result of the cancellation in April 2009 of $400 million in principal amount of 2029 Exchangeables and $350 million in principal amount of 2030 Exchangeables; and
- the change in attribution from the Capital Group to the Interactive Group of $807 million in cash.

On September 16, 2010, Liberty Media's board of directors approved a change in attribution of Liberty Media's interest in Starz Media, LLC along with $15 million in cash from its Capital Group to its Starz Group, effective September 30, 2010 (the "Starz Media Reattribution"). As a result of the Starz Media Reattribution, an intergroup payable of approximately $54.9 million owed by Liberty Media's Capital Group to its Starz Group was extinguished, and the Starz Group became attributed with approximately $53.7 million in bank debt, interest rate swaps and any shutdown costs associated with the winding down of the Overture Films business. Notwithstanding the Starz Media Reattribution, the board determined that certain tax benefits relating to the operation of the Starz Media, LLC business by Liberty Media's Capital Group that may be realized from any future sale or other disposition of that business by Liberty Media's Starz Group will remain attributed to its Capital Group.

On February 9, 2011, Liberty Media's board approved a change in attribution of $1,138 million of the 3.125% Exchangeable Senior Debentures due 2023, the stock into which such debt is exchangeable and cash of $264 million from the Capital Group to the Interactive Group (the "TWX Reattribution").

Liberty reflected these reattributions prospectively in the unaudited attributed financial information. These changes in attribution have no effect on the balance sheet and results of operations of Liberty on a consolidated basis.

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

(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 $99 million and $116 million at December 31, 2010 and 2009, respectively. A summary of activity in the allowance for doubtful accounts is as follows:

	Balance beginning of year	Additions: Charged to expense	Additions: Acquisitions	Deductions-write-offs	Balance end of year
	amounts in millions				
2010	$116	79	—	(96)	99
2009	$104	81	—	(69)	116
2008	$ 80	66	1	(43)	104

Inventory

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

Program Rights

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

Investment in Films and Television Programs

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

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

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

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

Investments

All marketable equity and debt securities held by the Company are classified as available-for-sale ("AFS") and are carried at fair value generally based on quoted market prices. Effective January 1, 2008, U.S. generally accepted accounting principles ("GAAP") permit entities to choose to measure many financial instruments, such as AFS securities, and certain other items at fair value and to recognize the changes in fair value of such instruments in the entity's statement of operations (the "fair value option"). Previously under GAAP, entities were required to recognize changes in fair value of AFS securities in the balance sheet in accumulated other comprehensive earnings. Liberty has entered into economic hedges for certain of its non-strategic AFS securities (although such instruments are not accounted for as fair value hedges by the Company). Changes in the fair value of these economic hedges are reflected in Liberty's statement of operations as unrealized gains (losses). In order to better match the changes in fair value of the subject AFS securities and the changes in fair value of the corresponding economic hedges in the Company's financial statements, Liberty has elected the fair value option for those of its AFS securities which it considers to be non-strategic ("Non-strategic

Securities"). Accordingly, changes in the fair value of Non-strategic Securities, as determined by quoted market prices, are reported in realized and unrealized gain (losses) on financial instruments in the accompanying December 31, 2010 and 2009 consolidated statement of operations. The amount of unrealized gains related to the Non-strategic Securities and included in accumulated other comprehensive earnings in the Company's balance sheet as of January 1, 2008 aggregated $1,040 million and was reclassified to accumulated deficit. The total value of AFS securities for which the Company has elected the fair value option aggregated $3,768 million and $3,063 million as of December 31, 2010 and 2009, respectively.

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

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

Prior to January 1, 2009, changes in the Company's proportionate share of the underlying equity of an equity method investee, which resulted from the issuance of additional equity securities by such equity investee ("SAB 51 Gain"), were recognized in equity. Subsequent to January 1, 2009, such changes are recognized in earnings.

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

Derivative Instruments and Hedging Activities

All of the Company's derivatives, whether designated in hedging relationships or not, are recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive earnings and are recognized in the statement of operations when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. If the derivative is not designated as a hedge, changes in the fair value of the derivative are recognized in earnings. The Company has entered into several interest rate swap agreements to mitigate the cash flow risk associated with interest payments related to certain of its variable rate debt. Through November 2008, certain of these interest rate swap arrangements were designated as cash flow hedges. The Company assessed the effectiveness of its interest rate swaps using the hypothetical derivative method. In December 2008, the interest rate swaps were determined to be ineffective due to changes in the interest rates on the underlying debt and no longer qualify as cash flow hedges. None of the Company's derivatives are currently designated as hedges.

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

Property and Equipment

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

Intangible Assets

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

The Company performs an annual assessment of whether there is an indication that goodwill is impaired. In performing this assessment, the Company compares the estimated fair value of a reporting unit to its carrying value, including goodwill (the "Step 1 Test"). Developing estimates of fair value requires significant judgments, including making assumptions about appropriate discount rates, perpetual growth rates, relevant comparable market multiples, public trading prices and the amount and timing of expected future cash flows. The cash flows employed in Liberty's valuation analysis are based on management's best estimates considering current marketplace factors and risks as well as assumptions of growth rates in future years. There is no assurance that actual results in the future will approximate these forecasts. For those reporting units whose carrying value exceeds the fair value, a second test is required to measure the impairment loss (the "Step 2 Test"). In the Step 2 Test, the fair value of the reporting unit is allocated to all of the assets and liabilities of the reporting unit with any residual value being allocated to goodwill. The difference between such allocated amount and the carrying value of the goodwill is recorded as an impairment charge.

Impairment of Long-lived Assets

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

Noncontrolling Interests

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

Foreign Currency Translation

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

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

Revenue Recognition

Revenue is recognized as follows:

- Revenue from retail sales is recognized at the time of delivery to customers. An allowance for returned merchandise is provided as a percentage of sales based on historical experience. The total reduction in sales due to returns for the years ended December 31, 2010, 2009 and 2008 aggregated $1,792 million, $1,656 million and $1,787 million, respectively. Sales tax collected from customers on retail sales is recorded on a net basis and is not included in revenue.
- Programming revenue is recognized in the period during which programming is provided, pursuant to affiliation agreements.
- Certain subsidiaries of the Company earn revenue from the sale and licensing of equipment with embedded software and related service and maintenance. For multiple element contracts with vendor specific objective evidence, the Company recognizes revenue for each specific element when the earnings process is complete. If vendor specific objective evidence does not exist, revenue is deferred and recognized on a straight-line basis over the remaining term of the maintenance period after all other elements have been delivered.
- Revenue from the theatrical release of feature films is recognized at the time of exhibition based on the Company's participation in box office receipts. Revenue from the sale of DVDs is recognized net of an allowance for estimated returns, on the later of estimated receipt of the product by the customer or after any restrictions on the sale lapse. Revenue from television licensing is recognized when the film or program is complete in accordance with the terms of the arrangement, the license period has begun and is available for telecast or exploitation.

Cost of Sales

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

Advertising Costs

Advertising costs generally are expensed as incurred. Advertising expense aggregated $350 million, $363 million and $377 million for the years ended December 31, 2010, 2009 and 2008, respectively. Co-operative marketing costs incurred as part of affiliation agreements with distributors are recognized as advertising expense to the extent an identifiable benefit is received and fair value of the benefit can be reasonably measured. Otherwise, such costs are recorded as a reduction of revenue.

Stock-Based Compensation

As more fully described in note 15, the Company has granted to its directors, employees and employees of its subsidiaries options and stock appreciation rights ("SARs") to purchase shares of

Liberty common stock (collectively, "Awards"). The Company measures the cost of employee services received in exchange for an Award of equity instruments (such as stock options and restricted stock) based on the grant-date fair value of the Award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award). The Company measures the cost of employee services received in exchange for an Award of liability instruments (such as stock appreciation rights that will be settled in cash) based on the current fair value of the Award, and remeasures the fair value of the Award at each reporting date.

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

Years ended:	
December 31, 2010	$150
December 31, 2009	$128
December 31, 2008	$ 49

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

As of December 31, 2010, the total unrecognized compensation cost related to unvested Liberty equity Awards was approximately $191 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.5 years.

Income Taxes

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

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

Earnings Attributable to Liberty Media Corporation Stockholders and Earnings (Loss) Per Common Share

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

	Years ended December 31,		
	2010	2009	2008
	amounts in millions		
Earnings (loss) from continuing operations	$1,892	598	(2,333)
Earnings from discontinued operations	—	5,864	5,812
Net earnings	$1,892	6,462	3,479

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

Old Series A and Series B Liberty Capital Common Stock

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

Series A and Series B Liberty Interactive Common Stock

Liberty Interactive basic EPS for the years ended December 31, 2010, 2009 and 2008 was computed by dividing the net earnings attributable to the Interactive Group by the weighted average outstanding shares of Liberty Interactive common stock for the period (596 million, 594 million and 594 million, respectively). Fully diluted EPS for the years ended December 31, 2010 include 9 million common stock equivalents. Due to the relative insignificance of the dilutive securities for the years ended December 31, 2009 and 2008, their inclusion does not impact the EPS amount. Excluded from diluted EPS for the year ended December 31, 2010 are approximately 21 million potential common shares because their inclusion would be anti-dilutive.

Series A and Series B Liberty Starz Common Stock

Liberty Starz basic EPS for the year ended December 31, 2010 and 2009 and for the period from the Reclassification to December 31, 2008 was computed by dividing the net earnings attributable to the Starz Group by the weighted average outstanding shares of Liberty Starz common stock for the period (50 million, 463 million and 517 million, respectively). Fully diluted EPS for the year ended December 31, 2010 includes 2 million common stock equivalents, respectively. Fully diluted EPS for the years ended December 31, 2009 and 2008 include 3 million common stock equivalents. Excluded from diluted EPS for the year ended December 31, 2010 are less than 1 million potential common shares because their inclusion would be anti-dilutive.

Series A and Series B Liberty Capital Common Stock

Liberty Capital basic and fully diluted EPS for the year ended December 31, 2010 and 2009 and for the period from the Reclassification to December 31, 2008 was computed by dividing the net earnings attributable to the Capital Group by the weighted average outstanding shares of Liberty Capital common stock for the period (90 million, 96 million and 113 million, respectively). Fully diluted EPS for the years ended December 31, 2010 and 2009 includes 3 million and 1 million common stock equivalents, respectively. Due to the relative insignificance of the dilutive securities for the period from the Reclassification to December 31, 2008, their inclusion does not impact the EPS amount. Excluded from diluted EPS for the year ended December 31, 2010 are less than 1 million potential common shares because their inclusion would be anti-dilutive.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Liberty considers (i) fair value measurements, (ii) accounting for income taxes, (iii) assessments of other-than-temporary declines in fair value of its investments and (iv) estimates of retail-related adjustments and allowances to be its most significant estimates.

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

Recent Accounting Pronouncements

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

Liberty does not believe the impact of these changes will be material upon the initial adoption of the provisions as we have decided to adopt the new revenue recognition rules on a prospective basis. In February of 2011 a wholly owned subsidiary, TruePosition, Inc., signed an amended contract that materially changed the terms of the existing AT&T contract. Due to the transition provisions of the new revenue recognition rules a contract that is materially modified is subject to the new accounting standard. Therefore, the Company is currently analyzing the impacts of the material modification and believe that recognition of a significant portion of deferred revenue and deferred cost associated with that contract may be required in the first quarter of 2011, under the new provisions. As of December 31, 2010, deferred revenue and deferred cost under the AT&T arrangement were $576 million and $168 million, respectively.

(4) Supplemental Disclosures to Consolidated Statements of Cash Flows

	Years ended December 31,		
	2010	2009	2008
	amounts in millions		
Cash paid for acquisitions:			
Fair value of assets acquired	$ 39	3	89
Net liabilities assumed	(1)	—	(29)
Deferred tax liabilities	(5)	—	17
Noncontrolling interest	—	1	—
Common stock issued	—	—	—
Cash paid for acquisitions, net of cash acquired	$ 33	4	77
Available-for-sale securities exchanged for consolidated subsidiaries	$368	—	—
Cash paid for interest	$542	517	659
Cash paid for income taxes	$461	204	374

(5) Discontinued Operations

Split Off of LEI

On February 27, 2008, Liberty completed a transaction with News Corporation (the "News Corporation Exchange") in which Liberty exchanged all of its 512.6 million shares of News Corporation common stock valued at $10,143 million on the closing date for a subsidiary of News Corporation that held an approximate 41% interest in DIRECTV, three regional sports television networks and $463 million in cash. Liberty accounted for the News Corporation Exchange as a nonmonetary exchange and recognized a pre-tax gain of $3,665 million based on the difference between the fair value and the cost basis of the News Corporation shares exchanged. The News Corporation Exchange qualified as an IRC Section 355 transaction, and therefore did not trigger federal or state income tax obligations. In addition, upon consummation of such transaction, the deferred tax liability previously recorded for the difference between Liberty's book and tax bases in its News Corporation investment in the amount of $1,791 million was reversed with an offset to income tax benefit.

On April 3, 2008, Liberty purchased 78.3 million additional shares of DIRECTV common stock in a private transaction for cash consideration of $1.98 billion. Liberty funded the purchase with borrowings against a newly executed equity collar on 110 million DIRECTV common shares. As of May 5, 2008, Liberty's ownership in DIRECTV was approximately 48%. As a result of stock repurchases by DIRECTV, Liberty's ownership interest in DIRECTV increased to approximately 57% as of November 19, 2009. However, due to a standstill agreement with DIRECTV, Liberty's ability to control DIRECTV was limited, and Liberty accounted for its investment using the equity method of accounting. Liberty's share of the earnings of DIRECTV, including amortization of Liberty's excess basis related to DIRECTV, aggregated $386 million and $404 million in 2009 and 2008, respectively. Such share of earnings are net of amortization of Liberty's excess basis of $279 million and $224 million in 2009 and 2008, respectively.

Summarized unaudited financial information for DIRECTV is as follows:

DIRECTV Consolidated Balance Sheets

	December 31, 2009
	amounts in millions
Current assets	$ 5,055
Satellites, net	2,338
Property and equipment, net	4,138
Goodwill	4,164
Intangible assets	1,131
Other assets	1,434
Total assets	$18,260
Current liabilities	$ 5,701
Deferred income taxes	1,070
Long-term debt	6,500
Other liabilities	1,678
Noncontrolling interest	400
Stockholders' equity	2,911
Total liabilities and equity	$18,260

DIRECTV Consolidated Statements of Operations

	Year ended December 31,	
	2009	2008
	amounts in millions	
Revenue	$ 21,565	19,693
Costs of revenue	(10,930)	(9,948)
Selling, general and administrative expenses	(5,322)	(4,730)
Depreciation and amortization	(2,640)	(2,320)
Operating income	2,673	2,695
Interest expense	(423)	(360)
DTV Business Combination	(491)	—
Other income, net	75	136
Income tax expense	(827)	(864)
Income from continuing operations	1,007	1,607
Income from discontinued operations	—	6
Net income	1,007	1,613
Less: Net income attributable to noncontrolling interest	65	92
Net income attributable to DIRECTV	$ 942	1,521

On November 19, 2009, Liberty completed the LEI Split-Off of LEI, and the business combination transaction among Liberty, LEI and DIRECTV. LEI held Liberty's 57% interest in DIRECTV (which had a carrying value of $13,475 million at the time of the LEI Split-Off), 100% interest in Liberty Sports Holdings, LLC, 65% interest in Game Show Network, LLC and approximately $120 million in cash and cash equivalents, and approximately $2 billion of indebtedness. All of the businesses, assets and liabilities that were attributed to the Entertainment Group and were not held by LEI have remained with Liberty and continue to be attributed to the Entertainment Group, which Liberty redesignated as the Starz Group.

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

Because the LEI Split-Off was conditioned on, among other matters, satisfaction and waiver of all conditions to the DTV Business Combination, the LEI Split-Off and the DTV Business Combination have been recorded at fair value, and Liberty recognized an approximate $5.9 billion gain on the transaction. Such gain is included in earnings from discontinued operations in the accompanying consolidated statement of operations. Due to the tax-free nature of the LEI Split-Off and the DTV Business Combination, no taxes have been recorded on the gain for financial statement purposes.

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

	Years ended December 31, 2009	Years ended December 31, 2008
	amounts in millions	
Revenue	$ 240	267
Earnings before income taxes(1)	$5,770	4,274

(1) Includes the gain from the News Corporation Exchange in 2008 and the gain from the LEI Split-Off/DTV Business Combination in 2009.

(6) Assets and Liabilities Measured at Fair Value

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

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

		Fair Value Measurements at December 31, 2010 Using		
Description	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		amounts in millions		
Available-for-sale securities	$4,541	4,165	376	—
Financial instrument liabilities	$1,358	1,219	139	—
Debt	$2,506	—	2,506	—

The majority of the Company's Level 2 financial assets and liabilities are debt instruments with quoted market prices which are not considered to be traded on "active markets," as defined in GAAP. Accordingly, the financial instruments are reported in the foregoing table as Level 2 fair value.

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

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

	December 31, 2010	December 31, 2009
	amounts in millions	
Capital Group		
Time Warner Inc. ("Time Warner")(1)	$1,101	997
Time Warner Cable Inc. ("Time Warner Cable")(1)	567	356
Sprint Nextel Corporation ("Sprint")(1)	301	260
Motorola, Inc. ("Motorola")(1)	471	403
Live Nation	389	—
Viacom, Inc.	301	226
CenturyLink, Inc. ("CenturyLink")(1)	248	195
Other AFS equity securities(1)	308	220
SIRIUS XM debt securities	384	300
Other AFS debt securities	404	376
Other cost investments and related receivables	9	22
Total attributed Capital Group	4,483	3,355
Interactive Group		
IAC/InterActiveCorp ("IAC")	—	492
Other(2)	1	242
Total attributed Interactive Group	1	734
Starz Group		
Other	67	31
Total attributed Starz Group	67	31
Consolidated Liberty	$4,551	4,120

(1) Includes shares pledged as collateral for share borrowing arrangements. See note 9.

(2) QVC sold its ownership interest in GSI Commerce for aggregate cash proceeds of $220 million. QVC recognized a $105 million gain on the sale.

Time Warner

In March 2009, Time Warner Inc. completed the separation of Time Warner Cable from Time Warner Inc. by way of a dividend to Time Warner Inc. shareholders, including Liberty. Liberty received 8.6 million shares of Time Warner Cable and recorded its investment in Time Warner Cable based on an allocation of its basis in Time Warner Inc. No gain or loss was recognized in connection with this transaction.

IAC/InterActiveCorp

In the first quarter of 2008, Liberty purchased additional shares of IAC common stock in a private transaction for cash consideration of $339 million.

During 2008 it was determined there was an other than temporary decline in value of IAC of $440 million.

On August 21, 2008, IAC completed the spin off of four separate subsidiaries, HSN, Inc., Interval Leisure Group, Inc., Ticketmaster Entertainment Inc. and Tree.com, Inc., to its stockholders, including Liberty. Subsequent to these spin offs Liberty held an approximate 30% ownership interest in each of these companies and accordingly, accounts for them using the equity method of accounting.

In the first quarter of 2010, Liberty sold approximately 3.7 million shares and physically settled a derivative by delivering 7.5 million shares of IAC for aggregate proceeds of $230 million. The combined gains on the disposition of these shares was $53 million.

During December of 2010 Liberty exchanged its remaining ownership interest in IAC for a subsidiary of IAC that owns Evite and Gifts.com and $218 million in cash. On a proforma historical basis, the results of operations of Evite and Gifts.com are not significant to those of Liberty. The exchange resulted in the recognition of $165 million of gain on disposition.

Live Nation

On January 25, 2010, Live Nation and Ticketmaster Entertainment, Inc. ("Ticketmaster") completed a merger transaction. Liberty owned approximately 29% of the outstanding common stock of Ticketmaster and received 1.474 shares of Live Nation for each share of Ticketmaster. As a result of the merger Liberty's ownership interest was approximately 15% in the combined entity and accounts for the new investment as an AFS security. Liberty recorded the transaction at fair value and recorded a $178 million gain. At the time of the merger the investment was attributed to the Interactive Group. As a result of the February Reattribution the Live Nation investment is attributed to the Capital Group. Additionally, during the year ended December 31, 2010 Liberty acquired an approximate 3% additional interest in Live Nation. Subsequent to December 31, 2010 Liberty acquired an additional 1% interest and agreed to purchase an additional 5.5 million in shares for $57.7 million subject to Live Nation shareholder approval and other customary closing conditions.

SIRIUS XM

During the first quarter of 2010, Liberty purchased an additional $150 million of SIRIUS XM 8.75% debt securities due April 15, 2015 at par. During the second quarter of 2010 SIRIUS XM repurchased and retired certain public bonds of which Liberty owned approximately $55 million of the principal amounts. During the fourth quarter SIRIUS XM repurchased and retired additional outstanding public bonds of which Liberty owned approximately $87 million in principal. Additionally, Liberty purchased $50 million of SIRIUS XM 7.625% debt securities due November 1, 2018 at par.

Unrealized Holdings Gains and Losses

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

	December 31, 2010		December 31, 2009	
	Equity securities	Debt securities	Equity securities	Debt securities
	amounts in millions			
Gross unrealized holding gains	$32	66	258	69

(8) 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, 2010 and the carrying amount at December 31, 2009:

	December 31, 2010		December 31, 2009
	Percentage ownership	Carrying amount	Carrying amount
		dollar amounts in millions	
Interactive Group			
Expedia	25%	$ 710	631
Other	various	239	264
Capital Group			
SIRIUS XM	40%	5	33
Other	various	86	102
Starz Group			
Other	various	—	—
		$1,040	1,030

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

	Years ended December 31,		
	2010	2009	2008
	amounts in millions		
Interactive Group			
Expedia	$103	72	(726)
Other	11	(86)	(466)
Capital Group			
SIRIUS XM	(41)	(28)	—
Other	(23)	(6)	(64)
Starz Group			
Other	—	(10)	(7)
	$ 50	(58)	(1,263)

Expedia

Our share of losses of Expedia for the year ended December 31, 2008 includes a $119 million other than temporary impairment charge. The market value of the Company's investment in Expedia was $1,737 million and $1,781 million at December 31, 2010 and 2009, respectively. Summarized unaudited financial information for Expedia is as follows:

Expedia Consolidated Balance Sheets

	December 31,	
	2010	2009
	amounts in millions	
Current assets	$1,702	1,225
Property and equipment	277	237
Goodwill	3,642	3,604
Intangible assets	798	823
Other assets	232	48
Total assets	$6,651	5,937
Current liabilities	$1,889	1,835
Deferred income taxes	248	224
Long-term debt	1,645	895
Other liabilities	132	233
Noncontrolling interest	64	67
Stockholders' equity	2,673	2,683
Total liabilities and equity	$6,651	5,937

Expedia Consolidated Statements of Operations

	Years ended December 31,		
	2010	2009	2008
	amounts in millions		
Revenue	$ 3,348	2,955	2,937
Cost of revenue	(693)	(607)	(639)
Gross profit	2,655	2,348	2,298
Selling, general and administrative expenses	(1,880)	(1,637)	(1,662)
Amortization	(37)	(38)	(69)
Impairment of long-lived assets and other	(6)	(102)	(2,996)
Operating income (loss)	732	571	(2,429)
Interest expense	(101)	(84)	(72)
Interest income	7	6	30
Other expense, net	(17)	(35)	(44)
Income tax expense	(195)	(154)	(6)
Net earnings (loss)	426	304	(2,521)
Net (earnings) loss attributable to noncontrolling interests	(4)	(4)	3
Net earnings (loss) attributable to Expedia, Inc.	$ 422	300	(2,518)

Spin Off Companies from IAC

As described in note 7, IAC completed the spin off of HSN, Interval, Ticketmaster and Tree.com (the "IAC Spin Off Companies") on August 21, 2008. Liberty received an approximate 30% ownership interest in each of the IAC Spin Off Companies. Liberty allocated its carrying value in IAC prior to the spin off among IAC and the IAC Spin Off Companies based on their relative fair values at the time of the spin off. Liberty received no super voting shares in and has no special voting arrangements with respect to any of the IAC Spin Off Companies (other than with respect to the election of directors), and therefore, accounts for its interests using the equity method of accounting. Liberty has elected to record its share of earnings/losses for each of the IAC Spin Off Companies on a three month lag due to timeliness considerations. Since the spin off occurred in the third quarter of 2008, Liberty recorded its initial share of income or losses for the IAC Spin Off Companies in the fourth quarter of 2008. Such net losses aggregated $464 million, including other than temporary impairment charges of $136 million, $242 million and $85 million related to the Company's investments in Interval, Ticketmaster and HSN, respectively.

During the first quarter of 2010, Ticketmaster completed a merger with a subsidiary of Live Nation, Inc., and Live Nation, Inc. was renamed Live Nation Entertainment, Inc. ("Live Nation"). Upon completion of the merger, Liberty held an approximate 15% ownership interest in Live Nation and upon the merger the investment in the new entity is now accounted for as an available-for-sale security.

Sirius XM Radio Inc.

During 2009, Liberty made equity contributions and loans to SIRIUS XM and made open market purchases of SIRIUS XM public debt. On February 17, 2009, Liberty and SIRIUS XM entered into a senior secured loan agreement (the "Senior Loan") whereby Liberty loaned SIRIUS XM $250 million and made a commitment to loan an additional $30 million to fund qualifying expenditures by SIRIUS XM (the "Purchase Money Commitment"). In exchange for making the Senior Loan, Liberty received a $30 million origination fee. Liberty accounted for the origination fee as a discount to the Senior Loan. On March 6, 2009, Liberty (i) purchased $100 million of a new senior loan facility of a subsidiary of SIRIUS XM ("Subsidiary Senior Loan"), (ii) purchased $61 million of bank debt of such subsidiary directly from the lending group and (iii) committed to make a loan of $150 million to such subsidiary in December 2009 ("Subsidiary Commitment"). In addition, Liberty received voting preferred stock of SIRIUS XM (the "SIRIUS XM Preferred Stock"), which has substantially the same rights and preferences as common shareholders of SIRIUS XM, for a cash payment of $12,500. The SIRIUS XM Preferred Stock is convertible into common stock equal to 40% of fully diluted equity.

Liberty allocated the total consideration paid for the Subsidiary Senior Loan, the Subsidiary Commitment and the SIRIUS XM Preferred Stock to each of the instruments based on the relative fair values of such instruments.

During the second and third quarters of 2009, SIRIUS XM issued new public bonds and used the net proceeds to repay all amounts outstanding under the Senior Loan and the Subsidiary Senior Loan; to replace the Subsidiary Commitment, which was terminated; and to refinance and repay other debt of SIRIUS XM. As Liberty's book basis in the Senior Loan, the Subsidiary Senior Loan and the Subsidiary Commitment were originally recorded at a discount, Liberty recognized an aggregate gain on the debt repayments and commitment cancellation of $85 million, after eliminating 40% of the gain related to Liberty's ownership in SIRIUS XM.

Based on Liberty's voting rights and its conclusion that the SIRIUS XM Preferred Stock is in-substance common stock, Liberty accounts for its investment in the SIRIUS XM Preferred Stock using the equity method of accounting. Liberty has elected to record its share of earnings/losses for SIRIUS XM on a three-month lag due to timeliness considerations. As of September 30, 2010 SIRIUS XM had total assets and liabilities of $7,232 million and $6,963 million, respectively. SIRIUS XM's net income attributable to common shareholders was $124 million for the nine months ended September 30, 2010.

When Liberty applied its initial equity method accounting on the SIRIUS XM investment, Liberty's basis in the investment was different than the underlying equity in the net assets of SIRIUS XM. As a result, Liberty established an excess basis account and allocated the differences to certain fair value adjustments to the outstanding debt (at the time of our initial investment) and certain intangible assets. Even though SIRIUS XM had net income during the current year the amortization of the excess basis resulted in Liberty recording share of losses. In the third quarter of 2010 these share of losses were accelerated as SIRIUS XM refinanced certain debt which had an associated discount recorded in Liberty's excess basis account. As SIRIUS XM repays certain debt issuances where Liberty has established debt discounts, the extinguishment typically results in a loss on the retirement of Liberty's excess basis account.

As of December 31, 2010, the SIRIUS XM Preferred Stock had a market value of $4,266 million based on the fair value of the common stock into which it is convertible.

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

(9) Financial Instruments

Equity Collars

In prior years the Company entered into equity collars and other financial instruments to manage market risk associated with its investments in certain marketable securities. These instruments were recorded at fair value based on option pricing models. Equity collars provide the Company with a put option that gives the Company the right to require the counterparty to purchase a specified number of shares of the underlying security at a specified price at a specified date in the future. Equity collars also provide the counterparty with a call option that gives the counterparty the right to purchase the same securities at a specified price at a specified date in the future. The put option and the call option generally have equal fair values at the time of origination resulting in no cash receipts or payments.

Borrowed Shares

From time to time and in connection with certain of its derivative instruments, Liberty borrows shares of the underlying securities from a counterparty and delivers these borrowed shares in settlement of maturing derivative positions. In these transactions, the same number of shares that are owned by Liberty, of the same company as the borrowed shares, have been posted as collateral with the counterparty. These share borrowing arrangements can be terminated at any time at Liberty's option by delivering shares to the counterparty. The counterparty can terminate these arrangements at any time. The liability under these share borrowing arrangements is marked to market each reporting period with changes in value recorded in unrealized gains or losses in the consolidated statement of operations. The shares posted as collateral under these arrangements are marked to market each reporting period with changes in value recorded as unrealized gains or losses in the consolidated statement of operations.

The Company's financial instruments are summarized as follows:

Type of financial instrument	December 31, 2010	December 31, 2009
	amounts in millions	
Assets		
Equity collars(1)	$ —	752
Liabilities		
Borrowed shares(1)	$ 1,219	851
Other	139	283
	1,358	1,134
Current portion	(1,264)	(1,002)
	$ 94	132

(1) Borrowed shares are as follows:

	December 31, 2010	December 31, 2009
	amounts in millions	
Time Warner	$ 97	88
Time Warner Cable	50	31
Sprint	221	125
Motorola	471	403
CenturyTel	165	84
Priceline	208	114
Other	7	6
	$1,219	851

Realized and Unrealized Gains (Losses) on Financial Instruments

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

	Years ended December 31,		
	2010	2009	2008
	amounts in millions		
Non-strategic Securities(1)	$ 669	1,074	(2,882)
Exchangeable senior debentures	(257)	(856)	1,509
Equity collars	(2)	(132)	870
Borrowed shares(1)	(254)	(301)	791
Other derivatives	76	60	(548)
	$ 232	(155)	(260)

(1) The unrealized gains (losses) on non-strategic securities for the years ended December 31, 2010, 2009 and 2008 included gains of $254 million, $301 million and losses of $791 million, respectively, related to securities pledged as collateral under the share borrowing arrangements.

(10) Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill are as follows:

	QVC	Starz, LLC	Other	Total
		amounts in millions		
Balance at January 1, 2009	$5,363	132	706	6,201
Impairment	—	—	(3)	(3)
Foreign currency translation adjustments	20	—	—	20
Other	12	—	(5)	7
Balance at December 31, 2009	5,395	132	698	6,225
Acquisitions(1)	—	—	116	116
Impairment	—	—	(2)	(2)
Foreign currency translation adjustments	(23)	—	—	(23)
Other	(9)	—	8	(1)
Balance at December 31, 2010	$5,363	132	820	6,315

As of December 31, 2010, the accumulated impairment losses for Starz, LLC was $2,960 million.

(1) During the third quarter of 2010 a subsidiary of Liberty acquired 100% of the equity of Personal Creations, a catalog and on-line gift retailer, for net cash consideration of $33 million. Additionally, in December of 2010 Liberty exchanged its ownership interest in IAC for a subsidiary of IAC that owns Evite and Gifts.com and $218 million in cash. Goodwill recorded associated with these acquisitions are subject to change pending the finalization of the purchase price allocation process.

Intangible Assets Subject to Amortization

Intangible assets subject to amortization are comprised of the following:

	December 31, 2010			December 31, 2009		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
			amounts in millions			
Distribution rights	$2,319	(1,237)	1,082	2,325	(1,069)	1,256
Customer relationships	2,680	(1,379)	1,301	2,650	(1,181)	1,469
Other	1,218	(842)	376	1,051	(749)	302
Total	$6,217	(3,458)	2,759	6,026	(2,999)	3,027

Distribution rights and customer relationships are amortized primarily over 14 years and 10-14 years, respectively. Amortization expense was $476 million, $477 million and $497 million for the years ended December 31, 2010, 2009 and 2008, respectively. Based on its amortizable intangible assets as of December 31, 2010, Liberty expects that amortization expense will be as follows for the next five years (amounts in millions):

2011	$499
2012	$456
2013	$424
2014	$362
2015	$357

(11) Long-Term Debt

Debt is summarized as follows:

	Outstanding principal December 31, 2010	Carrying value December 31, 2010	Carrying value December 31, 2009
	amounts in millions		
Capital Group			
Exchangeable senior debentures			
3.125% Exchangeable Senior Debentures due 2023	$1,138	1,283	1,157
4% Exchangeable Senior Debentures due 2029	—	—	243
3.75% Exchangeable Senior Debentures due 2030	—	—	237
3.5% Exchangeable Senior Debentures due 2031	—	—	297
Liberty bank facility	750	750	750
Liberty derivative loan	—	—	838
Subsidiary debt	—	—	131
Total attributed Capital Group debt	1,888	2,033	3,653
Interactive Group			
Senior notes and debentures			
5.7% Senior Notes due 2013	324	323	801
8.5% Senior Debentures due 2029	287	284	284
8.25% Senior Debentures due 2030	504	501	501
4% Exchangeable Senior Debentures due 2029	469	265	—
3.75% Exchangeable Senior Debentures due 2030	460	253	—
3.25% Exchangeable Senior Debentures due 2031	541	376	320
3.5% Exchangeable Senior Debentures due 2031	490	329	—
QVC 7.125% Senior Secured Notes due 2017	500	500	—
QVC 7.5% Senior Secured Notes due 2019	1,000	985	983
QVC 7.375% Senior Secured Notes due 2020	500	500	—
QVC bank credit facilities	785	785	2,996
Other debt	79	79	188
Total attributed Interactive Group debt	5,939	5,180	6,073
Starz Group			
Subsidiary debt	105	105	48
Total consolidated Liberty debt	$7,932	7,318	9,774
Current portion		(530)	(1,932)
Total long-term debt		$6,788	$ 7,842

Exchangeable Senior Debentures

As discussed in Note 2, effective February 25, 2010 the Board of Directors of Liberty reattributed the 4%, 3.75% and 3.5% Exchangeable Senior Debentures from the Liberty Capital Group to the Liberty Interactive Group, that reattribution was reflected on a prospective basis.

Additionally, as discussed in Note 2, in February of 2011 the 3.125% Exchangeable Senior Debentures were reattributed to the Liberty Interactive Group as Liberty Media LLC, the legal obligor on those debentures, will remain a subsidiary of Liberty.

Each $1,000 debenture of Liberty's 3.125% Exchangeable Senior Debentures is exchangeable at the holder's option for the value of 19.136 shares of Time Warner common stock, 4.8033 shares of Time Warner Cable common stock and 1.7396 shares of AOL Inc. common stock. Liberty may, at its election, pay the exchange value in cash, Time Warner, Time Warner Cable and AOL common stock, shares of Liberty common stock or a combination thereof. On or after April 5, 2013, Liberty, at its option, may redeem the debentures, in whole or in part, for cash equal to the face amount of the debentures plus accrued interest. On March 30, 2013 or March 30, 2018, each holder may cause Liberty to purchase its exchangeable debentures, and Liberty, at its election, may pay the purchase price in shares of Time Warner, Time Warner Cable and AOL common stock, cash, Liberty common stock, or any combination thereof.

Each $1,000 debenture of Liberty's 4% Exchangeable Senior Debentures is exchangeable at the holder's option for the value of 11.4743 shares of Sprint common stock and .786 shares of CenturyTel common stock. Liberty may, at its election, pay the exchange value in cash, Sprint and CenturyTel common stock or a combination thereof. Liberty, at its option, may redeem the debentures, in whole or in part, for cash generally equal to the face amount of the debentures plus accrued interest.

Each $1,000 debenture of Liberty's 3.75% Exchangeable Senior Debentures is exchangeable at the holder's option for the value of 8.3882 shares of Sprint common stock and .5746 shares of CenturyTel common stock. Liberty may, at its election, pay the exchange value in cash, Sprint and CenturyTel common stock or a combination thereof. Liberty, at its option, may redeem the debentures, in whole or in part, for cash equal to the face amount of the debentures plus accrued interest.

Each $1,000 debenture of Liberty's 3.5% Exchangeable Senior Debentures (the "Motorola Exchangeables") is exchangeable at the holder's option for the value of 5.2598 shares of Motorola Solutions, Inc. and 4.6024 shares of Motorola Mobility Holdings, Inc., as a result of Motorola Inc.'s separation of Motorola Mobility Holdings, Inc. ("MMI") in a 1 for 8 stock distribution, and the subsequent 1 for 7 reverse stock split of Motorola, Inc. (which has been renamed Motorola Solutions, Inc. ("MSI")), effective January 4, 2011. Such exchange value is payable, at Liberty's option, in cash, MMI and MSI stock or a combination thereof. Liberty, at its option, may redeem the debentures, in whole or in part, for cash generally equal to the adjusted principal amount of the debentures plus accrued interest. As a result of a cash distribution made by Liberty in 2007 and principal payments made to holders of the Motorola Exchangeables, the adjusted principal amount of each $1,000 debenture is $816.39, as of December 31, 2010.

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

Liberty has sold or otherwise disposed of a portion of its shares of Motorola and CBS common stock which underlie the Motorola Exchangeables and Viacom Exchangeables, respectively. Because such exchangeable debentures are exchangeable at the option of the holder at any time and Liberty can no longer use shares it owns to redeem the debentures, Liberty has classified for financial reporting purposes the portion of the debentures that would be redeemed for cash as a current liability. Such amount aggregated $451 million at December 31, 2010. Although such amount has been classified as a current liability for financial reporting purposes, the Company believes the probability that the holders of such instruments will exchange a significant principal amount of the debentures prior to maturity is remote.

During the second quarter of 2009, Liberty used cash for the voluntary early retirement of $750 million face amount of its Exchangeable Senior Debentures attributable to Liberty Capital. Liberty paid $187.5 million (of which $37.5 million was existing cash collateral) to retire $400 million face amount of its 4% Exchangeable Senior Debentures due 2029 and $350 million face amount of its 3.75% Exchangeable Senior Debentures due 2030. Liberty also terminated swap arrangements that reference the 4% and 3.75% Exchangeable Senior Debentures with no additional payment. The total cash used to retire the $750 million face amount of Exchangeable Senior Debentures and swaps referencing these Exchangeable Senior Debentures was $503 million, of which $315 million was paid to settle swap arrangements that were settled in November 2008.

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

Liberty Bank Facility

Represents borrowings from a financial institution to be invested by Liberty in a portfolio of selected debt and mezzanine-level instruments of companies in the telecommunications, media and technology sectors. Due to the investment restrictions contained in the agreements related to these borrowings, the uninvested cash balance of $503 million is included in other assets in the accompanying consolidated balance sheet at December 31, 2010. Borrowings accrue interest at LIBOR plus an applicable margin (0.54% at December 31, 2010).

Liberty Derivative Loan

During the first quarter of 2009, Liberty made additional net borrowings of $1,638 million against the present value of its Sprint derivatives. As the derivatives expired settlement proceeds were used to offset the outstanding debt. In the first quarter of 2010 the remaining Sprint derivatives expired and Liberty received cash proceeds of $750 million and repaid the remaining outstanding derivative loans.

Senior Notes and Debentures

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

During the second quarter of 2010, Liberty completed a cash tender offer for $410 million aggregate principal amount of the outstanding 5.7% Senior Notes due 2013. The total consideration payable under the tender offer was determined based on a modified "Dutch Auction" procedure and resulted in a purchase price of 103% of par value. In addition Liberty made open market purchases to retire another $69 million during the nine months ended September 30, 2010.

The Senior Notes and Senior Debentures are stated net of an aggregate unamortized discount of $7 million and $8 million at December 31, 2010 and 2009, respectively. Such discount is being amortized to interest expense in the accompanying consolidated statements of operations.

QVC 7.125% Senior Secured Notes due 2017

During the first quarter of 2010, QVC issued $500 million principal amount of 7.125% Senior Secured Notes due 2017 at par. QVC used the proceeds from such offering to retire certain outstanding term loans under QVC's Bank Credit Facilities that were to mature on various dates between 2010 and 2014.

QVC 7.5% Senior Secured Notes due 2019

During the third quarter of 2009, QVC issued $1.0 billion principal amount of 7.5% Senior Secured Notes due 2019 (the "QVC Notes") at an issue price of 98.278%. QVC used the net proceeds from such offering to fund the purchase and cancellation of outstanding term loans under QVC's senior secured credit facilities that mature in 2014.

QVC 7.375% Senior Secured Notes due 2020

During the first quarter of 2010, QVC issued $500 million principal amount of 7.375% Senior Secured Notes due 2020 at par. QVC used the proceeds from such offering to retire certain outstanding term loans under QVC's Bank Credit Facilities that were to mature on various dates between 2010 and 2014.

QVC Bank Credit Facilities

During the third quarter of 2010, QVC-US entered into a new credit agreement which provides for a $2 billion revolving credit facility, with a $250 million sub-limit for standby letters of credit. QVC may elect that the loans extended under the revolving credit agreement bear interest at a rate per annum equal to the ABR Rate or LIBOR, as each is defined in the credit agreement, plus a margin of 0.50% to 3.00% depending on various factors. The credit facility is a multi-currency facility and there is no prepayment penalty. The loans are scheduled to mature in September of 2015. The proceeds drawn under the new credit facility were used to repay outstanding indebtedness under the previous bank facilities which are no longer outstanding.

QVC was in compliance with all of its debt covenants at December 31, 2010.

QVC Interest Rate Swap Arrangements

QVC is party to ten separate interest rate swap arrangements with an aggregate notional amount of $2,200 million to manage the cash flow risk associated with interest payments on its variable rate debt. The swap arrangements provide for QVC to make fixed payments at rates ranging from 4.9575% to 5.2928% and to receive variable payments at 3 month LIBOR. All of the swap arrangements expire in March 2011. Until December 2008, QVC accounted for the swap arrangements as cash flow hedges with the effective portions of changes in the fair value reflected in other comprehensive earnings in the accompanying condensed consolidated balance sheet. In December 2008, QVC elected interest terms under its credit facilities that do not effectively match the terms of the swap arrangements. As a result, the swaps no longer qualify as cash flow hedges under GAAP. Accordingly, changes in the fair value of the swaps are now reflected in realized and unrealized gains or losses on financial instruments in the accompanying condensed consolidated statements of operations.

During the third quarter of 2009, QVC entered into seven new forward interest rate swap arrangements with an aggregate notional amount of $1.75 billion. Such arrangements provide for payments beginning in March 2011 and extending to March 2013. QVC will make fixed payments at rates ranging from 2.98% to 3.67% and receive variable payments at 3 month LIBOR. These swap arrangements are not accounted for as cash flow hedges.

Other Subsidiary Debt

Other subsidiary debt at December 31, 2010 is comprised of capitalized satellite transponder lease obligations and bank debt of certain subsidiaries.

Five Year Maturities

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

2011	$ 82
2012	$795
2013	$339
2014	$ 13
2015	$799

Fair Value of Debt

Liberty estimates the fair value of its debt based on the quoted market prices for the same or similar issues or on the current rate offered to Liberty for debt of the same remaining maturities. The fair value of Liberty's publicly traded debt securities that are not reported at fair value in the accompanying consolidated balance sheets is as follows:

	December 31, 2010	December 31, 2009
	amounts in millions	
Fixed rate senior notes	$ 334	774
Senior debentures	$ 788	722
QVC senior secured notes	$2,103	1,016

Due to its variable rate nature and the absence of significant change to Liberty's credit quality, Liberty believes that the carrying amount of its subsidiary debt and other parent debt, approximated fair value at December 31, 2010.

(12) Income Taxes

Income tax benefit (expense) consists of:

	Years ended December 31,		
	2010	2009	2008
	amounts in millions		
Current:			
Federal	$(323)	(19)	(143)
State and local	(2)	(36)	(18)
Foreign	(116)	(87)	(94)
	(441)	(142)	(255)
Deferred:			
Federal	729	108	858
State and local	77	47	129
Foreign	14	3	10
	820	158	997
Income tax benefit	$ 379	16	742

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,		
	2010	2009	2008
	amounts in millions		
Computed expected tax benefit (expense)	$(545)	(217)	1,061
Nontaxable exchange of investments for subsidiary	112	—	—
Disposition of consolidated subsidiaries	462	—	—
Settlements with taxing authorities	211	—	—
State and local income taxes, net of federal income taxes	48	(4)	70
Foreign taxes, net of foreign tax credits	47	(3)	35
Change in valuation allowance affecting tax expense	7	9	(5)
Impairment of goodwill not deductible for tax purposes	—	—	(462)
Nontaxable gains (losses) related to the Company's common stock	27	21	(64)
Recognition of tax benefits (expense) not previously recognized, net	5	201	75
Expenses not deductible for income tax purposes	(8)	(16)	—
Excess tax deductions over book expense	—	19	—
Other, net	13	6	32
Income tax benefit	$ 379	16	742

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

	December 31, 2010	December 31, 2009
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	$ 630	174
Accrued stock compensation	72	114
Other accrued liabilities	213	226
Deferred revenue	418	420
Other future deductible amounts	82	42
Deferred tax assets	1,415	976
Valuation allowance	(10)	(17)
Net deferred tax assets	1,405	959
Deferred tax liabilities:		
Investments	1,319	1,536
Intangible assets	1,824	2,021
Discount on exchangeable debentures	947	963
Deferred gain on debt retirements	321	321
Other	69	40
Deferred tax liabilities	4,480	4,881
Net deferred tax liabilities	$3,075	3,922

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

	December 31, 2010	December 31, 2009
	amounts in millions	
Current deferred tax liabilities	$ 864	1,247
Long-term deferred tax liabilities	2,211	2,675
Net deferred tax liabilities	$3,075	3,922

The Company's valuation allowance decreased $7 million in 2010 all of which affected tax expense.

At December 31, 2010, Liberty had net operating and capital loss carryforwards for income tax purposes aggregating approximately $1,447 million which, if not utilized to reduce taxable income in future periods, will expire as follows: 2011: $89 million; 2013: $1 million; 2015: $1,263 million and beyond 2015: $94 million. The foregoing net operating and capital loss carryforwards are subject to certain limitations and may not be currently utilized.

The significant change in deferred tax assets and one of the significant income tax benefits recognized in the fourth quarter of 2010 is the result of a sale of certain consolidated subsidiaries. In

2005 Liberty acquired all the equity in two corporations in tax-free reorganizations. For tax purposes, Liberty's outside tax basis in the shares of the corporations was approximately $1,323 million. Under relevant accounting literature Liberty recognized as a deferred tax asset only the tax basis of the assets held by the two corporations ("inside" tax basis). As of December 2010 this inside tax basis was significantly less than the tax basis in the stock of the subsidiaries. In December of 2010 Liberty sold all the stock in the two corporations and realized a capital loss of approximately $1,317 million which is being carried forward. For financial statement purposes this resulted in the recognition of a federal income tax benefit of $462 million based on the difference between the outside tax basis realized and the inside tax basis.

Additionally, in the fourth quarter Liberty recognized a net federal tax benefit of $211 million due to an agreement with the IRS with respect to certain disputed items reported on the Liberty 2009 tax return. In 2009, we settled various variable share forward sale contracts relating to Sprint and CenturyLink shares using borrowed shares. Upon entering into the contracts in 2001 Liberty received $177 million in proceeds and upon settlement of the contracts in 2009 Liberty received an additional $1,180 million in proceeds. The settlement was treated as an open transaction which resulted in the deferral of $1,203 million in gain for tax purposes. For financial statement purposes this resulted in the recognition of $421 million in federal income tax expense. In October of 2010 the Company and the IRS reached an agreement with respect to this issue. The agreement resulted in a current federal tax payment totaling $210 million. For financial statement purposes, the Company recorded a current federal tax expense of $210 million and a deferred federal tax benefit of $421 million during the fourth quarter of 2010.

A reconciliation of unrecognized tax benefits is as follows:

	Years ended December 31,	
	2010	**2009**
	amounts in millions	
Balance at beginning of year	$205	396
Additions based on tax positions related to the current year	129	22
Additions for tax positions of prior years	2	26
Reductions for tax positions of prior years	(29)	(229)
Lapse of statute and settlements	(27)	(10)
Balance at end of year	$280	205

As of December 31, 2010, the Company had recorded tax reserves of $280 million related to unrecognized tax benefits for uncertain tax positions. If such tax benefits were to be recognized for financial statement purposes, $220 million would be reflected in the Company's tax expense and affect its effective tax rate. Liberty's estimate of its unrecognized tax benefits related to uncertain tax positions requires a high degree of judgment.

As of December 31, 2010, the Company's 2001 through 2006 tax years are closed for federal income tax purposes, and the IRS has completed its examination of the Company's 2007 through 2009 tax years. The Company's tax loss carryforwards from its 2004 through 2009 tax years are still subject to adjustment. The Company's 2010 tax year is being examined currently as part of the IRS's Compliance Assurance Process ("CAP") program. The states of California and New York are currently examining the Company's 2003 through 2005 tax years. The Company is currently under audit in the UK and Germany. It is reasonably possible that the amount of the Company's gross unrecognized tax benefits may decrease within the next twelve months by up to $2 million.

As of December 31, 2010, the Company had recorded $25 million of accrued interest and penalties related to uncertain tax positions.

(13) Stockholders' Equity

Preferred Stock

Liberty's preferred stock is issuable, from time to time, with such designations, preferences and relative participating, optional or other rights, qualifications, limitations or restrictions thereof, as shall be stated and expressed in a resolution or resolutions providing for the issue of such preferred stock adopted by Liberty's Board of Directors. As of December 31, 2010, no shares of preferred stock were issued.

Common Stock

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

As of December 31, 2010, there were 5.0 million shares of Series A Liberty Capital common stock reserved for issuance under exercise privileges of outstanding stock options.

As of December 31, 2010, there were 47.6 million and 7.5 million shares of Series A and Series B Liberty Interactive common stock, respectively, reserved for issuance under exercise privileges of outstanding stock options.

As of December 31, 2010, there were 3.2 million and 36,000 shares of Series A and Series B Liberty Starz common stock, respectively, reserved for issuance under exercise privileges of outstanding stock options.

In addition to the Series A and Series B Liberty Capital common stock, the Series A and Series B Liberty Interactive common stock and the Series A and Series B Liberty Starz common stock, there are 2.0 billion, 4.0 billion and 4.0 billion shares of Series C Liberty Capital, Series C Liberty Interactive and Series C Liberty Starz common stock, respectively, authorized for issuance. As of December 31, 2010, no shares of any Series C common stock were issued or outstanding.

Purchases of Common Stock

During the year ended December 31, 2008, the Company repurchased 4.7 million shares of Series A Liberty Interactive common stock in the open market for aggregate cash consideration of $83 million (including $8 million to settle put obligations pursuant to which 2.1 million shares of Liberty Interactive common stock were repurchased) and 33.2 million shares of Series A Liberty Capital common stock for aggregate cash consideration of $478 million (including $16 million to settle put obligations pursuant to which 2.2 million shares of Liberty Capital common stock were repurchased).

As described in note 2, in November 2009, Liberty redeemed 90% of its outstanding Liberty Entertainment common stock for shares of LEI, and the Liberty Entertainment common stock was redesignated as Liberty Starz common stock.

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

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

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

During the year ended December 31, 2008, the Company sold put options on Series A Liberty Capital common stock, Series A Liberty Interactive common stock and Series A Liberty Starz common stock for aggregate net cash proceeds of $46 million and settled put options with respect to each of its tracking stocks for aggregate cash payments of $89 million.

During the year ended December 31, 2009, the Company settled put options on Series A Liberty Capital common stock for cash payments of $5 million.

As of December 31, 2010, put options with respect to 12.6 million shares of LINTA with a weighted average put price of $16.83 remained outstanding. Such put options expire on or before May 20, 2011.

The Company accounts for the foregoing put options as financial instrument liabilities due to their settlement provisions. Accordingly, the put options are recorded in financial instrument liabilities at fair value, and changes in the fair value are included in realized and unrealized gains (losses) on financial instruments in the accompanying consolidated statements of operations.

(14) Transactions with Officers and Directors

Chief Executive Officer Compensation Arrangement

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

Also, on December 17, 2009, in connection with the approval of his compensation arrangement, the CEO received a one-time grant of options to purchase the following shares of Liberty with exercise prices equal to the closing sale prices of the applicable series of stock on the grant date: 8,743,000 shares of Series A Liberty Interactive common stock, 760,000 shares of Series A Liberty Starz common stock and 1,353,000 shares of Series A Liberty Capital common stock. One-half of the options will vest on the fourth anniversary of the grant date with the remaining options vesting on the fifth anniversary of the grant date, in each case, subject to the CEO being employed by Liberty on the applicable vesting date. The options will have a term of 10 years.

Chief Executive Officer Investment in Subsidiary

During 2009 and 2010, the CEO invested $3.5 million cash in Lockerz, LLC, an equity method affiliate of Liberty, which resulted in an approximate 21% ownership interest at December 31, 2010.

Chairman's Employment Agreement

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

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

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

Stock Purchases from Chairman

In October 2008, the Company purchased 4.5 million shares of Series A Liberty Capital common stock from its Chairman for $11 per share in cash pursuant to the Company's stock repurchase program.

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

(15) Stock Options and Stock Appreciation Rights

Liberty—Incentive Plans

Pursuant to the Liberty Media Corporation 2000 Incentive Plan, as amended from time to time (the "2000 Plan"), the Company has granted to certain of its employees stock options and SARs (collectively, "Awards") to purchase shares of Series A and Series B Liberty Capital, Liberty Entertainment and Liberty Interactive common stock. The 2000 Plan provides for Awards to be made in respect of a maximum of 69.5 million shares of Liberty common stock. On May 1, 2007, stockholders of the Company approved the Liberty Media Corporation 2007 Incentive Plan (the "2007 Plan"). The 2007 Plan provides for Awards to be made in respect of a maximum of 39.3 million shares of Liberty common stock. Awards generally vest over 4-5 years and have a term of 7-10 years. Liberty issues new shares upon exercise of equity awards.

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

Liberty—Grants

Awards granted in 2010, 2009 and 2008 pursuant to the 2000 Plan, the 2007 Plan and the NDIP are summarized as follows:

	Year ended December 31,					
	2010		2009		2008	
	Options granted	Weighted average grant-date fair value	Options granted	Weighted average grant-date fair value	Options granted	Weighted average grant-date fair value
Series A Liberty Interactive	10,560,743	$ 7.11	17,519,391	$ 3.57	9,405,564	$2.30
Series A Liberty Capital	1,135,622	$19.56	1,649,511	$12.17	1,285,787	$1.19
Series A Liberty Starz	887,818	$21.32	2,083,429	$14.33	5,261,721	$5.79

During the year ended December 31, 2010, Liberty granted to QVC employees, 3.5 million options to purchase shares of Series A Liberty Interactive common stock. Such options had a weighted average grant-date fair value of $5.38 per share. These options vest semi-annually over the 4 year vesting period. Additionally, Liberty granted, primarily to Celebrate employees, 551,000 options to purchase shares of Series A Liberty Interactive common stock. Such options had a weighted average grant-date fair value of $6.81 per share. Certain of these options vest quarterly over the 4 year vesting period, while the remainder vest annually over the 3 year vesting period.

During the year ended December 31, 2010, Liberty granted, primarily to Starz Entertainment employees, 221,000 options to purchase shares of Series A Liberty Starz common stock. Such options had a weighted average grant-date fair value of $16.35 per share. These options vest quarterly over the 4 year vesting period.

In addition, during the year ended December 31, 2010 Liberty granted 6.5 million options to purchase shares of Series A Liberty Interactive common stock, 1.1 million options to purchase shares of Series A Liberty Capital common stock and 667,000 options to purchase shares of Series A Liberty Starz common stock, as a long-term incentive grant to Liberty officers. Such options had a weighted average grant-date fair value of $8.05, $19.48 and $22.97 per share, respectively. These options vest one third each on June 30, 2013, June 30, 2014 and December 31, 2015.

The Company has calculated the grant-date fair value for all of its equity classified awards and any subsequent remeasurement of its liability classified awards using the Black-Scholes Model. The Company estimates the expected term of the Awards based on historical exercise and forfeiture data. The volatility used in the calculation for Awards is based on the historical volatility of Liberty's stocks and the implied volatility of publicly traded Liberty options. The Company uses a zero dividend rate and the risk-free rate for Treasury Bonds with a term similar to that of the subject options.

The following table presents the volatilities used by Liberty in the Black-Scholes Model for the 2010, 2009 and 2008 grants.

	Volatility
2010 grants	
Liberty Capital options	43.9% - 47.9%
Liberty Interactive options	44.8% - 46.4%
Liberty Starz options	31.9% - 33.6%
2009 grants	
Liberty Capital options	29.3% - 47.9%
Liberty Interactive options	36.0% - 46.4%
Liberty Starz options	29.3% - 33.6%
2008 grants	
Liberty Capital options	19.7% - 29.4%
Liberty Interactive options	25.3% - 36.5%
Liberty Starz options	19.7% - 29.4%

Liberty—Outstanding Awards

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

	Series A					
	Liberty Capital	WAEP	Liberty Interactive	WAEP	Liberty Starz	WAEP
	numbers of options in thousands					
Outstanding at January 1, 2010	5,069	$14.45	40,832	$11.30	2,595	$43.13
Granted	1,135	$35.03	10,560	$13.92	887	$51.44
Exercised	(1,183)	$13.40	(2,384)	$ 4.54	(243)	$33.51
Forfeited/cancelled	(25)	$13.78	(1,425)	$14.96	(22)	$44.90
Outstanding at December 31, 2010	4,996	$19.38	47,583	$12.10	3,217	$46.15
Exercisable at December 31, 2010	1,579	$10.55	17,722	$16.06	605	$30.35

There were no grants or exercises of any of the Company's Series B options during 2010, except that 229,708 and 333,597 options for Series B Liberty Starz common stock with an exercise price of $60.38 and $63.73, respectively, were exercised.

The following table provides additional information about outstanding options to purchase Liberty common stock at December 31, 2010.

	No. of outstanding options (000's)	WAEP of outstanding options	Weighted average remaining life	Aggregate intrinsic value (000's)	No. of exercisable options (000's)	WAEP of exercisable options	Aggregate intrinsic value (000's)
Series A Capital	4,996	$19.38	5.8 years	$215,755	1,579	$10.55	$82,137
Series A Interactive	47,583	$12.10	5.1 years	$238,282	17,722	$16.06	$56,094
Series B Interactive	7,491	$23.41	0.4 years	$ —	7,491	$23.41	$ —
Series A Starz	3,217	$46.15	6.7 years	$ 70,140	605	$30.35	$21,871
Series B Starz	36	$26.71	4.4 years	$ 1,426	36	$26.71	$ 1,426

Liberty—Exercises

The aggregate intrinsic value of all options exercised during the years ended December 31, 2010, 2009 and 2008 was $71 million, $68 million and $3 million, respectively.

Liberty—Restricted Stock

The following table presents the number and weighted average grant-date fair value ("WAFV") of unvested restricted shares of Liberty common stock held by certain directors, officers and employees of the Company as of December 31, 2010 (numbers of shares in thousands).

	Number of shares	WAFV
Series A Liberty Capital	194	$10.77
Series A Liberty Interactive	2,722	$ 8.69
Series A Liberty Starz	198	$38.19

The aggregate fair value of all restricted shares of Liberty common stock that vested during the years ended December 31, 2010, 2009 and 2008 was $20 million, $14 million and $4 million, respectively.

Starz

Starz had fully vested outstanding Phantom Stock Appreciation Rights ("PSARs") held by its founder and former CEO. Effective September 30, 2009, the founder and former CEO elected to exercise all of his remaining PSARs. In December of 2010 Starz paid cash of $150 million to the founder and former CEO for his PSARs which was determined by a valuation process.

Other

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

(16) Employee Benefit Plans

Liberty is the sponsor of the Liberty Media 401(k) Savings Plan (the "Liberty 401(k) Plan"), which provides its employees and the employees of certain of its subsidiaries an opportunity for ownership in the Company and creates a retirement fund. The Liberty 401(k) Plan provides for employees to make contributions to a trust for investment in Liberty common stock, as well as several mutual funds. The Company and its subsidiaries make matching contributions to the Liberty 401(k) Plan based on a percentage of the amount contributed by employees. In addition, certain of the Company's subsidiaries have similar employee benefit plans. Employer cash contributions to all plans aggregated $28 million, $31 million and $31 million for the years ended December 31, 2010, 2009 and 2008, respectively.

(17) Other Comprehensive Earnings (Loss)

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

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

	Foreign currency translation adjustments	Unrealized holding gains (losses) on securities	Share of AOCI of equity affiliates	Other	AOCI of discontinued operations	AOCI
	amounts in millions					
Balance at January 1, 2008	$264	1,264	4	(46)	2,587	4,073
Other comprehensive loss attributable to Liberty Media Corporation stockholders	(46)	(227)	(10)	(62)	(2,618)	(2,963)
Cumulative effect of accounting change	—	(1,040)	—	—	—	(1,040)
Balance at December 31, 2008	218	(3)	(6)	(108)	(31)	70
Other comprehensive earnings (loss) attributable to Liberty Media Corporation stockholders	10	203	(5)	43	31	282
Balance at December 31, 2009	228	200	(11)	(65)	—	352
Other comprehensive earnings (loss) attributable to Liberty Media Corporation stockholders	(52)	(140)	7	59	—	(126)
Balance at December 31, 2010	$176	60	(4)	(6)	—	226

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

	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
	amounts in millions		
Year ended December 31, 2010:			
Foreign currency translation adjustments	$ (60)	23	(37)
Unrealized holding gains on securities arising during period	127	(48)	79
Reclassification adjustment for holding gains realized in net loss	(353)	134	(219)
Share of other comprehensive loss of equity affiliates	11	(4)	7
Other	95	(36)	59
Other comprehensive earnings	$ (180)	69	(111)
Year ended December 31, 2009:			
Foreign currency translation adjustments	$ 5	(2)	3
Unrealized holding gains on securities arising during period	371	(141)	230
Reclassification adjustment for holding gains realized in net loss	(44)	17	(27)
Share of other comprehensive loss of equity affiliates	(8)	3	(5)
Other	69	(26)	43
Other comprehensive earnings from discontinued operations	50	(19)	31
Other comprehensive earnings	$ 443	(168)	275
Year ended December 31, 2008:			
Foreign currency translation adjustments	$ (31)	12	(19)
Unrealized holding losses on securities arising during period	(806)	306	(500)
Reclassification adjustment for holding losses realized in net earnings	440	(167)	273
Share of other comprehensive loss of equity affiliates	(16)	6	(10)
Other	(100)	38	(62)
Other comprehensive loss from discontinued operations	(4,223)	1,605	(2,618)
Other comprehensive loss	$(4,736)	1,800	(2,936)

(18) Transactions with Related Parties

During the year ended December 31, 2009 and the period from February 27, 2008 to December 31, 2008, subsidiaries of Liberty recognized aggregate revenue of $303 million and $264 million, respectively, from DIRECTV for distribution of their programming. In addition, subsidiaries of Liberty made aggregate payments of $40 million and $31 million in 2009 and 2008, respectively, to DIRECTV for carriage and marketing.

Starz paid Revolution Studios ("Revolution"), an equity affiliate, fees for the rights to exhibit films produced by Revolution. Payments aggregated $46 million in 2008.

(19) Commitments and Contingencies

Film Rights

Starz, a wholly-owned subsidiary of Liberty, provides premium networks distributed by cable operators, direct-to-home satellite providers, telephone companies and other distributors in the United States. Starz has entered into agreements with a number of motion picture producers which obligate Starz to pay fees ("Programming Fees") for the rights to exhibit certain films that are released by these producers. The unpaid balance of Programming Fees for films that were available for exhibition by Starz at December 31, 2010 is reflected as a liability in the accompanying consolidated balance sheet. The balance due as of December 31, 2010 is payable as follows: $50 million in 2011 and $3 million in 2012.

Starz has also contracted to pay Programming Fees for films that have been released theatrically, but are not available for exhibition by Starz until some future date. These amounts have not been accrued at December 31, 2010. In addition, Starz has agreed to pay Sony Pictures Entertainment ("Sony") (i) a total of $190 million in four equal annual installments beginning in 2011 for a contract extension through 2014, and (ii) a total of $120 million in three equal annual installments beginning in 2015 for a new output agreement. Starz's estimate of amounts payable under these agreements is as follows: $493 million in 2011; $118 million in 2012; $81 million in 2013; $67 million in 2014; $55 million in 2015 and $90 million thereafter.

In addition, Starz is also obligated to pay Programming Fees for all qualifying films that are released theatrically in the United States by studios owned by The Walt Disney Company ("Disney") through 2012 and all qualifying films that are released theatrically in the United States by studios owned by Sony through 2015. Films are generally available to Starz for exhibition 10-12 months after their theatrical release. The Programming Fees to be paid by Starz are based on the quantity and the domestic theatrical exhibition receipts of qualifying films. As these films have not yet been released in theatres, Starz is unable to estimate the amounts to be paid under these output agreements. However, such amounts are expected to be significant.

Guarantees

Liberty guarantees Starz's obligations under certain of its studio output agreements. At December 31, 2010, Liberty's guarantees for studio output obligations for films released by such date aggregated $653 million. While the guarantee amount for films not yet released is not determinable, such amount is expected to be significant. As noted above, Starz has recognized the liability for a portion of its obligations under the output agreements. As this represents a direct commitment of Starz, a consolidated subsidiary of Liberty, Liberty has not recorded a separate indirect liability for its guarantee of these obligations.

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

Employment Contracts

The Atlanta Braves have entered into long-term employment contracts with certain of their players and coaches whereby such individuals' compensation is guaranteed. Amounts due under guaranteed contracts as of December 31, 2010 aggregated $200 million, which is payable as follows: $83 million in 2011, $71 million in 2012, $20 million in 2013, $13 million in 2014 and $13 million in 2015. In addition to the foregoing amounts, certain players and coaches may earn incentive compensation under the terms of their employment contracts.

Operating Leases

Liberty leases business offices, has entered into satellite transponder lease agreements and uses certain equipment under lease arrangements. Rental expense under such arrangements amounted to $56 million, $53 million and $50 million for the years ended December 31, 2010, 2009 and 2008, respectively.

A summary of future minimum lease payments under noncancelable operating leases as of December 31, 2010 follows (amounts in millions):

Years ending December 31:	
2011	$ 45
2012	$ 42
2013	$ 38
2014	$ 30
2015	$ 26
Thereafter	$179

It is expected that in the normal course of business, leases that expire generally will be renewed or replaced by leases on other properties; thus, it is anticipated that future lease commitments will not be less than the amount shown for 2010.

Litigation

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

During the fourth quarter of 2010, TruePosition, attributed to the Liberty Capital Group, received $48 million in cash for settlement of a patent infringement matter.

Other

During the period from March 9, 1999 to August 10, 2001, Liberty was included in the consolidated federal income tax return of AT&T and was a party to a tax sharing agreement with

AT&T (the "AT&T Tax Sharing Agreement"). Pursuant to the AT&T Tax Sharing Agreement and in connection with Liberty's split off from AT&T in 2001, AT&T was required to pay Liberty an amount equal to 35% of the amount of the net operating losses reflected in TCI's final federal income tax return ("TCI NOLs") that had not been used as an offset to Liberty's obligations under the AT&T Tax Sharing Agreement and that had been, or were reasonably expected to be, utilized by AT&T.

AT&T has requested a refund from Liberty of $91 million, plus accrued interest, relating to losses that it generated and was able to carry back to offset taxable income previously offset by Liberty's losses. AT&T has asserted that Liberty's losses caused AT&T to pay alternative minimum tax ("AMT") that it would not have been otherwise required to pay had Liberty's losses not been included in its return. Liberty has accrued approximately $70 million representing its estimate of the amount it may ultimately pay (excluding accrued interest, if any) to AT&T as a result of these requests. Although Liberty has not reduced its accrual for any future refunds, Liberty believes it is entitled to a refund when AT&T is able to realize a benefit in the form of a credit for the AMT previously paid.

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

(20) Information About Liberty's Operating Segments

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

Liberty evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as revenue, Adjusted OIBDA, gross margin, average sales price per unit, number of units shipped and revenue or sales per customer equivalent. In addition, Liberty reviews nonfinancial measures such as subscriber growth, penetration, website visitors, conversion rates and active customers, as appropriate.

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

As discussed in Note 2, effective September 30, 2010, the Company's board of directors approved a change in attribution of Starz Media from the Capital Group to the Starz Group to better align the remaining businesses of Starz Media with the legacy Starz Entertainment business to form a combined Starz entity that we refer to as Starz, LLC. The Starz Media Reattribution did not have any impact on the consolidated results of Liberty and was reflected on prospective basis for Tracking Stock purposes. This change in attribution of Starz Media changed how these entities are reviewed and operated from the Liberty consolidated view point and thus gives rise to a new presentation for segment reporting purposes for both the current and prior year periods.

Prior its reattribution the biggest driver of the Starz Media business unit was its theatrical production business which is no longer being operated except for the remaining exploitation of its existing film library in non primary markets. As a result, we do not expect the effect of the remaining Starz Media businesses in future periods to materially change Starz, LLC's operations prospectively. Based on this lack of comparability and the importance of maintaining the integrity of the historical tracking stock results we have included a segment reclassification adjustment for both the Starz Group and the Capital Group in order to reconcile to the historical attributed results for each group.

For the year ended December 31, 2010, Liberty has identified the following businesses as its reportable segments:

- QVC—consolidated subsidiary attributed to the Interactive Group that markets and sells a wide variety of consumer products in the United States and several foreign countries, primarily by means of televised shopping programs on the QVC networks and via the Internet through its U.S. and international websites.
- Starz, LLC—consolidated subsidiary attributed to the Starz Group that provides premium networks distributed by cable operators, direct-to-home satellite providers, telephone companies and other distributors in the United States and develops and acquires entertainment content and distributes such content to consumers in the United States and throughout the world.

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

Performance Measures

	Years ended December 31,					
	2010		2009		2008	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in millions					
Interactive Group						
QVC	$ 7,807	1,671	7,352	1,556	7,285	1,494
Corporate and other	1,125	75	953	98	794	61
	8,932	1,746	8,305	1,654	8,079	1,555
Starz Group						
Starz, LLC	$ 1,646	348	1,557	291	1,432	112
Corporate and other	13	(14)	11	(10)	13	(11)
Adjustment for Tracking Stock purposes(1)	(317)	67	(364)	93	(321)	189
	1,342	401	1,204	374	1,124	290
Capital Group						
Corporate and other	$ 391	(10)	285	(82)	293	(108)
Adjustment for Tracking Stock purposes(1)	317	(67)	364	(93)	321	(189)
	708	(77)	649	(175)	614	(297)
Consolidated Liberty	$10,982	2,070	10,158	1,853	9,817	1,548

Other Information

	December 31,					
	2010			2009		
	Total assets	Investments in affiliates	Capital expenditures	Total assets	Investments in affiliates	Capital expenditures
	amounts in millions					
Interactive Group						
QVC	$13,665	2	220	14,735	2	181
Corporate and other	2,629	947	38	2,608	893	27
	16,294	949	258	17,343	895	208
Starz Group						
Starz, LLC	1,708	—	9	2,217	—	12
Corporate and other	831	—	—	591	—	—
Adjustment for Tracking Stock purposes(1)	—	—	(2)	(610)	—	(2)
	2,539	—	7	2,198	—	10
Capital Group						
Corporate and other	8,189	91	7	8,763	135	44
Adjustment for Tracking Stock purposes(1)	—	—	2	610	—	2
	8,189	91	9	9,373	135	46
Inter-group eliminations	(422)	—	—	(283)	—	—
Consolidated Liberty	$26,600	1,040	274	28,631	1,030	264

(1) As discussed above due to the change in segments the prior periods have been changed to reflect the current segment presentation. The adjustment is necessary to align the Tracking Stock subtotals to the Unaudited Attributed Financial Information for Tracking Stock Groups found in Exhibit 99.1, wherein this change in attribution has been reflected prospectively.

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

	Years ended December 31,		
	2010	2009	2008
	amounts in millions		
Consolidated segment Adjusted OIBDA	$2,070	1,853	1,548
Stock-based compensation	(150)	(128)	(49)
Depreciation and amortization	(661)	(666)	(688)
Legal settlement	48	—	—
Impairment of long-lived assets	(4)	(9)	(1,569)
Interest expense	(647)	(628)	(667)
Share of earnings (losses) of affiliates	50	(58)	(1,263)
Realized and unrealized gains (losses) on derivative instruments, net	232	(155)	(260)
Gains on dispositions, net	569	284	15
Other than temporary declines in fair value of investments	—	(9)	(441)
Other, net	51	137	343
Earnings (loss) from continuing operations before income taxes	$1,558	621	(3,031)

Revenue by Geographic Area

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

	Years ended December 31,		
	2010	2009	2008
	amounts in millions		
United States	$ 8,256	7,662	7,315
Japan	1,020	871	781
Germany	960	944	956
Other foreign countries	746	681	765
Consolidated Liberty	$10,982	10,158	9,817

Long-lived Assets by Geographic Area

	December 31,	
	2010	2009
	amounts in millions	
United States	$ 715	761
Japan	182	168
Germany	216	251
Other foreign countries	172	125
Consolidated Liberty	$1,285	1,305

(21) Quarterly Financial Information (Unaudited)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	amounts in millions, except per share amounts			
2010:				
Revenue	$2,498	2,564	2,538	3,382
Operating income	$ 240	287	294	482
Earnings from continuing operations	$ 399	41	194	1,303
Net earnings (loss) attributable to Liberty Media Corporation stockholders:				
Series A and Series B Liberty Capital common stock	$ 22	(82)	26	849
Series A and Series B Liberty Starz common stock	$ 57	61	48	40
Series A and Series B Liberty Interactive common stock	$ 310	58	105	398
Basic net earnings (loss) attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	$ .23	(.86)	.30	10.11
Series A and Series B Liberty Starz common stock	$ 1.14	1.22	.96	.78
Series A and Series B Liberty Interactive common stock	$ .52	.10	.18	.67
Diluted net earnings (loss) attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	$ .22	(.86)	.29	9.76
Series A and Series B Liberty Starz common stock	$ 1.10	1.20	.92	.77
Series A and Series B Liberty Interactive common stock	$ .51	.10	.17	.66

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
		amounts in millions, except per share amounts		
2009:				
Revenue	$2,253	2,434	2,302	3,169
Operating income	$ 212	322	167	349
Earnings (loss) from continuing operations	$ (148)	396	(100)	489
Net earnings (loss) attributable to Liberty Media Corporation stockholders:				
Series A and Series B Liberty Capital common stock	$ (160)	201	(132)	218
Series A and Series B Liberty Starz common stock	$ 81	149	2	5,845
Series A and Series B Liberty Interactive common stock	$ (57)	128	(6)	193
Basic earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	$ (1.67)	2.09	(1.38)	2.27
Series A and Series B Liberty Starz common stock	$ .12	.11	.06	.22
Series A and Series B Liberty Interactive common stock	$ (.10)	.22	(.01)	.32
Diluted earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	$ (1.67)	2.07	(1.38)	2.22
Series A and Series B Liberty Starz common stock	$ .12	.11	.06	.21
Series A and Series B Liberty Interactive common stock	$ (.10)	.21	(.01)	.32
Basic net earnings (loss) attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	$ (1.67)	2.09	(1.38)	2.27
Series A and Series B Liberty Starz common stock	$ .16	.29	—	19.42
Series A and Series B Liberty Interactive common stock	$ (.10)	.22	(.01)	.32
Diluted net earnings (loss) attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	$ (1.67)	2.07	(1.38)	2.22
Series A and Series B Liberty Starz common stock	$ .16	.29	—	19.29
Series A and Series B Liberty Interactive common stock	$ (.10)	.21	(.01)	.32

Unaudited Attributed Financial Information for Tracking Stock Groups

On May 9, 2006, we completed a restructuring and recapitalization pursuant to which we issued two new tracking stocks, one ("Liberty Interactive Stock") intended to reflect the separate performance of our businesses engaged in video and on-line commerce, the second ("Old Liberty Capital Stock") intended to reflect the separate performance of all of our assets and businesses not attributed to the Interactive Group. Each share of our existing Series A and Series B common stock was exchanged for .25 of a share of the same series of Liberty Interactive Stock and .05 of a share of the same series of Liberty Capital Stock.

On March 3, 2008, we completed a reclassification of our Old Liberty Capital Stock, whereby each share of Old Liberty Capital Stock was reclassified into four shares of the same series of Liberty Entertainment Stock and one share of the same series of Liberty Capital Stock. Our Liberty Entertainment Stock was intended to reflect the separate performance of our Entertainment Group, which was comprised of certain of our businesses previously attributed to the Capital Group and which are engaged in video programming, direct-to-home satellite distribution and communications. Our Capital Group is comprised of our assets and businesses not attributed to either the Interactive Group or the Entertainment Group.

On November 19, 2009, we completed the redemption of a portion of the outstanding shares of Liberty Entertainment Stock for all of the outstanding shares of a newly formed, wholly owned subsidiary, Liberty Entertainment, Inc. ("LEI") (the "Redemption"). The Redemption and the resulting separation of LEI from us pursuant to the Redemption are referred to herein as the LEI Split Off.

In connection with the Redemption, we redeemed 90% of the outstanding shares of each series of Liberty Entertainment common stock for 100% of the outstanding shares of the same series of LEI, with cash in lieu of fractional shares. Immediately following the LEI Split-Off, LEI and The DIRECTV Group, Inc. completed the DTV Business Combination and each of LEI and DIRECTV have become wholly owned subsidiaries of a new public holding company named DIRECTV ("Holdings"). We have included the results of operations of LEI, along with the gain recognized on the DTV Business combination, in earnings from discontinued operations in our and the Starz Group's statement of operations.

Subsequent to the LEI Split Off, the Liberty Entertainment group was renamed the Liberty Starz group.

During the second quarter of 2010, Liberty announced that its board of directors had authorized its management to proceed with a plan to separate its Liberty Capital and Liberty Starz tracking stock groups from its Liberty Interactive tracking stock group.

The proposed split-off will be effected by the redemption of all the outstanding shares of Liberty Capital tracking stock and Liberty Starz tracking stock in exchange for shares in a newly formed company ("Splitco"). Splitco will hold all the assets and be subject to all the liabilities currently attributed to the Liberty Capital and Liberty Starz tracking stock groups, other than approximately $264 million of cash, exchangeable debt in the principal amount of $1.1 billion and the stock into which such debt is exchangeable which were reattributed from Liberty Capital to Liberty Interactive in February of 2011. The common stock of Splitco will be divided into two tracking stock groups, one tracking assets that are currently attributed to the Liberty Capital group ("Splitco Capital") and the other tracking assets that are currently attributed to the Liberty Starz group ("Splitco Starz"). In the redemption, holders of Liberty Capital tracking stock will receive shares of Splitco Capital tracking stock and holders of Liberty Starz tracking stock will receive shares of Splitco Starz tracking stock. After the redemption, Splitco and Liberty will be separate public companies.

The proposed split-off is intended to be tax-free to stockholders of Liberty and its completion will be subject to various conditions including the receipt of IRS private letter rulings, the opinions of tax counsel and required governmental approvals. The redemption that is necessary to effect the proposed split-off will require the affirmative vote of (i) a majority of the voting power of the outstanding shares of Liberty Capital tracking stock and (ii) a majority of the voting power of the outstanding shares of Liberty Starz tracking stock, in each case, present and voting at a meeting called to consider the redemption. On August 6, 2010, Liberty announced that it had filed suit in the Delaware Court of Chancery against the trustee under the indenture governing the public indebtedness issued by the Company's subsidiary, Liberty Media LLC. The lawsuit was filed in response to allegations made by a law firm purporting to represent a holder with a large position in this public indebtedness. The lawsuit seeks a declaratory judgment by the court that the proposed split-off will not constitute a disposition of "all or substantially all" of the assets of Liberty Media LLC, as those terms are used in the indenture, as well as related injunctive relief. Resolution of the subject matter of this lawsuit is a condition to Liberty completing the proposed split-off. Subject to the satisfaction of the conditions described above, Liberty intends to complete the proposed split-off in the first half of 2011.

The following tables present our assets, liabilities, revenue, expenses and cash flows as of and for the years ended December 31, 2010, 2009 and 2008. The tables further present our assets, liabilities, revenue, expenses and cash flows that are attributed to the Interactive Group, the Starz Group and the Capital Group, respectively. The financial information should be read in conjunction with our audited financial statements for the years ended December 31, 2010, 2009 and 2008 included in this Annual Report on Form 10-K. The attributed financial information presented in the tables has been prepared assuming the restructuring and the reclassification had been completed as of January 1, 2008 and does not reflect the impacts of the TWX Reattribution described in note 2 to our consolidated financial statements included in this Annual Report on Form 10-K.

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

SUMMARY ATTRIBUTED FINANCIAL DATA

Interactive Group

	December 31, 2010	December 31, 2009	December 31, 2008
	amounts in millions		
Summary Balance Sheet Data:			
Current assets	$ 3,128	3,379	3,282
Cost investments	$ 1	734	739
Equity investments	$ 949	895	901
Total assets	$16,294	17,343	17,487
Long-term debt, including current portion	$ 5,180	6,073	7,131
Deferred income tax liabilities, noncurrent	$ 2,582	1,939	1,999
Attributed net assets	$ 6,287	6,794	6,303

	Years ended December 31, 2010	Years ended December 31, 2009	Years ended December 31, 2008
	amounts in millions		
Summary Operations Data:			
Revenue	$ 8,932	8,305	8,079
Cost of goods sold	(5,705)	(5,332)	(5,224)
Operating expenses	(799)	(752)	(748)
Selling, general and administrative expenses(1)	(749)	(614)	(584)
Depreciation and amortization	(571)	(566)	(561)
Impairment of long-lived assets	—	—	(56)
Operating income	1,108	1,041	906
Interest expense	(582)	(496)	(473)
Share of earnings (losses) of affiliates	114	(14)	(1,192)
Other than temporary declines in fair value of investments	—	—	(440)
Other income (expense), net	458	(80)	(39)
Income tax benefit (expense)	(179)	(154)	493
Net earnings (loss)	919	297	(745)
Less net earnings attributable to the noncontrolling interests	48	39	36
Net earnings (loss) attributable to Liberty Media Corporation stockholders	$ 871	258	(781)

(1) Includes stock-based compensation of $67 million, $47 million and $32 million for the years ended December 31, 2010, 2009 and 2008, respectively.

SUMMARY ATTRIBUTED FINANCIAL DATA

Starz Group

	December 31, 2010	December 31, 2009	December 31, 2008
	amounts in millions		
Summary Balance Sheet Data:			
Current assets	$1,746	1,544	1,476
Assets of discontinued operations	$ —	—	14,211
Total assets	$2,539	2,198	16,352
Long-term debt, including current portion	$ 105	48	52
Attributed net assets	$2,246	2,040	12,180

	Years ended December 31, 2010	Years ended December 31, 2009	Years ended December 31, 2008
	amounts in millions		
Summary Operations Data:			
Revenue	$1,342	1,204	1,124
Operating expenses	(773)	(685)	(682)
Selling, general and administrative expenses(1)	(220)	(221)	(167)
Depreciation and amortization	(18)	(21)	(26)
Impairment of long-lived assets	(4)	(5)	(1,262)
Operating income (loss)	327	272	(1,013)
Interest expense	(2)	(2)	(22)
Share of losses of affiliates	—	(10)	(7)
Realized and unrealized gains (losses) on financial instruments	(2)	8	272
Other income, net	4	31	1
Income tax expense	(121)	(86)	(191)
Earnings (loss) from continuing operations	206	213	(960)
Earnings from discontinued operations	—	5,864	5,812
Net earnings attributable to Liberty Media Corporation stockholders	$ 206	6,077	4,852

(1) Includes stock-based compensation of $52 million, $76 million and $15 million for the years ended December 31, 2010, 2009 and 2008, respectively.

SUMMARY ATTRIBUTED FINANCIAL DATA

Capital Group

	December 31, 2010	2009	2008
	amounts in millions		
Summary Balance Sheet Data:			
Current assets	$1,721	4,087	2,973
Cost investments	$4,483	3,355	2,118
Total assets	$8,189	9,373	8,361
Long-term debt, including current portion	$2,033	3,653	3,063
Deferred income tax liabilities, noncurrent	$ —	730	1,166
Attributed net assets	$2,780	1,275	1,121

	Years ended December 31, 2010	2009	2008
	amounts in millions		
Summary Operations Data:			
Revenue	$ 708	649	614
Operating expenses	(511)	(486)	(515)
Selling, general and administrative expenses(1)	(305)	(343)	(398)
Depreciation and amortization	(72)	(79)	(101)
Legal Settlement	48	—	—
Impairment of long-lived assets	—	(4)	(251)
Operating loss	(132)	(263)	(651)
Interest expense	(63)	(130)	(172)
Realized and unrealized gains (losses) on financial instruments, net	262	(42)	(292)
Gain on dispositions, net	38	215	16
Other income, net	28	91	75
Income tax benefit	679	256	440
Earnings (loss) from continuing operations	812	127	(584)
Earnings from discontinued operations, net of taxes	—	—	—
Net earnings (loss)	812	127	(584)
Less net earnings attributable to the noncontrolling interests	(3)	—	8
Net earnings (loss) attributable to Liberty Media Corporation stockholders	$ 815	127	(592)

(1) Includes stock-based compensation of $31 million, $5 million and $2 million for the years ended December 31, 2010, 2009 and 2008, respectively.

BALANCE SHEET INFORMATION

December 31, 2010

(unaudited)

	Attributed (note 1)				
	Interactive Group	Starz Group	Capital Group	Inter-group eliminations	Consolidated Liberty
	amounts in millions				
Assets					
Current assets:					
Cash and cash equivalents	$ 1,089	878	1,212	—	3,179
Trade and other receivables, net	885	227	30	—	1,142
Inventory, net	1,069	—	—	—	1,069
Program rights	—	411	—	—	411
Current deferred tax assets	—	10	—	(10)	—
Short term marketable securities	—	175	334	—	509
Other current assets	85	45	145	(30)	245
Total current assets	3,128	1,746	1,721	(40)	6,555
Investments in available-for-sale securities and other cost investments (note 2)	1	67	4,483	—	4,551
Investments in affiliates, accounted for using the equity method (note 3)	949	—	91	—	1,040
Property and equipment, net	1,038	109	138	—	1,285
Goodwill	5,983	132	200	—	6,315
Trademarks	2,513	—	—	—	2,513
Other non-amortizable intangibles	—	—	153	—	153
Intangible assets subject to amortization, net	2,595	20	144	—	2,759
Deferred tax assets	—	—	382	(382)	—
Other assets, at cost, net of accumulated amortization	87	465	877	—	1,429
Total assets	$16,294	2,539	8,189	(422)	26,600
Liabilities and Equity					
Current liabilities:					
Accounts payable	$ 630	8	13	—	651
Accrued liabilities	752	185	58	—	995
Intergroup payable (receivable)	85	(93)	8	—	—
Financial instruments	42	3	1,219	—	1,264
Current portion of debt (note 4)	493	37	—	—	530
Deferred tax liabilities	152	—	722	(10)	864
Deferred revenue	107	16	224	—	347
Other current liabilities	82	12	24	(30)	88
Total current liabilities	2,343	168	2,268	(40)	4,739
Long-term debt (note 4)	4,687	68	2,033	—	6,788
Long-term financial instruments	86	—	8	—	94
Deferred tax liabilities (note 6)	2,582	11	—	(382)	2,211
Deferred revenue	14	—	846	—	860
Other liabilities	166	46	254	—	466
Total liabilities	9,878	293	5,409	(422)	15,158
Equity/Attributed net assets	6,287	2,246	2,780	—	11,313
Noncontrolling interests in equity of subsidiaries	129	—	—	—	129
Total liabilities and equity	$16,294	2,539	8,189	(422)	26,600

BALANCE SHEET INFORMATION

December 31, 2009

(unaudited)

	Attributed (note 1)				
	Interactive Group	Starz Group	Capital Group	Inter-group eliminations	Consolidated Liberty
	amounts in millions				
Assets					
Current assets:					
Cash and cash equivalents	$ 884	794	3,157	—	4,835
Trade and other receivables, net	1,250	191	77	—	1,518
Inventory, net	985	—	—	—	985
Program rights	—	469	—	—	469
Financial instruments	—	—	752	—	752
Current deferred tax assets	195	88	—	(283)	—
Short term marketable securities	—	—	35	—	35
Other current assets	65	2	66	—	133
Total current assets	3,379	1,544	4,087	(283)	8,727
Investments in available-for-sale securities and other cost investments (note 2)	734	31	3,355	—	4,120
Investments in affiliates, accounted for using the equity method (note 3)	895	—	135	—	1,030
Property and equipment, net	1,030	109	166	—	1,305
Goodwill	5,891	133	201	—	6,225
Trademarks	2,492	2	14	—	2,508
Other non-amortizable intangibles	—	—	153	—	153
Intangible assets subject to amortization, net	2,840	2	185	—	3,027
Other assets, at cost, net of accumulated amortization	82	377	1,077	—	1,536
Total assets	$17,343	2,198	9,373	(283)	28,631
Liabilities and Equity					
Current liabilities:					
Accounts payable	$ 578	7	13	—	598
Accrued liabilities	768	116	153	—	1,037
Intergroup payable (receivable)	116	(80)	(36)	—	—
Intergroup notes (note 1)	316	(158)	(158)	—	—
Financial instruments	143	—	859	—	1,002
Current portion of debt (note 4)	663	4	1,265	—	1,932
Deferred tax liabilities	—	—	1,530	(283)	1,247
Deferred revenue	100	2	35	—	137
Other current liabilities	59	163	1	—	223
Total current liabilities	2,743	54	3,662	(283)	6,176
Long-term debt (note 4)	5,410	44	2,388	—	7,842
Long-term financial instruments	130	—	2	—	132
Deferred tax liabilities (note 6)	1,939	6	730	—	2,675
Deferred revenue	5	2	1,033	—	1,040
Other liabilities	193	52	283	—	528
Total liabilities	10,420	158	8,098	(283)	18,393
Equity/Attributed net assets	6,794	2,040	1,275	—	10,109
Noncontrolling interests in equity of subsidiaries	129	—	—	—	129
Total liabilities and equity	$17,343	2,198	9,373	(283)	28,631

STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS (LOSS) INFORMATION

Year ended December 31, 2010

(unaudited)

	Attributed (note 1)			
	Interactive Group	Starz Group	Capital Group	Consolidated Liberty
		amounts in millions		
Revenue:				
Net retail sales	$8,932	—	—	8,932
Communications and programming services	—	1,342	708	2,050
	8,932	1,342	708	10,982
Operating costs and expenses:				
Cost of sales	5,705	—	—	5,705
Operating	799	773	511	2,083
Selling, general and administrative, including stock-based compensation (notes 1 and 5)	749	220	305	1,274
Depreciation and amortization	571	18	72	661
Legal settlement	—	—	(48)	(48)
Impairment of long-lived assets	—	4	—	4
	7,824	1,015	840	9,679
Operating income (loss)	1,108	327	(132)	1,303
Other income (expense):				
Interest expense	(582)	(2)	(63)	(647)
Dividend and interest income	4	2	86	92
Intergroup interest income (expense)	(3)	2	1	—
Share of earnings (losses) of affiliates, net	114	—	(64)	50
Realized and unrealized gains (losses) on financial instruments, net	(28)	(2)	262	232
Gains (losses) on dispositions, net	533	(2)	38	569
Loss on early extinguishment of debt	(39)	—	—	(39)
Other, net	(9)	2	5	(2)
	(10)	—	265	255
Earnings before income taxes	1,098	327	133	1,558
Income tax benefit (expense) (note 6)	(179)	(121)	679	379
Net earnings from continuing operations	919	206	812	1,937
Earnings from discontinued operations, net of taxes	—	—	—	—
Net earnings	919	206	812	1,937
Less net earnings (loss) attributable to the noncontrolling interests	48	—	(3)	45
Net earnings attributable to Liberty Media Corporation stockholders	$ 871	206	815	1,892
Net earnings	$ 919	206	812	1,937
Other comprehensive earnings (loss), net of taxes:				
Foreign currency translation adjustments	(37)	—	—	(37)
Unrealized holding gains arising during the period	70	—	9	79
Recognition of previously unrealized gains on available-for-sale securities, net	(198)	—	(21)	(219)
Share of other comprehensive earnings of equity affiliates	7	—	—	7
Other	58	—	1	59
Reattribution of other comprehensive income between tracking stocks	(30)	—	30	—
Other comprehensive earnings	(130)	—	19	(111)
Comprehensive earnings	789	206	831	1,826
Less comprehensive earnings (losses) attributable to the noncontrolling interests	63	—	(3)	60
Comprehensive earnings attributable to Liberty Media Corporation stockholders	$ 726	206	834	1,766

STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS (LOSS) INFORMATION

Year ended December 31, 2009

(unaudited)

	Attributed (note 1)			
	Interactive Group	Starz Group	Capital Group	Consolidated Liberty
	amounts in millions			
Revenue:				
Net retail sales	$8,305	—	—	8,305
Communications and programming services	—	1,204	649	1,853
	8,305	1,204	649	10,158
Operating costs and expenses:				
Cost of sales	5,332	—	—	5,332
Operating	752	685	486	1,923
Selling, general and administrative, including stock-based compensation (notes 1 and 5)	614	221	343	1,178
Depreciation and amortization	566	21	79	666
Impairment of long-lived assets	—	5	4	9
	7,264	932	912	9,108
Operating income (loss)	1,041	272	(263)	1,050
Other income (expense):				
Interest expense	(496)	(2)	(130)	(628)
Dividend and interest income	8	2	115	125
Intergroup interest income (expense)	(16)	8	8	—
Share of losses of affiliates, net	(14)	(10)	(34)	(58)
Realized and unrealized gains (losses) on financial instruments, net	(121)	8	(42)	(155)
Gains on dispositions, net	42	27	215	284
Other than temporary declines in fair value of investments	—	—	(9)	(9)
Loss on early extinguishment of debt	(11)	—	—	(11)
Other, net	18	(6)	11	23
	(590)	27	134	(429)
Earnings (loss) before income taxes	451	299	(129)	621
Income tax benefit (expense) (note 6)	(154)	(86)	256	16
Net earnings (loss) from continuing operations	297	213	127	637
Earnings from discontinued operations, net of taxes	—	5,864	—	5,864
Net earnings	297	6,077	127	6,501
Less net earnings attributable to the noncontrolling interests	39	—	—	39
Net earnings attributable to Liberty Media Corporation stockholders	$ 258	6,077	127	6,462
Net earnings	$ 297	6,077	127	6,501
Other comprehensive earnings (loss), net of taxes:				
Foreign currency translation adjustments	1	—	2	3
Unrealized holding gains arising during the period	187	—	43	230
Recognition of previously unrealized gains on available-for-sale securities, net	(26)	—	(1)	(27)
Share of other comprehensive loss of equity affiliates	(5)	—	—	(5)
Other	47	—	(4)	43
Other comprehensive earnings from discontinued operations	—	31	—	31
Other comprehensive earnings	204	31	40	275
Comprehensive earnings	501	6,108	167	6,776
Less comprehensive earnings attributable to the noncontrolling interests	32	—	—	32
Comprehensive earnings attributable to Liberty Media Corporation stockholders	$ 469	6,108	167	6,744

STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS (LOSS) INFORMATION

Year ended December 31, 2008

(unaudited)

	Attributed (note 1)			
	Interactive Group	Starz Group	Capital Group	Consolidated Liberty
	amounts in millions			
Revenue:				
Net retail sales	$ 8,079	—	—	8,079
Communications and programming services	—	1,124	614	1,738
	8,079	1,124	614	9,817
Operating costs and expenses:				
Cost of sales	5,224	—	—	5,224
Operating	748	682	515	1,945
Selling, general and administrative, including stock-based compensation (notes 1 and 5)	584	167	398	1,149
Depreciation and amortization	561	26	101	688
Impairment of long-lived assets	56	1,262	251	1,569
	7,173	2,137	1,265	10,575
Operating income (loss)	906	(1,013)	(651)	(758)
Other income (expense):				
Interest expense	(473)	(22)	(172)	(667)
Dividend and interest income	22	16	136	174
Share of losses of affiliates, net	(1,192)	(7)	(64)	(1,263)
Realized and unrealized gains (losses) on financial instruments, net	(240)	272	(292)	(260)
Gains (losses) on dispositions of assets, net	2	(3)	16	15
Other than temporary declines in fair value of investments	(440)	—	(1)	(441)
Gain on early extinguishment of debt	240	—	—	240
Other, net	(63)	(12)	4	(71)
	(2,144)	244	(373)	(2,273)
Loss from continuing operations before income taxes	(1,238)	(769)	(1,024)	(3,031)
Income tax benefit (expense) (note 6)	493	(191)	440	742
Loss from continuing operations	(745)	(960)	(584)	(2,289)
Earnings from discontinued operations, net of taxes	—	5,812	—	5,812
Net earnings (loss)	(745)	4,852	(584)	3,523
Less net earnings attributable to the noncontrolling interests	36	—	8	44
Net earnings (loss) attributable to Liberty Media Corporation stockholders	$ (781)	4,852	(592)	3,479
Net earnings (loss)	$ (745)	4,852	(584)	3,523
Other comprehensive earnings (loss), net of taxes:				
Foreign currency translation adjustments	(10)	—	(9)	(19)
Unrealized holding losses arising during the period	(498)	—	(2)	(500)
Recognition of previously unrealized losses on available-for-sale securities, net	272	—	1	273
Share of other comprehensive loss of equity affiliates	(10)	—	—	(10)
Other	(60)	—	(2)	(62)
Other comprehensive loss from discontinued operations	—	(2,618)	—	(2,618)
Other comprehensive loss	(306)	(2,618)	(12)	(2,936)
Comprehensive earnings (loss)	(1,051)	2,234	(596)	587
Less comprehensive earnings attributable to the noncontrolling interests	63	—	8	71
Comprehensive earnings (loss) attributable to Liberty Media Corporation stockholders	$(1,114)	2,234	(604)	516

STATEMENT OF CASH FLOWS INFORMATION

Year ended December 31, 2010

(unaudited)

	Attributed (note 1)			
	Interactive Group	Starz Group	Capital Group	Consolidated Liberty
		amounts in millions		
Cash flows from operating activities:				
Net earnings	$ 919	206	812	1,937
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization	571	18	72	661
Impairment of long-lived assets	—	4	—	4
Stock-based compensation	67	52	31	150
Cash payments for stock based compensation	(20)	(196)	(8)	(224)
Noncash interest expense	90	—	—	90
Share of losses (earnings) of affiliates, net	(114)	—	64	(50)
Realized and unrealized losses (gains) on financial instruments, net	28	2	(262)	(232)
Losses (gains) on disposition of assets, net	(533)	2	(38)	(569)
Return on investments	19	—	2	21
Deferred income tax expense (benefit)	(38)	64	(846)	(820)
Other noncash charges, net	24	40	147	211
Intergroup tax allocation	112	54	(166)	—
Intergroup tax payments	(162)	20	142	—
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions:				
Current and other assets	247	16	(54)	209
Payables and other current liabilities	46	(169)	112	(11)
Net cash provided by operating activities	1,256	113	8	1,377
Cash flows from investing activities:				
Cash proceeds from dispositions	459	30	41	530
Proceeds (payments) on settlement of financial instruments	(28)	—	751	723
Cash paid for acquisitions, net of cash acquired	(33)	—	—	(33)
Cash received in exchange transaction	218	—	—	218
Investments in and loans to cost and equity investees	(1)	—	(405)	(406)
Repayment of loan by equity investee	—	—	200	200
Capital expended for property and equipment	(258)	(7)	(9)	(274)
Net purchases of short term and other marketable securities	—	(243)	(299)	(542)
Reattribution of cash between tracking stocks	807	36	(843)	—
Net decrease (increase) in restricted cash	2	(27)	(12)	(37)
Other investing activities, net	(15)	—	(13)	(28)
Net cash provided (used) by investing activities	1,151	(211)	(589)	351
Cash flows from financing activities:				
Borrowings of debt	2,974	36	96	3,106
Repayments of debt	(4,791)	(32)	(1,015)	(5,838)
Repurchases of Liberty common stock	—	(40)	(714)	(754)
Settlement of financial instruments	(47)	(3)	(13)	(63)
Premium proceeds from financial instruments	47	—	114	161
Repayment of intergroup loan	(316)	158	158	—
Distributuion to noncontrolling interests, net	(66)	—	—	(66)
Other financing activities, net	(17)	63	10	56
Net cash provided (used) by financing activities	(2,216)	182	(1,364)	(3,398)
Effect of foreign currency rates on cash	14	—	—	14
Net increase (decrease) in cash and cash equivalents	205	84	(1,945)	(1,656)
Cash and cash equivalents at beginning of year	884	794	3,157	4,835
Cash and cash equivalents at end year	$ 1,089	878	1,212	3,179

STATEMENT OF CASH FLOWS INFORMATION

Year ended December 31, 2009

(unaudited)

	Attributed (note 1)			
	Interactive Group	Starz Group	Capital Group	Consolidated Liberty
	amounts in millions			
Cash flows from operating activities:				
Net earnings	$ 297	6,077	127	6,501
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Earnings from discontinued operations	—	(5,864)	—	(5,864)
Depreciation and amortization	566	21	79	666
Impairment of long-lived assets	—	5	4	9
Stock-based compensation	47	76	5	128
Cash payments for stock based compensation	(9)	(2)	—	(11)
Noncash interest expense	97	—	—	97
Share of losses of affiliates, net	14	10	34	58
Realized and unrealized losses (gains) on financial instruments, net	121	(8)	42	155
Gains on disposition of assets, net	(42)	(27)	(215)	(284)
Other than temporary declines in fair value of investments	—	—	9	9
Deferred income tax expense (benefit)	(203)	(8)	53	(158)
Other noncash charges (credits), net	(6)	21	60	75
Intergroup tax allocation	224	97	(321)	—
Intergroup tax payments	(168)	(96)	264	—
Other intergroup cash transfers, net	2	(10)	8	—
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions:				
Current and other assets	5	(15)	29	19
Payables and other current liabilities	142	(21)	(74)	47
Net cash provided by operating activities	1,087	256	104	1,447
Cash flows from investing activities:				
Cash proceeds from dispositions	306	—	251	557
Proceeds from settlement of financial instruments	7	21	1,346	1,374
Cash paid for acquisitions, net of cash acquired	(2)	(1)	(1)	(4)
Investments in and loans to cost and equity investees	(24)	—	(726)	(750)
Repayment of loan by equity investee	—	—	634	634
Capital expended for property and equipment	(208)	(10)	(46)	(264)
Net decrease (increase) in restricted cash	(12)	—	66	54
Other investing activities, net	(19)	—	72	53
Net cash provided by investing activities	48	10	1,596	1,654
Cash flows from financing activities:				
Borrowings of debt	1,277	—	2,061	3,338
Intergroup debt borrowings	510	(255)	(255)	—
Repayments of debt	(2,538)	(3)	(2,141)	(4,682)
Repurchases of Liberty common stock	—	(13)	(5)	(18)
Settlement of financial instruments	(177)	—	28	(149)
Premium proceeds from financial instruments	177	—	155	332
Repayment of intergroup loan	(194)	97	97	—
Distribution to noncontrolling interests, net	(57)	—	—	(57)
Other financing activities, net	(64)	99	21	56
Net cash used by financing activities	(1,066)	(75)	(39)	(1,180)
Effect of foreign currency rates on cash	(17)	(8)	—	(25)
Net cash provided to discontinued operations:				
Cash used by operating activities	—	(5)	—	(5)
Cash used by investing activities	—	(15)	—	(15)
Cash provided by financing activities	—	—	—	—
Change in available cash held by discontinued operations	—	(101)	—	(101)
Net cash provided to discontinued operations	—	(121)	—	(121)
Net increase in cash and cash equivalents	52	62	1,661	1,775
Cash and cash equivalents at beginning of year	832	732	1,496	3,060
Cash and cash equivalents at end year	$ 884	794	3,157	4,835

STATEMENT OF CASH FLOWS INFORMATION

Year ended December 31, 2008

(unaudited)

	Attributed (note 1)			
	Interactive Group	Starz Group	Capital Group	Consolidated Liberty
	amounts in millions			
Cash flows from operating activities:				
Net earnings (loss)	$ (745)	4,852	(584)	3,523
Adjustments to reconcile net earnings (loss) to net cash provided (used) by operating activities:				
Earnings from discontinued operations	—	(5,812)	—	(5,812)
Depreciation and amortization	561	26	101	688
Impairment of long-lived assets	56	1,262	251	1,569
Stock-based compensation	32	15	2	49
Cash payments for stock-based compensation	(9)	(14)	(1)	(24)
Noncash interest expense	7	—	1	8
Share of losses of affiliates, net	1,192	7	64	1,263
Realized and unrealized losses (gains) on financial instruments, net	240	(272)	292	260
Losses (gains) on dispositions of assets, net	(2)	3	(16)	(15)
Other than temporary declines in fair value of investments	440	—	1	441
Deferred income tax expense (benefit)	(828)	131	(300)	(997)
Other noncash charges (credits), net	(178)	—	98	(80)
Intergroup tax allocation	239	59	(298)	—
Intergroup tax payments	(190)	(79)	269	—
Other intergroup cash transfers, net	(68)	9	59	—
Changes in operating assets and liabilities, net of the effects of acquisitions:				
Current and other assets	(74)	60	(129)	(143)
Payables and other current liabilities	(165)	(23)	100	(88)
Net cash provided (used) by operating activities	508	224	(90)	642
Cash flows from investing activities:				
Cash proceeds from dispositions	18	—	17	35
Proceeds from settlement of financial instruments	—	—	33	33
Cash paid for acquisitions, net of cash acquired	(69)	(7)	(1)	(77)
Investment in and loans to cost and equity investees	(340)	(19)	(232)	(591)
Capital expended for property and equipment	(166)	(7)	(29)	(202)
Net decrease in restricted cash	—	—	383	383
Other investing activities, net	16	(11)	(88)	(83)
Net cash provided (used) by investing activities	(541)	(44)	83	(502)
Cash flows from financing activities:				
Borrowings of debt	1,483	—	1,548	3,031
Repayments of debt	(1,437)	(3)	(1,323)	(2,763)
Repurchases of Liberty common stock	(75)	—	(462)	(537)
Settlement of financial instruments	(56)	(13)	(277)	(346)
Intergroup cash transfers, net	—	450	(450)	—
Reattribution of cash	380	(380)	—	—
Distribution of noncontrolling interests, net	(17)	—	—	(17)
Other financing activities, net	—	15	(8)	7
Net cash provided (used) by financing activities	278	69	(972)	(625)
Effect of foreign currency rates on cash	30	—	(13)	17
Net cash provided by discontinued operations:				
Cash provided by operating activities	—	2	—	2
Cash used by investing activities	—	(1,464)	—	(1,464)
Cash provided by financing activities	—	1,930	—	1,930
Change in available cash held by discontinued operations	—	(68)	—	(68)
Net cash provided by discontinued operations	—	400	—	400
Net increase (decrease) in cash and cash equivalents	275	649	(992)	(68)
Cash and cash equivalents at beginning of year	557	83	2,488	3,128
Cash and cash equivalents at end of year	$ 832	732	1,496	3,060

Notes to Attributed Financial Information

(unaudited)

(1) The assets attributed to our Interactive Group as of December 31, 2010 include our consolidated subsidiaries QVC, Inc., Provide Commerce, Inc., Backcountry.com, Inc., Bodybuilding.com, LLC and Celebrate Interactive Holdings, Inc., and our interests in Expedia, Inc., HSN, Inc., Interval Leisure Group, Inc. and Tree.com, Inc. Accordingly, the accompanying attributed financial information for the Interactive Group includes the foregoing investments, as well as the assets, liabilities, revenue, expenses and cash flows of QVC, Provide, Backcountry, Bodybuilding and Celebrate. We have also attributed certain of our debt obligations (and related interest expense) to the Interactive Group based upon a number of factors, including the cash flow available to the Interactive Group and its ability to pay debt service and our assessment of the optimal capitalization for the Interactive Group. The specific debt obligations attributed to each of the Interactive Group, the Starz Group and the Capital Group are described in note 4 below. In addition, we have allocated certain corporate general and administrative expenses among the Interactive Group, the Starz Group and the Capital Group as described in note 5 below.

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

The Starz Group consists primarily of our subsidiary Starz, LLC, and approximately $878 million (as of December 31, 2010) of cash, including subsidiary cash. In addition, as of September 30, 2010 Starz Media, LLC ("Starz Media") is attributed to the Starz Group. Accordingly, the accompanying attributed financial information for the Starz Group includes the assets, liabilities, revenue, expenses and cash flows of Starz Entertainment and Starz Media as of September 30, 2010.

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

The Capital Group consists of all of our businesses not included in the Interactive Group or the Starz Group, including our consolidated subsidiaries Starz Media, LLC through September 30, 2010, Atlanta National League Baseball Club, Inc. and TruePosition, Inc., and certain cost and equity investments. Accordingly, the accompanying attributed financial information for the Capital Group includes these investments and the assets, liabilities, revenue, expenses and cash flows of these consolidated subsidiaries. In addition, we have attributed to the Capital Group all of our notes and debentures (and related interest expense) that have not been attributed to the Interactive Group or the Starz Group. See note 4 below for the debt obligations attributed to the Capital Group.

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

While we believe the allocation methodology described above is reasonable and fair to each group, we may elect to change the allocation methodology in the future. In the event we elect to transfer assets or businesses from one group to the other, such transfer would be made on a fair value basis and would be accounted for as a short-term loan unless our board of directors determines to account for it as a long-term loan or through an inter-group interest.

Notes to Attributed Financial Information

(unaudited)

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

- the change in attribution from the Interactive Group to the Capital Group of Liberty's 14.6% ownership interest in Live Nation Entertainment, Inc.;
- the change in attribution from the Capital Group to the Interactive Group of the following debt securities:
  - $469 million in principal amount of 4% Exchangeable Senior Debentures due 2029 (the "2029 Exchangeables");
  - $460 million in principal amount of 3.75% Exchangeable Senior Debentures due 2030 (the "2030 Exchangeables"); and
  - $492 million in principal amount of 3.5% Exchangeable Senior Debentures due 2031 (the "2031 Exchangeables", and together with the 2029 Exchangeables and the 2030 Exchangeables, the "Exchangeable Notes");
- the change in attribution from the Capital Group to the Interactive Group of approximately $830 million in net taxable income to be recognized ratably in tax years 2014 through 2018 as a result of the cancellation in April 2009 of $400 million in principal amount of 2029 Exchangeables and $350 million in principal amount of 2030 Exchangeables; and
- the change in attribution from the Capital Group to the Interactive Group of $807 million in cash.

The Liberty Media board determined that the February Reattribution would enable the Liberty Interactive Group to obtain long-term debt financing on better terms than would have been available to it in the capital markets at that time and improve the liquidity of the Liberty Interactive Group. In addition, the Liberty Interactive Group's generation of meaningful taxable income would better position it to utilize more directly and efficiently the tax benefits associated with the Exchangeable Notes. Previously, the Liberty Interactive Group was using these tax benefits, which were then attributed to the Liberty Capital Group, and compensating the Liberty Capital Group for such use. Lastly, the Liberty Media board believed that Liberty Media's equity interests in Live Nation Entertainment should be reattributed to the Liberty Capital Group in order to position it to take advantage of potential synergies associated with the Liberty Capital Group's then recent acquisition of its interests in Sirius XM Radio.

In establishing the terms of the February Reattribution, the Liberty Media board reviewed, among other things, (i) a range of estimated values for the Exchangeable Notes (between $482 million and $526 million), which took into account the trading prices of the Exchangeable Notes and their unique tax attributes, among other things, and (ii) the estimated value of Liberty Media's equity interests in Live Nation Entertainment (approximately $298 million), which was based on the $12 per share at which Liberty Media publicly tendered for additional shares of Live Nation during February 2010. Consistent with Liberty Media's Management and Allocation Policies, the Liberty Media board determined that the exchange of assets and liabilities between the two groups in the February Reattribution was completed on a fair value basis.

Liberty has accounted for the February Reattribution prospectively. This change in attribution had no effect on the balance sheet and results of operations attributed to the Starz Group.

Notes to Attributed Financial Information

(unaudited)

The February Reattribution between the groups resulted in the following impact to attributed net assets:

	Interactive Group increase (decrease)	Capital Group increase (decrease)
	amounts in millions	
Assets:		
Cash	$ 807	(807)
Investment in available-for-sale securities	(307)	307
Net increase (decrease) to assets	500	(500)
Liabilities (including accumulated other comprehensive earnings:		
Exchangeable senior debentures (including accrued interest)	767	(767)
Deferred tax liabilities	1,048	(1,048)
Accumulated other comprehensive earnings	(30)	30
Net increase (decrease) to liabilities	1,785	(1,785)
Impact to attributed net assets	$(1,285)	1,285

The assets and liabilities were reattributed at their book values versus the estimated fair values of those assets and liabilities that were considered by our board of directors, among other factors, in approving the reattribution. As a result, on a book value basis there is a transfer of net assets between the tracking stocks of $1,285 million. The principal reasons for the difference between fair value and book value is (i) the deferred tax liabilities under GAAP are required to be carried at the gross undiscounted basis difference multiplied by the company's effective tax rate whereas on a fair value basis, these future tax liabilities are not expected to be incurred for many years and therefore their present discounted value is substantially less, and (ii) the senior exchangeables are expected to continue to generate interest deductions for tax purposes in excess of the annual cash coupon over their remaining life, the present value of which is not reflected in the book values of the reattributed assets and liabilities.

On September 16, 2010, Liberty Media's board of directors approved a change in attribution of Liberty Media's interest in Starz Media, LLC along with $15 million in cash from its Capital Group to its Starz Group, effective September 30, 2010 (the "Starz Media Reattribution"). As a result of the Starz Media Reattribution, an intergroup payable of approximately $54.9 million owed by Liberty Media's Capital Group to its Starz Group has been extinguished, and its Starz Group has become attributed with approximately $53.7 million in bank debt, interest rate swaps, and any shutdown costs associated with the winding down of the Overture Films business. Notwithstanding the Starz Media Reattribution, the board determined that certain tax benefits relating to the operation of the Starz Media, LLC business by Liberty Media's Capital Group that may be realized from any future sale or other disposition of that business by Liberty Media's Starz Group will remain attributed to its Capital Group.

The Starz Media Reattribution enabled the Liberty Starz Group to acquire the complementary Starz Media business. Starz Entertainment had been engaging in mutually beneficial content distribution and programming arrangements with Starz Media, and it was inefficient for these arrangements to be treated as inter-group transactions. Accordingly, the Liberty Media board reattributed Starz Media, and its related debt, from the Liberty Capital Group to the Liberty Starz Group. This also enabled the Liberty Capital Group to repay indebtedness it owed to the Liberty Starz Group without using any of its cash reserves.

In establishing the terms of the Starz Reattribution, the Liberty Media board considered, among other things, (i) a range of estimated values for the Starz Media assets (between $95 million and $122 million), (ii) the $53.7 million in Starz Media liabilities to be assumed and (iii) the $54.9 million payable owed by the Liberty Capital Group to the Liberty Starz Group. Consistent with Liberty Media's Management and Allocation Policies, the Liberty Media board determined that the exchange of assets and liabilities between the two groups in the Starz Reattribution was completed on a fair value basis.

Liberty has accounted for the Starz Media Reattribution prospectively. This change in attribution has no impact on the balance sheet and results of operations attributed to the Interactive Group.

The assets and liabilities were attributed at their book values versus the estimated fair values of those assets and liabilities that were considered by our board of directors, among other factors, in approving the reattribution. As a result, on a book value basis there is a transfer of net assets between the tracking stock groups of $54 million from the Capital Group to the Starz Group.

During the second quarter of 2009, each of the Starz Group and the Capital Group made intergroup loans to the Interactive Group in the amount of $250 million. Such loans (i) are secured by various public stocks attributed to the Interactive Group, (ii) accrue interest quarterly at the rate of LIBOR plus 500 basis points and (iii) are due June 16, 2010. In the first quarter of 2010, the Interactive Group repaid the remaining balance of the intergroup loans by making payments of $158 million to each of the Starz Group and the Capital Group.

During the second quarter of 2010, Liberty announced that its board of directors had authorized its management to proceed with a plan to separate its Liberty Capital and Liberty Starz tracking stock groups from its Liberty Interactive tracking stock group.

The proposed split-off will be effected by the redemption of all the outstanding shares of Liberty Capital tracking stock and Liberty Starz tracking stock in exchange for shares in a newly formed company ("Splitco"). Splitco will hold all the assets and be subject to all the liabilities currently attributed to the Liberty Capital and Liberty Starz tracking stock groups, other than approximately $264 million of cash, exchangeable debt in the principal amount of $1.1 billion and the stock into which such debt is exchangeable which were reattributed from Liberty Capital to Liberty Starz in February of 2011. Consistent with the treatment of other reattributions, this change in attribution will be on a prospective basis and is not reflected in the unaudited attributed financial information as of December 31, 2010. The common stock of Splitco will be divided into two tracking stock groups, one tracking assets that are currently attributed to the Liberty Capital group ("Splitco Capital") and the other tracking assets that are currently attributed to the Liberty Starz group ("Splitco Starz"). In the redemption, holders of Liberty Capital tracking stock will receive shares of Splitco Capital tracking stock and holders of Liberty Starz tracking stock will receive shares of Splitco Starz tracking stock. After the redemption, Splitco and Liberty will be separate public companies.

The proposed split-off is intended to be tax-free to stockholders of Liberty and its completion will be subject to various conditions including the receipt of IRS private letter rulings, the opinions of tax counsel and required governmental approvals. The redemption that is necessary to effect the proposed split-off will require the affirmative vote of (i) a majority of the voting power of the outstanding shares of Liberty Capital tracking stock and (ii) a majority of the voting power of the outstanding shares of Liberty Starz tracking stock, in each case, present and voting at a meeting called to consider the redemption. On August 6, 2010, Liberty announced that it had filed suit in the Delaware Court of Chancery against the trustee under the indenture governing the public indebtedness issued by the Company's subsidiary, Liberty Media LLC. The lawsuit was filed in response to allegations made by a law firm purporting to represent a holder with a large position in this public indebtedness. The lawsuit seeks a declaratory judgment by the court that the proposed split-off will not constitute a disposition of "all or substantially all" of the assets of Liberty Media LLC, as those terms are used in the indenture, as well as related injunctive relief. Resolution of the subject matter of this lawsuit is a condition to Liberty completing the proposed split-off. Subject to the satisfaction of the conditions described above, Liberty intends to complete the proposed split-off in the first half of 2011.

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

	December 31, 2010	December 31, 2009
	amounts in millions	
Capital Group		
Time Warner Inc.(a)	$1,101	997
Time Warner Cable Inc.(a)	567	356
Sprint Nextel Corporation(a)	301	260
Motorola, Inc.(a)	471	403
Live Nation(b)	389	—
Viacom, Inc.	301	226
CenturyTel, Inc./Embarq Corporation(a)	248	195
Other available-for-sale equity securities(a)	308	220
SIRIUS XM debt securities(c)	384	300
Other available-for-sale debt securities	404	376
Other cost investments and related receivables	9	22
Total attributed Capital Group	4,483	3,355
Interactive Group		
IAC/InterActiveCorp(d)	—	492
Other(e)	1	242
Total attributed Interactive Group	1	734
Starz Group		
Other	67	31
Total attributed Starz Group	67	31
Consolidated Liberty	$4,551	4,120

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

(b) On January 25, 2010, Live Nation and Ticketmaster Entertainment, Inc. ("Ticketmaster") completed a merger transaction. Liberty owned approximately 29% of the outstanding common stock of Ticketmaster and received 1.474 shares of Live Nation for each share of

Ticketmaster. As a result of the merger Liberty's ownership interest was approximately 15% in the combined entity and accounts for the new investment as an AFS security. Liberty recorded the transaction at fair value and recorded a $178 million gain. At the time of the merger the investment was attributed to the Interactive Group. As a result of the February Reattribution the Live Nation investment is attributed to the Capital Group. Additionally, during the year ended December 31, 2010 Liberty acquired an approximate 3% additional interest in Live Nation. Subsequent to December 31, 2010 Liberty acquired an additional 1% interest and agreed to purchase an additional 5.5 million in shares for $57.7 million subject to Live Nation shareholder approval and other customary closing conditions.

(c) During the first quarter of 2010, Liberty purchased an additional $150 million of SIRIUS XM 8.75% debt securities due April 15, 2015 at par. During the second quarter of 2010 SIRIUS XM repurchased and retired certain public bonds of which Liberty owned approximately $55 million of the principal amounts. During the fourth quarter SIRIUS XM repurchased and retired additional outstanding public bonds of which Liberty owned approximately $87 million in principal. Additionally, Liberty purchased $50 million of SIRIUS XM 7.625% debt securities due November 1, 2018 at par.

(d) During the year ended December 31, 2010, Liberty sold approximately 3.7 million shares of IAC in the open market for cash proceeds of approximately $77 million. Liberty also physically settled a derivative by delivering 7.5 million shares of IAC for proceeds of $153 million. The combined gain on the disposition of IAC shares recorded in gains (losses) on dispositions, net was $53 million. Additionally, Liberty exchanged its remaining ownership interest in IAC for a subsidiary of IAC that owns Evite and Gifts.com along with $218 million in cash. The exchange resulted in the recognition of $165 million of gain on disposition.

(e) During the year ended December 31, 2010, QVC sold its investment in GSI Commerce for aggregate cash proceeds of $220 million. QVC recognized a $105 million gain on the sale.

(3) The following table presents information regarding certain equity method investments attributed to each of the Interactive Group and the Capital Group:

	December 31, 2010			Share of earnings (losses) years ended December 31,		
	Percentage ownership	Carrying value	Market value	2010	2009	2008
	dollar amounts in millions					
Interactive Group						
Expedia(a)	25%	$710	1,737	103	72	(726)
Capital Group						
Sirius(b)	40%	$ 5	4,266	(41)	(28)	—

(a) Our share of losses of Expedia for the year ended December 31, 2008 includes the write off of our excess basis in the amount of $119 million.

(b) When Liberty applied its initial equity method accounting on the SIRIUS XM investment, Liberty's basis in the investment was different than the underlying equity in the net assets of SIRIUS XM. As a result, Liberty established an excess basis account and allocated the differences to certain fair value adjustments to the outstanding debt (at the time of our initial investment) and certain intangible assets. Even though SIRIUS XM had net income during the current year the amortization of the excess basis resulted in Liberty recording share of losses. In the third quarter of 2010 these share of losses were accelerated as SIRIUS XM refinanced certain debt which had an associated discount recorded in Liberty's excess basis account. As SIRIUS XM repays certain debt issuances where Liberty has established debt discounts, the extinguishment typically results in a loss on the retirement of Liberty's excess basis account. As of December 31, 2010, the Sirius Preferred Stock had a market value of $4,266 million based on the value of the common stock into which it is convertible.

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

	December 31, 2010	
	Outstanding principal	Carrying value
	amounts in millions	
Interactive Group		
5.7% Senior Notes due 2013	$ 324	323
8.5% Senior Debentures due 2029	287	284
8.25% Senior Debentures due 2030	504	501
4% Exchangeable Senior Debentures due 2029	469	265
3.75% Exchangeable Senior Debentures due 2030	460	253
3.25% Exchangeable Senior Debentures due 2031	541	376
3.5% Exchangeable Senior Debentures due 2031	490	329
QVC 7.125% Senior Secured Notes due 2017	500	500
QVC 7.5% Senior Secured Notes due 2019	1,000	985
QVC 7.375% Senior Secured Notes due 2020	500	500
QVC bank credit facilities	785	785
Other debt	79	79
Total Interactive Group debt	5,939	5,180
Capital Group		
3.125% Exchangeable Senior Debentures due 2023	1,138	1,283
Liberty bank facility	750	750
Total Capital Group debt	1,888	2,033
Starz Group		
Subsidiary debt	105	105
Total debt	$7,932	7,318

(5) Cash compensation expense for our corporate employees has been allocated among the Interactive Group, the Starz Group and the Capital Group based on the estimated percentage of time spent providing services for each group. Stock-based compensation expense for our corporate employees has been allocated among the Interactive Group, the Starz Group and the Capital Group based on the compensation derived from the equity awards for the respective tracking stock. Other general and administrative expenses are charged directly to the groups whenever possible and are otherwise allocated based on estimated usage or some other reasonably determined methodology. Amounts allocated from the Capital Group to the Interactive Group and the Starz Group, including stock-based compensation, are as follows:

	Years ended December 31,		
	2010	2009	2008
	amounts in millions		
Interactive Group	$61	26	19
Starz Group	$21	46	11

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

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

Interactive Group

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

	Years ended December 31,		
	2010	2009	2008
	amounts in millions		
Current:			
Federal	$(112)	(223)	(220)
State and local	6	(49)	(19)
Foreign	(111)	(85)	(96)
	(217)	(357)	(335)
Deferred:			
Federal	8	173	708
State and local	16	27	110
Foreign	14	3	10
	38	203	828
Income tax benefit (expense)	$(179)	(154)	493

Notes to Attributed Financial Information

(unaudited)

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

	Years ended December 31,		
	2010	2009	2008
	amounts in millions		
Computed expected tax benefit (expense)	$(385)	(158)	433
Nontaxable exchange of investments for a subsidiary	112	—	—
State and local income taxes, net of federal income taxes	14	(20)	57
Foreign taxes, net of foreign tax credits	48	(4)	28
Change in valuation allowance affecting tax expense	—	—	15
Nontaxable gains (losses) related to the company's common stock	27	20	(57)
Recognition of tax benefits (expense) not previously recognized, net	—	—	19
Other, net	5	8	(2)
Income tax benefit (expense)	$(179)	(154)	493

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

	December 31,	
	2010	2009
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	$ 40	36
Accrued stock compensation	33	17
Other accrued liabilities	154	169
Deferred revenue	9	16
Investments	47	124
Other future deductible amounts	105	90
Deferred tax assets	388	452
Valuation allowance	(1)	(1)
Net deferred tax assets	387	451
Deferred tax liabilities:		
Intangible assets	1,718	1,881
Discount on exchangeable debentures	995	225
Deferred tax gain on debt retirements	313	—
Other	95	89
Deferred tax liabilities	3,121	2,195
Net deferred tax liabilities	$2,734	1,744

Notes to Attributed Financial Information
(unaudited)

Starz Group

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

	Years ended December 31,		
	2010	2009	2008
	amounts in millions		
Current:			
Federal	$ (53)	(83)	(50)
State and local	(1)	(9)	(9)
Foreign	(3)	(2)	(1)
	(57)	(94)	(60)
Deferred:			
Federal	(56)	4	(116)
State and local	(8)	4	(15)
Foreign	—	—	—
	(64)	8	(131)
Income tax expense	$(121)	(86)	(191)

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

	Years ended December 31,		
	2010	2009	2008
	amounts in millions		
Computed expected tax benefit (expense)	$(114)	(104)	270
State and local income taxes, net of federal income taxes	(6)	(4)	(16)
Change in valuation allowance affecting tax expense	1	3	(17)
Impairment of goodwill not deductible for tax purposes	—	—	(442)
Excess tax deductions over book expense	—	19	—
Other, net	(2)	—	14
Income tax expense	$(121)	(86)	(191)

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

	December 31, 2010	December 31, 2009
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	$ 4	3
Accrued stock compensation	23	87
Intangible assets	14	7
Other	7	8
Deferred tax assets	48	105
Valuation allowance	(4)	(5)
Net deferred tax assets	44	100
Deferred tax liabilities:		
Other	45	18
Deferred tax liabilities	45	18
Net deferred tax liabilities (asset)	$ 1	(82)

Capital Group

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

	Years ended December 31, 2010	2009	2008
	amounts in millions		
Current:			
Federal	$(158)	287	128
State and local	(7)	22	9
Foreign	(2)	—	3
	(167)	309	140
Deferred:			
Federal	777	(69)	266
State and local	69	16	34
Foreign	—	—	—
	846	(53)	300
Income tax benefit	$ 679	256	440

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

	Years ended December 31,		
	2010	2009	2008
	amounts in millions		
Computed expected tax benefit (expense)	$(46)	45	359
State and local income taxes, net of federal income taxes	40	20	28
Change in valuation allowance affecting tax expense	6	6	(3)
Disposition of consolidated subsidiaries	462	—	—
Settlements with taxing authorities	211	—	—
Recognition of tax benefits not previously recognized, net	5	201	56
Expenses not deductible for income tax purposes	(6)	(12)	—
Other, net	7	(4)	—
Income tax benefit	$679	256	440

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

	December 31,	
	2010	2009
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	$ 586	135
Accrued liabilities	58	66
Discount on exchangeable debentures	48	—
Deferred revenue	408	403
Other	61	62
Deferred tax assets	1,161	666
Valuation allowance	(5)	(11)
Net deferred tax assets	1,156	655
Deferred tax liabilities:		
Investments	1,340	1,660
Intangible assets	120	147
Discount on exchangeable debentures	—	738
Deferred gain on debt retirements	8	316
Other	28	54
Deferred tax liabilities	1,496	2,915
Net deferred tax liabilities	$ 340	2,260

(7) The Liberty Interactive Stock, the Liberty Starz Stock and the Liberty Capital Stock have voting and conversion rights under our restated charter. Following is a summary of those rights. Holders of Series A common stock of each group are entitled to one vote per share, and holders of Series B common stock of each group are entitled to ten votes per share. Holders of Series C common stock of each group, if issued, will be entitled to 1/100th of a vote per share in certain

limited cases and will otherwise not be entitled to vote. In general, holders of Series A and Series B common stock vote as a single class. In certain limited circumstances, the board may elect to seek the approval of the holders of only Series A and Series B Liberty Interactive Stock, the approval of the holders of only Series A and Series B Liberty Starz Stock or the approval of the holders of only Series A and Series B Liberty Capital Stock.

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

CORPORATE DATA

Board of Directors
John C. Malone
Chairman of the Board
Liberty Media Corporation

Robert R. Bennett
Managing Director
Hilltop Investments LLC

Donne F. Fisher
President
Fisher Capital Partners, Ltd.

M. Ian G. Gilchrist
Retired Investment Banker

Gregory B. Maffei
President and CEO
Liberty Media Corporation

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

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

M. LaVoy Robison
Director and
Former Executive Director
The Anschutz Foundation

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

Andrea L. Wong
Former President and CEO
Lifetime Networks

Executive Committee
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Gregory B. Maffei
John C. Malone

Compensation Committee
Donne F. Fisher
M. Ian G. Gilchrist
David E. Rapley
Andrea L. Wong

Audit Committee
Donne F. Fisher
M. LaVoy Robison
Larry E. Romrell

Nominating & Corporate Governance Committee
M. Ian G. Gilchrist
David E. Rapley
Larry E. Romrell
Andrea L. Wong

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Chairman of the Board

Gregory B. Maffei
President and CEO

Charles Y. Tanabe
Executive Vice President
and General Counsel

Mark D. Carleton
Senior Vice President

William R. Fitzgerald
Senior Vice President

David J. A. Flowers
Senior Vice President and
Treasurer

Albert E. Rosenthaler
Senior Vice President

Christopher W. Shean
Senior Vice President
and Controller

Michael P. Zeisser
Senior Vice President

Corporate Secretary
Pamela L. Coe

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Stock Information
Liberty Capital group Series A and Series B Common Stock (LCAPA/B), Liberty Interactive group Series A and B Common Stock (LINTA/B), and Liberty Starz group Series A and B Common Stock (LSTZA/B) trade on the NASDAQ Global Select Market

CUSIP Numbers
LCAPA – 53071M 30 2
LCAPB – 53071M 40 1
LINTA – 53071M 10 4
LINTB – 53071M 20 3
LSTZA – 53071M 70 8
LSTZB – 53071M 80 7

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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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