

Capital Structure and Liquidity

Liberty's capital structure remains strong and will provide added flexibility to make such investments upon the issuance of Liberty Capital stock and Liberty Interactive stock. At December 31, 2005, we had \$2.3 billion of cash and marketable securities and \$7.5 billion of non-strategic cost investments, including related derivatives. Additionally, we hold \$11.8 billion of News Corp, IAC and Expedia, Inc. common stock.

During 2005, we completed our debt reduction program, retiring slightly more than \$1.7 billion of parent company debt. Since inception of this program in late 2003, we have reduced our debt by \$1.7 billion. In the first quarter of 2006, we completed the refinancing of our \$2 billion QVC credit facility. In March 2006, we announced a refinancing of the QVC credit facility to increase our borrowing capacity under that facility from \$2 billion to \$3.5 billion. The face value of our total debt at year end was slightly less than \$10 billion. We are confident in our ability to meet our obligations under our debt agreements.

¹ Liberty defines operating cash flow (OCF) as revenue less cost of sales; operating expenses; and selling, general and administrative expenses (excluding stock and other equity-based compensation). OCF, as defined by Liberty, excludes depreciation and amortization, stock and other equity-based compensation and restructuring and impairment charges that are included in the measurement of operating income pursuant to U.S. generally accepted accounting principles (GAAP). Liberty believes OCF is an important indicator of the operational strength and performance of its businesses, including the 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. Because OCF is used as a measure of operating performance, Liberty views operating income as the most directly comparable GAAP measure. OCF is not meant to replace or supersede operating income or any other GAAP measure, but rather to supplement the information to present investors with the same information as Liberty's management considers in assessing the results of operations and performance of its assets. Please see footnote 18 to our accompanying consolidated financial statements for a reconciliation of OCF to earnings (loss) before income taxes and minority interest.

