

LIBERTY MEDIA CORPORATION  
2016 ANNUAL REPORT





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Certain statements in this Annual Report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business, product and marketing strategies; revenue growth and subscriber trends at Sirius XM Holdings Inc. (“SIRIUS XM”); new service offerings; the recoverability of our goodwill and other long-lived assets; the performance of our equity affiliates; our projected sources and uses of cash; SIRIUS XM’s stock repurchase program; the anticipated impact of certain contingent liabilities related to legal and tax proceedings; the expected benefits of the acquisition of Formula 1; and the future financial performance of Formula 1’s business 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:

- consumer demand for our products and services and our ability to adapt to changes in demand;
- competitor responses to our products and services;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- uncertainties associated with product and service development and market acceptance, including the development and provision of programming for satellite radio and telecommunications technologies;
- our businesses’ significant dependence upon automakers;
- our businesses’ ability to attract and retain subscribers at a profitable level in the future is uncertain;
- our future financial performance, including availability, terms and deployment of capital;
- the integration of Formula 1;
- 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;
- interruption or failure of our information technology and communication systems, including the failure of SIRIUS XM’s satellites, could negatively impact our results and brand;
- royalties for music rights have increased and may continue to do so in the future;
- 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 consumer protection laws, and adverse outcomes from regulatory proceedings;
- changes in the nature of key strategic relationships with partners, vendors and joint venturers;
- general economic and business conditions and industry trends including the current economic downturn;
- consumer spending levels, including the availability and amount of individual consumer debt;
- rapid technological changes;
- impairments of third-party intellectual property rights;
- our indebtedness could adversely affect the operations and could limit the ability of our subsidiaries to react to changes in the economy or our industry;
- failure to protect the security of personal information about our businesses’ customers, subjecting our businesses to potentially costly government enforcement actions or private litigation and reputational damage;
- capital spending for the acquisition and/or development of telecommunications networks and services;
- the impact of AT&T Inc.’s agreement to acquire Time Warner Inc. on our 2.25% Exchangeable Senior Debentures due 2046;
- the regulatory and competitive environment of the industries in which we, and the entities in which we have interests, operate; and
- threatened terrorist attacks, political unrest and ongoing military action around the world.

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 and in our publicly filed documents, including our most recent Forms 10-K and 10-Q. 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 controlling and non-controlling interests that file reports and other information with the SEC in accordance with the Securities Exchange Act of 1934, as amended. 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](http://www.sec.gov). Those reports and other information are not incorporated by reference in this Annual Report.

## LETTER TO SHAREHOLDERS

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Dear Fellow Shareholders,

In 2016, Liberty Media celebrated a major milestone, marking its 25th anniversary. It was on March 28, 1991 that Liberty first traded on the NASDAQ under the tickers LBTYA and LBTYB, comprised of the content assets previously owned by Tele-Communications, Inc. (“TCI”). If you participated in that rights offering in 1991 and held your LBTYA share through its various transitions, today you would be sitting on over 20 different tickers and significant capital gains. We have tried to keep busy and productive over the past quarter century.

Our guiding principles over this time period remain unchanged. We aim to be:

- Shareholder centric and economically aligned with our long-term shareholders
- Forward looking, anticipating market trends while allowing a sufficient margin of safety to protect against the unknown
- Financially sophisticated in our transaction structuring
- Tactically nimble, retaining the ability to respond quickly when appropriate
- Long-term focused, favoring carefully measured and strategic actions over short-term gains

It was life in the fast lane for Liberty Media in 2016 — both figuratively and literally. We notably completed the recapitalization of Liberty Media’s stock into three tracking stocks: (i) Liberty SiriusXM Group (ii) Braves Group and (iii) Liberty Media Group, which was subsequently renamed Formula One Group after we completed the hallmark acquisition of Formula 1 (“F1”).

### **The Trackers**

We are pleased with the performance of our tracking stocks. While it’s premature to wave a checkered flag, we remain confident that the April 2016 recapitalization was the right structural choice. We would argue that assessing the trackers in the context of the composite discount to net asset value (“NAV”) is no longer the appropriate valuation framework. Two of the trackers, Formula One Group and Braves Group, are now primarily comprised of large private businesses. While we can debate the intrinsic value of such businesses,

there is no longer a public mark-to-market against which to value the primary assets of these stocks; any “discount” is highly subjective. Furthermore, one of our stated motivations in creating these trackers was to provide tactical flexibility to facilitate strategic acquisitions. Our ability to finance the Formula 1 acquisition was in large part made possible using the LMCK (now FWONK) tracking stock as an attractive acquisition currency, as we’ll discuss in greater detail below.

### **Liberty SiriusXM Group**

SiriusXM reported yet another record year in 2016, beating guidance across all metrics. Jim Meyer and his team are firing on all cylinders and their performance reflects these efforts. SiriusXM deployed its record financial results and strong cash flows into approximately \$1.6 billion of share repurchases last year, taking Liberty’s ownership north of 67%; an additional \$50 million was returned to shareholders through the initiation of their first regular dividend. We are supportive of SiriusXM’s decision to institute this dividend and hope it will draw interest from a new pocket of investors. Due to our majority ownership interest in SiriusXM, we are entitled to a “dividends received deduction” that makes the dividend a tax efficient return of capital for Liberty.

The SiriusXM growth story is far from over. We remain highly enthusiastic about the rollout of SiriusXM’s 360L product, scheduled to appear in its first models by the end of this year. This product allows us to take the best of satellite and IP connectivity in the car and marry it with SiriusXM’s unparalleled pool of content across music, talk, news, sports, etc.

The persistent double digit discount to NAV at LSXM continues to be a source of mild frustration. We’ve highlighted some temporary structural factors that may be contributing to this phenomenon. While we don’t feel a pressing urgency to address it, we do view it as a large source of opportunity down the road. Until then, if you like SiriusXM, we think you’ll love the red tag sale the market is running over at Liberty SiriusXM Group.

### **Braves Group**

Having just thrown the first pitch at SunTrust Park on April 14th, we are happy to report that the ballpark and mixed-use projects are both running on-time and on-budget. We believe

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## LETTER TO SHAREHOLDERS, CONTINUED

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that few projects of this magnitude can claim a similar feat. The opening of the Battery Atlanta will be phased over the next year. A portion of the retail and residential was ready to greet our opening day crowds, as was the Coca-Cola Roxy Theatre run by Live Nation. Comcast is expected to open their new regional headquarters in November, and the Omni Hotel will go live in January 2018.

Full credit to Terry McGuirk and his dedicated team for their diligent management of this project, all the while maintaining their focus on the most important asset of all — the baseball team. The Braves have been in a rebuilding period for the past couple seasons; we are now beginning to see the fruits of their strategy, hard work and patience. Heading into the 2017 season, the Braves' farm system is almost universally ranked among the top in all of baseball. To name a few, ESPN has the Braves ranked at #1, Baseball America at #1, MLB Pipeline at #2 and Bleacher Report at #2. In this respect, the Braves Major League team has managed to go from "worst to first" in a matter of only a couple of years, while still maintaining the cost discipline and financial prudence that separates them from other top ranked teams.

As for the Braves Group tracking stock, it was, in part, created to increase transparency for investors and improve visibility with respect to the underlying assets. With the Braves Group tracking stock up approximately 20% from the time of the recapitalization as of the writing of this letter, we believe this asset is starting to garner the attention it deserves. The 2016 majority sale of the Seattle Mariners and a significant stake in the club's RSN for \$1.4 billion and recent reports concerning the potential sale of other teams certainly seem to validate the thesis on rising valuations of sports assets. In addition, we are confident there is value yet to be realized in MLB Advanced Media ("MLBAM"), as evidenced by Disney's approximately \$1 billion purchase of 1/3 of MLBAM's technology arm last year (with the option to acquire majority ownership in the future). In summary, we see tremendous upside from this asset, including its investments in real estate and on the field. We remain very happy and supportive owners of the Braves and look forward to an exciting season ahead.

### **Formula One Group**

When we wrote to you last year, the Liberty Media Group was characterized as our "everything else" tracker, with additional

dry powder from the recently received Vivendi settlement and a relatively open mandate for future investment opportunities. That didn't last long. In under one year, the Liberty Media Group became the Formula One Group with the closing of our landmark acquisition of F1.

To review the high level terms of the transaction, we acquired F1 for an enterprise value of just over \$8 billion<sup>(1)</sup> and an equity value of approximately \$4.4 billion<sup>(1)</sup>. The consortium of selling shareholders, led by CVC Capital Partners, received aggregate consideration of \$3.05 billion in cash, approximately 56 million of newly issued Formula One Group Series C ("FWONK") shares and a \$351 million debt instrument exchangeable into FWONK shares. The creative structuring of this acquisition, in many ways the hallmark of a Liberty transaction, was set up to satisfy all parties involved. In using a mix of cash and non-voting FWONK shares as consideration, we were able to both (i) gain control of this attractive asset while maintaining our voting structure and (ii) provide the selling shareholders with some immediate liquidity while enabling them to benefit from ongoing appreciation in the asset. We are laser focused on improving the sport for the long-term; we feel the stability of ownership and longer investment horizon will stand to greatly benefit the teams and dedicated fan base.

With the acquisition of F1, we were thrilled to reunite with our long-time friend and colleague Chase Carey. Liberty's relationship with Chase dates back to his days as CEO of DIRECTV when Liberty was the majority shareholder. There is no leader better suited for this position. Chase has already recruited unparalleled industry experts in building out his bench. The recent appointment of Sean Bratches as Managing Director, Commercial Operations is a huge step towards growing sponsorship opportunities. Sean was instrumental in building the sponsorship and marketing success at ESPN. Ross Brawn was named Managing Director, Motor Sports. With 22 World FIA Championship titles under his belt, Ross's credibility with the teams is second to none.

We tip our hats to Bernie Ecclestone for building this asset into a remarkable global franchise. That said, we believe there are significant opportunities to grow each of F1's core revenue streams (race promotion, broadcasting and advertising & sponsorship), each with its own time horizon. Beyond the core revenue streams, the untapped potential in digital is enormous.

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## LETTER TO SHAREHOLDERS, CONTINUED

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F1 generates an incredible amount of video content with each race, much of which goes unused, and we have a die-hard global fan base clamoring for access. Gamification, virtual reality and augmented reality are all on the table. There will be some level of investment as we build these growth initiatives, both in talent and capital, which will likely put modest pressure on near-term margin expansion. And we have heard loud and clear from drivers, teams and fans — F1 needs a revival in excitement. Boosting the energy, drama and competition of the sport is a key priority. This will ultimately make F1 more valuable to all of our partners and more enjoyable to our fans.

The multitude of “driving” puns we could continue adding to this letter is endless, but we’ll try to resist the temptation. Simply put, we are very excited for the road ahead at F1.

Turning to the other large asset at the Formula One Group — Live Nation. When it comes to curating quality live experiences for fans, Live Nation is undoubtedly the industry expert. We hope to leverage this expertise at F1, creating cross pollination opportunities to grow and enhance race weekends into more enticing multi-day events.

In 2016, Michael Rapino and his team delivered the sixth consecutive year of record results across revenue, adjusted operating income and free cash flow. Artists more than ever are turning to global tours as their primary source of revenue and fans are increasingly turning to live experiences for their music spend. Against this favorable backdrop, Live Nation brought over 71 million fans across 40 countries to concerts last year. Equally as impressive, Ticketmaster continued to grow gross transaction value and is now serving fans in 28 countries. The potential for additional growth on a global basis is huge, both in the primary and secondary ticketing markets.

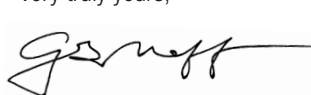
### Looking Ahead

The future is bright at Liberty Media. While we aren’t as cash rich as we have been in the recent past, the door of opportunity is certainly not closed. We now have a twice proven investment structure sourcing outside funds from long-term and like-minded partners, both at Liberty Broadband in support of the Charter/Time Warner Cable merger and at Liberty Media with the purchase of F1. We have a lot to digest after a busy 2016, but we have never been ones to sit on our hands. There is more we have yet to accomplish. Just you wait...

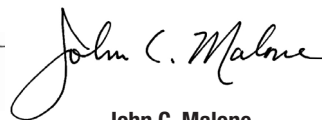
We look forward to seeing many of you at this year’s annual investor meeting, which will take place on November 16th at the TimesCenter at 242 West 41st Street in New York City.

We appreciate your ongoing support. VROOOOM.

Very truly yours,



**Gregory B. Maffei**  
President & Chief Executive Officer



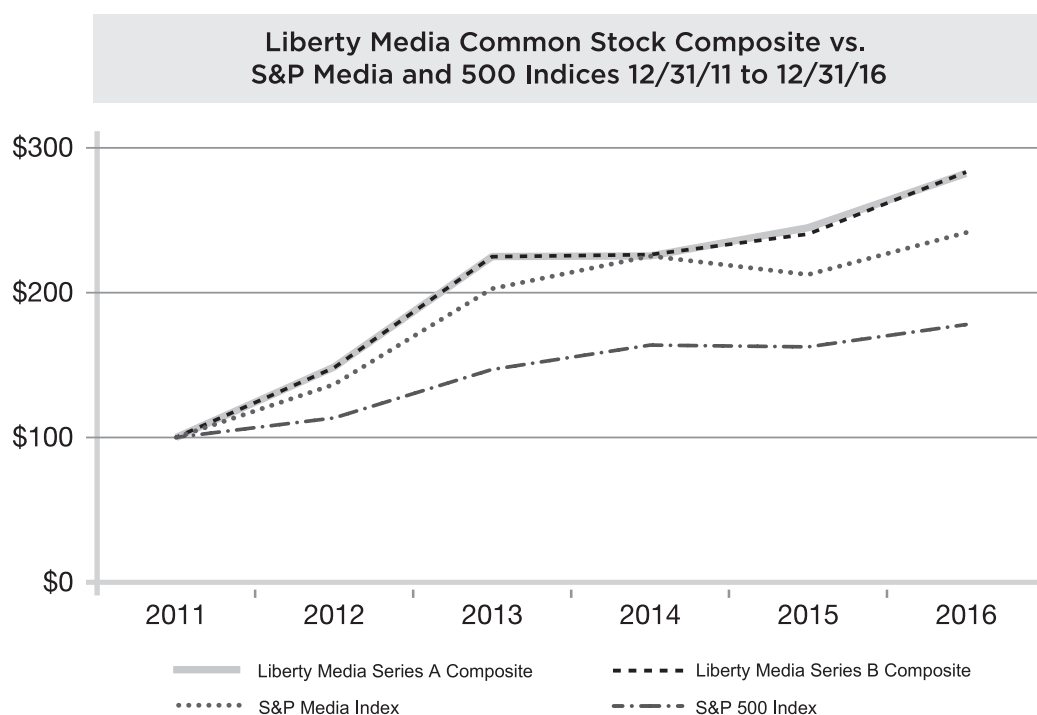
**John C. Malone**  
Chairman of the Board

(1) As of transaction announcement on September 7, 2016.

## STOCK PERFORMANCE

The following graph compares the percentage change in the cumulative total stockholder return on the former Series A and Series B Liberty Capital group tracking stock (and its successor issuances) from December 31, 2011 through December 31, 2016, in comparison to the S&P Media Index and the S&P 500 Index. On April 15, 2016 our former Series A and Series B common stock was recapitalized into common stock of three tracking stock groups: the Liberty SiriusXM Group (Nasdaq: LSXMA, LSXMB), the Formula One Group (Nasdaq: FWONA) (formerly known as the Liberty Media Group (Nasdaq: LMCA)) and the Braves Group (Nasdaq: BATRA). This chart includes the impact of (i) the value of Starz, which was separated from our company on January 11, 2013, assuming a sale of the

resulting Starz shares on the one-year anniversary of the spin-off and reinvestment of the proceeds in our common stock, (ii) the distribution of our former Series C shares in July 2014, (iii) the spin-off of Liberty Broadband Corporation on November 4, 2014, assuming a sale of the resulting Liberty Broadband shares on the one-year anniversary of the spin-off and reinvestment of the proceeds in our common stock, (iv) the Liberty Broadband rights offering, assuming the value of the Liberty Broadband rights on the one-year anniversary of the spin-off was reinvested in our common stock, (v) the aforementioned recapitalization of Liberty Media's common stock into three tracking stock groups and (vi) the Braves Group rights offering.



	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Liberty Media Series A Composite	\$100.00	\$148.64	\$224.89	\$225.38	\$244.69	\$282.28
Liberty Media Series B Composite	\$100.00	\$148.20	\$224.81	\$226.15	\$240.51	\$283.28
S&P Media Index	\$100.00	\$136.61	\$202.59	\$225.21	\$212.32	\$241.35
S&P 500 Index	\$100.00	\$113.41	\$146.97	\$163.72	\$162.53	\$178.02

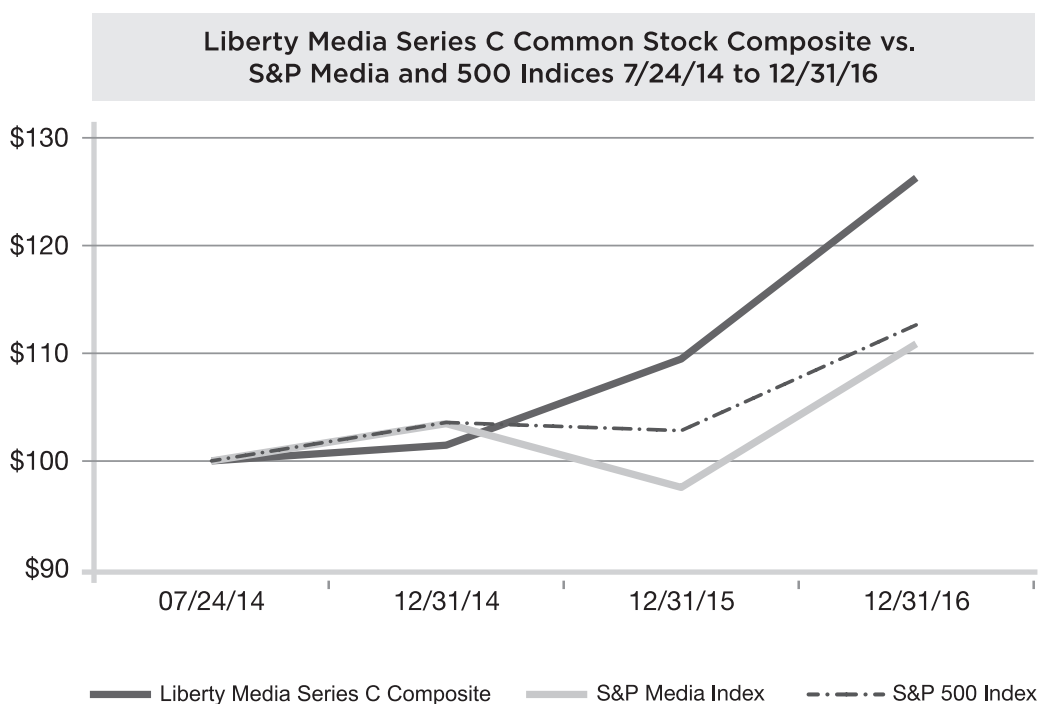
Note: Trading data for all Series B shares is limited as they are thinly traded.



## STOCK PERFORMANCE

The following graph compares the percentage change in the cumulative total stockholder return on our former Series C common stock (and its successor issuances) from July 24, 2014 (the date on which the former Series C common stock first traded “regular way”) through December 31, 2016, in comparison to the S&P Media Index and the S&P 500 Index. On April 15, 2016 our former Series C common stock was recapitalized into common stock of three tracking stock groups: the Liberty SiriusXM Group (Nasdaq: LSXMK), the Formula One Group (Nasdaq: FWONK) (formerly known as the Liberty Media Group (Nasdaq: LMCK)) and the Braves Group

(Nasdaq: BATR). This chart includes (i) the impact of the spin-off of Liberty Broadband Corporation on November 4, 2014, assuming a sale of the resulting Liberty Broadband shares on the one-year anniversary of the spin-off and reinvestment of the proceeds in our common stock, (ii) the Liberty Broadband rights offering, assuming the value of the Liberty Broadband rights on the one-year anniversary of the spin-off was reinvested in our common stock, (iii) the aforementioned recapitalization of Liberty Media’s common stock into three tracking stock groups and (iv) the Braves Group rights offering.

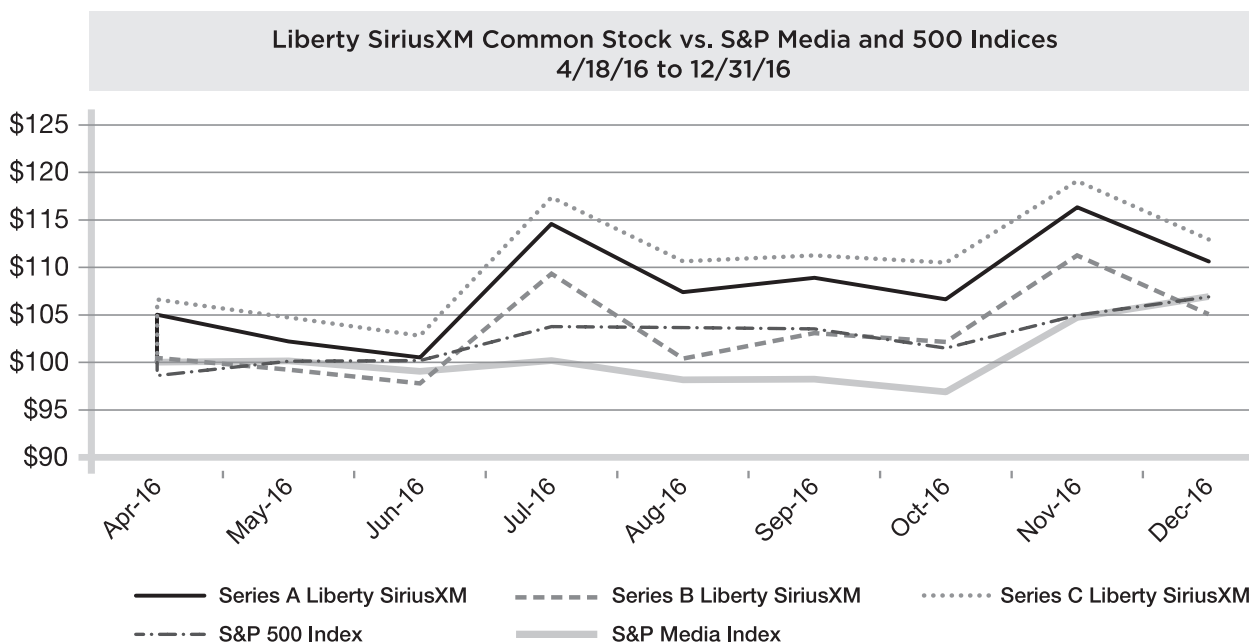


	7/24/2014	12/31/2014	12/31/2015	12/31/2016
Liberty Media Series C Composite	\$100.00	\$101.46	\$109.47	\$126.30
S&P Media Index	\$100.00	\$103.47	\$97.55	\$110.88
S&P 500 Index	\$100.00	\$103.57	\$102.81	\$112.62

## STOCK PERFORMANCE

The following graph compares the percentage change in the cumulative total stockholder return on our Series A, Series B and Series C Liberty SiriusXM common stock (Nasdaq: LSXMA,

LSXMB, LSXMK) from April 18, 2016 (the date on which these shares first traded “regular way”) through December 31, 2016, in comparison to the S&P Media Index and the S&P 500 Index.



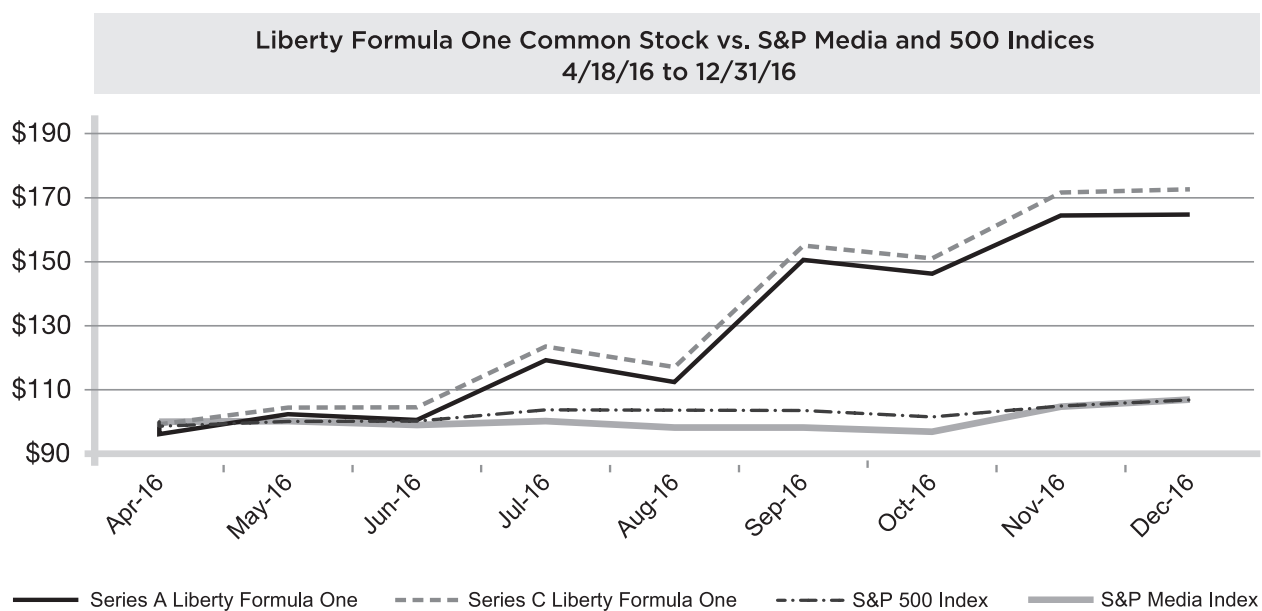
	4/18/2016	12/31/2016
Series A Liberty Sirius XM	\$100.00	\$110.64
Series B Liberty Sirius XM	\$100.00	\$105.08
Series C Liberty Sirius XM	\$100.00	\$112.95
S&P Media Index	\$100.00	\$106.92
S&P 500 Index	\$100.00	\$106.90

Note: Trading data for all Series B shares is limited as they are thinly traded.

## STOCK PERFORMANCE

The following graph compares the percentage change in the cumulative total stockholder return on our Series A and Series C Liberty Formula One common stock (Nasdaq: FWONA, FWONK) (formerly known as the Liberty Media

common stock) from April 18, 2016 (the date on which these shares first traded “regular way”) through December 31, 2016, in comparison to the S&P Media Index and the S&P 500 Index.

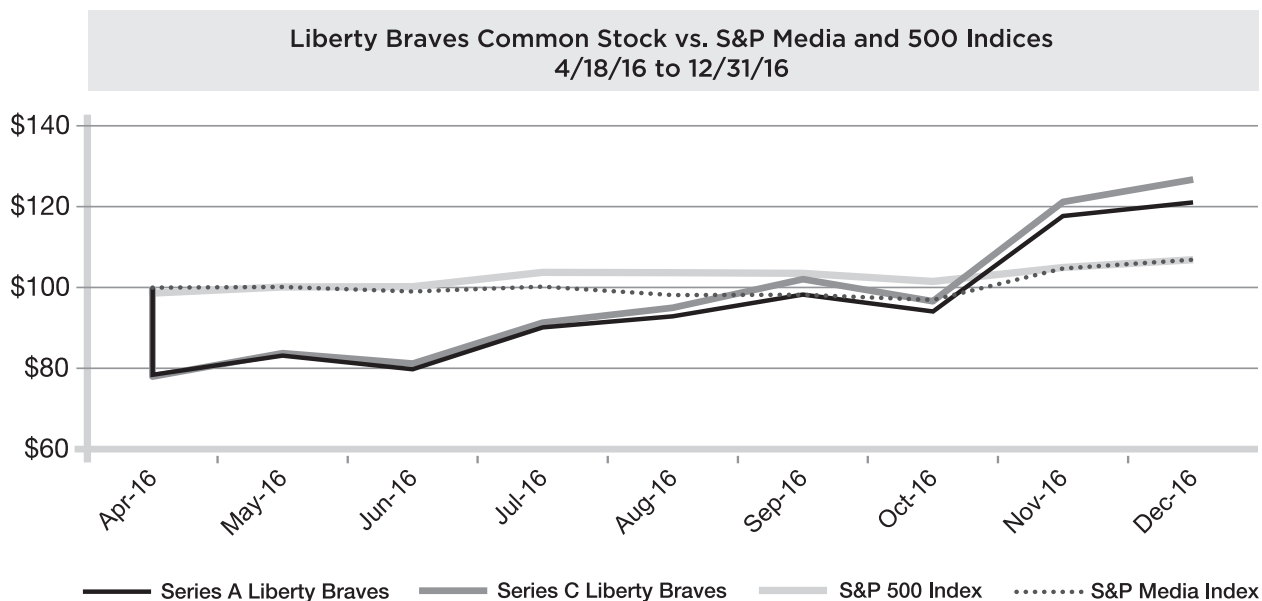


	4/18/2016	12/31/2016
Series A Liberty Formula One	\$100.00	\$164.74
Series C Liberty Formula One	\$100.00	\$172.62
S&P Media Index	\$100.00	\$106.92
S&P 500 Index	\$100.00	\$106.90

## STOCK PERFORMANCE

The following graph compares the percentage change in the cumulative total stockholder return on our Series A and Series C Liberty Braves common stock (Nasdaq: BATA,

BATRK) from April 18, 2016 (the date on which these shares first traded “regular way”) through December 31, 2016, in comparison to the S&P Media Index and the S&P 500 Index.



	4/18/2016	12/31/2016
Series A Liberty Braves	\$100.00	\$121.06
Series C Liberty Braves	\$100.00	\$126.70
S&P Media Index	\$100.00	\$106.92
S&P 500 Index	\$100.00	\$106.90

## INVESTMENT SUMMARY

Based on publicly available information as of January 31, 2017 — [libertymedia.com/asset-list.aspx](http://libertymedia.com/asset-list.aspx)

Liberty Media Corporation owns interests in a broad range of media, communications and entertainment businesses. Those interests are attributed to three tracking stock groups: the Braves Group, Formula One Group and Liberty SiriusXM Group.

The following table sets forth some of Liberty Media Corporation's assets that are held directly and indirectly through partnerships, joint ventures, common stock

investments and/or instruments convertible into common stock. Ownership percentages in the table are approximate and, where applicable, assume conversion to common stock by Liberty Media Corporation and, to the extent known by Liberty Media Corporation, other holders. In some cases, Liberty Media Corporation's interest may be subject to buy/sell procedures, repurchase rights or dilution.

BRAVES GROUP			
ENTITY	DESCRIPTION OF OPERATING BUSINESS	ATTRIBUTED SHARE COUNT <sup>(1)</sup> <i>(in millions)</i>	ATTRIBUTED OWNERSHIP <sup>(2)</sup>
Braves Holdings, LLC	Owner of the Atlanta Braves, a Major League Baseball club, as well as certain of the Atlanta Braves minor league clubs and associated real estate projects.	N/A	100%

LIBERTY SIRIUSXM GROUP			
ENTITY	DESCRIPTION OF OPERATING BUSINESS	ATTRIBUTED SHARE COUNT <sup>(1)</sup> <i>(in millions)</i>	ATTRIBUTED OWNERSHIP <sup>(2)</sup>
Sirius XM Holdings Inc. (NASDAQ: SIRI)	A satellite radio company delivering commercial-free music plus sports, entertainment, comedy, talk, news, traffic and weather.	3,162.2	67%



## FORMULA ONE GROUP

ENTITY	DESCRIPTION OF OPERATING BUSINESS	ATTRIBUTED SHARE COUNT <sup>(1)</sup> <i>(in millions)</i>	ATTRIBUTED OWNERSHIP <sup>(2)</sup>
Associated Partners, L.P.	Investment and operating partnership that targets long-term, risk-balanced and tax-efficient returns.	N/A	33%
Formula 1	Formula 1, which began in 1950, is an iconic global motorsports business. The 2017 FIA Formula One World Championship will run from March to November and spans 20 races in 20 countries across five continents.	N/A	100%
Ideiasnet (BOVESPA: IDNT3)	A Brazil-based company that develops projects and acquires stakes in companies in technology, media and telecommunications.	4.4	27%
INRIX, Inc.	Provider of traffic data and analytics to auto OEM's, governments, businesses and consumers.	N/A	4%
Kroenke Arena Company, LLC	Owner of the Pepsi Center, a sports and entertainment facility in Denver, Colorado.	N/A	7%
Liberty Associated Partners, L.P.	Investment firm specializing in private equity investments.	N/A	29%
Liberty Israel Venture Fund, LLC	Investment fund focused on Israeli technology companies.	N/A	80%
Live Nation Entertainment, Inc. (NYSE: LYV)	Largest live entertainment company in the world, consisting of four segments: concert promotion and venue operations, sponsorship and advertising, ticketing and artist management.	69.6	34%
Saavn Global Holdings, Ltd.	Indian music streaming service focused on Bollywood music.	N/A	7%
Tastemade, Inc.	Tastemade brings the world's leading tastemakers in food together to create high-quality shows in the food and lifestyle category for digital platforms.	N/A	6%
Time Inc. (NYSE: TIME)	One of the largest media companies in the world, with influential brands such as TIME, PEOPLE, Sports Illustrated, InStyle, Real Simple, Fortune, Travel + Leisure and Food & Wine.	0.5	<1%
Time Warner Inc. (NYSE: TWX)	Media and entertainment company whose businesses include cable networks and digital media properties, premium pay, streaming and basic tier television services and television, feature film, home video and video game production and distribution.	4.3	<1%
Viacom Inc. (NASDAQ: VIAB)	Global entertainment content company that creates television programs, motion pictures, short-form content, applications, games, consumer products, social media experiences and other entertainment content. Brands include MTV®, Nickelodeon®, Nick at Nite®, VH1®, BET®, Paramount Pictures®, TV Land®, COMEDY CENTRAL®, CMT® and SPIKE®.	1.9	<1%

1) Applicable only for publicly-traded entities. 2) Represents undiluted ownership interest unless otherwise noted.

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

### ***Market Information***

On July 23, 2014, holders of Series A and Series B Liberty Media Corporation common stock of as of 5:00 p.m., New York City time, on July 7, 2014, the record date for the dividend, received a dividend of two shares of Series C Liberty Media Corporation common stock for each share of Series A or Series B Liberty Media Corporation common stock held by them as of the record date. The impact of the Series C Liberty Media Corporation common issuance has been reflected retroactively due to the treatment of the dividend as a stock split for accounting purposes.

On November 4, 2014, Liberty Media Corporation (“Liberty,” the “Company,” “we,” “us,” and “our”) completed the spin-off to its stockholders of common stock of a newly formed company called Liberty Broadband Corporation (“Liberty Broadband”) (the “Broadband Spin-Off”). Shares of Liberty Broadband were distributed to the shareholders of Liberty as of a record date of October 29, 2014. At the time of the Broadband Spin-Off, Liberty Broadband was comprised of, among other things, (i) Liberty’s former interest in Charter Communications, Inc. (“Charter”), (ii) Liberty’s former subsidiary TruePosition, Inc. (“TruePosition”) (now known as Skyhook Holding, Inc. (“Skyhook”)), (iii) Liberty’s former minority equity investment in Time Warner Cable, Inc. (“Time Warner Cable”), (iv) certain deferred tax liabilities, as well as liabilities related to Time Warner Cable call options and (v) initial indebtedness, pursuant to margin loans entered into prior to the completion of the Broadband Spin-Off. In the Broadband Spin-Off, record holders of Series A, Series B and Series C Liberty Media Corporation common stock received one share of the corresponding series of Liberty Broadband common stock for every four shares of Liberty Media Corporation common stock held by them as of the record date for the Broadband Spin-Off, with cash paid in lieu of fractional shares.

During November 2015, Liberty’s board of directors authorized management to pursue a recapitalization of the Company’s common stock into three new tracking stock groups, one to be designated as the Liberty Braves common stock, one to be designated as the Liberty Media common stock and one to be designated as the Liberty SiriusXM common stock (the “Recapitalization”), and to cause to be distributed subscription rights related to the Liberty Braves common stock following the creation of the new tracking stocks. The Recapitalization was completed on April 15, 2016 and the newly issued shares commenced trading or quotation in the regular way on the Nasdaq Global Select Market or the OTC Markets, as applicable, on Monday, April 18, 2016. In the Recapitalization, each issued and outstanding share of Liberty Media Corporation common stock was reclassified and exchanged for (a) 1 share of the corresponding series of Liberty SiriusXM common stock, (b) 0.1 of a share of the corresponding series of Liberty Braves common stock and (c) 0.25 of a share of the corresponding series of Liberty Media common stock on April 15, 2016. Cash was paid in lieu of the issuance of any fractional shares.

Following the creation of the tracking stocks, Series A, Series B and Series C Liberty SiriusXM common stock trade under the symbols LSXMA/B/K, respectively; Series A, Series B and Series C Liberty Braves common stock trade or are quoted under the symbols BATRA/B/K respectively; and Series A, Series B and Series C Liberty Media common stock traded or were quoted under the symbols LMCA/B/K, respectively. Shortly following the closing of the acquisition of Formula 1 on January 23, 2017 (the “Second Closing”), the Liberty Media Group and Liberty Media common stock were renamed the Liberty Formula One Group (the “Formula One Group”) and the Liberty Formula One common stock, respectively, and the corresponding ticker symbols for the Series A, Series B and Series C Liberty Media common stock were changed to FWONA/B/K, respectively. Each series (Series A, Series B and Series C) of the Liberty SiriusXM common stock trades on the Nasdaq Global Select Market. Series A and Series C Liberty Braves common stock trade on the Nasdaq Global Select Stock Market, and Series B Liberty Braves common stock is quoted on the OTC Markets. Series A and Series C Liberty Formula One common stock continue to trade on the Nasdaq Global Select Market and the Series B Liberty Formula One common stock continues to be quoted on the OTC Markets. Although the Second Closing, and the corresponding tracking stock name and the ticker symbol change, were not completed until January 23 and January 24, 2017, respectively, historical information of the Liberty Media Group and Liberty Media common stock is referred to herein as the Formula One Group and Liberty Formula One common stock, respectively.

The following tables set forth the range of high and low sales prices of shares of our common stock for the years ended December 31, 2016 and 2015. Series B Liberty Braves common stock and Series B Liberty Formula One common stock are each quoted on OTC Markets, and such over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	<b>Liberty Media Corporation</b>					
	<b>Series A (LMCA)</b>		<b>Series B (LMCB)</b>		<b>Series C (LMCK)</b>	
	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
<i>2015</i>						
First quarter .....	\$ 40.38	33.15	40.90	35.15	40.20	33.06
Second quarter .....	\$ 40.00	35.85	39.33	37.27	39.65	35.74
Third quarter .....	\$ 40.50	32.67	38.74	37.07	38.47	32.18
Fourth quarter .....	\$ 42.22	35.61	42.35	37.95	40.61	34.39
<i>2016</i>						
First quarter .....	\$ 38.97	31.18	43.59	33.78	38.14	31.06
Second quarter (April 1 - April 15) (1) .....	\$ 39.31	37.76	43.74	39.00	38.45	37.02
<b>Liberty SiriusXM Group</b>						
	<b>Series A (LSXMA)</b>		<b>Series B (LSXMB)</b>		<b>Series C (LSXMK)</b>	
	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
	<i>2016</i>					
Second quarter (April 18 - June 30) (1) .....	\$ 34.00	28.00	36.97	28.60	35.69	28.04
Third quarter .....	\$ 36.01	30.97	36.82	31.80	35.50	30.51
Fourth quarter .....	\$ 36.88	31.83	38.76	32.63	36.36	31.34
<b>Braves Group</b>						
	<b>Series A (BATRA)</b>		<b>Series B (BATR B)</b>		<b>Series C (BATR K)</b>	
	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
	<i>2016</i>					
Second quarter (April 18 - June 30) (1) .....	\$ 36.00	14.23	16.20	15.22	27.00	13.51
Third quarter .....	\$ 17.67	14.97	17.75	14.50	17.47	14.42
Fourth quarter .....	\$ 21.14	16.52	18.00	16.59	21.24	16.18
<b>Formula One Group</b>						
	<b>Series A (FWONA)</b>		<b>Series B (FWONB)</b>		<b>Series C (FWONK)</b>	
	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
	<i>2016</i>					
Second quarter (April 18 - June 30) (1) .....	\$ 27.43	17.72	19.50	16.51	28.07	17.47
Third quarter .....	\$ 30.11	18.84	29.03	18.00	29.65	18.62
Fourth quarter .....	\$ 33.28	26.95	33.32	26.75	33.15	26.44

- (1) As discussed above and in the accompanying consolidated financial statements, the Recapitalization of the Company's stock into tracking stock groups was completed on April 15, 2016 and the newly issued shares commenced trading or quotation in the regular way on the Nasdaq Global Select Market or the OTC Markets, as applicable, on Monday, April 18, 2016.

### ***Holders***

As of January 31, 2017, there were 1,235, 85 and 1,300 record holders of our Series A, Series B and Series C Liberty Sirius XM common stock, respectively, 1,128, 51 and 887 record holders of our Series A, Series B and Series C Liberty Braves common stock, respectively, and 859, 70 and 1,260 record holders of our Series A, Series B and Series C Liberty Formula One common stock, respectively. The foregoing numbers of record holders do not include the number of stockholders whose shares are held nominally by banks, brokerage houses or other institutions, but include each such institution as one shareholder.

### ***Dividends***

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

### ***Securities Authorized for Issuance Under Equity Compensation Plans***

Information required by this item is incorporated by reference to our definitive proxy statement for our 2017 Annual Meeting of Stockholders.

### ***Purchases of Equity Securities by the Issuer***

#### ***Share Repurchase Programs***

On January 11, 2013 (ratified February 26, 2013) Liberty announced that its board of directors authorized \$450 million of repurchases of Liberty Media Corporation common stock from that day forward. Additionally, in connection with the Broadband Spin-Off, an additional authorization of \$300 million in Liberty share repurchases was approved by the Liberty board of directors on October 9, 2014. In August 2015, our board of directors authorized an additional \$1 billion of Liberty Media Corporation common stock repurchases. The amount previously authorized for share repurchases may be used to repurchase Series A and Series C of each of Liberty SiriusXM common stock, Liberty Braves common stock and Liberty Formula One common stock.

There were no repurchases of Liberty Media common stock (presently known as Liberty Formula One common stock), Liberty SiriusXM common stock or Liberty Braves common stock during the three months ended December 31, 2016. As of December 31, 2016, \$1.3 billion was available to be used for share repurchases of Series A and Series C of each of Liberty SiriusXM common stock, Liberty Braves common stock and Liberty Media common stock (presently known as Liberty Formula One common stock) under the Company's share repurchase program.

During the three months ended December 31, 2016, 1,189 shares and 2,376 shares of Series A and Series C Liberty Media common stock (presently known as Liberty Formula One common stock), respectively, 4,746 shares and 9,490 shares of Series A and Series C Liberty SiriusXM common stock, respectively, and 476 shares and 951 shares of Series A and Series C Liberty Braves common stock, respectively, were surrendered by certain of our officers and employees to pay withholding taxes and other deductions in connection with the vesting of their restricted stock and restricted stock units.

## Selected Financial Data.

The following tables present selected historical financial statement information relating to our financial condition and results of operations for the past five years. Certain prior period amounts have been reclassified for comparability with the current year presentation. The following data should be read in conjunction with the accompanying consolidated financial statements.

	December 31,				
	2016	2015	2014	2013	2012
	amounts in millions				
<i>Summary Balance Sheet Data:</i>					
Cash .....	\$ 562	201	681	1,088	603
Investments in available-for-sale securities and other cost investments (2)(4) .....	\$ 1,309	533	816	1,324	1,392
Investment in affiliates, accounted for using the equity method (1)(3)(4) .....	\$ 1,117	1,115	851	3,299	3,341
Intangible assets not subject to amortization .....	\$ 24,018	24,018	24,018	24,018	344
Intangible assets subject to amortization, net .....	\$ 1,072	1,097	1,166	1,200	108
Assets of discontinued operations (5) .....	\$ —	—	—	—	2,099
Total assets .....	\$ 31,377	29,798	30,269	33,632	8,299
Current portion of deferred revenue .....	\$ 1,877	1,797	1,641	1,575	24
Current portion of debt .....	\$ 5	255	257	777	—
Long-term debt .....	\$ 8,013	6,626	5,588	4,784	—
Deferred tax liabilities, net .....	\$ 2,025	1,667	1,507	1,396	804
Stockholders' equity .....	\$ 11,756	10,933	11,398	14,081	6,440
Noncontrolling interest (1) .....	\$ 5,960	7,198	8,778	9,801	(8)



	Years ended December 31,				
	2016	2015	2014	2013 (1)	2012
	amounts in millions, except per share amounts				
<i>Summary Statement of Operations Data:</i>					
Revenue (1) . . . . .	\$ 5,276	4,795	4,450	4,002	368
Operating income (loss) . . . . .	\$ 1,734	954	841	814	(80)
Interest expense . . . . .	\$ (362)	(328)	(255)	(132)	(7)
Share of earnings (loss) of affiliates, net (1)(3) . . . . .	\$ 14	(40)	(113)	(32)	1,346
Realized and unrealized gains (losses) on financial instruments, net	\$ 37	(140)	38	295	230
Gains (losses) on transactions, net (1) . . . . .	\$ —	(4)	—	7,978	22
Net earnings (loss) attributable to the noncontrolling interests . . . . .	\$ 244	184	217	211	(2)
Earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders (6)					
Liberty Media Corporation common stock . . . . .	\$ 377	64	178	8,780	1,160
Liberty SiriusXM common stock . . . . .	297	NA	NA	NA	NA
Liberty Braves common stock . . . . .	(30)	NA	NA	NA	NA
Liberty Formula One common stock . . . . .	36	NA	NA	NA	NA
	<u>\$ 680</u>	<u>64</u>	<u>178</u>	<u>8,780</u>	<u>1,160</u>
Basic earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share (6)(7):					
Series A, B and C Liberty Media Corporation common stock . . . . .	\$ 1.13	0.19	0.52	24.73	3.21
Series A, B and C Liberty SiriusXM common stock . . . . .	0.89	NA	NA	NA	NA
Series A, B and C Liberty Braves common stock . . . . .	(0.65)	NA	NA	NA	NA
Series A, B and C Liberty Formula One common stock . . . . .	0.43	NA	NA	NA	NA
Diluted earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share (6)(7):					
Series A, B and C Liberty Media Corporation common stock . . . . .	\$ 1.12	0.19	0.52	24.46	3.12
Series A, B and C Liberty SiriusXM common stock . . . . .	0.88	NA	NA	NA	NA
Series A, B and C Liberty Braves common stock . . . . .	(0.65)	NA	NA	NA	NA
Series A, B and C Liberty Formula One common stock . . . . .	0.42	NA	NA	NA	NA

(1) During the year ended December 31, 2012, Liberty acquired an additional 312.5 million shares of SIRIUS XM Radio, Inc. (now known as Sirius XM Holdings Inc., “SIRIUS XM”) in the open market for \$769 million. Additionally, Liberty settled a forward contract and purchased an additional 302.2 million shares of SIRIUS XM for \$649 million. SIRIUS XM recognized a \$3.0 billion tax benefit during the year ended December 31, 2012. SIRIUS XM recorded the tax benefit as the result of significant positive evidence that a valuation allowance was no longer necessary for its recorded deferred tax assets. The Company recognized its portion of this benefit (\$1,229 million) based on our ownership percentage at the time of the recognition of the deferred tax benefit by SIRIUS XM. On January 18, 2013, as discussed in note 4 to the accompanying consolidated financial statements, Liberty acquired an additional 50 million common shares and acquired a controlling interest in SIRIUS XM and as a result consolidates SIRIUS XM as of such date. Liberty recorded a gain of approximately \$7.5 billion in the first quarter of 2013 associated with application of purchase accounting based on the difference between fair value and the carrying value of the ownership interest Liberty had in SIRIUS XM prior to the acquisition of the controlling interest. The gain on the transaction was excluded from taxable income. Net gains and losses on transactions are included in the Other, net line item in the accompanying consolidated financial statements for the years ended December 31, 2016, 2015 and 2014.

(2) On September 7, 2016 Liberty, through its indirect wholly owned subsidiary Liberty GR Cayman Acquisition Company, entered into two definitive stock purchase agreements relating to the acquisition of Delta Topco Limited (“Delta Topco”), the parent company of Formula 1, a global motorsports business, from a consortium of sellers led by CVC Capital Partners (“CVC”). The transactions contemplated by the first purchase agreement were completed on September 7, 2016 and provided for Liberty’s acquisition of slightly less than a 20% minority stake in Formula 1 on an undiluted basis for \$746 million, funded entirely in cash (which is equal to \$821 million in consideration less a \$75 million discount to be repaid by Liberty to selling stockholders upon completion of the acquisition). On October 27,

2016, under the terms of the first purchase agreement, Liberty acquired an additional incremental equity interest of Delta Topco, maintaining Liberty's investment in Delta Topco on an undiluted basis and increasing slightly to 19.1% on a fully diluted basis. Prior to the Second Closing, CVC continued to be the controlling shareholder of Formula 1, and Liberty did not have any voting interests or board representation in Formula 1. As a result, we concluded that we did not have significant influence over Formula 1, and therefore accounted for our investment in Formula 1 as a cost investment until the completion of the Second Closing. The Second Closing was completed on January 23, 2017, at which time we began consolidating Formula 1.

- (3) As discussed in note 8 in the accompanying consolidated financial statements, in May 2013, Liberty acquired approximately 26.9 million shares of common stock and approximately 1.1 million warrants in Charter for approximately \$2.6 billion, which represented an approximate 27% beneficial ownership in Charter at the time of purchase.
- (4) As discussed in note 1 in the accompanying consolidated financial statements, on November 4, 2014, Liberty completed the Broadband Spin-Off. At the time of the Broadband Spin-Off, Liberty Broadband was comprised of, among other things, (i) Liberty's former interest in Charter, (ii) Liberty's former wholly-owned subsidiary Skyhook, (iii) Liberty's former minority equity investment in Time Warner Cable, (iv) certain deferred tax liabilities, as well as liabilities related to Time Warner Cable call options and (v) initial indebtedness, pursuant to margin loans entered into prior to the completion of the Broadband Spin-Off. The Company's former investments in and results of Charter and Time Warner Cable are no longer included in the results of Liberty from the date of the completion of the Broadband Spin-Off forward. Based on the relative significance of Skyhook to Liberty, the Company concluded that discontinued operations presentation of Skyhook is not necessary.
- (5) In January 2013, the entity then known as Liberty Media Corporation (which later became known as Starz before it was acquired by Lions Gate Entertainment Corp.) spun-off (the "Starz Spin-Off") its then-former wholly-owned subsidiary, now known as Liberty Media Corporation, which, at the time of the Starz Spin-Off, held all of the businesses, assets and liabilities of Starz not associated with Starz, LLC (with the exception of the Starz, LLC office building). The transaction was effected as a pro-rata dividend of shares of Liberty to the stockholders of Starz. Due to the relative significance of Liberty to Starz (the legal spinor) and senior management's continued involvement with Liberty following the Starz Spin-Off, Liberty is treated as the "accounting successor" to Starz for financial reporting purposes, notwithstanding the legal form of the Starz Spin-Off previously described. Therefore, the historical financial statements of the company formerly known as Liberty Media Corporation continue to be the historical financial statements of Liberty, and Starz, LLC is presented as discontinued operations for all periods prior to the completion of the Starz Spin-Off. Due to the short period between December 31, 2012 and the distribution date, Liberty did not record any results for Starz in discontinued operations for the statement of operations for the year ended December 31, 2013 due to the insignificance of such amounts for that period.
- (6) During November 2015, Liberty's board of directors authorized management to pursue a recapitalization of the Company's common stock into three new tracking stock groups, one to be designated as the Liberty Braves common stock, one to be designated as the Liberty Media common stock and one to be designated as the Liberty SiriusXM common stock, and to cause to be distributed subscription rights related to the Liberty Braves common stock following the creation of the new tracking stocks. The Recapitalization was completed on April 15, 2016 and the newly issued shares commenced trading or quotation in the regular way on the Nasdaq Global Select Market or the OTC Markets, as applicable, on Monday, April 18, 2016. In the Recapitalization, each issued and outstanding share of Liberty's existing common stock was reclassified and exchanged for (a) 1 share of the corresponding series of Liberty SiriusXM common stock, (b) 0.1 of a share of the corresponding series of Liberty Braves common stock and (c) 0.25 of a share of the corresponding series of Liberty Media common stock on April 15, 2016. Cash was paid in lieu of the issuance of any fractional shares.

Following the creation of the tracking stocks, Series A, Series B and Series C Liberty SiriusXM common stock trade under the symbols LSXMA/B/K, respectively; Series A, Series B and Series C Liberty Braves common stock trade or are quoted under the symbols BATRA/B/K respectively; and Series A, Series B and Series C Liberty Media common stock traded or were quoted under the symbols LMCA/B/K, respectively. Shortly following the Second Closing, the Liberty Media Group and Liberty Media common stock were renamed the Liberty Formula One Group (the "Formula

One Group”) and the Liberty Formula One common stock, respectively, and the corresponding ticker symbols for the Series A, Series B and Series C Liberty Media common stock were changed to FWONA/B/K, respectively. Each series (Series A, Series B and Series C) of the Liberty SiriusXM common stock trades on the Nasdaq Global Select Market. Series A and Series C Liberty Braves common stock trade on the Nasdaq Global Select Stock Market, and Series B Liberty Braves common stock is quoted on the OTC Markets. Series A and Series C Liberty Formula One common stock continue to trade on the Nasdaq Global Select Market, and the Series B Liberty Formula One common stock continues to be quoted on the OTC Markets.

- (7) On July 23, 2014, holders of Series A and Series B Liberty Media Corporation common stock as of 5:00 p.m., New York City, time on July 7, 2014, the record date for the dividend, received a dividend of two shares of Series C Liberty Media Corporation common stock for each share of Series A or Series B Liberty Media Corporation common stock held by them as of the record date. The impact on basic and diluted earnings per share of the Series C Liberty Media Corporation common stock issuance has been reflected retroactively in all periods presented due to the treatment of the dividend as a stock split for accounting purposes.

## **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. See note 3 in the accompanying consolidated financial statements for an overview of accounting standards that we have adopted or that we plan to adopt that have had or may have an impact on our financial statements.

### **Explanatory Note**

On November 4, 2014, Liberty completed the Broadband Spin-Off. Shares of Liberty Broadband were distributed to the shareholders of Liberty as of a record date of October 29, 2014. At the time of the Broadband Spin-Off, Liberty Broadband was comprised of, among other things, (i) Liberty’s former interest in Charter, (ii) Liberty’s former subsidiary Skyhook, (iii) Liberty’s former minority equity investment in Time Warner Cable, (iv) certain deferred tax liabilities, as well as liabilities related to Time Warner Cable call options and (v) initial indebtedness, pursuant to margin loans entered into prior to the completion of the Broadband Spin-Off. Prior to the transaction, Liberty Broadband borrowed funds under margin loans and made a final distribution to Liberty of approximately \$300 million in cash. The Broadband Spin-Off was intended to be tax-free to stockholders of Liberty, and in September 2015, Liberty entered into a closing agreement with the IRS which provides that the Broadband Spin-Off qualified for tax-free treatment. In the Broadband Spin-Off, record holders of Series A, Series B and Series C Liberty Media Corporation common stock received one share of the corresponding series of Liberty Broadband common stock for each four shares of common stock held by them as of the record date for the Broadband Spin-Off, with cash paid in lieu of fractional shares. The Company’s former investments in and results of Charter and Time Warner Cable are no longer included in the results of Liberty from the date of the completion of the Broadband Spin-Off forward. Based on the relative significance of Skyhook to Liberty, the Company concluded that discontinued operations presentation of Skyhook is not necessary.

### **Overview**

We own controlling and non-controlling interests in a broad range of media and entertainment companies. Our most significant operating subsidiary, which is our reportable segment, is SIRIUS XM. SIRIUS XM provides a subscription based satellite radio service. SIRIUS XM transmits its music, sports, entertainment, comedy, talk, news, traffic and weather channels, as well as infotainment services, in the United States on a subscription fee basis through its two proprietary satellite radio systems - the Sirius system and the XM system. Subscribers can also receive music and other channels, plus features such as SiriusXM On Demand and MySXM, over SIRIUS XM’s Internet radio service, including through applications for mobile devices, home devices and other consumer electronic equipment.

Our "Corporate and Other" category includes our consolidated subsidiary, Braves Holdings, LLC (“Braves Holdings”) and corporate expenses. Skyhook was also included in the “Corporate and Other” category for the periods prior to the Broadband Spin-Off.

In addition to the foregoing businesses, we hold an ownership interest in Live Nation Entertainment, Inc. ("Live Nation"), which we account for as an equity method investment at December 31, 2016. We also maintain minority positions in other public companies such as Time Warner, Inc. ("Time Warner") and Viacom, Inc. ("Viacom"), which are accounted for at their respective fair market values and are included in corporate and other.

As discussed in note 2 of the accompanying consolidated financial statements, on April 15, 2016, Liberty completed the Recapitalization. Upon completion of the Second Closing, as discussed below, the Liberty Media Group was renamed the Formula One Group. Although the Recapitalization was not effective for all periods presented herein, information has been presented among the tracking stock groups for all periods presented as if the Recapitalization had been completed as of January 1, 2014. This attribution of historical financial information does not purport to be what actual results and balances would have been if the Recapitalization had actually occurred and been in place during the periods prior to April 15, 2016. Operating results prior to the Recapitalization are attributed to Liberty stockholders in the aggregate.

On September 7, 2016 Liberty, through its indirect wholly owned subsidiary Liberty GR Cayman Acquisition Company, entered into two definitive stock purchase agreements relating to the acquisition of Delta Topco, the parent company of Formula 1. The transactions contemplated by the first purchase agreement were completed on September 7, 2016, resulting in the acquisition of slightly less than a 20% minority stake in Formula 1 on an undiluted basis. On October 27, 2016 under the terms of the first purchase agreement, Liberty acquired an additional incremental equity interest of Delta Topco, maintaining Liberty's investment in Delta Topco on an undiluted basis and increasing slightly to 19.1% on a fully diluted basis. Liberty acquired 100% of the fully diluted equity interests of Delta Topco, other than a nominal number of shares held by certain Formula 1 teams, in a closing under the second purchase agreement (and following the unwind of the first purchase agreement) on January 23, 2017. Liberty's acquired interest in Delta Topco and by extension Formula 1, along with existing Formula 1 cash and debt (which is non-recourse to Liberty), was attributed to the Formula One Group upon completion of the Second Closing.

A 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 Liberty SiriusXM Group, Liberty Braves Group (the "Braves Group") and Formula One 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. Therefore, the Liberty SiriusXM Group, Braves Group and Formula One Group do not represent separate legal entities, but rather represent those businesses, assets and liabilities that have been attributed to each respective group. Holders of tracking stock have no direct claim to the group's stock or assets and therefore, do not own, by virtue of their ownership of a Liberty tracking stock, any equity or voting interest in a company, such as SIRIUS XM, Formula 1 or Live Nation, in which Liberty holds an interest and that is attributed to a Liberty tracking stock group, such as the Liberty SiriusXM Group or the Formula One Group. Holders of tracking stock are also 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 "Liberty SiriusXM Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that have been attributed to that group. Following the Recapitalization, the Liberty SiriusXM Group is primarily comprised of Liberty's subsidiary, SIRIUS XM, corporate cash and a margin loan obligation incurred by a wholly-owned special purpose subsidiary of Liberty. As of December 31, 2016, the Liberty SiriusXM Group has cash and cash equivalents of approximately \$287 million, which includes \$214 million of subsidiary cash.

The term "Braves Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that have been attributed to that group. Following the Recapitalization, the Braves Group is primarily comprised of Braves Holdings, which indirectly owns the Atlanta Braves Major League Baseball Club ("ANLBC," the "Braves," or the "Atlanta Braves") and certain assets and liabilities associated with ANLBC's stadium and mixed use development project (the "Development Project") and corporate cash. Also upon the Recapitalization, Liberty had attributed to the Braves Group all liabilities arising under a note from Braves Holdings to Liberty, with a total capacity of up to \$165 million of borrowings by Braves Holdings (the "Intergroup Note") relating to funds to be borrowed and used for investment in the Development Project. As discussed below, the Intergroup Note, including accrued interest, was repaid during June 2016.



using proceeds from the subscription rights offering and the Intergroup Note agreement was cancelled. As of December 31, 2016, the Braves Group has cash and cash equivalents of approximately \$107 million, which includes subsidiary cash.

Following the Recapitalization, Liberty issued subscription rights to acquire shares of Series C Liberty Braves common stock. In the rights distribution, Liberty distributed 0.47 of a Series C Liberty Braves subscription right for each share of Series A, Series B or Series C Liberty Braves common stock held as of 5:00 p.m., New York City time, on May 16, 2016. Fractional Series C Liberty Braves subscription rights were rounded up to the nearest whole right. Each whole Series C Liberty Braves subscription right entitled the holder to purchase, pursuant to the basic subscription privilege, one share of Liberty's Series C Liberty Braves common stock at a subscription price of \$12.80, which was equal to an approximate 20% discount to the trading day volume weighted average trading price of Liberty's Series C Liberty Braves common stock for the 18-day trading period ending on May 11, 2016. Each Series C Liberty Braves subscription right also entitled the holder to subscribe for additional shares of Series C Liberty Braves common stock that were unsubscribed for in the rights offering pursuant to an oversubscription privilege. The rights offering commenced on May 18, 2016, which was also the ex-dividend date for the distribution of the Series C Liberty Braves subscription rights. The rights offering expired at 5:00 p.m. New York City time, on June 16, 2016 and was fully subscribed with 15,833,634 shares of Series C Liberty Braves common stock issued to those rightsholders exercising basic and, if applicable, oversubscription privileges. Approximately \$150 million of the proceeds from the rights offering were used to repay the outstanding balance on the Intergroup Note and accrued interest to Liberty. The remaining proceeds will be used for future development costs attributed to the Braves Group.

The term "Formula One Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that have been attributed to that group. As of December 31, 2016, the Formula One Group (formerly the Liberty Media Group) is primarily comprised of all of the businesses, assets and liabilities of Liberty other than those specifically attributed to the Liberty SiriusXM Group or the Braves Group, including Liberty's interests in Live Nation, minority equity investments in Formula 1, Time Warner and Viacom, the recovery received in connection with the Vivendi lawsuit and cash, as well as Liberty's 1.375% Cash Convertible Notes due 2023 and related financial instruments and Liberty's 2.25% Exchangeable Senior Debentures due 2046. Following the creation of the tracking stocks and the closing of the Series C Liberty Braves common stock rights offering, the Formula One Group retains an intergroup interest in the Braves Group of approximately 15.5% as of December 31, 2016. The Formula One Group had cash and cash equivalents of approximately \$168 million as of December 31, 2016.

### ***Strategies and Challenges of Business Units***

***SIRIUS XM.*** SIRIUS XM is focused on several initiatives to increase its revenue. SIRIUS XM regularly evaluates its business plans and strategy. Currently, its strategies include:

- the acquisition and pricing of unique or compelling programming;
- increased penetration in the secondary car market;
- the introduction of new features or services;
- significant new or enhanced distribution arrangements;
- investments in infrastructure, such as satellites, terrestrial repeater networks, equipment or radio spectrum; and
- acquisitions of other businesses, including acquisitions that are not directly related to its satellite radio business.

SIRIUS XM faces certain key challenges in its attempt to meet these goals, including:

- its ability to convince owners and lessees of new and previously owned vehicles that include satellite radios to purchase subscriptions to its service;
- potential loss of subscribers due to economic conditions and competition from other entertainment providers;
- competition for both listeners and advertisers, including providers of radio and other audio services;
- the operational performance of its satellites;
- the effectiveness of integration of acquired businesses and assets into its operations;
- the performance of its manufacturers, programming providers, vendors, and retailers; and



- unfavorable changes in legislation.

## **Results of Operations—Consolidated**

**General.** We provide in the tables below information regarding our Consolidated Operating Results and Other Income and Expense, as well as information regarding the contribution to those items from our reportable segments. The "corporate and other" category consists of those assets or businesses which do not qualify as a separate reportable segment. For a more detailed discussion and analysis of the financial results of our principal reportable segment, see "Results of Operations-Businesses" below.

### **Consolidated Operating Results**

	<b>Years ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<b>amounts in millions</b>		
<b>Revenue</b>			
Liberty SiriusXM Group			
SIRIUS XM . . . . .	\$ 5,014	4,552	4,141
Total Liberty SiriusXM Group . . . . .	<u>5,014</u>	<u>4,552</u>	<u>4,141</u>
Braves Group			
Corporate and other . . . . .	262	243	250
Total Braves Group . . . . .	<u>262</u>	<u>243</u>	<u>250</u>
Formula One Group			
Corporate and other . . . . .	—	—	59
Total Formula One Group . . . . .	<u>—</u>	<u>—</u>	<u>59</u>
Consolidated Liberty . . . . .	<u>\$ 5,276</u>	<u>4,795</u>	<u>4,450</u>
<b>Operating Income (Loss)</b>			
Liberty SiriusXM Group			
SIRIUS XM . . . . .	\$ 1,386	1,073	1,004
Corporate and other . . . . .	(34)	—	—
Total Liberty SiriusXM Group . . . . .	<u>1,352</u>	<u>1,073</u>	<u>1,004</u>
Braves Group			
Corporate and other . . . . .	(61)	(38)	(47)
Total Braves Group . . . . .	<u>(61)</u>	<u>(38)</u>	<u>(47)</u>
Formula One Group			
Corporate and other . . . . .	443	(81)	(116)
Total Formula One Group . . . . .	<u>443</u>	<u>(81)</u>	<u>(116)</u>
Consolidated Liberty . . . . .	<u>\$ 1,734</u>	<u>954</u>	<u>841</u>
<b>Adjusted OIBDA</b>			
Liberty SiriusXM Group			
SIRIUS XM . . . . .	\$ 1,853	1,660	1,466
Corporate and other . . . . .	(15)	—	—
Total Liberty SiriusXM Group . . . . .	<u>1,838</u>	<u>1,660</u>	<u>1,466</u>
Braves Group			
Corporate and other . . . . .	(20)	3	(6)
Total Braves Group . . . . .	<u>(20)</u>	<u>3</u>	<u>(6)</u>
Formula One Group			
Corporate and other . . . . .	(45)	(35)	(43)
Total Formula One Group . . . . .	<u>(45)</u>	<u>(35)</u>	<u>(43)</u>
Consolidated Liberty . . . . .	<u>\$ 1,773</u>	<u>1,628</u>	<u>1,417</u>

**Revenue.** Our consolidated revenue increased \$481 million and \$345 million for the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior year periods.

The 2016 increase was primarily due to revenue growth at SIRIUS XM of \$462 million. Additionally, Braves Holdings revenue increased \$19 million during the year ended December 31, 2016, as compared to the prior year.

The 2015 increase was primarily driven by revenue growth at SIRIUS XM of \$411 million. The increase in revenue at SIRIUS XM was partially offset by a \$59 million decline in corporate and other revenue, due to the deconsolidation of TruePosition during November 2014 in conjunction with the Broadband Spin-Off. Additionally, Braves Holdings revenue declined approximately \$7 million during the year ended December 31, 2015 as compared to the prior year.

See "Results of Operations—Businesses" below for a more complete discussion of the results of operations of SIRIUS XM and Braves Holdings, including a discussion of the SIRIUS XM and Braves Holdings results on a comparative basis.

**Operating income.** Our consolidated operating income increased \$780 million and \$113 million for the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior years. The increase in 2016 was due to an increase in Liberty SiriusXM Group operating income of \$279 million. Braves Group operating loss increased \$23 million during 2016 as compared to the prior year. Formula One Group operating income improved \$524 million during 2016 as compared to the prior year, largely due to the favorable net \$511 million Vivendi lawsuit settlement during the first quarter of 2016, as discussed in note 17 of the accompanying consolidated financial statements. The increase during the prior year was primarily driven by improved operating results at SIRIUS XM, partially offset by a decrease related to a SIRIUS XM legal settlement during the period, as discussed in note 17 of the accompanying consolidated financial statements. Additionally, operating income was positively impacted during the prior year, as the results from TruePosition were not included as a result of the Broadband Spin-Off. See "Results of Operations—Businesses" below for a more complete discussion of the results of operations of SIRIUS XM and Braves Holdings.

**Stock-based compensation.** Stock-based compensation includes compensation related to (1) options and stock appreciation rights for shares of our common stock that are granted to certain of our officers and employees, (2) phantom stock appreciation rights 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, \$204 million and \$217 million of stock compensation expense for the years ended December 31, 2016, 2015 and 2014, respectively.

Upon acquisition of a controlling interest in SIRIUS XM, we recorded an adjustment to increase SIRIUS XM's unvested stock-based compensation to fair value and amortized this adjustment through December 31, 2015. SIRIUS XM stock-based compensation expense in the prior year included \$73 million of this purchase price amortization expense. This caused a decrease in 2016 stock-based compensation expense recognized by the Company, which was partially offset by a \$25 million increase in stock-based compensation expense recognized by SIRIUS XM during 2016 as compared to the prior year.

The decrease in stock compensation expense in the prior year was primarily due to a decrease in the Company's corporate and Braves Holdings stock-based compensation expense, partially offset by an increase in SIRIUS XM stock compensation expense.

As of December 31, 2016, the total unrecognized compensation cost related to unvested Liberty equity awards was approximately \$42 million. Such amount will be recognized in our consolidated statements of operations over a weighted average period of approximately 2.1 years. As of December 31, 2016, the total unrecognized compensation cost related to unvested SIRIUS XM stock options and restricted stock units was \$266 million. The SIRIUS XM unrecognized compensation cost will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.5 years.

**Adjusted OIBDA.** We define Adjusted OIBDA as revenue less operating expenses and selling, general and administrative ("SG&A") expenses (excluding stock compensation). Our chief operating decision maker and management

team use this measure of performance in conjunction with other measures to evaluate our businesses and make decisions about allocating resources among our businesses. We believe this is an important indicator of the operational strength and performance of our businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows us to view operating results, perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes such costs as depreciation and amortization, stock-based compensation, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to 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 18 to the accompanying consolidated financial statements for a reconciliation of Adjusted OIBDA to Operating income (loss) and Earnings (loss) from continuing operations before income taxes.

During the fourth quarter of 2016, SIRIUS XM recorded \$46 million related to music royalty legal settlements and reserves. As separately reported in note 17 of the accompanying consolidated financial statements, the \$46 million expense is included in the Revenue share and royalties line item in the accompanying consolidated financial statements for the year ended December 31, 2016 but has been excluded from Adjusted OIBDA for the corresponding period as this expense was not incurred as a part of the Company’s normal operations for the period, and this lump sum amount does not relate to the on-going performance of the business.

SIRIUS XM recognized approximately \$40 million and \$127 million of Revenue share and royalties within the consolidated statement of operations during the years ended December 31, 2016 and 2015, respectively, related to the SIRIUS XM legal settlement associated with SIRIUS XM’s use of certain pre-1972 sound recordings. As separately reported in note 17 of the accompanying consolidated financial statements, \$108 million of the settlement amount recognized during the year ended December 31, 2015 was excluded from Adjusted OIBDA for the corresponding period, as this expense was not incurred as a part of SIRIUS XM’s normal operations for the period, and this lump sum amount does not relate to the on-going performance of the business. Subsequent to the settlement during June 2015, SIRIUS XM recognized \$40 million and \$19 million in 2016 and 2015, respectively, that is included as a component of Adjusted OIBDA.

Consolidated Adjusted OIBDA increased \$145 million and \$211 million for the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior year periods.

The increase in Adjusted OIBDA in the current year was due to an increase in the Liberty SiriusXM Group Adjusted OIBDA of \$178 million, partially offset by declines in Braves Group Adjusted OIBDA of \$23 million and Formula One Group Adjusted OIBDA of \$10 million.

The increase in the prior year was primarily due to increases in Liberty SiriusXM Group Adjusted OIBDA of \$194 million, Braves Group Adjusted OIBDA of \$9 million, and Formula One Group Adjusted OIBDA of \$8 million. Adjusted OIBDA was positively impacted during the prior period as TruePosition, which had an Adjusted OIBDA loss during 2014, is no longer a consolidated subsidiary as a result of the Broadband Spin-Off.

See “Results of Operations—Businesses” below for a more complete discussion of the results of operations of SIRIUS XM and Braves Holdings.

## Other Income and Expense

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

	<u>Years ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
	amounts in millions		
<i>Interest expense</i>			
Liberty SiriusXM Group .....	\$ (342)	(307)	(234)
Braves Group .....	(1)	(1)	—
Formula One Group .....	(19)	(20)	(21)
Consolidated Liberty .....	<u>\$ (362)</u>	<u>(328)</u>	<u>(255)</u>
<i>Share of earnings (losses) of affiliates</i>			
Liberty SiriusXM Group .....	\$ 13	(1)	5
Braves Group .....	9	9	10
Formula One Group .....	(8)	(48)	(128)
Consolidated Liberty .....	<u>\$ 14</u>	<u>(40)</u>	<u>(113)</u>
<i>Realized and unrealized gains (losses) on financial instruments, net</i>			
Liberty SiriusXM Group .....	\$ —	—	—
Braves Group .....	1	—	—
Formula One Group .....	36	(140)	38
Consolidated Liberty .....	<u>\$ 37</u>	<u>(140)</u>	<u>38</u>
<i>Other, net</i>			
Liberty SiriusXM Group .....	\$ (25)	—	—
Braves Group .....	—	—	—
Formula One Group .....	21	12	(50)
Consolidated Liberty .....	<u>\$ (4)</u>	<u>12</u>	<u>(50)</u>
	<u>\$ (315)</u>	<u>(496)</u>	<u>(380)</u>

**Interest expense.** Consolidated interest expense increased \$34 million and \$73 million for the years ended December 31, 2016 and 2015 as compared to the corresponding prior year periods, respectively. The increases in both years were due to an increase in the average amount of corporate, SIRIUS XM and other subsidiary debt outstanding during the respective periods. Although Braves Holdings had an increase in outstanding borrowings of debt during the current year, the majority of the debt related to the construction of the Development Project. Accordingly, interest expense associated with these borrowings was capitalized during the year.

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

	<u>Years ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
	<u>amounts in millions</u>		
Liberty SiriusXM Group			
SIRIUS XM Canada .....	\$ 13	(1)	5
Total Liberty SiriusXM Group .....	<u>13</u>	<u>(1)</u>	<u>5</u>
Braves Group			
Other .....	9	9	10
Total Braves Group .....	<u>9</u>	<u>9</u>	<u>10</u>
Formula One Group			
Live Nation .....	(12)	(27)	(30)
Charter .....	NA	NA	(94)
Other .....	4	(21)	(4)
Total Formula One Group .....	<u>(8)</u>	<u>(48)</u>	<u>(128)</u>
	<u>\$ 14</u>	<u>(40)</u>	<u>(113)</u>

In May 2013, we acquired approximately 26.9 million shares of common stock and approximately 1.1 million warrants in Charter for approximately \$2.6 billion, which represented an approximate 27% beneficial ownership in Charter at the time of purchase. During May 2014, Liberty purchased approximately 897,000 additional shares of Charter common stock for \$124 million resulting in an economic ownership of 26% of Charter. As discussed above, on November 4, 2014, Liberty completed the spin-off to its stockholders of common stock of a newly formed company called Liberty Broadband, which was comprised of, among other things, Liberty's interest in Charter. Upon completion of the Broadband Spin-Off, the Company's former investment in and results of Charter are no longer included in the results of Liberty. Our share of losses related to Charter included \$60 million of losses due to the amortization of the excess basis of our investment for the year ended December 31, 2014.

During the year ended December 31, 2015, we acquired 15.9 million shares of Live Nation common stock through the settlement of certain financial instruments for approximately \$396 million, a portion of which was funded during 2014. During the year ended December 31, 2014, we acquired an additional 1.7 million shares of Live Nation common stock for approximately \$39 million. The increase in our share of Live Nation's earnings during the current year was primarily due to an improvement in Live Nation's net income during 2016, primarily driven by an improvement in operating income and increased equity in earnings of Live Nation's nonconsolidated affiliates during the year. The improvement in Live Nation's net income during 2016 was partially offset by a loss on extinguishment of its senior secured credit facility during 2016. Accordingly, the Company relieved a portion of the underlying difference in the equity of Live Nation related to the debt extinguished during 2016. The decrease in our share of Live Nation's losses during the prior year was primarily due to the absence of an impairment in 2015, partially offset by an increase in foreign exchange rate losses and income tax expense related to foreign entities during 2015. Additionally, as a result of our increased ownership, we picked up a greater portion of Live Nation's net loss during 2015. Live Nation recorded an impairment in the fourth quarter of 2014 approximately \$135 million (Liberty's portion of this loss was approximately \$36 million).

**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:

	<u>Years ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
	amounts in millions		
Fair Value Option Securities .....	\$ 112	(151)	80
Cash convertible notes .....	(113)	(5)	12
Change in fair value of bond hedges .....	37	23	(89)
Other derivatives .....	1	(7)	35
	<u>\$ 37</u>	<u>(140)</u>	<u>38</u>

The gains on Fair Value Option Securities (as defined in note 3 of our accompanying consolidated financial statements) during 2016 and 2014 are primarily due to general increases in market valuation adjustments for Liberty's public portfolio during the respective years. The loss on Fair Value Option Securities during 2015 is primarily due to a general decrease in market valuation adjustments for Liberty's public portfolio during the year.

Liberty issued \$1 billion of cash convertible notes in October 2013 which are accounted for at fair value, as elected by Liberty at the time of issuance of the notes. At the same time, Liberty entered into a bond hedge transaction on the same amount of underlying shares. These derivatives are marked to fair value on a recurring basis. The primary driver of the change in the current period is the change in the fair value of the underlying stock.

The unrealized gain on other derivatives during 2016 is due to a gain on interest rate swaps entered into by Braves Holdings during the year. The unrealized loss on other derivatives during 2015 is primarily due to losses on the forward contract on Live Nation shares (see note 6 in the accompanying consolidated financial statements). The unrealized gains on other derivatives during 2014 was primarily due to fluctuations in the fair value of Charter warrants. As previously discussed, Liberty obtained Charter warrants in the second quarter of 2013. These warrants were marked to fair value based on the trading price of Charter and other observable market data. The change in fair value is included in other derivatives in the table above and primarily driven by the change in the trading price of the Charter common stock. As previously discussed, on November 4, 2014, Liberty completed the spin-off to its stockholders of common stock of a newly formed company called Liberty Broadband, which was comprised of, among other things, Liberty's interest in Charter. The Company exercised all of the outstanding Charter warrants during November 2014, prior to the Broadband Spin-Off. The Company's former investment in and results of Charter, including the Charter warrants, are not included in the results of Liberty from the date of the completion of the Broadband Spin-Off forward.

**Other, net.** The loss in 2016 was primarily due to a \$24 million loss on extinguishment of SIRIUS XM's redemption of its 5.875% Senior Notes due 2020 during the year, partially offset by approximately \$18 million in dividend and interest income, primarily due to dividends on Time Warner shares. The gain in 2015 was primarily due to \$17 million in dividend and interest income, primarily due to dividends on Time Warner shares, partially offset by losses on disposals of property, plant and equipment. The loss in 2014 was primarily due to stock issuances at Charter (primarily from warrant and stock option exercises) at a price below Liberty's book basis per share, partially offset by \$27 million in dividend and interest income, primarily due to dividends on Time Warner shares. The decrease in interest and dividend income in 2015 as compared to 2014 was primarily driven by the exclusion of dividend and interest income on Time Warner Cable shares, which were included in the Broadband Spin-Off, as well as sales of Barnes & Noble, Inc. and Viacom shares during 2015.

**Income taxes.** Our effective tax rate for the years ended December 31, 2016, 2015 and 2014 were expenses of 35%, 46% and 14%, respectively. Our effective tax rate for all three years was impacted for the following reasons:

- During 2016, our effective tax rate was equal to the federal tax rate of 35% due to the offsetting impact of state income taxes and federal tax credits claimed by SIRIUS XM.
- During 2015, our effective tax rate was higher than the federal tax rate of 35% primarily due to the effect of a tax law change in the District of Columbia ("D.C.") during the first quarter of 2015 which reduces the future allocation of SIRIUS XM's taxable income in D.C. As a result, SIRIUS XM expects it will reduce its future taxes and use less of certain net operating losses in the future.



- During 2014, our effective tax rate was lower than the federal tax rate of 35% primarily due to the liquidation of a partnership investment and the related reduction in the tax basis of the partnership's assets, which was not recognized for financial statement purposes, partially offset by the net taxable impact of SIRIUS XM shares repurchased from Liberty by SIRIUS XM during the year.

**Net earnings.** We had net earnings of \$924 million, \$248 million and \$395 million for the years ended December 31, 2016, 2015 and 2014, respectively. The change in net earnings was the result of the above-described fluctuations in our revenue, expenses and other gains and losses.

### **Liquidity and Capital Resources**

As of December 31, 2016, substantially all of our cash and cash equivalents are invested in U.S. Treasury securities, other government securities or government guaranteed funds, AAA rated money market funds and other highly rated financial and corporate debt instruments.

The following are potential sources of liquidity: available cash balances, cash generated by the operating activities of our privately-owned subsidiaries (to the extent such cash exceeds the working capital needs of the subsidiaries and is not otherwise restricted), proceeds from net asset sales, monetization of our public investment portfolio, debt and equity issuances, available borrowing capacity under margin loans, and dividend and interest receipts.

Liberty currently does not have a corporate debt rating subsequent to the Split-Off and the Starz Spin-Off (each as defined in note 1 of the accompanying consolidated financial statements).

As of December 31, 2016, Liberty's liquidity position consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Unencumbered Fair Value Option AFS Securities</u>
	amounts in millions	
Liberty SiriusXM Group		
SIRIUS XM .....	\$ 214	—
Corporate and other .....	<u>73</u>	<u>—</u>
Total Liberty SiriusXM Group .....	287	—
Braves Group		
Corporate and other .....	<u>107</u>	<u>—</u>
Total Braves Group .....	107	—
Formula One Group		
Corporate and other .....	<u>168</u>	<u>444</u>
Total Formula One Group .....	168	444

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. Additionally, the Company has a controlling interest in SIRIUS XM which has significant cash flows provided by operating activities, although due to SIRIUS XM being a separate public company and the significant noncontrolling interest, we do not have ready access to its cash.

The cash provided (used) by our continuing operations for the prior three years is as follows:

	<u>Years ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Cash Flow Information</b>	<b>amounts in millions</b>		
Liberty SiriusXM Group cash provided (used) by operating activities. . . . .	\$ 1,704	1,222	1,242
Braves Group cash provided (used) by operating activities. . . . .	89	45	(84)
Formula One Group cash provided (used) by operating activities . . . . .	378	(35)	(30)
Net cash provided (used) by operating activities . . . . .	<u>\$ 2,171</u>	<u>1,232</u>	<u>1,128</u>
Liberty SiriusXM Group cash provided (used) by investing activities. . . . .	\$ (210)	(135)	(92)
Braves Group cash provided (used) by investing activities . . . . .	(413)	(113)	(62)
Formula One Group cash provided (used) by investing activities. . . . .	(641)	(38)	(257)
Net cash provided (used) by investing activities . . . . .	<u>\$ (1,264)</u>	<u>(286)</u>	<u>(411)</u>
Liberty SiriusXM Group cash provided (used) by financing activities. . . . .	\$ (1,319)	(1,123)	(1,137)
Braves Group cash provided (used) by financing activities. . . . .	418	70	100
Formula One Group cash provided (used) by financing activities . . . . .	355	(373)	(87)
Net cash provided (used) by financing activities . . . . .	<u>\$ (546)</u>	<u>(1,426)</u>	<u>(1,124)</u>

Liberty's primary use of cash during the year ended December 31, 2016 (excluding cash used by SIRIUS XM and Braves Holdings) was the \$746 million investment in Formula 1, as discussed in note 7 of the accompanying consolidated financial statements. This investment was funded by borrowings of debt and cash on hand, largely due to proceeds from the Vivendi legal settlement. Additionally, in connection with the Recapitalization, Liberty attributed \$50 million cash to each of the Liberty SiriusXM Group and the Braves Group. SIRIUS XM's primary uses of cash were the repurchase of outstanding SIRIUS XM common stock and the repayments made under the Credit Facility (as defined in note 10 of the accompanying financial statements). The SIRIUS XM uses of cash were funded by cash provided by operating activities, borrowings of debt and cash on hand. On October 26, 2016, SIRIUS XM's board of directors declared the first quarterly dividend on SIRIUS XM common stock in the amount of \$0.01 per share of common stock payable on November 30, 2016 to stockholders of record as of the close of business on November 9, 2016. SIRIUS XM's board of directors expects that this dividend will be the first of regular quarterly dividends, in an aggregate amount of \$0.04 per share of SIRIUS XM common stock per year. On January 24, 2017, SIRIUS XM's board of directors declared a quarterly dividend on its common stock in the amount of \$0.01 per share of common stock, payable on February 28, 2017 to stockholders of record at the close of business on February 7, 2017. Braves Holdings incurred approximately \$360 million of capital expenditures during the year ended December 31, 2016 related to the construction of the new Braves Holdings ballpark facility and adjacent mixed-use complex. Braves Holdings' capital expenditures were funded through the use of cash on hand, borrowings of debt and proceeds of \$203 million received from the Series C Liberty Braves common stock rights offering during the year.

In 2014, Braves Holdings, through a wholly-owned subsidiary, purchased 82 acres of land for the purpose of constructing a Major League Baseball facility and developing a mixed-use complex adjacent to the ballpark. The new facility is expected to cost approximately \$672 million. Funding for the ballpark will be shared among Braves Holdings and its affiliates, Cobb County, the Cumberland Improvement District (the "CID") and Cobb-Marietta Coliseum and Exhibit Hall Authority (the "Authority"). The Authority, the CID and Cobb County are responsible for funding \$392 million of ballpark related construction, and Braves Holdings and its affiliates will be responsible for remainder of cost, including cost overruns. Braves Holdings agreed to advance funds to cover project related costs to maintain a 2017 opening date. The Authority issued \$368 million in bonds that closed and funded in the second half of 2015, at which time Braves Holdings received reimbursement of the advances that had been made through that date. At the completion of construction, Braves Holdings (or its affiliates) will have exclusive operating rights to the facility via a Stadium Operating Agreement with the Authority and Cobb County.

The projected uses of Liberty cash (excluding SIRIUS XM's uses of cash) are primarily the investment in new or existing businesses, including at the Second Closing (\$2.3 billion of cash consideration, funded by cash on hand, the issuance of Series C Liberty Formula One common stock to third parties and borrowings under new debt instruments issued during November 2016 and January 2017), debt service, including further repayment of the margin loans, capital expenditures (including the new Braves Holdings baseball facility and mixed-use development) and the potential buyback

of common stock under the approved share buyback program. Liberty expects to fund its projected uses of cash with cash on hand, cash from operations and borrowing capacity under margin loans and outstanding credit facilities. We may be required to make net payments of income tax liabilities or liquidate investments to settle items under discussion with tax authorities. SIRIUS XM's uses of cash are expected to be capital expenditures, including the construction of replacement satellites, the payment of debt service costs on outstanding debt, the repurchases of its common stock in accordance with its approved share buyback program, the payment of dividends and strategic opportunities. Liberty expects SIRIUS XM to fund its projected uses of cash with cash on hand, cash provided by operations and borrowings under the existing credit facility.

We believe that the available sources of liquidity are sufficient to cover our projected future uses of cash.

### ***Off-Balance Sheet Arrangements and Aggregate Contractual Obligations***

SIRIUS XM has entered into various programming agreements. Under the terms of these agreements, SIRIUS XM's obligations include fixed payments, advertising commitments and revenue sharing arrangements. SIRIUS XM's future revenue sharing costs are dependent upon many factors and are difficult to estimate; therefore, they are not included in the schedule of contractual obligations below.

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, 2016 aggregated \$278 million. See the table below for more detail. In addition to the foregoing amounts, certain players and coaches may earn incentive compensation under the terms of their employment contracts.

Information concerning the amount and timing of required payments, both accrued and off-balance sheet, under our contractual obligations, excluding uncertain tax positions as it is indeterminable when payments will be made, is summarized below.

	Payments due by period				
	Total	Less than 1 year	2 - 3 years	4 - 5 years	After 5 years
amounts in millions					
<i>Consolidated contractual obligations</i>					
Long-term debt (1) . . . . .	\$ 7,973	7	395	1,519	6,052
Interest payments (2) . . . . .	2,609	365	702	634	908
Programming fees (3) . . . . .	1,439	312	547	377	203
Operating lease obligations . .	555	50	99	82	324
Employment agreements . . . .	278	100	118	60	—
Other obligations (4) . . . . .	922	556	209	79	79
Total consolidated . . . . .	<u>\$ 13,776</u>	<u>1,390</u>	<u>2,070</u>	<u>2,751</u>	<u>7,566</u>

- (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. Amounts include 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, 2016, (ii) assume the interest rates on our variable rate debt remain constant at the December 31, 2016 rates and (iii) assume that our existing debt is repaid at maturity.
- (3) SIRIUS XM has entered into various programming agreements under which SIRIUS XM's obligations include fixed payments, advertising commitments and revenue sharing arrangements. Future revenue sharing costs are dependent upon many factors and are difficult to estimate; therefore, they are not included in the table above.
- (4) Includes amounts due related to the new Braves Holdings baseball stadium and SIRIUS XM satellite and transmission, marketing and distribution, satellite incentive payments, and other contractual commitments. SIRIUS XM satellite

and transmission commitments are attributable to agreements with third parties to operate and maintain the off-site satellite telemetry, tracking and control facilities and certain components of its terrestrial repeater networks. During the year ended December 31, 2016, SIRIUS XM entered into an agreement with Space Systems/Loral to design and build two satellites, SXM-7 and SXM-8, for SIRIUS XM's service. SIRIUS XM marketing and distribution commitments primarily relate to payments to sponsors, retailers, automakers and radio manufacturers pursuant to marketing, sponsorship and distribution agreements to promote the SIRIUS XM brand. Boeing Satellite Systems International, Inc. and Space Systems/Loral, the manufacturers of SIRIUS XM's in-orbit satellites, may be entitled to future in-orbit satellite incentive performance payments based on the expected operating performance of the satellites meeting their fifteen-year design life. Boeing may also be entitled to an additional \$10 million if the XM-4 satellite continues to operate above baseline specifications during the five years beyond the satellite's fifteen-year design life. Additionally, SIRIUS XM has entered into various agreements with third parties for general operating purposes.

### **Critical Accounting Estimates**

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

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

As of December 31, 2016, the intangible assets not subject to amortization for each of our significant reporting units were as follows (amounts in millions):

	<u>Goodwill</u>	<u>FCC Licenses</u>	<u>Other</u>	<u>Total</u>
SIRIUS XM.....	\$ 14,165	8,600	930	23,695
Other .....	180	—	143	323
Consolidated .....	<u>\$ 14,345</u>	<u>8,600</u>	<u>1,073</u>	<u>24,018</u>

We perform our annual assessment of the recoverability of our goodwill and other nonamortizable intangible assets in the fourth quarter each year. The Company utilizes a qualitative assessment for determining whether step one of the goodwill impairment analysis is necessary. The accounting guidance permits entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. In evaluating goodwill on a qualitative basis, the Company reviews the business performance of each reporting unit and evaluates other relevant factors as identified in the relevant accounting guidance to determine whether it is more likely than not that an indicated impairment exists for any of our reporting units. The Company considers whether there are any negative macroeconomic conditions, industry specific conditions, market changes, increased competition, increased costs in doing business, management challenges, the legal environments and how these factors might impact company specific performance in future periods. As part of the analysis, the Company also considers fair value determinations for certain reporting units that have been made at various points throughout the current and prior year for other purposes.

**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 earnings (losses) of affiliates in our consolidated statement of operations.

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

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

**Useful Life of Broadcast/Transmission System.** SIRIUS XM's satellite system includes the costs of satellite construction, launch vehicles, launch insurance, capitalized interest, spare satellites, terrestrial repeater network and satellite uplink facilities. SIRIUS XM monitors its satellites for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset is not recoverable.

SIRIUS XM operates two in-orbit Sirius satellites, FM-5 and FM-6. SIRIUS XM estimates that its FM-5 and FM-6 satellites, launched in 2009 and 2013, respectively, will operate effectively through the end of their depreciable lives in 2024 and 2028, respectively.

SIRIUS XM operates three in-orbit XM satellites, XM-3, XM-4 and XM-5. SIRIUS XM estimates that its XM-3 and XM-4 satellites launched in 2005 and 2006, respectively, will reach the end of their depreciable lives in 2020 and 2021, respectively. The XM-5 satellite that was launched in 2010, is used as an in-orbit spare and is expected to reach the end of its depreciable life in 2025.

SIRIUS XM's satellites have been designed to last fifteen-years. SIRIUS XM's in-orbit satellites may experience component failures which could adversely affect their useful lives. SIRIUS XM monitors the operating condition of its in-orbit satellites. If events or circumstances indicate that the depreciable lives of its in-orbit satellites have changed, the depreciable life will be modified accordingly. If SIRIUS XM were to revise its estimates, depreciation expense would change. For example, a 10% decrease in the expected depreciable lives of satellites and spacecraft control facilities during 2016 would have resulted in approximately \$24 million of additional depreciation expense.

**Income Taxes.** We are required to estimate the amount of tax payable or refundable for the current year and the deferred income tax liabilities and assets for the future tax consequences of events that have been reflected in our financial statements or tax returns for each taxing jurisdiction in which we operate. This process requires our management to make judgments regarding the timing and probability of the ultimate tax impact of the various agreements and transactions that we enter into. Based on these judgments we may record tax reserves or adjustments to valuation allowances on deferred



tax assets to reflect the expected realizability of future tax benefits. Actual income taxes could vary from these estimates due to future changes in income tax law, significant changes in the jurisdictions in which we operate, our inability to generate sufficient future taxable income or unpredicted results from the final determination of each year's liability by taxing authorities. These changes could have a significant impact on our financial position.

## **Results of Operations - Businesses**

### **Liberty SiriusXM Group**

**SIRIUS XM** SIRIUS XM transmits its music, sports, entertainment, comedy, talk, news, traffic and weather channels, as well as infotainment services, in the United States on a subscription fee basis through its two proprietary satellite radio systems. Subscribers can also receive music and other channels, plus features such as SiriusXM On Demand and MySXM, over SIRIUS XM's Internet radio service, including through applications for mobile devices, home devices and other consumer electronic equipment. SIRIUS XM also provides connected vehicle services which are designed to enhance the safety, security and driving experience for vehicle operators while providing marketing and operational benefits to automakers and their dealers.

SIRIUS XM has agreements with every major automaker ("OEMs") to offer satellite radios in their vehicles from which it acquires the majority of its subscribers. SIRIUS XM also acquires subscribers through marketing to owners and lessees of previously owned vehicles that include factory-installed satellite radios that are not currently subscribing to SIRIUS XM's services. SIRIUS XM distributes its radios primarily through automakers, retail locations nationwide and through its website. Satellite radio services are also offered to customers of certain rental car companies. SIRIUS XM's primary source of revenue is subscription fees, with most of its customers subscribing on an annual, semi-annual, quarterly or monthly basis. SIRIUS XM offers discounts for prepaid, longer term subscription plans, as well as multiple subscription discounts. SIRIUS XM also derives revenue from activation and other fees, the sale of advertising on select non-music channels, the direct sale of satellite radios and accessories and other ancillary services, such as weather, data and traffic services. SIRIUS XM is a separate publicly traded company and additional information about SIRIUS XM can be obtained through its website and its public filings.

As of December 31, 2016, SIRIUS XM had approximately 31.3 million subscribers of which approximately 26.0 million were self-pay subscribers and approximately 5.4 million were paid promotional subscribers. These subscriber totals include subscribers under regular pricing plans; discounted pricing plans; subscribers that have prepaid, including payments either made or due from automakers for subscriptions included in the sale or lease price of a vehicle; subscribers to SIRIUS XM Internet services who do not also have satellite radio subscriptions; and certain subscribers to SIRIUS XM's weather, traffic and data services who do not also have satellite radio subscriptions. Subscribers and subscription related revenue and expenses associated with SIRIUS XM's connected vehicle services and the Sirius XM Canada service are not included in SIRIUS XM's subscriber count or subscriber-based operating metrics.

We acquired a controlling interest in SIRIUS XM on January 18, 2013 and applied purchase accounting and consolidated the results of SIRIUS XM from that date. See additional discussion about the application of purchase accounting in note 4 to the accompanying consolidated financial statements. Prior to the acquisition of our controlling interest we maintained an investment in SIRIUS XM accounted for using the equity method. For comparison purposes we are presenting the stand alone results of SIRIUS XM prior to any purchase accounting adjustments in the current year for a discussion of the operations of SIRIUS XM. For the years ended December 31, 2016, 2015 and 2014, see the reconciliation of the results reported by SIRIUS XM to the results reported by Liberty included below. Additionally, as of December 31, 2016, there is an approximate 33% noncontrolling interest in SIRIUS XM, and the net earnings of SIRIUS XM attributable to such noncontrolling interest is eliminated through the noncontrolling interest line item in the consolidated statement of operations.



SIRIUS XM's stand alone operating results were as follows:

	<u>Years ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
	amounts in millions		
Subscriber revenue .....	\$ 4,197	3,825	3,554
Other revenue .....	<u>820</u>	<u>745</u>	<u>627</u>
Total revenue .....	5,017	4,570	4,181
Operating expenses (excluding stock-based compensation included below):			
Cost of subscriber services			
Revenue share and royalties (excluding legal settlements) .....	(1,062)	(927)	(810)
Programming and content .....	(333)	(284)	(288)
Customer service and billing .....	(383)	(375)	(368)
Other .....	(139)	(132)	(126)
Subscriber acquisition costs .....	(513)	(533)	(493)
Other operating expenses .....	(69)	(55)	(54)
Selling, general and administrative expenses .....	<u>(662)</u>	<u>(621)</u>	<u>(578)</u>
Adjusted OIBDA .....	1,856	1,643	1,464
Legal settlement .....	(46)	(108)	—
Stock-based compensation .....	(109)	(84)	(78)
Depreciation and amortization .....	<u>(269)</u>	<u>(272)</u>	<u>(266)</u>
Operating income .....	<u>\$ 1,432</u>	<u>1,179</u>	<u>1,120</u>

*Subscriber revenue* includes subscription, activation and other fees. Subscriber revenue increased 10% and 8% for the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior year periods. The current year increase was primarily attributable to an increase in the daily weighted average number of subscribers as well as an increase SIRIUS XM's average monthly revenue per subscriber resulting from certain rate increases. The prior year increase was primarily attributable to an increase in the daily weighted average number of subscribers and an increase in average monthly revenue per subscriber resulting from certain rate increases.

*Other revenue* includes advertising revenue, equipment revenue, royalty revenue and other ancillary revenue. For the years ended December 31, 2016 and 2015, other revenue increased 10% and 19%, respectively, as compared to the corresponding prior year periods. The most significant change in other revenue during the current and prior years was an increase in revenue from the U.S. Music Royalty Fee due to an increase in number of subscribers and subscribers paying at a higher rate of 13.9%. Furthermore, advertising revenue increased during both periods due to a greater number of advertising spots sold and transmitted along with increased rates charged per spot. Equipment revenue increased during the current year due to royalties from higher OEM production and an increase in royalty revenue on certain modules starting in the second quarter of 2016, partially offset by lower revenue generated through SIRIUS XM's distributors and direct to consumer business. Equipment revenue increased during the prior year due to royalties from higher OEM production and sales to distributors, partially offset by lower direct to consumer sales. Increases in other revenue during 2016 were offset by lower non-recurring engineering fees associated with SIRIUS XM's connected vehicle services, lower activation revenue from SIRIUS XM Canada and a change in accounting for a programming contract in the third quarter of 2015. Additionally, revenue generated from SIRIUS XM Canada and SIRIUS XM's connected vehicle services increased during the prior year.

*Cost of subscriber services* includes revenue share and royalties, programming and content costs, customer service and billing expenses and other ancillary costs associated with providing the satellite radio service.

- *Revenue Share and Royalties (excluding legal settlements)* includes distribution and content provider revenue share, royalties for transmitting content and web streaming, and advertising revenue share. Revenue share and royalties increased 15% and 14% during 2016 and 2015, respectively, as compared to the prior year periods. The increase during both years was primarily due to greater revenue subject to royalty and revenue sharing agreements and increases in the statutory royalty rate for the performance of sound recordings. During the fourth quarter of 2016, SIRIUS XM recorded \$46 million related to music royalty

legal settlements and reserves. The \$46 million expense is included in the Revenue share and royalties line item in the accompanying consolidated financial statements for the year ended December 31, 2016 but has been excluded from Adjusted OIBDA for the corresponding period as this expense was not incurred as a part of the Company's normal operations for the period, and this lump sum amount does not relate to the on-going performance of the business. SIRIUS XM recognized \$108 million during June 2015 for the portion of the \$210 million Capitol Settlement related to SIRIUS XM's use of pre-1972 sound recordings for the periods prior to the Capitol Records lawsuit settlement during June 2015. The \$108 million expense is included in the Revenue share and royalties line item in the accompanying consolidated financial statements for the year ended December 31, 2015 but has been excluded from Adjusted OIBDA for the corresponding period as this expense was not incurred as a part of the Company's normal operations for the period, and this lump sum amount does not relate to the on-going performance of the business. During 2015, SIRIUS XM began recognizing pre-1972 sound recording royalty expenses in connection with the Capitol Records lawsuit settlement. Revenue share and royalties expense in the table above includes \$40 million and \$19 million attributable to the recognition of pre-1972 sound recording royalty expenses during 2016 and 2015, respectively.

- *Programming and Content* includes costs to acquire, create, promote and produce content. Programming and content costs increased 17% and decreased 1% during 2016 and 2015, respectively, as compared to the corresponding prior years. The current year increase resulted from renewed programming licenses as well as increased personnel related costs. The prior year decrease was primarily due to the termination of certain programming agreements, partially offset by the addition of new programming arrangements and personnel-related costs.
- *Customer Service and Billing* includes costs associated with the operation and management of SIRIUS XM's internal and third party customer service centers and SIRIUS XM's subscriber management systems as well as billing and collection costs, transaction fees and bad debt expense. Customer service and billing expense increased 2% for each of the years ended December 31, 2016 and 2015, as compared to the corresponding prior years. The current year increase was primarily due to costs associated with a higher subscriber base driving greater bad debt expense, transaction fees and call center costs, partially offset by lower personnel related costs and classification of wireless transmission costs related to SIRIUS XM's connected vehicle services to Satellite and transmission expense in 2016. The prior year increase was primarily due to a higher subscriber base driving increased transaction fees, bad debt expense and personnel related costs, partially offset by efficiencies achieved from management's strategic initiatives implemented at SIRIUS XM's call centers operated by its vendors.
- *Other* includes costs associated with the operation and maintenance of SIRIUS XM's terrestrial repeater networks; satellites; satellite telemetry, tracking and control systems; satellite uplink facilities; studios; and delivery of SIRIUS XM's Internet streaming service as well as costs from the sale of satellite radios, components and accessories and provisions for inventory allowance attributable to products purchased for resale in SIRIUS XM's direct to consumer distribution channels. Other costs of subscriber services increased 5% during each of the years ended December 31, 2016 and 2015, as compared to the corresponding prior years. The current year increase was primarily due to a loss of approximately \$13 million on the disposal of certain obsolete satellite and related parts during the second quarter of 2016. Excluding the losses on disposal of these assets, the increase was driven by inclusion of wireless transmission costs related to SIRIUS XM's connected vehicle services that were previously recorded to Customer service and billing expense in 2015 and prior, partially offset by lower web streaming costs from in-sourcing certain activities. The prior year increase was primarily due to a \$7 million loss on disposal of certain obsolete terrestrial repeaters and related parts and higher costs associated with SIRIUS XM's Internet streaming operations, partially offset by lower satellite insurance costs.

*Subscriber acquisition costs* include hardware subsidies paid to radio manufacturers, distributors and automakers, including subsidies paid for chip sets and certain other components used in manufacturing radios; device royalties for certain radios and chipsets; commissions paid to automakers and retailers; product warranty obligations; freight; and provisions for inventory allowances attributable to inventory consumed in OEM and retail distribution channels. The majority of subscriber acquisition costs are incurred and expensed in advance of, or concurrent with, acquiring a subscriber. For the years ended December 31, 2016 and 2015 subscriber acquisition costs decreased 4% and increased 8%,

respectively, as compared to the corresponding periods in the prior year. The current year decrease was driven by lower subsidized costs related to the transition of chipsets and reductions to OEM hardware subsidy rates, partially offset by higher radio installations. Increased costs in the prior year related to a larger number of satellite radio installations in new vehicles, partially offset by improved OEM and chipset subsidy rates per vehicle.

*Other operating expense* includes engineering, design and development costs consisting primarily of compensation and related costs to develop chipsets and new products and services. For the years ended December 31, 2016 and 2015, other operating expense increased 25% and 2%, respectively. The current year increase was driven primarily by the inclusion of personnel related costs from SIRIUS XM's connected vehicle services that were previously recorded in Selling, general and administrative expense in 2015, partially offset by lower research and development costs. The increase in the prior year was primarily driven by additional costs associated with streaming development, partially offset by lower personnel costs.

*Selling, general and administrative expense* includes costs of marketing, advertising, media and production, including promotional events and sponsorships; cooperative marketing; compensation and related personnel costs; facilities costs, finance, legal, human resources and information technology costs. Selling, general and administrative expense increased 7% for each of the years ended December 31, 2016 and 2015, as compared to the corresponding prior year periods. The current year increase was due to higher consulting and legal costs, additional subscriber communications, retention programs and acquisition campaigns related to SIRIUS XM's subscriber growth and higher personnel-related costs. The increase in the prior year was primarily due to additional subscriber communications, retention programs and acquisition campaigns, higher personnel-related costs and reserves for consumer legal settlements and facilities costs, partially offset by insurance recoveries as well as lower professional fees and costs due to certain non-recurring transactions during the same period in the prior year.

*Stock-based compensation* increased 30% and 8% during the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding periods in the prior year. The increase in stock-based compensation expense during 2016 is primarily due to an increase in stock compensation related to restricted stock units issued during 2015 and 2016 as well as an increase in the fair value of the awards granted since January 1, 2015. The increase in 2015 is primarily due to an increase in the number of awards granted since January 1, 2014.

*Depreciation and amortization* decreased 1% and increased 2% during the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding periods in the prior year. The decrease in the current year was due to certain satellites reaching the end of their estimated service lives, partially offset by additional assets placed in service. The increase in the prior year was due to additional software assets placed in-service since January 1, 2015.

The following tables reconcile the results reported by SIRIUS XM, used for comparison purposes above to understand their operations, to the results reported by Liberty for the years ended December 31, 2016, 2015 and 2014:

	<u>Year ended December 31, 2016</u>		
	<u>As reported by SIRIUS XM</u>	<u>Purchase Accounting Adjustments</u>	<u>As reported by Liberty</u>
Subscriber revenue .....	\$ 4,197	(3)	4,194
Other revenue .....	820	—	820
Total revenue .....	<u>5,017</u>	<u>(3)</u>	<u>5,014</u>
Operating expenses (excluding stock-based compensation included below):			
Cost of subscriber services .....	(1,917)	—	(1,917)
Subscriber acquisition costs .....	(513)	—	(513)
Other operating expenses .....	(69)	—	(69)
Selling, general and administrative expenses .....	<u>(662)</u>	<u>—</u>	<u>(662)</u>
Adjusted OIBDA .....	1,856	(3)	1,853
Legal settlement .....	(46)	—	(46)
Stock-based compensation .....	(109)	—	(109)
Depreciation and amortization .....	<u>(269)</u>	<u>(43)</u>	<u>(312)</u>
Operating income .....	<u>\$ 1,432</u>	<u>(46)</u>	<u>1,386</u>

	<b>Year ended December 31, 2015</b>		
	<b>As reported by SIRIUS</b>	<b>Purchase Accounting</b>	<b>As reported</b>
	<b>XM</b>	<b>Adjustments</b>	<b>by Liberty</b>
Subscriber revenue .....	\$ 3,825	(18)	3,807
Other revenue .....	745	—	745
Total revenue .....	<u>4,570</u>	<u>(18)</u>	<u>4,552</u>
Operating expenses (excluding stock-based compensation included below):			
Cost of subscriber services .....	(1,718)	35	(1,683)
Subscriber acquisition costs .....	(533)	—	(533)
Other operating expenses .....	(55)	—	(55)
Selling, general and administrative expenses .....	(621)	—	(621)
Adjusted OIBDA .....	<u>1,643</u>	<u>17</u>	<u>1,660</u>
Legal settlement .....	(108)	—	(108)
Stock-based compensation .....	(84)	(73)	(157)
Depreciation and amortization .....	(272)	(50)	(322)
Operating income .....	<u>\$ 1,179</u>	<u>(106)</u>	<u>1,073</u>

	<b>Year ended December 31, 2014</b>		
	<b>As reported by SIRIUS</b>	<b>Purchase Accounting</b>	<b>As reported</b>
	<b>XM</b>	<b>Adjustments</b>	<b>by Liberty</b>
Subscriber revenue .....	\$ 3,554	(40)	3,514
Other revenue .....	627	—	627
Total revenue .....	<u>4,181</u>	<u>(40)</u>	<u>4,141</u>
Operating expenses (excluding stock-based compensation included below):			
Cost of subscriber services .....	(1,592)	42	(1,550)
Subscriber acquisition costs .....	(493)	—	(493)
Other operating expenses .....	(54)	—	(54)
Selling, general and administrative expenses .....	(578)	—	(578)
Adjusted OIBDA .....	<u>1,464</u>	<u>2</u>	<u>1,466</u>
Stock-based compensation .....	(78)	(70)	(148)
Depreciation and amortization .....	(266)	(48)	(314)
Operating income .....	<u>\$ 1,120</u>	<u>(116)</u>	<u>1,004</u>

## Braves Group

**Braves Holdings.** Braves Holdings is our wholly owned subsidiary that indirectly owns and operates the Atlanta Braves Major League Baseball club and five minor league baseball clubs (the Gwinnett Braves, the Mississippi Braves, the Rome Braves, the Danville Braves and the GCL Braves). Braves Holdings also operates a baseball academy in the Dominican Republic and leases a baseball facility from a third party in connection with its academy. Braves Holdings had exclusive operating rights to Turner Field, the home stadium of the Atlanta Braves, until December 31, 2016 pursuant to an Operating Agreement with the Atlanta Fulton County Recreation Authority. Effective for the 2017 season, the Braves will relocate into a new ballpark located in Cobb County, a suburb of Atlanta. The facility will be leased from Cobb County and Cobb-Marietta Coliseum and Exhibit Hall Authority and will offer a range of activities and eateries for fans. Braves Holdings and its affiliates are participating in the construction of the new stadium and an adjacent mixed-use development project, which we refer to as the Development Project.

Operating results attributable to the Braves Group are as follows. The results subsequent to the Recapitalization include corporate overhead and stock compensation expenses allocated to the Braves Group.

	Year ended December 31,		
	2016	2015	2014
	amounts in millions		
Total revenue . . . . .	\$ 262	243	250
Operating expenses (excluding stock-based compensation included below):			
Other operating expenses . . . . .	(224)	(189)	(210)
Selling, general and administrative expenses . . . . .	(58)	(51)	(46)
Adjusted OIBDA . . . . .	(20)	3	(6)
Stock-based compensation . . . . .	(9)	(10)	(12)
Depreciation and amortization . . . . .	(32)	(31)	(29)
Operating income (loss) . . . . .	\$ (61)	(38)	(47)

*Revenue* is derived from three primary sources: ballpark operations (ticket sales, concessions, corporate sales, suites and premium seat fees), local broadcast rights and national broadcast, licensing and other shared MLB revenue streams. Braves Holdings revenue is seasonal, with the majority of revenue recognized during the second and third quarters which aligns with the baseball season. For years ended December 31, 2016 and 2015, revenue increased \$19 million and decreased \$7 million, respectively, as compared to the corresponding prior years. Although attendance per game and the average ticket price was lower in 2016 as compared to 2015, the increase in revenue for the year was due to a change in ballpark retail and concession sales and increased broadcast revenue, as well as having more home games period over period (81 home games in 2016 versus 80 home games during 2015). Braves Holdings brought its retail operations in-house during the current year and engaged a new concessions operator for the 2016 season. These contractual changes resulted in increases in revenue, which were offset by corresponding increases in operating expenses. As a result, concession and retail revenue increased approximately \$17 million during 2016 as compared to the prior year. Broadcast revenue increased approximately \$4 million during the year ended December 31, 2016, as compared to the prior year. The increase in broadcast revenue was due to an increase in the number of home games during 2016 and contractual rate increases. Braves Holdings event revenue decreased approximately \$9 million during the year ended December 31, 2015, as compared to the prior year, due to lower game attendance and reduced concession sales, partially offset by an increase in the average ticket price in the current year. There was one less home game in 2015 than 2014 (80 home games in 2015 versus 81 home games during 2014). The decline in event revenue was partially offset by a small increase in broadcast and other revenue, primarily due to the effects of contractual rate increases for broadcasting rights.

*Other operating expense* primarily includes costs associated with baseball and stadium operations. For the years ended December 31, 2016 and 2015, other operating expenses increased \$35 million and decreased \$21 million, respectively, as compared to the corresponding prior years. The current year increase was driven primarily by in-game retail and concession operations, as discussed above. Braves Holdings' decision to operate its retail operations in-house during the current year contributed to an increase in operating expenses due to additional staff positions related to the retail operations. Additionally, certain concessions expenses were incurred during the current period associated with the Braves Holdings' new concessions operator for the 2016 season. The current year increase was further impacted by the acceleration of player salary expense as a result of released and injured players as well as taxes imposed on ANLBC under the terms of the collective bargaining agreement related to certain international player signing bonuses paid by ANLBC during 2016. These increases were partially offset by overall lower player salaries during the current year. The prior year decrease was primarily due to lower player salaries and game operating costs, as compared to the corresponding prior year, as well as one less home game in 2015 than 2014, as previously discussed.

*Selling, general and administrative expense* includes costs of marketing, advertising, finance and related personnel costs. Selling, general and administrative expense increased \$7 million and \$5 million for the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior years. Braves Holdings' standalone selling, general and administrative expense increased approximately \$3 million during the year ended December 31, 2016, as compared to the corresponding prior year, primarily attributable to additional advertising costs incurred during the current year. In



addition to the Braves Holdings' standalone selling, general and administrative expense during the current year, approximately \$3 million selling, general and administrative expenses was allocated to the Braves Group in connection with the Recapitalization during 2016. Selling, general and administrative costs increased during 2015, as compared to the prior year, due to personnel increases partially driven by the new stadium construction.

*Stock-based compensation* decreased \$1 million and \$2 million during the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior years. The Braves Holdings three-year stock compensation plan was approved during May 2015. Stock-based compensation expense is attributable to awards vested during the periods presented. The decrease in the current year is attributable to a decrease in the valuation of outstanding Braves Holdings awards granted. Additionally, approximately \$1 million of stock-based compensation expense was allocated to the Braves Group in connection with the Recapitalization during 2016. The decrease in stock-based compensation expense for the prior year is primarily due to the fact that new awards were not granted until June 2015.

*Depreciation and amortization* increased \$1 million and \$2 million during the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior years. The increase during 2016 is primarily due to the acceleration of depreciation on certain assets associated with the termination of the Turner Field lease at the end of 2016. The increase in 2015 is primarily due to increased amortization expense associated with certain intangible assets acquired during the second half of 2015.

### Quantitative and Qualitative Disclosures about Market Risk.

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

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

As of December 31, 2016, 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			
Liberty SiriusXM Group . . . .	\$ 640	2.5%	\$ 5,514	5.4%
Braves Group . . . . .	\$ 88	2.4%	\$ 250	3.4%
Formula One Group . . . . .	\$ —	NA	\$ 1,481	1.7%

The Company is exposed to changes in stock prices primarily as a result of our significant holdings in publicly traded securities. We continually monitor changes in stock markets, in general, and changes in the stock prices of our holdings, specifically. We believe that changes in stock prices can be expected to vary as a result of general market conditions, technological changes, specific industry changes and other factors. We periodically use equity collars and other financial instruments to manage market risk associated with certain investment positions. These instruments are recorded at fair value based on option pricing models.



At December 31, 2016, the fair value of our available-for-sale equity securities was \$489 million. Had the market price of such securities been 10% lower at December 31, 2016, the aggregate value of such securities would have been \$49 million lower. Additionally, our stock in Live Nation (an equity method affiliate) is a publicly traded security which is not reflected at fair value in our balance sheet. This security is also subject to market risk that is not directly reflected in our financial statements.

#### **Financial Statements and Supplementary Data.**

The consolidated financial statements of Liberty Media Corporation are included under herein, beginning on Page F-31.

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

None.

#### **Controls and Procedures.**

In accordance with Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and principal accounting and financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of December 31, 2016 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 F-29 for *Management's Report on Internal Control Over Financial Reporting*.

See page F-30 for *Report of Independent Registered Public Accounting Firm* for their attestation regarding our internal control over financial reporting.

There has been no change in the Company's internal control over financial reporting that occurred during the three months ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

#### **Other Information.**

None.

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

The Company's management assessed the effectiveness of internal control over financial reporting as of December 31, 2016, using the criteria in *Internal Control-Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation the Company's management believes that, as of December 31, 2016, its internal control over financial reporting is effective.

The Company's independent registered public accounting firm audited the consolidated financial statements and related disclosures in the Annual Report and have issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears on page F-30 of this Annual Report.

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders  
Liberty Media Corporation:

We have audited Liberty Media Corporation and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company'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 and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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, 2016 and 2015, and the related consolidated statements of operations, comprehensive earnings (loss), cash flows, and equity for each of the years in the three-year period ended December 31, 2016, and our report dated February 28, 2017 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Denver, Colorado  
February 28, 2017

## 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, 2016 and 2015, and the related consolidated statements of operations, comprehensive earnings (loss), cash flows, and equity, for each of the years in the three-year period ended December 31, 2016. 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, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

As discussed in note 3 to the consolidated financial statements, the Company changed its method of accounting for share-based payments due to the adoption of FASB ASU 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*.

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, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2017 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Denver, Colorado  
February 28, 2017

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2016 and 2015**

	2016	2015
	amounts in millions	
<i>Assets</i>		
Current assets:		
Cash and cash equivalents .....	\$ 562	201
Trade and other receivables, net. ....	240	247
Other current assets .....	227	243
Total current assets .....	1,029	691
Investments in available-for-sale securities and other cost investments (note 7) .....	1,309	533
Investments in affiliates, accounted for using the equity method (note 8) .....	1,117	1,115
Property and equipment, at cost .....	3,182	2,587
Accumulated depreciation .....	(830)	(708)
	2,352	1,879
Intangible assets not subject to amortization (note 9)		
Goodwill .....	14,345	14,345
FCC licenses .....	8,600	8,600
Other .....	1,073	1,073
	24,018	24,018
Intangible assets subject to amortization, net (note 9) .....	1,072	1,097
Other assets .....	480	465
Total assets .....	\$ 31,377	29,798
<i>Liabilities and Equity</i>		
Current liabilities:		
Accounts payable and accrued liabilities .....	\$ 985	758
Current portion of debt (note 10) .....	5	255
Deferred revenue .....	1,877	1,797
Other current liabilities .....	5	3
Total current liabilities .....	2,872	2,813
Long-term debt, including \$1,546 million and \$995 million measured at fair value, respectively (note 10) .....	8,013	6,626
Deferred income tax liabilities (note 11) .....	2,025	1,667
Other liabilities .....	751	561
Total liabilities .....	\$ 13,661	11,667

(continued)

See accompanying notes to consolidated financial statements.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets (Continued)**

**December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
	<u>amounts in millions</u>	
Stockholders' equity (notes 12,14 and 16):		
Preferred stock, \$.01 par value. Authorized 50,000,000 shares; no shares issued . . . . .	\$ —	—
Series A Liberty Media Corporation common stock, \$.01 par value. Authorized 2,000,000,000 shares; issued and outstanding 102,193,688 shares at December 31, 2015 (note 2) . . . . .	NA	1
Series A Liberty SiriusXM common stock, \$.01 par value. Authorized 2,000,000,000 shares at December 31, 2016; issued and outstanding 102,390,088 shares at December 31, 2016 (note 2) . . . . .	1	NA
Series A Liberty Braves common stock, \$.01 par value. Authorized 200,000,000 shares at December 31, 2016; issued and outstanding 10,231,185 shares at December 31, 2016 (note 2) . . . . .	—	NA
Series A Liberty Formula One common stock, \$.01 par value. Authorized 500,000,000 shares at December 31, 2016; issued and outstanding 25,593,352 shares at December 31, 2016 (note 2) . . . . .	—	NA
Series B Liberty Media Corporation common stock, \$.01 par value. Authorized 75,000,000 shares; issued and outstanding 9,870,966 shares at December 31, 2015 (note 2) . . . . .	NA	—
Series B Liberty SiriusXM common stock, \$.01 par value. Authorized 75,000,000 shares at December 31, 2016; issued and outstanding 9,870,856 shares at December 31, 2016 (note 2) . . . . .	—	NA
Series B Liberty Braves common stock, \$.01 par value. Authorized 7,500,000 shares at December 31, 2016; issued and outstanding 986,791 shares at December 31, 2016 (note 2) . . . . .	—	NA
Series B Liberty Formula One common stock, \$.01 par value. Authorized 18,750,000 shares at December 31, 2016; issued and outstanding 2,466,778 shares at December 31, 2016 (note 2) . . . . .	—	NA
Series C Liberty Media Corporation common stock, \$.01 par value. Authorized 2,000,000,000 shares; issued and outstanding 222,482,377 shares at December 31, 2015 (note 2) . . . . .	NA	2
Series C Liberty SiriusXM common stock, \$.01 par value. Authorized 2,000,000,000 shares at December 31, 2016; issued and outstanding 222,936,204 shares at December 31, 2016 (note 2) . . . . .	2	NA
Series C Liberty Braves common stock, \$.01 par value. Authorized 200,000,000 shares at December 31, 2016; issued and outstanding 38,215,276 shares at December 31, 2016 (note 2) . . . . .	—	NA
Series C Liberty Formula One common stock, \$.01 par value. Authorized 500,000,000 shares at December 31, 2016; issued and outstanding 55,737,179 shares at December 31, 2016 (note 2) . . . . .	1	NA
Additional paid-in capital . . . . .	87	—
Accumulated other comprehensive earnings (loss), net of taxes . . . . .	(62)	(51)
Retained earnings . . . . .	<u>11,727</u>	<u>10,981</u>
Total stockholders' equity . . . . .	<u>11,756</u>	<u>10,933</u>
Noncontrolling interests in equity of subsidiaries . . . . .	<u>5,960</u>	<u>7,198</u>
Total equity . . . . .	<u>17,716</u>	<u>18,131</u>
Commitments and contingencies (note 17)		
Total liabilities and equity . . . . .	<u>\$ 31,377</u>	<u>29,798</u>

See accompanying notes to consolidated financial statements.



**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Consolidated Statements Of Operations**

**Years ended December 31, 2016, 2015 and 2014**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<b>amounts in millions</b>		
Revenue:			
Subscriber revenue .....	\$ 4,194	3,807	3,514
Other revenue .....	<u>1,082</u>	<u>988</u>	<u>936</u>
Total revenue .....	<u>5,276</u>	<u>4,795</u>	<u>4,450</u>
Operating costs and expenses, including stock-based compensation (note 3):			
Cost of subscriber services (exclusive of depreciation shown separately below):			
Revenue share and royalties .....	1,109	1,035	810
Programming and content .....	354	267	262
Customer service and billing .....	387	380	373
Other .....	144	141	135
Subscriber acquisition costs .....	513	533	493
Other operating expenses .....	306	262	304
Selling, general and administrative .....	886	861	873
Legal settlement, net (note 17) .....	(511)	—	—
Depreciation and amortization .....	<u>354</u>	<u>362</u>	<u>359</u>
	<u>3,542</u>	<u>3,841</u>	<u>3,609</u>
Operating income (loss) .....	<u>1,734</u>	<u>954</u>	<u>841</u>
Other income (expense):			
Interest expense .....	(362)	(328)	(255)
Share of earnings (losses) of affiliates, net (note 8) .....	14	(40)	(113)
Realized and unrealized gains (losses) on financial instruments, net (note 6) .....	37	(140)	38
Other, net .....	<u>(4)</u>	<u>12</u>	<u>(50)</u>
	<u>(315)</u>	<u>(496)</u>	<u>(380)</u>
Earnings (loss) from continuing operations before income taxes .....	<u>1,419</u>	<u>458</u>	<u>461</u>
Income tax (expense) benefit (note 11) .....	<u>(495)</u>	<u>(210)</u>	<u>(66)</u>
Net earnings (loss) .....	<u>924</u>	<u>248</u>	<u>395</u>
Less net earnings (loss) attributable to the noncontrolling interests .....	<u>244</u>	<u>184</u>	<u>217</u>
Net earnings (loss) attributable to Liberty stockholders .....	<u>\$ 680</u>	<u>64</u>	<u>178</u>
Net earnings (loss) attributable to Liberty stockholders (note 2):			
Liberty Media Corporation common stock .....	\$ 377	64	178
Liberty SiriusXM common stock .....	297	—	—
Liberty Braves common stock .....	(30)	—	—
Liberty Formula One common stock .....	<u>36</u>	<u>—</u>	<u>—</u>
	<u>\$ 680</u>	<u>64</u>	<u>178</u>

(continued)

See accompanying notes to consolidated financial statements.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Consolidated Statements Of Operations (Continued)**

**Years ended December 31, 2016, 2015 and 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Basic net earnings (loss) attributable to Liberty stockholders per common share (notes 2 and 3)			
Series A, B and C Liberty Media Corporation common stock .....	1.13	0.19	0.52
Series A, B and C Liberty SiriusXM common stock .....	0.89	NA	NA
Series A, B and C Liberty Braves common stock .....	(0.65)	NA	NA
Series A, B and C Liberty Formula One common stock .....	0.43	NA	NA
Diluted net earnings (loss) attributable to Liberty stockholders per common share (notes 2 and 3)			
Series A, B and C Liberty Media Corporation common stock .....	1.12	0.19	0.52
Series A, B and C Liberty SiriusXM common stock .....	0.88	NA	NA
Series A, B and C Liberty Braves common stock .....	(0.65)	NA	NA
Series A, B and C Liberty Formula One common stock .....	0.42	NA	NA

See accompanying notes to consolidated financial statements.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Consolidated Statements Of Comprehensive Earnings (Loss)**

**Years ended December 31, 2016, 2015 and 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
	<u>amounts in millions</u>		
Net earnings (loss) .....	\$ 924	248	395
Other comprehensive earnings (loss), net of taxes:			
Unrealized holding gains (losses) arising during the period .....	—	—	(8)
Foreign currency translation adjustments .....	4	(42)	—
Share of other comprehensive earnings (loss) of equity affiliates .....	<u>(14)</u>	<u>(7)</u>	<u>(9)</u>
Other comprehensive earnings (loss) .....	<u>(10)</u>	<u>(49)</u>	<u>(17)</u>
Comprehensive earnings (loss) .....	914	199	378
Less comprehensive earnings (loss) attributable to the noncontrolling interests .....	<u>245</u>	<u>165</u>	<u>217</u>
Comprehensive earnings (loss) attributable to Liberty stockholders .....	<u>\$ 669</u>	<u>34</u>	<u>161</u>
Comprehensive earnings (loss) attributable to Liberty stockholders:			
Liberty Media Corporation common stock .....	\$ 382	34	161
Liberty SiriusXM common stock .....	295	—	—
Liberty Braves common stock .....	(30)	—	—
Liberty Formula One common stock .....	<u>22</u>	<u>—</u>	<u>—</u>
	<u>\$ 669</u>	<u>34</u>	<u>161</u>

See accompanying notes to consolidated financial statements.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Consolidated Statements Of Cash Flows**

**Years ended December 31, 2016, 2015 and 2014**

	2016	2015	2014
	amounts in millions		
	(see note 5)		
Cash flows from operating activities:			
Net earnings (loss) . . . . .	\$ 924	248	395
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization . . . . .	354	362	359
Stock-based compensation . . . . .	150	204	217
Share of (earnings) loss of affiliates, net . . . . .	(14)	40	113
Realized and unrealized (gains) losses on financial instruments, net . . . . .	(37)	140	(38)
Noncash interest expense . . . . .	11	6	(34)
Losses (gains) on dilution of investment in affiliate . . . . .	—	1	78
Loss on early extinguishment of debt . . . . .	24	—	—
Deferred income tax expense (benefit) . . . . .	427	175	91
Other charges (credits), net . . . . .	30	19	(12)
Changes in operating assets and liabilities			
Current and other assets . . . . .	25	(208)	(74)
Payables and other liabilities . . . . .	277	245	33
Net cash provided (used) by operating activities . . . . .	2,171	1,232	1,128
Cash flows from investing activities:			
Cash (paid) for acquisitions, net of cash acquired . . . . .	—	—	(47)
Cash proceeds from dispositions of investments . . . . .	62	175	247
Proceeds (payments) from settlement of financial instruments, net . . . . .	(1)	(322)	(72)
Investments in and loans to cost and equity investees . . . . .	(784)	(19)	(183)
Repayment of loans and other cash receipts from cost and equity investees . . . . .	48	—	42
Capital expended for property and equipment . . . . .	(568)	(296)	(194)
Purchases of short term investments and other marketable securities . . . . .	(258)	(174)	(360)
Sales of short term investments and other marketable securities . . . . .	273	358	176
Other investing activities, net . . . . .	(36)	(8)	(20)
Net cash provided (used) by investing activities . . . . .	(1,264)	(286)	(411)
Cash flows from financing activities:			
Borrowings of debt . . . . .	2,745	2,213	2,758
Repayments of debt . . . . .	(1,749)	(1,196)	(1,936)
Repurchases of Liberty common stock . . . . .	—	(350)	—
Cash provided by the Broadband Spin-Off . . . . .	—	—	259
Shares repurchased by subsidiary . . . . .	(1,674)	(2,018)	(2,157)
Proceeds from Liberty Braves common stock rights offering . . . . .	203	—	—
Taxes paid in lieu of shares issued for stock-based compensation . . . . .	(58)	(80)	(48)
Other financing activities, net . . . . .	(13)	5	—
Net cash provided (used) by financing activities . . . . .	(546)	(1,426)	(1,124)
Net increase (decrease) in cash and cash equivalents . . . . .	361	(480)	(407)
Cash and cash equivalents at beginning of period . . . . .	201	681	1,088
Cash and cash equivalents at end of period . . . . .	\$ 562	201	681

See accompanying notes to consolidated financial statements.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**  
**Consolidated Statement Of Equity**  
**Years ended December 31, 2016, 2015 and 2014**

	Stockholders' equity											Noncontrolling interest in equity of subsidiaries	Total equity			
	Common Stock										Retained earnings			Accumulated other comprehensive earnings		
	Preferred Stock	Liberty Media Corporation			Liberty Braves			Liberty Formula One							Additional paid-in capital	
Series A	Series B	Series C	Series A	Series B	Series C	Series A	Series B	Series C	Series A	Series B	Series C					
Balance at January 1, 2014	\$ —	\$ —	\$ 2	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4	\$ 11,859	\$ 9,801	\$ 23,882
Net earnings	—	—	—	—	—	—	—	—	—	—	—	—	—	178	217	395
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	—	(17)	—	—	(17)
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	67	202
Minimum withholding taxes on net share settlements of stock-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Shares repurchased by subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(48)
Shares issued by subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(2,004)	(2,183)
Shares issued by subsidiary on conversion of bonds	—	—	—	—	—	—	—	—	—	—	—	—	—	—	27	—
Distribution to stockholders for the Broadband Spin-Off	—	—	—	—	—	—	—	—	—	—	—	—	—	—	670	491
Other	—	—	—	—	—	—	—	—	—	—	—	—	(8)	(621)	—	(2,541)
Balance at December 31, 2014	—	—	2	—	—	—	—	—	—	—	—	(5)	(21)	11,416	8,778	20,176
Net earnings	—	—	—	—	—	—	—	—	—	—	—	—	—	64	184	248
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	—	(30)	—	(19)	(49)
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	65	195
Minimum withholding taxes on net share settlements of stock-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Series A and Series C Liberty Media Corporation stock repurchases	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(80)
Shares repurchased by subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(350)
Shares issued by subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,866)	(2,016)
Reclassification (note 1)	—	—	—	—	—	—	—	—	—	—	—	—	—	(499)	47	—
Other	—	—	—	—	—	—	—	—	—	—	—	—	(2)	—	9	7
Balance at December 31, 2015	—	—	2	—	—	—	—	—	—	—	—	—	(51)	10,981	7,198	18,131
Net earnings	—	—	—	—	—	—	—	—	—	—	—	—	—	680	244	924
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	—	(11)	—	1	(10)
Recapitalization of tracking stock groups	—	—	(2)	1	—	—	—	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1
Minimum withholding taxes on net share settlements of stock-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	35	131
Issuance of common stock upon exercise of stock options	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(58)
Common stock issued pursuant to the Series C Liberty Braves common stock rights offering	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	7
Shares repurchased by subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	203
Shares issued by subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,544)	(1,674)
Dividends paid by subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	—	28	—
Contribution by noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(16)	(16)
Cumulative adjustment for change in accounting principle (note 3)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	15	15
Other	—	—	—	—	—	—	—	—	—	—	—	—	—	66	(1)	65
Balance at December 31, 2016	\$ —	\$ —	\$ —	\$ 1	\$ —	\$ 2	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 87	\$ 11,727	\$ 5,960	\$ 17,716

See accompanying notes to consolidated financial statements.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
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**(1) Basis of Presentation**

The accompanying consolidated financial statements of Liberty Media Corporation (formerly named Liberty Spinco, Inc.; see discussion below pertaining to the Starz Spin-Off (defined below)) ("Liberty" or the "Company" unless the context otherwise requires) represent a consolidation of certain media and entertainment related assets and businesses. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Liberty, through its ownership of interests in subsidiaries and other companies, is primarily engaged in the media and entertainment industries primarily in North America. Our significant subsidiaries include Sirius XM Holdings Inc. ("SIRIUS XM") and Braves Holdings, LLC ("Braves Holdings"). Our significant investment accounted for under the equity method of accounting is Live Nation Entertainment, Inc. ("Live Nation"). Additionally, as discussed in notes 2 and 7, Liberty obtained a nearly 20% interest in Delta Topco Limited ("Delta Topco"), the parent company of Formula 1, a global motorsports business, during 2016 and acquired the remaining interests, other than a nominal number of shares held by certain Formula 1 teams, during January 2017.

In September 2011, Liberty Interactive Corporation ("Liberty Interactive" and formerly named Liberty Media Corporation) completed the split-off of its former wholly-owned subsidiary (then known as Liberty Media Corporation) from its Liberty Interactive tracking stock group (the "Split-Off").

In January 2013, Starz (now known as Starz Acquisition, LLC and formerly known as Liberty Media Corporation) spun-off (the "Starz Spin-Off") its then-former wholly-owned subsidiary, which, at the time of the Starz Spin-Off, held all of the businesses, assets and liabilities of Starz not associated with Starz, LLC (with the exception of the Starz, LLC office building). The transaction was effected as a pro-rata dividend of shares of Liberty to the stockholders of Starz. Due to the relative significance of Liberty to Starz (the legal spinor) and senior management's continued involvement with Liberty following the Starz Spin-Off, Liberty is being treated as the "accounting successor" to Starz for financial reporting purposes, notwithstanding the legal form of the Starz Spin-Off previously described. Therefore, the historical financial statements of the company formerly known as Liberty Media Corporation continue to be the historical financial statements of Liberty, and Starz, LLC has been treated as discontinued operations upon completion of the Starz Spin-Off in the first quarter of 2013. Therefore, for purposes of these consolidated financial statements, Liberty is treated as the spinor for purposes of discussion and as a practical matter for describing all the historical information contained herein.

Also in January 2013, Liberty obtained a controlling interest and began consolidating SIRIUS XM, as further discussed in note 4.

During 2014, Liberty's board of directors approved the issuance of shares of its Series C Liberty Media Corporation common stock to holders of its Series A and Series B Liberty Media Corporation common stock, effected by means of a dividend. On July 23, 2014, holders of Series A and Series B Liberty Media Corporation common stock as of 5:00 p.m., New York City, time on July 7, 2014, the record date for the dividend, received a dividend of two shares of Series C Liberty Media Corporation common stock for each share of Series A or Series B Liberty Media Corporation common stock held by them as of the record date. The impact of the Series C Liberty Media Corporation common stock issuance has been reflected retroactively in these consolidated financial statements due to the treatment of the dividend as a stock split for accounting purposes. Additionally, in connection with the Series C Liberty Media Corporation common stock issuance and the Broadband Spin-Off (defined below), outstanding Series A Liberty Media Corporation common stock warrants have been adjusted, as well as the number of shares covered by outstanding cash convertible note hedges and purchased call options (the "Bond Hedge Transaction"). See note 10 for further discussion regarding the warrants and Bond Hedge Transaction.

On November 4, 2014, Liberty completed the spin-off to its stockholders common stock of a newly formed company called Liberty Broadband Corporation ("Liberty Broadband") (the "Broadband Spin-Off"). Shares of Liberty Broadband were distributed to the shareholders of Liberty as of a record date of 5:00 p.m., New York City time, on October 29, 2014.



**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**  
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At the time of the Broadband Spin-Off, Liberty Broadband was comprised of, among other things, (i) Liberty’s former interest in Charter Communications, Inc. (“Charter”), (ii) Liberty’s former subsidiary TruePosition, Inc. (“TruePosition”) (now known as Skyhook Holding, Inc. (“Skyhook”)), (iii) Liberty’s former minority equity investment in Time Warner Cable, Inc. (“Time Warner Cable”), (iv) certain deferred tax liabilities, as well as liabilities related to Time Warner Cable call options and (v) initial indebtedness, pursuant to margin loans, described in note 10, entered into prior to the completion of the Broadband Spin-Off. Prior to the transaction, Liberty Broadband borrowed funds under margin loans and made a final distribution to Liberty of approximately \$300 million in cash. The Broadband Spin-Off was intended to be tax-free to stockholders of Liberty, and in September 2015, Liberty entered into a closing agreement with the Internal Revenue Service (“IRS”) which provides that the Broadband Spin-Off qualified for tax-free treatment. In the Broadband Spin-Off, record holders of Series A, Series B and Series C Liberty Media Corporation common stock received one share of the corresponding series of Liberty Broadband common stock for every four shares of common stock held by them as of the record date for the Broadband Spin-Off, with cash paid in lieu of fractional shares.

As of the date of the completion of the Broadband Spin-Off, the Company’s former investments in and results of Charter and Time Warner Cable are no longer included in the results of Liberty. Based on the relative significance of TruePosition to Liberty, the Company concluded that discontinued operations presentation of TruePosition is not necessary. However, the table below includes the historical financial information of TruePosition, which is included in the consolidated statements of operations for the year ended December 31, 2014.

	<b>December 31,</b>
	<b>2014</b>
	<b>amounts in millions</b>
Revenue .....	\$ 57
Earnings (loss) before income taxes .....	\$ (6)
Net earnings (loss) attributable to Liberty stockholders .....	\$ (8)

As a result of the Broadband Spin-Off and repurchases of Series A Liberty Media Corporation common stock, the Company’s additional paid-in capital balance was in a deficit position as of December 31, 2015. In order to maintain a zero balance in the additional paid-in capital account, we reclassified the amount of the deficit (\$499 million) to retained earnings as of December 31, 2015.

During August 2014, Liberty Interactive completed the distribution of Liberty TripAdvisor Holdings, Inc. (“Liberty TripAdvisor”) (the “TripAdvisor Spin-Off”). During July 2016, Liberty Interactive completed the spin-off of CommerceHub, Inc. (“CommerceHub”) (the “CommerceHub Spin-Off”). During November 2016, Liberty Interactive completed the split-off of Liberty Expedia Holdings, Inc. (“Expedia Holdings”) (the “Expedia Holdings Split-Off”). Following the Split-Off, Starz Spin-Off, TripAdvisor Spin-Off, Broadband Spin-Off, CommerceHub Spin-Off and Expedia Holdings Split-Off, Liberty, Liberty Interactive, Starz, Liberty TripAdvisor, Liberty Broadband, CommerceHub and Expedia Holdings operate as separate publicly traded companies, none of which has any stock ownership, beneficial or otherwise, in the other (except that Liberty Interactive owns shares of Liberty Broadband’s Series C non-voting common stock). In connection with the Split-Off, Starz Spin-Off, TripAdvisor Spin-Off, Broadband Spin-Off, CommerceHub Spin-Off and Expedia Holdings Split-Off, Liberty entered into certain agreements with Liberty Interactive, Starz, Liberty TripAdvisor, Liberty Broadband, CommerceHub and Expedia Holdings, respectively, in order to govern ongoing relationships between the companies and to provide for an orderly transition. As a result, these entities are considered related parties of the Company for accounting purposes through the dates of the respective transactions. These agreements include Reorganization Agreements (excluding CommerceHub, Expedia Holdings and Liberty TripAdvisor), Services Agreements, Facilities Sharing Agreements (excluding CommerceHub), a Lease Agreement (in the case of the Starz Spin-Off only) and with respect to Starz and Liberty Broadband, Tax Sharing Agreements. The Reorganization, Services and Facilities Sharing Agreements entered into with Liberty Interactive were assigned from Starz to Liberty in connection with the Starz Spin-Off.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
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The Reorganization Agreements provide for, among other things, provisions governing the relationships between Liberty and each of Liberty Interactive, Starz and Liberty Broadband following the Split-Off, Starz Spin-Off and Broadband Spin-Off, respectively, including certain cross-indemnities. Pursuant to the Services Agreements, Liberty provides Liberty Interactive, Starz, Liberty TripAdvisor, Liberty Broadband, CommerceHub and Expedia Holdings with general and administrative services including legal, tax, accounting, treasury and investor relations support. Liberty Interactive, Starz, Liberty TripAdvisor, Liberty Broadband, CommerceHub and Expedia Holdings reimburse Liberty for direct, out-of-pocket expenses incurred by Liberty in providing these services and for Liberty Interactive's and Starz's allocable portion of costs associated with any shared services or personnel based on an estimated percentage of time spent providing services to each respective company. Liberty TripAdvisor, Liberty Broadband, CommerceHub and Expedia Holdings reimburse Liberty for shared services and personnel based on a flat fee. Under the Facilities Sharing Agreements, Liberty shares office space and related amenities with Liberty Interactive, Starz, Liberty TripAdvisor, Liberty Broadband and Expedia Holdings at Liberty's corporate headquarters. Under these various agreements, approximately \$21 million, \$23 million and \$15 million of these allocated expenses were reimbursed to Liberty during the years ended December 31, 2016, 2015 and 2014, respectively. Under the Lease Agreement, Starz leases its corporate headquarters from Liberty. The Lease Agreement with Starz for their corporate headquarters requires a payment of approximately \$4 million annually, subject to certain increases based on the Consumer Price Index. The Lease Agreement expires on December 31, 2023 and contains an extension option.

The Tax Sharing Agreements provide for the allocation and indemnification of tax liabilities and benefits between Liberty and each of Starz and Liberty Broadband as well as other agreements related to tax matters. Among other things, pursuant to the Tax Sharing Agreements, Liberty has generally agreed to indemnify Starz and Liberty Broadband for taxes and losses resulting from the failure of the Starz Spin-Off and the Broadband Spin-Off, respectively, to qualify for tax-free treatment. However, Starz will be responsible for any such taxes and losses related to the Starz Spin-Off which (i) result primarily from the breach of certain restrictive covenants made by Starz, or (ii) result from Section 355(e) of the Internal Revenue Code of 1986 (the "Code") applying to the Starz Spin-Off as a result of the Starz Spin-Off being part of a plan (or series of related transactions) pursuant to which one or more persons acquire a 50-percent or greater interest (measured by vote or value) in the stock of Starz, and Liberty Broadband will be responsible for any such taxes and losses related to the Broadband Spin-Off which (i) result primarily from the breach of certain restrictive covenants made by Liberty Broadband, or (ii) result from Section 355(e) of the Code applying to the Broadband Spin-Off as a result of the Broadband Spin-Off being part of a plan (or series of related transactions) pursuant to which one or more persons acquire a 50-percent or greater interest (measured by vote or value) in the stock of Liberty Broadband. In February 2014, the IRS and Starz entered into a closing agreement which provided that the Starz Spin-Off qualified for tax-free treatment to Starz and Liberty. In September 2015, Liberty entered into a closing agreement with the IRS which provided that the Broadband Spin-Off qualified for tax-free treatment.

**(2) Tracking Stocks**

During November 2015, Liberty's board of directors authorized management to pursue a recapitalization of the Company's common stock into three new tracking stock groups, one to be designated as the Liberty Braves common stock, one to be designated as the Liberty Media common stock and one to be designated as the Liberty SiriusXM common stock (the "Recapitalization"), and to cause to be distributed subscription rights related to the Liberty Braves common stock following the creation of the new tracking stocks.

The Recapitalization was completed on April 15, 2016 and the newly issued shares commenced trading or quotation in the regular way on the Nasdaq Global Select Market or the OTC Markets, as applicable, on Monday, April 18, 2016. In the Recapitalization, each issued and outstanding share of Liberty Media Corporation common stock was reclassified and exchanged for (a) 1 share of the corresponding series of Liberty SiriusXM common stock, (b) 0.1 of a share of the corresponding series of Liberty Braves common stock and (c) 0.25 of a share of the corresponding series of Liberty Formula One common stock on April 15, 2016. Cash was paid in lieu of the issuance of any fractional shares. In May

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**  
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2016, the IRS completed its review of the Recapitalization and notified Liberty that it agreed with the nontaxable characterization of the transaction. The operating results prior to the Recapitalization are attributed to Liberty stockholders in the aggregate. However, the information in the following footnotes has been presented by tracking stock groups for all periods presented in order to enhance the information provided to users of these financial statements.

Following the creation of the tracking stocks, Series A, Series B and Series C Liberty SiriusXM common stock trade under the symbols LSXMA/B/K, respectively; Series A, Series B and Series C Liberty Braves common stock trade or are quoted under the symbols BATRA/B/K respectively; and Series A, Series B and Series C Liberty Media common stock traded or were quoted under the symbols LMCA/B/K, respectively. Shortly following the Second Closing (as defined below) of the acquisition of Formula 1, the Liberty Media Group and Liberty Media common stock were renamed the Liberty Formula One Group (the "Formula One Group") and the Liberty Formula One common stock, respectively, and the corresponding ticker symbols for the Series A, Series B and Series C Liberty Media common stock were changed to FWONA/B/K, respectively. Each series (Series A, Series B and Series C) of the Liberty SiriusXM common stock trades on the Nasdaq Global Select Market. Series A and Series C Liberty Braves common stock trade on the Nasdaq Global Select Stock Market and Series B Liberty Braves common stock is quoted on the OTC Markets. Series A and Series C Liberty Formula One common stock continue to trade on the Nasdaq Global Select Market and the Series B Liberty Formula One common stock continues to be quoted on the OTC Markets. Although the Second Closing, and the corresponding tracking stock name and the ticker symbol change, were not completed until January 23 and 24, 2017, respectively, historical information of the Liberty Media Group and Liberty Media common stock is referred to herein as the Formula One Group and Liberty Formula One common stock, respectively.

In addition, following the creation of the new tracking stocks, Liberty distributed to holders of its Liberty Braves common stock subscription rights to acquire shares of Series C Liberty Braves common stock in order to raise capital to repay the Intergroup Note (as defined below) and for working capital purposes. In the rights distribution, Liberty distributed 0.47 of a Series C Liberty Braves subscription right for each share of Series A, Series B or Series C Liberty Braves common stock held as of 5:00 p.m., New York City time, on May 16, 2016. Fractional Series C Liberty Braves subscription rights were rounded up to the nearest whole right. Each whole Series C Liberty Braves subscription right entitled the holder to purchase, pursuant to the basic subscription privilege, one share of Liberty's Series C Liberty Braves common stock at a subscription price of \$12.80, which was equal to an approximate 20% discount to the trading day volume weighted average trading price of Series C Liberty Braves common stock for the 18-day trading period ending on May 11, 2016. Each Series C Liberty Braves subscription right also entitled the holder to subscribe for additional shares of Series C Liberty Braves common stock that were unsubscribed for in the rights offering pursuant to an oversubscription privilege. The rights offering commenced on May 18, 2016, which was also the ex-dividend date for the distribution of the Series C Liberty Braves subscription rights. The rights offering expired at 5:00 p.m. New York City time, on June 16, 2016 and was fully subscribed with 15,833,634 shares of Series C Liberty Braves common stock issued to those rightsholders exercising basic and, if applicable, oversubscription privileges. Approximately \$150 million of the proceeds from the rights offering were used to repay the outstanding balance on the Intergroup Note and accrued interest to Liberty. The remaining proceeds will be used for future development costs attributed to the Braves Group. In September 2016, the IRS completed its review of the distribution of the Series C Liberty Braves subscription rights and notified Liberty that it agreed with the nontaxable characterization of the distribution.

Additionally, as a result of the Recapitalization, the 1.375% Cash Convertible Senior Notes due 2023 are now convertible into cash based on the product of the conversion rate specified in the indenture and the basket of tracking stocks into which each outstanding share of Series A Liberty Media Corporation common stock was reclassified (the "Securities Basket"). The Series A Liberty Braves common stock component of the Securities Basket was subsequently adjusted pursuant to anti-dilution adjustments arising out of the distribution of subscription rights to purchase shares of Series C Liberty Braves common stock made to all holders of Liberty Braves common stock. Furthermore, the Company entered into amended agreements with the counterparties with regard the Recapitalization-related adjustments to the outstanding Series A Liberty Media Corporation common stock warrants as well as the outstanding cash convertible note hedges and purchased call options. See note 10 for a more detailed discussion of the amendments made to these financial instruments as a result of the Recapitalization.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**  
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As discussed in more detail in note 7, on September 7, 2016 Liberty, through its indirect wholly owned subsidiary Liberty GR Cayman Acquisition Company, entered into two definitive stock purchase agreements relating to the acquisition of Delta Topco. The transactions contemplated by the first purchase agreement were completed on September 7, 2016, resulting in the acquisition of slightly less than a 20% minority stake in Formula 1 on an undiluted basis. On October 27, 2016 under the terms of the first purchase agreement, Liberty acquired an additional incremental equity interest of Delta Topco, maintaining Liberty's investment in Delta Topco on an undiluted basis and increasing slightly to 19.1% on a fully diluted basis. Liberty's interest in Delta Topco and by extension Formula 1 is attributed to the Liberty Formula One Group (the "Formula One Group"). Liberty acquired 100% of the fully diluted equity interests of Delta Topco, other than a nominal number of shares held by certain Formula 1 teams, in a closing under the second purchase agreement (following the unwind of the first purchase agreement) on January 23, 2017 (the "Second Closing"). Liberty's acquired interest in Formula 1, along with existing Formula 1 cash and debt (which is non-recourse to Liberty), is attributed to the Formula One Group.

A 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 Liberty SiriusXM Group, Liberty Braves Group (the "Braves Group") and Formula One 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. Therefore, the Liberty SiriusXM Group, Braves Group and Formula One Group do not represent separate legal entities, but rather represent those businesses, assets and liabilities that have been attributed to each respective group. Holders of tracking stock have no direct claim to the group's stock or assets and therefore, do not own, by virtue of their ownership of a Liberty tracking stock, any equity or voting interest in a public company, such as SIRIUS XM or Live Nation, in which Liberty holds an interest and that is attributed to a Liberty tracking stock group, such as the Liberty SiriusXM Group or the Formula One Group. Holders of tracking stock are also 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 Liberty SiriusXM common stock is intended to track and reflect the separate economic performance of the businesses, assets and liabilities attributed to the Liberty SiriusXM Group. Liberty attributed to the Liberty SiriusXM Group its subsidiary SIRIUS XM, corporate cash, and its margin loan obligation incurred by a wholly-owned special purpose subsidiary of Liberty. As of December 31, 2016, the Liberty SiriusXM Group has cash and cash equivalents of approximately \$287 million, which includes \$214 million of subsidiary cash.

The Liberty Braves common stock is intended to track and reflect the separate economic performance of the businesses, assets and liabilities attributed to the Braves Group. Liberty attributed to the Braves Group its subsidiary, Braves Holdings, which indirectly owns the Atlanta Braves Major League Baseball Club ("ANLBC" or the "Atlanta Braves") and certain assets and liabilities associated with ANLBC's stadium and mixed use development project (the "Development Project") and corporate cash. Also upon the Recapitalization, Liberty had attributed to the Braves Group all liabilities arising under a note from Braves Holdings to Liberty, with a total capacity of up to \$165 million of borrowings by Braves Holdings (the "Intergroup Note") relating to funds borrowed and used for investment in the Development Project. As previously discussed, the \$150 million outstanding under the Intergroup Note was repaid during June 2016 using proceeds from the subscription rights offering, and the Intergroup Note agreement was cancelled. The remaining proceeds were attributed to the Braves Group. As of December 31, 2016, the Braves Group has cash and cash equivalents of approximately \$107 million, which includes subsidiary cash.

The Liberty Formula One common stock is intended to track and reflect the separate economic performance of the businesses, assets and liabilities attributed to the Formula One Group. Liberty attributed to the Formula One Group all of the businesses, assets and liabilities of Liberty other than those specifically attributed to the Braves Group or the Liberty SiriusXM Group, including Liberty's interests in Live Nation, minority equity investments in Time Warner, Inc. ("Time Warner") and Viacom, Inc. ("Viacom"), the recovery received in connection with the Vivendi lawsuit, cash as well as



**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**  
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Liberty's 1.375% Cash Convertible Notes due 2023 and related financial instruments and Liberty's 2.25% Exchangeable Senior Debentures due 2046. As of December 31, 2016, the Formula One Group has cash and cash equivalents of approximately \$168 million.

As part of the Recapitalization, the Formula One Group initially held a 20% intergroup interest in the Braves Group. As a result of the rights offering, the number of notional shares representing the intergroup interest held by the Formula One Group was adjusted to 9,084,940, representing a 15.5% intergroup interest in the Braves Group at December 31, 2016. The intergroup interest is a quasi-equity interest which is not represented by outstanding shares of common stock; rather, the Formula One Group has an attributed value in the Braves Group which is generally stated in terms of a number of shares of Series C Liberty Braves common stock issuable to the Formula One Group with respect to its interest in the Braves Group. The intergroup interest may be settled, at the discretion of the Company's board of directors, through the transfer of newly issued shares of Liberty Braves common stock, cash and/or other assets to the Formula One Group. Accordingly, the intergroup interest attributable to the Formula One Group is presented as an asset and the intergroup interest attributable to the Braves Group is presented as a liability in the attributed financial statements and the offsetting amounts between tracking stock groups are eliminated in consolidation. The intergroup interest will remain outstanding until the cancellation of the outstanding interest, at the discretion of the Company's board of directors, through transfer of securities, cash and/or other assets from the Braves Group to the Formula One Group.

See Exhibit 99.1 to the 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 and sales returns. Such allowance aggregated \$9 million and \$6 million at December 31, 2016 and 2015, respectively. Activity in the year ended December 31, 2016 included an increase of \$56 million of bad debt charged to expense and \$53 million of write-offs. Activity in the year ended December 31, 2015 included an increase of \$47 million of bad debt charged to expense and \$49 million of write-offs. Activity in the year ended December 31, 2014 included an increase of \$45 million of bad debt charged to expense and \$41 million of write-offs.

***Investments***

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

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**  
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of its AFS securities which it considers to be non-strategic ("Fair Value Option Securities"). Accordingly, changes in the fair value of Fair Value Option Securities, as determined by quoted market prices, are reported in realized and unrealized gain (losses) on financial instruments in the accompanying consolidated statements of operations. The total value of AFS securities for which the Company has elected the fair value option aggregated \$489 million and \$450 million as of December 31, 2016 and 2015, 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.

Changes in the Company's proportionate share of the underlying equity of an equity method investee, which result from the issuance of additional equity securities by such equity investee, are recognized in the statement of operations through the other, net line item. To the extent there is a difference between our ownership percentage in the underlying equity of an equity method investee and our carrying value, such difference is accounted for as if the equity method investee were a consolidated subsidiary.

The Company continually reviews its equity investments and its AFS securities which are not Fair Value Option 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 Fair Value Option Securities (as defined below) 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.

***Fair Value of Financial Instruments***

In January 2016, the Financial Accounting Standards Board ("FASB") issued new accounting guidance that is intended to improve the recognition and measurement of financial instruments. The new guidance requires equity investments with readily determinable fair values (except those accounted for under the equity method of accounting or those that result in consolidation) to be measured at fair value with changes in fair value recognized in net income and simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. The new standard is effective for the Company for fiscal years and interim periods beginning after December 15, 2017. The Company has not yet determined the effect of the standard on its ongoing financial reporting.



**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**  
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***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. None of the Company's derivatives are currently designated as hedges.

The fair value of certain of the Company's derivative instruments are estimated using the Black-Scholes model. The Black-Scholes model incorporates a number of variables in determining such fair values, including expected volatility of the underlying security and an appropriate discount rate. The Company obtained volatility rates from pricing services based on the expected volatility of the underlying security over the remaining term of the derivative instrument. A discount rate was obtained at the inception of the derivative instrument and updated each reporting period, 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 consisted of the following:

	<u>Estimated Useful Life</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
		amounts in millions	
Land .....	NA	\$ 191	101
Buildings and improvements .....	10 - 40 years	144	164
Support equipment .....	3 - 20 years	316	312
Satellite system .....	15 years	1,668	1,628
Construction in progress .....	NA	863	382
Total property and equipment .....		<u>\$ 3,182</u>	<u>2,587</u>

Property and equipment, including significant improvements, is stated at cost. Depreciation is computed using the straight-line method using estimated useful lives. Depreciation expense for the years ended December 31, 2016, 2015 and 2014 was \$186 million, \$207 million and \$209 million, respectively.

A portion of the interest on funds borrowed to finance the construction of the Braves ballpark and mixed-use development as well as the launch of SIRIUS XM's satellites and launch vehicles is capitalized. Capitalized interest is recorded as part of the asset's cost and depreciated over the asset's useful life. Capitalized interest costs for the years ended December 31, 2016 and 2015 was approximately \$8 million and \$2 million, respectively, which primarily related to the construction of the Braves ballpark and mixed-use development. Capitalized interest costs were less than a million dollars for the year ended December 31, 2014.

***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

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for impairment at least annually. Our annual impairment assessment of our indefinite-lived intangible assets is performed during the fourth quarter of each year.

The Company utilizes a qualitative assessment for determining whether step one of the goodwill impairment analysis is necessary. The accounting guidance permits entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. In evaluating goodwill on a qualitative basis the Company reviews the business performance of each reporting unit and evaluates other relevant factors as identified in the relevant accounting guidance to determine whether it is more likely than not that an indicated impairment exists for any of our reporting units. The Company considers whether there are any negative macroeconomic conditions, industry specific conditions, market changes, increased competition, increased costs in doing business, management challenges, the legal environments and how these factors might impact company specific performance in future periods. As part of the analysis, the Company also considers fair value determinations for certain reporting units that have been made at various points throughout the current and prior years for other purposes.

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

The accounting guidance also permits entities to first perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. If the qualitative assessment supports that it is more likely than not that the carrying value of the Company's indefinite-lived intangible assets, other than goodwill, exceeds its fair value, then a quantitative assessment is performed. If the carrying value of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

***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 group is greater than the expected undiscounted cash flows to be generated by such asset group, an impairment adjustment is to be recognized. Such adjustment is measured by the amount that the carrying value of such asset groups 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 asset groups. Accordingly, actual results could vary significantly from such estimates. Asset groups to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

***Noncontrolling Interests***

The Company reports noncontrolling interests of subsidiaries within equity in the balance sheet and the amount of consolidated net income attributable to the parent and to the noncontrolling interest is presented in the statement of operations. Also, changes in ownership interests in subsidiaries in which the Company maintains a controlling interest are recorded in equity.

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***Revenue Recognition***

Revenue is recognized as follows:

- Revenue from SIRIUS XM subscribers is recognized as it is realized or realizable and earned. Subscription fees are recognized as SIRIUS XM's services are provided. Consumers purchasing or leasing a vehicle with a factory-installed satellite radio typically receive between a three and twelve month subscription to SIRIUS XM's service, certain of which are prepaid. Prepaid subscription fees received from certain automakers are recorded as deferred revenue and amortized to revenue ratably over the service period which commences upon retail sale and activation. No revenue is recognized for unpaid trial subscriptions.
- SIRIUS XM recognizes revenue from the sale of advertising as the advertising is transmitted. Agency fees are calculated based on a stated percentage applied to gross billing revenue for advertising inventory and are reported as a reduction of advertising revenue. SIRIUS XM pays certain third parties a percentage of advertising revenue. Advertising revenue is recorded gross of revenue share payments made to certain third parties, which are recorded to Revenue share and royalties during the period in which the advertising is transmitted.
- Equipment revenue and royalties from the sale of satellite radios, components and accessories are recognized upon shipment, net of discounts and rebates. Shipping and handling costs billed to customers are recorded as revenue. Shipping and handling costs associated with shipping goods to customers are reported as a component of Cost of subscriber services.
- Certain revenue arrangements contain multiple products, services and right to use assets, such as SIRIUS XM's bundled subscription plans. The applicable accounting guidance requires that such multiple deliverable revenue arrangements be divided into separate units of accounting if the deliverables in the arrangement meet certain criteria. Consideration is allocated at the inception of the arrangement to all deliverables based on their relative selling price, which is determined using vendor specific objective evidence of the selling price of self-pay customers.
- SIRIUS XM also earns revenue from U.S. Music Royalty Fees, which are recorded as revenue and as a component of Revenue share and royalties expense. Fees received from subscribers for the U.S. Music Royalty Fee are recorded as deferred revenue and amortized to revenue ratably over the service period which coincides with the recognition of the subscriber's subscription revenue.
- SIRIUS XM revenue is reported net of any taxes assessed by a governmental authority that is both imposed on, and concurrent with, a specific revenue-producing transaction between a seller and a customer in the consolidated statements of operations.
- Revenue for Braves Holdings ticket sales, local radio and television rights, signage and suites are recognized on a per game basis during the baseball season based on a pro rata share of total revenue earned during the entire baseball season to the total number of home games during the season. Prior to 2016, concession revenue was recognized as commissions were earned from the sale of food and beverage at the stadium in accordance with agreements with the Company's concessions vendors. Beginning in 2016, Braves Holdings brought its retail operations in-house and engaged a new concessions operator. As a result, concession revenue is recognized on a per game basis during the baseball season. Major League Baseball ("MLB") revenue is earned throughout the year based on an estimate of revenue generated by MLB on behalf of the 30 MLB clubs. Sources of MLB revenue include distributions from the MLB Central Fund, distributions from MLB Properties and revenue sharing income, if applicable.

In May 2014, the FASB issued new accounting guidance on revenue from contracts with customers. The new guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This new guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In March 2016, the FASB issued

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additional guidance which clarifies principal versus agent considerations, and in April 2016, the FASB issued further guidance which clarifies the identification of performance obligations and the implementation guidance for licensing. The updated guidance will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or modified retrospective transition method. This guidance is currently effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, and early adoption is permitted only for fiscal years beginning after December 15, 2016. The Company currently does not plan to early adopt this new guidance. We have identified the Company's various revenue streams and are currently working with our subsidiaries to evaluate the quantitative effects of the new guidance. The Company has not yet selected a transition method. We will continue to provide updates as to the progress of our evaluation in our quarterly reports during 2017.

***Cost of Subscriber Services***

*Revenue Share*

SIRIUS XM shares a portion of its subscription revenue earned from self-pay subscribers and paid promotional subscribers with certain automakers. The terms of the revenue share agreements vary with each automaker, but are typically based upon the earned audio revenue as reported or gross billed audio revenue. Such shared revenue is recorded as an expense and not as a reduction to revenue.

*Programming Costs*

Programming costs which are for a specified number of events are amortized on an event-by-event basis; programming costs which are for a specified season or include programming through a dedicated channel are amortized over the season or period on a straight-line basis. SIRIUS XM allocates a portion of certain programming costs which are related to sponsorship and marketing activities to selling, general and administrative expense on a straight-line basis over the term of the agreement.

***Subscriber Acquisition Costs***

Subscriber acquisition costs consist of costs incurred to acquire new subscribers and include hardware subsidies paid to radio manufacturers, distributors and automakers, including subsidies paid to automakers who include a satellite radio and a prepaid subscription to SIRIUS XM service in the sale or lease price of a new vehicle; subsidies paid for chip sets and certain other components used in manufacturing radios; device royalties for certain radios and chipsets; commissions paid to retailers and automakers as incentives to purchase, install and activate radios; product warranty obligations; freight; and provisions for inventory allowance attributable to inventory consumed in SIRIUS XM's automaker and retail distribution channels. Subscriber acquisition costs do not include advertising costs, loyalty payments to distributors and dealers of radios and revenue share payments to automakers and retailers of radios.

Subsidies paid to radio manufacturers and automakers are expensed upon installation, shipment, receipt of product or activation and are included in Subscriber acquisition costs because SIRIUS XM is responsible for providing the service to the customers. Commissions paid to retailers and automakers are expensed upon either the sale or activation of radios. Chipsets that are shipped to radio manufacturers and held on consignment are recorded as inventory and expensed as subscriber acquisition costs when placed into production by radio manufacturers. Costs for chipsets not held on consignment are expensed as subscriber acquisition costs when the automaker confirms receipt.

***Advertising Costs***

Advertising expense aggregated \$230 million, \$210 million and \$207 million for the years ended December 31, 2016, 2015 and 2014, respectively. Advertising costs are primarily attributable to costs incurred by SIRIUS XM. Media-related

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advertising costs are expensed when advertisements air, and advertising production costs are expensed as incurred. These costs are reflected in the selling, general and administrative expenses line in our consolidated statements of operations.

***Stock-Based Compensation***

As more fully described in note 14, Liberty has granted to its directors, employees and employees of its subsidiaries options and restricted stock to purchase shares of Liberty common stock (collectively, "Awards"). The Company measures the cost of employee services received in exchange for an Award 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).

Included in the accompanying consolidated statements of operations are the following amounts of stock-based compensation, a portion of which relates to SIRIUS XM as discussed in note 14:

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Cost of subscriber services:			
Programming and content . . . . .	\$ 21	19	17
Customer service and billing . . . . .	4	5	5
Other . . . . .	5	8	8
Other operating expense . . . . .	13	18	17
Selling, general and administrative . . . . .	107	154	170
	\$ 150	204	217

In March 2016, the FASB issued new accounting guidance on share-based payment accounting. The areas for simplification in this update involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, forfeiture calculations, and classification on the statement of cash flows. We early adopted this new guidance in the third quarter of 2016. The Company has applied the new guidance prospectively from January 1, 2016. In accordance with the new guidance, excess tax benefits and tax deficiencies are recognized as income tax benefit or expense rather than as additional paid-in capital. The Company has elected to recognize forfeitures as they occur rather than continue to estimate expected forfeitures. In addition, pursuant to the new guidance, excess tax benefits are classified as an operating activity on the consolidated statements of cash flows. The recognition of excess tax benefits and deficiencies are applied prospectively. For tax benefits that were not previously recognized and for adjustments to compensation cost based on actual forfeitures, the Company has recorded a cumulative-effect adjustment in retained earnings as of January 1, 2016 in the amount of \$66 million. The presentation changes for excess tax benefits have been applied retrospectively in the consolidated statements of cash flows, resulting in \$75 million, \$19 million and \$3 million of excess tax benefits for the years ended December 31, 2016, 2015 and 2014, respectively, reclassified from cash flows from financing activities to cash flows from operating activities.

***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.



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

***Earnings Attributable to Liberty Stockholders Per Common Share***

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

As discussed in note 2, on April 15, 2016, the Company completed a recapitalization of its common stock into three new tracking stock groups, one designated as the Liberty SiriusXM common stock, one designated as the Liberty Braves common stock and one designated as the Liberty Media common stock. As further discussed in note 2, the Liberty Media common stock was renamed Liberty Formula One common stock on January 24, 2017 shortly after the Second Closing. The operating results prior to the Recapitalization are attributed to Liberty Media Corporation stockholders in the aggregate, and the operating results subsequent to the Recapitalization are attributed to the respective tracking stock groups.

Excluded from diluted EPS for the period subsequent to the Recapitalization through December 31, 2016 are approximately 21 million potentially dilutive shares of Series A Liberty SiriusXM common stock, 2 million potentially dilutive shares of Series A Liberty Braves common stock and 5 million potentially dilutive shares of Series A Liberty Formula One common stock, primarily due to warrants issued in connection with the Bond Hedge Transaction (note 10), because their inclusion would be antidilutive. The Amended Warrant Transactions (as defined and discussed in note 10) may have a dilutive effect with respect to the shares comprising the Securities Basket underlying the warrants to the extent that the settlement price exceeds the strike price of the warrants, and the warrants are settled in shares comprising such Securities Basket. The warrants and any potential future settlement have been attributed to the Formula One Group.

***Series A, Series B and Series C Liberty Media Corporation Common Stock***

The basic and diluted EPS calculation is based on the following weighted average shares outstanding ("WASO") of Liberty's common stock. As discussed in note 1, on July 23, 2014 the Company completed a stock dividend of two shares of Series C Liberty Media Corporation common stock for every share of Series A or Series B Liberty Media Corporation common stock held as of the record date. Therefore, all prior period outstanding share amounts for purposes of the calculation of EPS have been retroactively adjusted for comparability. Excluded from diluted EPS for the years ended December 31, 2016, 2015 and 2014 are 23 million, 22 million and 21 million potential common shares, respectively, primarily due to warrants issued in connection with the Bond Hedge Transaction (as defined and discussed in note 10) because their inclusion would be anti-dilutive.

	<b>January 1, 2016 through April 15, 2016</b>	<b>Year ended December 31, 2015</b>	<b>Year ended December 31, 2014</b>
	<b>number of shares in millions</b>		
Basic WASO .....	335	338	342
Potentially dilutive shares .....	<u>2</u>	<u>2</u>	<u>3</u>
Diluted WASO .....	<u>337</u>	<u>340</u>	<u>345</u>



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*Series A, Series B and Series C Liberty SiriusXM Common Stock*

The basic and diluted EPS calculations are based on the following weighted average outstanding shares of common stock.

	April 18, 2016 through December 31, 2016
	number of shares in millions
Basic WASO .....	335
Potentially dilutive shares .....	2
Diluted WASO .....	337

*Series A, Series B and Series C Liberty Braves Common Stock*

The basic and diluted EPS calculations are based on the following weighted average outstanding shares of common stock.

	April 18, 2016 through December 31, 2016 (a)(b)(c)
	number of shares in millions
Basic WASO .....	46
Potentially dilutive shares .....	9
Diluted WASO .....	55

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- (a) As discussed in note 2, subsequent to the Recapitalization, Liberty distributed subscription rights to holders of Liberty Braves common stock, which were priced at a discount to the market value, to acquire additional shares of Liberty Braves common stock. The rights offering, because of the discount, is considered a stock dividend which requires retroactive treatment for prior periods for the weighted average shares outstanding.
- (b) Potentially dilutive shares are excluded from the computation of diluted EPS during periods in which losses are reported since the result would be antidilutive.
- (c) As discussed in note 2, following the Recapitalization and Series C Liberty Braves common stock rights offering, the number of notional shares representing the Formula One Group's intergroup interest in the Braves Group was adjusted to 9,084,940 shares. The intergroup interest is a quasi-equity interest which is not represented by outstanding shares of common stock; rather, the Formula One Group has an attributed value in the Braves Group which is generally stated in terms of a number of shares of stock issuable to the Formula One Group with respect to its interest in the Braves Group. Each reporting period, the notional shares representing the intergroup interest are marked to fair value. As the notional shares underlying the intergroup interest are not represented by outstanding shares of common stock, such shares have not been officially designated Series A, B or C Liberty Braves common stock. However, Liberty has assumed that the notional shares (if and when issued) would be comprised of Series C Liberty Braves common stock in order to not dilute voting percentages. Therefore, the market price of Series C Liberty Braves common stock is used for the quarterly mark-to-market adjustment through the unaudited attributed consolidated statements of operations. The notional shares representing the intergroup interest have no impact on the basic earnings per share weighted average number of shares outstanding. However, in periods where the Braves Group has net earnings, the notional shares representing the intergroup interest are included in the diluted earnings per share WASO as if the shares had been issued and outstanding during the period. In periods where the Braves Group has net earnings, an

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adjustment is also made to the numerator in the diluted earnings per share calculation for the unrealized gain or loss incurred from marking the intergroup interest to fair value during the period as follows:

	April 18, 2016 through December 31, 2016 (a)
amounts in millions	
Basic earnings (loss) attributable to Liberty Braves shareholders . . . .	\$ (30)
Unrealized (gain) loss on the intergroup interest . . . . .	27
Diluted earnings (loss) attributable to Liberty Braves shareholders . .	\$ (3)

(a) Unrealized gains on the intergroup interest are excluded from the computation of diluted EPS during periods in which net losses attributable to the Braves Group are reported since the gain would be antidilutive.

*Series A, Series B and Series C Liberty Formula One Common Stock*

The basic and diluted EPS calculations are based on the following weighted average outstanding shares of common stock.

	April 18, 2016 through December 31, 2016
number of shares in millions	
Basic WASO . . . . .	84
Potentially dilutive shares . . . . .	1
Diluted WASO . . . . .	85

***Reclasses and Adjustments***

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

***Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Company considers (i) recurring and nonrecurring fair value measurements, (ii) accounting for income taxes, (iii) assessments of other-than-temporary declines in fair value of its investments and (iv) determination of the useful life of SIRIUS XM's broadcast/transmission system to be its most significant estimates.

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

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***Recent Accounting Pronouncements***

In August 2014, the FASB issued new accounting guidance which requires management to assess whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the financial statements are issued. If substantial doubt exists, additional disclosures are required. The Company adopted this guidance during the year ended December 31, 2016. The adoption of this guidance did not have an impact on our consolidated financial statements and related disclosures.

In February 2016, the FASB issued new accounting guidance on lease accounting. This guidance requires a company to recognize lease assets and lease liabilities arising from operating leases in the statement of financial position. Additionally, the criteria for classifying a lease as a finance lease versus an operating lease are substantially the same as the previous guidance. The amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and early adoption is permitted. Companies are required to use a modified retrospective approach to adopt this guidance. The Company has not yet determined the effect of the standard on its ongoing financial reporting. The Company is currently working with its consolidated subsidiaries to evaluate the impact of the adoption of this new guidance on our consolidated financial statements, including identifying the population of leases, evaluating technology solutions and collecting lease data.

In October 2016, the FASB issued new accounting guidance on income tax accounting associated with intra-entity transfers of assets other than inventory. This accounting update, which is part of the FASB's simplification initiative, is intended to reduce diversity in practice and the complexity of tax accounting, particularly for those transfers involving intellectual property. This new guidance requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. Upon adoption, an entity may apply the new guidance only on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements and related disclosures.

In January 2017, the FASB issued new accounting guidance to simplify the measurement of goodwill impairment. Under the new guidance, an entity will no longer perform a hypothetical purchase price allocation to measure goodwill impairment. Instead, impairment will be measured using the difference between the carrying amount and the fair value of the reporting unit. The guidance is effective for fiscal years, and interim periods within those fiscal year, beginning after December 15, 2019, with early adoption permitted for goodwill impairment tests with measurement dates after January 1, 2017. The Company is currently evaluating the effect that the updated standard will have on its financial statements and related disclosures.

**(4) SIRIUS XM Transactions**

Liberty obtained a controlling interest and began consolidating SIRIUS XM on January 18, 2013. As of December 31, 2016, we owned approximately 67% of the outstanding equity interest in SIRIUS XM

On October 9, 2013, Liberty entered into a share repurchase agreement with SIRIUS XM pursuant to which SIRIUS XM agreed to acquire approximately 136.6 million SIRIUS XM shares for \$500 million. Approximately 43.7 million shares were repurchased in 2013 for \$160 million in proceeds and the remaining shares were repurchased in 2014 for proceeds of \$340 million. The retirement of SIRIUS XM shares on a consolidated basis did not significantly impact the consolidated results as it only required an adjustment to noncontrolling interest as the shares were repurchased and retired. Additionally, during 2014, SIRIUS XM entered into certain accelerated share repurchase agreements pursuant to which SIRIUS XM repurchased approximately 223.2 million shares for approximately \$756 million. SIRIUS XM also repurchased approximately 420.1 million, 524.2 million and 423.0 million shares of SIRIUS XM common stock under its

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stock repurchase program during the years ended December 31, 2016, 2015 and 2014, respectively, for \$1.7 billion, \$2.0 billion and \$1.4 billion, respectively. Liberty continues to maintain a controlling interest in SIRIUS XM following the completion of the share repurchases.

In August 2008, SIRIUS XM issued \$550 million aggregate principal amount of 7% Exchangeable Senior Subordinated Notes due 2014 (the “SIRIUS Exchangeable Notes”). The SIRIUS Exchangeable Notes were exchangeable at any time at the option of the holder into shares of SIRIUS XM common stock at an exchange rate of 543.1372 shares of common stock per \$1,000 principal amount of the notes, which is equivalent to an approximate exchange price of \$1.841 per share of common stock. All holders of the SIRIUS Exchangeable Notes converted prior to maturity on December 1, 2014. During the year ended December 31, 2014, \$502 million principal amount of the SIRIUS Exchangeable Notes were converted in a non-cash financing transaction, resulting in the issuance of 272,855,859 shares of SIRIUS XM common stock. No loss was recognized as a result of the conversion. In connection with the conversion, Liberty received 5,974,510 shares of SIRIUS XM common stock upon maturity of the SIRIUS Exchangeable Notes.

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

	<u>Years ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
	<u>amounts in millions</u>		
Cash paid for acquisitions:			
Fair value of assets acquired .....	\$ —	—	1
Intangibles not subject to amortization .....	—	—	24
Intangibles subject to amortization .....	—	—	36
Net liabilities assumed .....	—	—	(12)
Deferred tax liabilities .....	—	—	(2)
Cash paid for acquisitions, net of cash acquired .....	<u>\$ —</u>	<u>—</u>	<u>47</u>
Stock repurchased by subsidiary not yet settled .....	<u>\$ 23</u>	<u>24</u>	<u>26</u>
Cash paid for interest, net of amounts capitalized .....	<u>\$ 327</u>	<u>295</u>	<u>232</u>
Cash paid for income taxes .....	<u>\$ 69</u>	<u>3</u>	<u>20</u>

**(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 does not have any recurring assets or liabilities measured at fair value that would be considered Level 3.

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

Description	December 31, 2016			December 31, 2015		
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
			amounts in millions			
Cash equivalents . . . . .	\$ 289	289	—	68	68	—
Available-for-sale securities . . . . .	\$ 489	489	—	474	425	49
Financial instrument assets . . . . .	\$ 286	16	270	232	—	232
Debt . . . . .	\$ 1,546	—	1,546	995	—	995

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

**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 (amounts in millions):

	Years ended December 31,		
	2016	2015	2014
Fair Value Option Securities . . . . .	\$ 112	(151)	80
Cash convertible notes (a) . . . . .	(113)	(5)	12
Change in fair value of bond hedges (a) . . . . .	37	23	(89)
Other derivatives (b) . . . . .	1	(7)	35
	<u>\$ 37</u>	<u>(140)</u>	<u>38</u>

(a) Liberty issued \$1 billion of cash convertible notes in October 2013 which are accounted for at fair value (Level 2), as elected by Liberty at the time of issuance. Contemporaneously with the issuance of the convertible notes, Liberty entered into privately negotiated cash convertible note hedges, which are expected to offset potential cash payments Liberty would be required to make in excess of the principal amount of the convertible notes, upon conversion of the notes. The bond hedges are marked to market based on the trading price of underlying securities and other observable market data as the significant inputs (Level 2). See note 10 for additional discussion of the convertible notes and the bond hedges.

(b) Derivatives are marked to market based on the trading price of underlying securities and other observable market data as the significant inputs (Level 2). During September 2014, Liberty entered into a forward contract to acquire up to 15.9 million shares of Live Nation common stock. Prior to the contract's original expiration during March 2015, the Company extended the contract through October 15, 2015 with expiration occurring on the sixtieth day following the completion of the counterparty's initial hedge, which was November 27, 2015 and settlement occurring on December 2, 2015. The counterparty acquired the maximum number of Live Nation shares of common stock at a volume weighted average share price of \$24.93 per share during September 2015. Liberty settled the contract for \$396 million paid to the counterparty. During June

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2016, Braves Holdings entered into two interest rate swap arrangements with a notional value of \$50 million related to certain of its variable rate loans. The interest rate swaps are marked to market each period based on changes in the LIBOR rate. The interest rate swaps are scheduled to mature in June 2019.

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

All marketable equity and debt securities held by the Company are classified as available-for-sale ("AFS") and are carried at fair value generally based on quoted market prices. GAAP permits entities to choose to measure many financial instruments, such as AFS securities, and certain other items at fair value and to recognize the changes in fair value of such instruments in the entity's statement of operations. The Company previously had entered into economic hedges for certain of its non-strategic AFS securities (although such instruments were not accounted for as fair value hedges by the Company). Changes in the fair value of those economic hedges were reflected in the Company's statement of operations as unrealized gains (losses). In order to better match the changes in fair value of the subject AFS securities and the changes in fair value of the corresponding economic hedges in the Company's financial statements, the Company has elected to account for those of its AFS securities which it considers to be non-strategic ("Fair Value Option Securities") at fair value. Accordingly, changes in the fair value of Fair Value Option Securities, as determined by quoted market prices, are reported in realized and unrealized gains (losses) on financial instruments in the accompanying consolidated statements of operations.

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	<u>amounts in millions</u>	
Liberty SiriusXM Group		
Other AFS and cost investments . . . . .	\$ —	—
Total attributed Liberty SiriusXM Group . . . . .	<u>—</u>	<u>—</u>
Braves Group		
Other AFS and cost investments . . . . .	8	8
Total attributed Braves Group . . . . .	<u>8</u>	<u>8</u>
Formula One Group		
Fair Value Option Securities		
Time Warner (a) . . . . .	411	275
Viacom (b) . . . . .	65	76
Other equity securities . . . . .	13	74
Other debt securities . . . . .	—	25
Total Fair Value Option Securities . . . . .	<u>489</u>	<u>450</u>
AFS and cost investments		
Formula 1 . . . . .	759	—
Live Nation debt securities (c) . . . . .	—	24
Other AFS and cost investments . . . . .	53	51
Total AFS and cost investments . . . . .	<u>812</u>	<u>75</u>
Total attributed Formula One Group . . . . .	<u>1,301</u>	<u>525</u>
Consolidated Liberty . . . . .	<u>\$ 1,309</u>	<u>533</u>

(a) See note 10 for details regarding the number and fair value of shares pledged as collateral pursuant to the Braves Holdings mixed-use development facility as of December 31, 2016.



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- (b) During the year ended December 31, 2015, Liberty sold 1.8 million shares of Viacom common stock for approximately \$122 million in proceeds.
- (c) Liberty redeemed the Live Nation debt securities at face value during October 2016.

***Formula 1***

On September 7, 2016 Liberty, through its indirect wholly owned subsidiary Liberty GR Cayman Acquisition Company, entered into two definitive stock purchase agreements relating to the acquisition of Delta Topco, the parent company of Formula 1, a global motorsports business, from a consortium of sellers led by CVC Capital Partners (“CVC”). The transactions contemplated by the first purchase agreement were completed on September 7, 2016 and provided for Liberty’s acquisition of slightly less than a 20% minority stake in Formula 1 on an undiluted basis for \$746 million, funded entirely in cash (which is equal to \$821 million in consideration less a \$75 million discount that was repaid by Liberty to selling stockholders upon completion of the Second Closing). On October 27, 2016, under the terms of the first purchase agreement, Liberty acquired an additional \$13 million incremental equity interest of Delta Topco, maintaining Liberty’s investment in Delta Topco on an undiluted basis and increasing slightly to 19.1% on a fully diluted basis. Liberty acquired 100% of the fully diluted equity interests of Delta Topco, other than a nominal number of shares held by certain Formula 1 teams, in the Second Closing. Prior to the Second Closing, CVC continued to be the controlling shareholder of Formula 1, and Liberty did not have any voting interests or board representation in Formula 1. As a result, we concluded that we did not have significant influence over Formula 1, and therefore our initial investment in Formula 1 was accounted for as a cost investment until the completion of the Second Closing, at which time we began consolidating Formula 1.

The \$8.0 billion transaction price for the acquisition represents an enterprise value for Formula 1 of approximately \$8.0 billion and an equity value of approximately \$4.4 billion, calculated at the time of the first closing. The \$5.0 billion consideration was comprised of \$3.05 billion of cash, \$1.6 billion represented by approximately 56 million newly issued shares of Series C Liberty Formula One common stock and a \$351 million debt instrument issued by Delta Topco and exchangeable into shares of Series C Liberty Formula One common stock.

In connection with the transaction, Liberty entered into a \$500 million margin loan on November 8, 2016, secured by shares of Live Nation and Viacom public equity securities held by Liberty (the “Live Nation Margin Loan”). No amounts were drawn on the Live Nation Margin Loan at December 31, 2016. Liberty drew approximately \$350 million to use for the purchase of Formula 1, on January 23, 2017, leaving \$150 million available to be drawn. See note 10 for additional discussion regarding the Live Nation Margin Loan.

At the Second Closing, the cash component of the consideration payable to the selling shareholders in the Formula 1 acquisition was increased by \$1.55 billion, the amount paid by certain third party investors in exchange for 62 million newly issued shares of Series C Liberty Formula One common stock to certain third party investors at a price per share of \$25.00. The issuance of these shares was consummated concurrently with the Second Closing on January 23, 2017. These newly issued shares of Series C Liberty Formula One common stock are subject to market co-ordination and lock-up agreements. As a result, the stock component of the consideration payable to the selling shareholders in the Formula 1 acquisition was decreased by 62 million shares.

Also concurrently with the Second Closing, the Company used a portion of the net proceeds of its \$450 million cash convertible senior notes offering, as discussed in note 10, to increase the cash consideration payable to the selling shareholders by approximately \$400 million and retain in treasury the approximately 19 million shares of Series C Liberty Formula One common stock that would otherwise have been issued to the selling shareholders based on the per share purchase price of \$21.26. These shares of Series C Liberty Formula One common stock will be reserved by the Company for possible sale to the Formula 1 teams. To the extent such shares are not sold to Formula 1 teams within six months following the Second Closing, the shares will be retired.

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In connection with the Second Closing, Delta Topco issued \$351 million subordinated exchangeable notes, upon the conversion of certain outstanding Delta Topco loan notes, that bear interest at 2% per annum and mature in July 2019, exchangeable into cash or newly issued shares of Series C Liberty Formula One common stock. See note 10 for additional discussion of this debt instrument.

***Unrealized Holding Gains and Losses***

There were no unrealized holding gains or losses related to investments in AFS securities at December 31, 2016 or 2015.

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

Liberty has various investments accounted for using the equity method. The following table includes the Company's carrying amount and percentage ownership and market value (Level 1) of the more significant investments in affiliates at December 31, 2016, and the carrying amount at December 31, 2015:

	December 31, 2016			December 31, 2015
	Percentage ownership	Market Value	Carrying amount	Carrying amount
			dollar amounts in millions	
Liberty SiriusXM Group				
SIRIUS XM Canada .....	37%	\$ 179	\$ 164	153
Total Liberty SiriusXM Group .....			164	153
Braves Group				
Other .....	NA	NA	61	39
Total Braves Group .....			61	39
Formula One Group				
Live Nation .....	34%	\$ 1,853	731	764
Other .....	various	NA	161	159
Total Formula One Group .....			892	923
Consolidated Liberty .....			\$ 1,117	1,115

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

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Liberty SiriusXM Group			
SIRIUS XM Canada .....	\$ 13	(1)	5
Total Liberty SiriusXM Group .....	<u>13</u>	<u>(1)</u>	<u>5</u>
Braves Group			
Other .....	9	9	10
Total Braves Group .....	<u>9</u>	<u>9</u>	<u>10</u>
Formula One Group			
Live Nation .....	(12)	(27)	(30)
Charter .....	NA	NA	(94)
Other .....	4	(21)	(4)
Total Formula One Group .....	<u>(8)</u>	<u>(48)</u>	<u>(128)</u>
Consolidated Liberty .....	<u>\$ 14</u>	<u>(40)</u>	<u>(113)</u>

***SIRIUS XM Canada***

In the acquisition of SIRIUS XM on January 18, 2013, Liberty acquired an interest in Sirius XM Canada Holdings, Inc. (“SIRIUS XM Canada”) which SIRIUS XM accounts for as an equity method affiliate. Liberty recognized the investment at fair value, based on the market price per share (level 1), on the date of acquisition.

SIRIUS XM has entered into agreements to provide SIRIUS XM Canada with the right to offer SIRIUS XM satellite radio service in Canada. The various license and service agreements with SIRIUS XM Canada will expire in 2017 and 2020. SIRIUS XM receives a percentage-based royalty of 10% and 15% for certain types of subscription revenue earned by SIRIUS XM Canada for the distribution of Sirius and XM platforms, respectively, royalties for activation fees and premium services and reimbursement for other charges. SIRIUS XM recognizes these payments on a gross basis as a principal obligor. The estimated fair value of deferred revenue from SIRIUS XM Canada as of the acquisition date was approximately \$21 million, which is amortized on a straight-line basis through 2020, the end of the expected term of the agreements. SIRIUS XM provides programming and content services and are reimbursed for certain product development, production and distribution of chipset radios, as well as for information technology and streaming support costs. At December 31, 2016, SIRIUS XM had approximately \$6 million and \$11 million in related party assets and liabilities, respectively, related to these agreements described above with SIRIUS XM Canada which are recorded in other assets and other liabilities, respectively, in the consolidated balance sheet. At December 31, 2015, SIRIUS XM had approximately \$6 million and \$14 million in related party assets and liabilities, respectively, related to these agreements described above with SIRIUS XM Canada which are recorded in other assets and other liabilities, respectively, in the consolidated balance sheet. Additionally, SIRIUS XM recorded approximately \$46 million, \$56 million and \$50 million in revenue for the years ended December 31, 2016, 2015 and 2014, respectively, associated with these various agreements in the other revenue line in the consolidated statements of operations. SIRIUS XM Canada declared and paid dividends to SIRIUS XM of \$8 million, \$16 million and \$43 million during the years ended December 31, 2016, 2015 and 2014, respectively. These dividends were first recorded as a reduction to SIRIUS XM’s investment balance in Sirius XM Canada to the extent a balance existed and then as Other income for the remaining portion.

On May 12, 2016, a subsidiary of SIRIUS XM, Sirius XM Radio Inc. (“Sirius XM Radio”), entered into an arrangement agreement (the “Arrangement Agreement”) with SIRIUS XM Canada. Pursuant to the Arrangement

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Agreement, SIRIUS XM Radio and certain Canadian shareholders will form a new company to acquire shares of SIRIUS XM Canada not already owned by them pursuant to a plan of arrangement (the "Transaction"). In connection with the Transaction, SIRIUS XM Canada's shareholders will be entitled to elect to receive, for each share of SIRIUS XM Canada held, C\$4.50 (U.S. \$3.50 as of May 12, 2016) in (i) cash, (ii) shares of SIRIUS XM's common stock, (iii) a security exchangeable for shares of SIRIUS XM's common stock, or (iv) a combination thereof; provided that no more than 50% of the total consideration in the Transaction (or up to 35 million shares) will be issued in SIRIUS XM common stock and exchangeable shares. All of the obligations of SIRIUS XM Radio under the Arrangement Agreement are guaranteed by SIRIUS XM.

Following the Transaction, SIRIUS XM Radio is expected to hold a 70% economic interest and 33% voting interest in SIRIUS XM Canada, with the remainder of the voting power and economic interest held by Slight Communications and Obelysk Media, two of SIRIUS XM Canada's current Canadian shareholders. SIRIUS XM Radio expects to contribute to SIRIUS XM Canada approximately U.S. \$275 million in connection with the Transaction (assuming that all shareholders elect to receive cash in connection with the Transaction), which amount is expected to be used to pay the cash consideration to SIRIUS XM Canada's shareholders and will be decreased proportionately if shareholders elect to receive consideration in shares of SIRIUS XM common stock or securities exchangeable for SIRIUS XM common stock.

The Transaction has been approved by the shareholders of SIRIUS XM Canada and has received the required court approval. The Transaction remains subject to receipt of Canadian Radio-Television and Telecommunications Commission approval. Pending receipt of all necessary approvals, the Transaction is expected to close early in the second quarter of 2017.

***Charter***

In May 2013, Liberty completed a transaction with investment funds managed by, or affiliated with, Apollo Management, Oaktree Capital Management and Crestview Partners to acquire approximately 26.9 million shares of common stock and approximately 1.1 million warrants in Charter for approximately \$2.6 billion, which represented an approximate 27% beneficial ownership (including the warrants on an as if converted basis) in Charter at the time of purchase. Liberty accounted for the investment in Charter as an equity method affiliate based on the ownership interest obtained and the board seats held by Liberty appointed individuals. Liberty funded the purchase with a combination of cash on hand and new margin loan arrangements on approximately 20.3 million Charter common shares, approximately 720 million SIRIUS XM common shares, approximately 8.1 million Live Nation common shares and a portion of Liberty's available for sale securities. Liberty allocated the purchase price between the shares of common stock and the warrants acquired in the transaction by determining the fair value of the publicly traded warrants and allocating the remaining balance to the shares acquired, which resulted in an excess basis in the investment of \$2.5 billion. The excess basis was primarily allocated to franchise fees, customer relationships, debt and goodwill based on a valuation of Charter's assets and liabilities. Our share of losses related to Charter included a loss of \$60 million due to the amortization of the excess basis of our investment during the year ended December 31, 2014. During the year ended December 31, 2014, the Company recognized \$72 million in losses in its investment in Charter shares and warrants due to warrant and stock option exercises at Charter below Liberty's book basis per share. Dilution losses are included in the other, net line in the accompanying consolidated statements of operations. As discussed in note 1, Liberty's investment in Charter was spun off to stockholders as part of the Broadband Spin-Off, which was completed on November 4, 2014. Liberty ceased recording the results of Charter in its financial statements as of the date of the completion of the Broadband Spin-Off.

**(9) Goodwill and Other Intangible Assets**

There were no changes in the carrying amount of goodwill during the years ended December 31, 2016 and 2015.

Other intangible assets not subject to amortization, not separately disclosed, are tradenames (\$930 million) at December 31, 2016 and 2015 and franchise rights owned by Braves Holdings (\$143 million) as of December 31, 2016 and 2015. We identified these assets as indefinite life intangible assets after considering the expected use of the assets, the regulatory and economic environment within which they are used and the effects of obsolescence on their use. SIRIUS

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XM's Federal Communications Commission ("FCC") licenses are currently scheduled to expire in 2018, 2021, 2022 and 2025. Prior to expiration, SIRIUS XM is required to apply for a renewal of its FCC licenses. The renewal and extension of its licenses is reasonably certain at minimal cost, which is expensed as incurred. Each of the FCC licenses authorizes SIRIUS XM to use the broadcast spectrum, which is a renewable, reusable resource that does not deplete or exhaust over time.

*Intangible Assets Subject to Amortization*

Intangible assets subject to amortization are comprised of the following:

	December 31, 2016			December 31, 2015		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	amounts in millions					
Customer relationships .....	\$ 830	(228)	602	838	(179)	659
Licensing agreements .....	316	(109)	207	316	(81)	235
Other .....	686	(423)	263	609	(406)	203
Total .....	\$ 1,832	(760)	1,072	1,763	(666)	1,097

Customer relationships are amortized over 10-15 years and licensing agreements are amortized over 15 years. Amortization expense was \$168 million, \$155 million and \$150 million for the years ended December 31, 2016, 2015 and 2014, respectively. Based on its amortizable intangible assets as of December 31, 2016, Liberty expects that amortization expense will be as follows for the next five years (amounts in millions):

2017 .....	\$ 166
2018 .....	\$ 172
2019 .....	\$ 124
2020 .....	\$ 110
2021 .....	\$ 101

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**(10) Debt**

Debt is summarized as follows:

	Outstanding Principal December 31, 2016	Carrying value	
		December 31, 2016	December 31, 2015
<b>Liberty SiriusXM Group</b>			
Corporate level notes and loans:			
Margin loans	\$ 250	250	250
Subsidiary notes and loans:			
SIRIUS XM 5.875% Senior Notes due 2020	—	—	645
SIRIUS XM 5.75% Senior Notes due 2021	600	596	596
SIRIUS XM 5.25% Senior Secured Notes due 2022	400	405	406
SIRIUS XM 4.25% Senior Notes due 2020	500	497	496
SIRIUS XM 4.625% Senior Notes due 2023	500	496	496
SIRIUS XM 6% Senior Notes due 2024	1,500	1,487	1,485
SIRIUS XM 5.375% Senior Notes due 2025	1,000	990	989
SIRIUS XM 5.375% Senior Notes due 2026	1,000	989	—
SIRIUS XM Credit Facility	390	390	340
SIRIUS XM leases	14	14	13
Less deferred financing costs		(7)	(7)
Total Liberty SiriusXM Group	<u>6,154</u>	<u>6,107</u>	<u>5,709</u>
<b>Braves Group</b>			
Subsidiary notes and loans:			
Notes and loans	338	338	147
Less deferred financing costs		(10)	(8)
Total Braves Group	<u>338</u>	<u>328</u>	<u>139</u>
<b>Formula One Group</b>			
Corporate level notes and loans:			
Liberty 1.375% Cash Convertible Notes due 2023	1,000	1,076	995
2.25% Exchangeable Senior Debentures due 2046	445	470	—
Other	36	37	38
Total Formula One Group	<u>1,481</u>	<u>1,583</u>	<u>1,033</u>
Total debt	<u>\$ 7,973</u>	<u>8,018</u>	<u>6,881</u>
Less debt classified as current		(5)	(255)
Total long-term debt		<u>\$ 8,013</u>	<u>6,626</u>

***Liberty 1.375% Cash Convertible Senior Notes due 2023***

On October 17, 2013 Liberty issued \$1 billion aggregate principal amount of 1.375% Cash Convertible Senior Notes due 2023 ("Convertible Notes"). The Convertible Notes will mature on October 15, 2023 unless earlier repurchased by us or converted. Interest on the Convertible Notes is payable semi-annually in arrears on April 15 and October 15 of each year at a rate of 1.375% per annum. All conversion of the Convertible Notes will be settled solely in cash, and not through the delivery of any securities. During the year ended December 31, 2014, in connection with the issuance of Series C Liberty Media Corporation common stock and the Broadband Spin-Off, as discussed in note 1, the conversion rate was adjusted to 21.0859 shares of Series A Liberty Media Corporation common stock per \$1,000 principal amount of Convertible Notes and an adjusted conversion price of \$47.43 per share of Series A Liberty Media Corporation common stock.



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As a result of the Recapitalization, as discussed in note 2, the Convertible Notes are convertible into cash based on the Securities Basket. The supplemental indenture entered into on April 15, 2016 in connection with the Recapitalization amends the conversion, adjustment and other provisions of the indenture to give effect to the Recapitalization and provides that the conversion consideration due upon conversion of any Convertible Note shall be determined as if references in the indenture to one share of Series A Liberty Media Corporation common stock were instead a reference to the Securities Basket, initially consisting of 0.10 of a share of Series A Liberty Braves common stock, 1.0 share of Series A Liberty SiriusXM common stock and 0.25 of a share of Series A Liberty Formula One common stock. The Series A Liberty Braves common stock component of the Securities Basket was adjusted to 0.1087 pursuant to anti-dilution adjustments arising out of the distribution of subscription rights to purchase shares of Series C Liberty Braves common stock made to all holders of Liberty Braves common stock.

Holders of the Convertible Notes may convert their notes at their option at any time prior to the close of business on the second business day immediately preceding the maturity date of the notes under certain circumstances. Liberty has elected to account for this instrument using the fair value option. Accordingly, changes in the fair value of this instrument are recognized as unrealized gains (losses) in the statements of operations. As of December 31, 2016, the Convertible Notes are classified as a long term liability in the consolidated balance sheets, as the conversion conditions have not been met as of such date.

Additionally, contemporaneously with the issuance of the Convertible Notes, Liberty entered into the Bond Hedge Transaction. Liberty paid approximately \$299 million for the Bond Hedge Transaction. The Bond Hedge Transaction is expected to offset potential cash payments Liberty would be required to make in excess of the principal amount of the Convertible Notes, upon conversion of the notes in the event that the volume-weighted average price per share of the Series A Liberty Media Corporation common stock, as measured under the cash convertible note hedge transactions on each trading day of the relevant cash settlement averaging period or other relevant valuation period, is greater than the strike price of Series A Liberty Media Corporation common stock, which corresponds to the conversion price of the Convertible Notes. During the year ended December 31, 2014, in connection with the issuance of Series C Liberty Media Corporation common stock and the Broadband Spin-Off, as discussed in note 1, the number of shares covered by the Bond Hedge Transaction was adjusted to 21,085,900 shares of Series A Liberty Media Corporation common stock and the strike price was adjusted to \$47.43 per share of Series A Liberty Media Corporation common stock, which corresponded to the adjusted conversion price of the Convertible Notes. In connection with the Recapitalization and the entry into the supplemental indenture on April 15, 2016, Liberty entered into amendments to the Bond Hedge Transaction with each of the counterparties to reflect the adjustments resulting from the Recapitalization. As of the effective date of the Recapitalization, the Bond Hedge Transaction covered, in the aggregate, 5,271,475 shares of Series A Liberty Formula One common stock, 21,085,900 shares of Series A Liberty SiriusXM common stock and 2,108,590 shares of Series A Liberty Braves common stock, subject to anti-dilution adjustments pertaining to the Convertible Notes, which was equal to the aggregate number of shares comprising the Securities Basket underlying the Convertible Notes at that time. The aggregate number of shares of Series A Liberty Braves common stock relating to the Bond Hedge Transaction was increased to 2,292,037, pursuant to anti-dilution adjustments arising out of the rights distribution (note 2). As of December 31, 2016, the basket price of the securities underlying the Bond Hedge Transaction was \$44.58 per share. The bond hedge expires on October 15, 2023 and is included in other long-term assets as of December 31, 2016 and 2015 in the accompanying consolidated balance sheets, with changes in the fair value recorded in the Unrealized gains (losses) on financial instruments, net line item of the statements of operations.

Concurrently with the Convertible Notes and Bond Hedge Transaction, Liberty also entered into separate privately negotiated warrant transactions under which Liberty sold warrants relating to the same number of shares of common stock as underlie the Bond Hedge Transaction, subject to anti-dilution adjustments (“Warrant Transactions”). The first expiration date of the warrants is January 16, 2024 and expire over a period covering 81 days thereafter. Liberty may elect to settle its delivery obligation under the warrant transactions with cash. The issuance of the warrants were recorded as a component of Additional paid-in capital. In connection with the Series C Liberty Media Corporation common stock issuance and the Broadband Spin-Off during 2014, as discussed in note 1, the number of warrants outstanding was adjusted to 21,085,900

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with a strike price of \$64.46 per share. In connection with the Recapitalization, Liberty entered into amendments to the Warrant Transactions with each of the option counterparties to reflect the adjustments to the Warrant Transactions resulting from the Recapitalization (“Amended Warrant Transactions”). As of the effective date of the Recapitalization, the Amended Warrant Transactions covered, in the aggregate, 5,271,475 shares of Series A Liberty Formula One common stock, 21,085,900 shares of Series A Liberty SiriusXM common stock and 2,108,590 shares of Series A Liberty Braves common stock, subject to anti-dilution adjustments. The aggregate number of shares of Series A Liberty Braves common stock relating to the Amended Warrant Transactions was increased to 2,292,037 pursuant to anti-dilution adjustments arising out of the rights distribution. The strike price of the warrants was adjusted, as a result of the Recapitalization and the rights offering, to \$61.16 per share. As of December 31, 2016, the basket price of the securities underlying the Amended Warrant Transactions was \$44.58 per share. The Amended Warrant Transactions may have a dilutive effect with respect to the shares comprising the Securities Basket underlying the warrants to the extent that the settlement price exceeds the strike price of the warrants, and the warrants are settled in shares comprising such Securities Basket.

***2.25% Exchangeable Senior Debentures due 2046***

On August 17, 2016, Liberty closed a private offering of approximately \$445 million aggregate principal amount of its 2.25% exchangeable senior debentures due 2046 (the “2.25% Exchangeable Senior Debentures due 2046”). Upon an exchange of debentures, Liberty, at its option, may deliver Time Warner common stock, cash or a combination of Time Warner common stock and cash. The number of shares of Time Warner common stock attributable to a debenture represents an initial exchange price of approximately \$104.55 per share. A total of approximately 4.25 million shares of Time Warner common stock are attributable to the debentures. Interest is payable quarterly on March 31, June 30, September 30 and December 31 of each year, commencing December 31, 2016. The debentures may be redeemed by Liberty, in whole or in part, on or after October 5, 2021. Holders of the debentures also have the right to require Liberty to purchase their debentures on October 5, 2021. The redemption and purchase price will generally equal 100% of the adjusted principal amount of the debentures plus accrued and unpaid interest.

The debentures, as well as the associated cash proceeds, were attributed to the Formula One Group. Liberty used the net proceeds of the offering for the acquisition of an investment in Formula 1 during September 2016, as further described in note 7. Liberty has elected to account for the debentures using the fair value option. Accordingly, changes in the fair value of these instruments are recognized as unrealized gains (losses) in the accompanying consolidated statements of operations.

On October 22, 2016, AT&T Inc. (“AT&T”) and Time Warner announced that they entered into a definitive agreement under which AT&T will acquire Time Warner in a stock-and-cash transaction. The transaction is expected to close before year-end 2017, subject to approval by Time Warner shareholders and review by the U.S. Department of Justice, as well as potential review by the FCC. If the acquisition is consummated, in accordance with the terms of the indenture governing the 2.25% Exchangeable Senior Debentures due 2046, the cash portion of the acquisition consideration would be paid as an extraordinary additional distribution to holders of debentures and the stock portion of the acquisition consideration would become reference shares attributable to the debentures. Additionally, if the acquisition is consummated, any amount of excess regular quarterly cash dividends paid on the AT&T reference shares would be distributed by the Company to holders of the debentures as an additional distribution.

***Liberty 1% Cash Convertible Notes due 2023***

In connection with the Second Closing on January 23, 2017, Liberty issued \$450 million convertible cash notes at an interest rate of 1% per annum, which are convertible, under certain circumstances, into cash based on the trading prices of the underlying shares of Series C Liberty Formula One common stock and mature on January 30, 2023 (the “1% Convertible Notes”). The initial conversion rate for the notes will be 27.1091 shares of Series C Liberty Formula One common stock per \$1,000 principal amount of notes, equivalent to an initial conversion price of approximately \$36.89 per share of Series C Liberty Formula One common stock. The conversion of the 1% Convertible Notes will be settled solely in cash, and not through the delivery of any securities. As discussed in note 7, Liberty used a portion of the net proceeds

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of the 1% Convertible Notes to fund an increase to the cash consideration payable to the selling shareholders of Formula 1 by approximately \$400 million.

***Delta Topco Limited Exchangeable Redeemable Loan Notes***

As discussed in note 7, in connection with the Second Closing on January 23, 2017, Delta Topco issued \$351 million in subordinated exchangeable debt instruments (the “Exchangeable Notes”) upon the conversion of certain outstanding Delta Topco loan notes. The Exchangeable Notes bear interest at 2% annum, mature in July 2019 and are exchangeable into cash or newly issued shares of Series C Liberty Formula One common stock. Interest is payable by either, at the discretion of Delta Topco, (i) issuing payment-in-kind notes or (ii) cash. The Exchangeable Notes are attributed to the Formula One Group.

Exchangeable Notes may be exchanged at the option of the noteholder into shares of Series C Liberty Formula One common stock, subject to Delta Topco’s right to instead redeem such Exchangeable Notes for cash. At any time when the total principal amount of the Exchangeable Notes outstanding and owned by the noteholder or its affiliates is less than the total principal amount originally issued to such noteholder, then Delta Topco will have the right to require the noteholder to exchange any or all of such noteholder’s Exchangeable Notes for shares of Series C Liberty Formula One common stock or cash (at Delta Topco’s election). Additionally, if a noteholder proposes to transfer any of its Exchangeable Notes to a person other than a permitted transferee, then Delta Topco will have the option to redeem such Exchangeable Notes for cash. However, if Delta Topco does not timely exercise its right to effect this redemption for cash, then the Exchangeable Notes proposed to be transferred will be automatically exchanged prior to transfer into shares of Series C Liberty Formula One common stock. Although the exact number of shares of Series C Liberty Formula One common stock which may become issuable upon any of these events cannot be predicted, if all Exchangeable Notes were tendered in connection with a noteholder optional exchange on July 22, 2019, which is just before the maturity date, and assuming that all interest was paid in the form of payment-in-kind notes, the maximum number of shares of Series C Liberty Formula One common stock issuable upon exchange of the debentures would be approximately 15.7 million shares, assuming interest on the Exchangeable Notes is not issued in the form of payment-in-kind notes).

***Margin Loans***

During the year ended December 31, 2013, in connection with Liberty's acquisition of Charter common stock and warrants, as discussed in note 8, Liberty, through certain of its wholly-owned subsidiaries, entered into three different margin loans with various financial institutions (“lender parties”) in order to fund the purchase. One of these margin loans was fully repaid during 2013. Each agreement contains language that indicates that Liberty, as borrower and transferor of underlying shares as collateral, has the right to exercise all voting, consensual and other powers of ownership pertaining to the transferred shares for all purposes, provided that Liberty agrees that it will not vote the shares in any manner that would reasonably be expected to give rise to transfer or other certain restrictions. Similarly, the loan agreements indicate that no lender party shall have any voting rights with respect to the shares transferred, except to the extent that a lender party buys any shares in a sale or other disposition made pursuant to the terms of the loan agreements. The margin loans consist of the following:

***\$750 Million Margin Loan due 2018***

On April 30, 2013, Liberty Siri MarginCo, LLC, a wholly-owned subsidiary of Liberty, entered into a margin loan agreement whereby Liberty Siri MarginCo, LLC borrowed \$250 million pursuant to a term loan and \$450 million pursuant to a revolving credit facility with various lender parties. Shares of common stock of certain of the Company’s equity affiliates and cost investments were pledged as collateral pursuant to this agreement. Borrowings under this agreement were due October 31, 2014 and bore interest equal to LIBOR plus 2%. Interest on the term loan was payable on the first business day of each calendar quarter, and interest was payable on the revolving line of credit on the last day of the interest period applicable to the borrowing of which such loan is a part. During 2013, Liberty Siri MarginCo, LLC repaid \$450 million outstanding under the revolving credit facility.

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During October 2014, Liberty refinanced this margin loan arrangement for a similar financial instrument with a term loan of \$250 million and a \$750 million undrawn line of credit. The term loan and any drawn portion of the revolver bore interest at a rate of LIBOR plus an applicable spread between 1.75% and 2.50% (based on value of collateral) with the undrawn portion carrying a fee of 0.75%. Other terms of the loan were substantially similar to the previous arrangement.

During October 2015, Liberty refinanced this margin loan arrangement for a similar financial instrument with a term loan of \$250 million and a \$1 billion undrawn line of credit, which was scheduled to mature on October 25, 2016. As of December 31, 2015, shares of SIRIUS XM and Live Nation were pledged as collateral pursuant to this agreement. The new term loan and any drawn portion of the revolver carried an interest rate of LIBOR plus an applicable spread between 1.75% and 2.25% (based on the value of collateral) with the undrawn portion carrying a fee of 0.75%. Other terms of the agreement were substantially similar to the previous arrangement.

During October 2016, Liberty amended this margin loan arrangement to provide for a similar financial instrument with a term loan of \$250 million and a \$500 million undrawn line of credit, which is scheduled to mature during October 2018. The new term loan and any drawn portion of the revolver carries an interest rate of LIBOR plus 1.75% with the undrawn portion carrying a fee of 0.75%. Other terms of the agreement were substantially similar to the previous arrangement. Borrowings outstanding under this margin loan bore interest at a rate of 2.59% per annum at December 31, 2016. As of December 31, 2016, availability under the revolving line of credit was \$500 million. 1,138.4 million shares of SIRIUS XM common stock held by Liberty with a value of \$5,066 million were pledged as collateral to the \$750 million margin loan due 2018 as of December 31, 2016, and shares of Live Nation common stock are no longer pledged as collateral under the new arrangement. The margin loan contains various affirmative and negative covenants that restrict the activities of the borrower. The loan agreement does not include any financial covenants.

*\$670 Million Margin Loan due 2015*

On May 1, 2013, LMC Cheetah 2, LLC, a wholly-owned subsidiary of Liberty, entered into a margin loan agreement with an availability of \$670 million pursuant to a term loan with various lender parties ("\$670 Million Margin Loan due 2015"). Shares of Charter common stock were pledged as collateral pursuant to this agreement. The \$670 Million Margin Loan due 2015 was due May 1, 2015 and bore interest equal to the three-month LIBOR plus 3.25%, payable on the first day of each of February, May, August and November throughout the term of the loan. During 2013, Liberty fully drew the \$670 Million Margin Loan due 2015. During the year ended December 31, 2014, Liberty fully repaid the \$670 Million Margin Loan due 2015 and the shares previously pledged under the loan are no longer pledged as collateral.

*\$500 Million Margin Loan due 2018*

On November 8, 2016, LMC LYV, LLC, a wholly-owned subsidiary of Liberty, entered into a margin loan agreement with an availability of \$500 million with various lender parties. 53.7 million shares of the Company's Live Nation common stock with a value of \$1,430 million and 1.9 million shares of the Company's Viacom common stock with a value of \$65 million were pledged as collateral to the loan as of December 31, 2016. This margin loan has a two year term and bears interest at a rate of LIBOR plus 2.25% and contains an undrawn commitment fee of 0.75% per annum. Interest on the term loan is payable on the first business day of each calendar quarter. This loan was undrawn as of December 31, 2016. On January 20, 2017, LMC LYV, LLC drew \$350 million under the margin loan, and the proceeds were used for the Second Closing, as discussed in notes 2 and 7.

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***SIRIUS XM Outstanding Debt***

*SIRIUS XM Senior Secured Revolving Credit Facility*

In June 2015, SIRIUS XM amended an existing senior secured revolving credit facility (the "Credit Facility") with a syndicate of financial institutions to increase the total borrowing capacity under the Credit Facility to \$1,750 million and to extend the maturity to June 2020. The Credit Facility is guaranteed by certain of SIRIUS XM's material domestic subsidiaries and is secured by a lien on substantially all of SIRIUS XM's assets and the assets of its material domestic subsidiaries. The proceeds of loans under the Credit Facility are used for working capital and other general corporate purposes, including financing acquisitions, share repurchases and dividends. Interest on borrowings is payable on a monthly basis and accrues at a rate based on LIBOR plus an applicable rate. Borrowings outstanding under the Credit Facility as of December 31, 2016 bore interest at a rate of 2.41% per annum. SIRIUS XM is required to pay a variable fee on the average daily unused portion of the Credit Facility which was 0.25% as of December 31, 2016 and is payable on a quarterly basis. The Credit Facility contains customary covenants, including a maintenance covenant.

As of December 31, 2016, availability under the Credit Facility was \$1,360 million.

*SIRIUS XM 5.375% Senior Notes due 2026*

In May 2016, SIRIUS XM issued \$1.0 billion principal amount of new senior notes due July 2026 which bear interest at an annual rate 5.375% ("SIRIUS XM 5.375% Senior Notes due 2026") with an original issuance discount of \$11 million. The SIRIUS XM 5.375% Senior Notes due 2026 are recorded net of the remaining unamortized discount.

*SIRIUS XM 5.875% Senior Notes Due 2020*

During September 2013, SIRIUS XM issued \$650 million of 5.875% Senior Notes Due 2020 ("5.875% Notes") for \$643 million. Interest on the 5.875% Notes is payable semi-annually in arrears on April 1 and October 1 of each year at a rate of 5.875% per annum. Substantially all of SIRIUS XM's domestic wholly-owned subsidiaries guaranteed SIRIUS XM's obligations under the notes. During October 2016, SIRIUS XM redeemed \$650 million principal amount of its 5.875% Senior Notes due 2020 for an approximate purchase price of \$669 million, including premium, which resulted in the recognition of a loss on extinguishment of debt of approximately \$24 million. This redemption was funded with \$359 million of cash and cash equivalents and \$310 million of borrowings under the Credit Facility.

*SIRIUS XM 5.25% Senior Secured Notes due 2022*

In August 2012, SIRIUS XM issued \$400 million aggregate principal amount of 5.25% Senior Secured Notes due 2022 (the "5.25% Notes"). Interest is payable semi-annually in arrears on February 15 and August 15 of each year at a rate of 5.25% per annum. The 5.25% Notes mature on August 15, 2022. Substantially all of SIRIUS XM's domestic wholly-owned subsidiaries guarantee SIRIUS XM's obligations under the 5.25% Notes. The premium associated with the 5.25% Notes was recorded in purchase accounting as the difference between fair value and the outstanding principal amount at the date of acquisition. This premium is being amortized over the remaining period to maturity through interest expense.

In April 2014, SIRIUS XM entered into a supplemental indenture to the indenture governing the 5.25% Notes pursuant to which SIRIUS XM granted a first priority lien on substantially all of its assets and the guarantors to the holders of the 5.25% Notes. The liens securing the 5.25% Notes are equal and ratable to the liens granted to secure the Credit Facility.

*SIRIUS XM Senior Notes Due 2020 and 2023*

In May 2013, SIRIUS XM issued \$500 million of Senior Notes due 2020 which bear interest at an annual rate of 4.25% and \$500 million of Senior Notes due 2023 which bear interest at an annual rate of 4.625%. SIRIUS XM received



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net proceeds of \$989 million from the sale of the notes after deducting commissions, fees and expenses. Interest on the notes is payable semi-annually in arrears on May 15 and November 15 of each year. Substantially all of SIRIUS XM's domestic wholly-owned subsidiaries guarantee SIRIUS XM's obligations under the notes.

*SIRIUS XM 5.75% Senior Notes Due 2021*

During August 2013, SIRIUS XM issued \$600 million of 5.75% Senior Notes due 2021 ("5.75% Notes"). Interest on the notes is payable semi-annually in arrears on February 1 and August 1 of each year at a rate of 5.75% per annum. Substantially all of SIRIUS XM's domestic wholly-owned subsidiaries guarantee SIRIUS XM's obligations under the notes. The 5.75% Notes were issued for \$594 million.

*SIRIUS XM 5.375% Senior Notes due 2025*

In March 2015, SIRIUS XM issued \$1.0 billion principal amount of new senior notes due 2025 which bear interest at an annual rate 5.375% ("SIRIUS XM 5.375% Senior Notes due 2025") with an original issuance discount of \$11 million. The SIRIUS XM 5.375% Senior Notes due 2025 are recorded net of the remaining unamortized discount.

***Braves Holdings Notes***

In 2014, Braves Holdings, through a wholly-owned subsidiary, purchased 82 acres of land for the purpose of constructing a Major League Baseball facility and development of a mixed-use complex adjacent to the ballpark. The new facility is expected to cost approximately \$672 million and Braves Holdings expects to spend approximately \$50 million in other costs and equipment related to the new ballpark. Funding for the ballpark will be split between Braves Holdings, Cobb County, the Cumberland Improvement District ("CID") and Cobb-Marietta Coliseum and Exhibit Hall Authority (the "Authority"). The Authority, the CID and Cobb County will be responsible for funding \$392 million of ballpark related construction and Braves Holdings will be responsible for remainder of the cost, including cost overruns. The Authority issued \$368 million in bonds during September 2015. Braves Holdings received \$103 million of the bond proceeds during September 2015 as reimbursement for project costs paid for by Braves Holdings prior to the funding of the bonds. Funding for ballpark initiatives by Braves Holdings has come from cash reserves and utilization of two credit facilities.

During September 2015, Braves Holdings entered into a \$345 million term loan (the "Braves Term Loan"). The Braves Term Loan bore interest at LIBOR plus an applicable spread between 1.50% and 1.75% (based on the debt service coverage ratio) per annum and an unused commitment fee of 0.35% per annum based on the average daily unused portion of the Braves Term Loan, payable quarterly in arrears. In connection with entering into the Braves Senior Secured Note during August 2016 (discussed below), Braves Holdings partially repaid and reduced the capacity on the Braves Term Loan from \$345 million to \$130 million. The interest rate on the Braves Term Loan was 2.37% as of December 31, 2016. The Braves Term Loan is scheduled to mature during August 2021. In connection with entering into the Braves Term Loan, Braves Holdings partially repaid and reduced the capacity on one of the credit facilities from \$250 million to \$85 million for a total capacity under the credit facilities of \$185 million. As of December 31, 2016, the weighted average interest rate on the credit facilities was 1.88%. As of December 31, 2016, Braves Holdings has borrowed approximately \$70 million under the Braves Term Loan and two credit facilities.

During August 2016, a subsidiary of Braves Holdings entered into a \$200 million senior secured note which was funded during October 2016 (the "Braves Senior Secured Note"). The Braves Senior Secured Note bears interest at 3.77% per annum, payable semi-annually in arrears. The Braves Senior Secured Note is scheduled to mature during September 2041. A portion of the proceeds from the Braves Senior Secured Note were used to partially repay the Braves Term Loan, and the remaining funds will be used to finance the stadium construction.

Due to Braves Holdings providing the initial funding of the project and its ownership of the land during the initial construction period, until the initial reimbursement by the Authority during September 2015 at which time the land was



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conveyed to the Authority, Braves Holdings has been deemed the owner (for accounting purposes) of the stadium during the construction period and costs have been classified as construction in progress (“CIP”), within the Property and equipment, net line item. Future costs of the project will continue to be captured in CIP along with a corresponding liability in other liabilities, for amounts funded by the Authority. At the end of construction an additional determination will be made to determine whether the transaction will qualify for sale-leaseback accounting treatment.

In addition, Braves Holdings through affiliated entities and outside development partners are in the process of developing land around the ballpark for a mixed-use complex that is expected to feature retail, residential, office, hotel and entertainment opportunities. The estimated cost for mixed-use development, known as The Battery Atlanta, is \$558 million, of which Braves Holdings affiliated entities are expected to fund approximately \$490 million, which Braves Holdings intends to fund with a mix of approximately \$200 million in equity and \$290 million in new debt. In December 2015, certain subsidiaries of Braves Holdings entered into three separate credit facilities totaling \$207 million to fund a portion of the mixed use development costs. The maturity dates of the facilities range between December 2018 and December 2019, and all of the facilities contain two year extension options. Interest rates on the credit facilities bear interest at LIBOR plus an applicable spread between 2.0% and 2.6%, with step-downs upon lease of the mixed use facilities at the completion of construction. As of December 31, 2016, \$63 million was drawn on these facilities with a weighted average interest rate of 2.75%. As discussed in note 7, 464 thousand Time Warner shares with a fair value of \$45 million were pledged as collateral to these facilities as of December 31, 2016. Additionally, in August 2016, a subsidiary of Braves Holdings entered into a credit facility with an availability of \$30 million to fund a portion of the entertainment venue as part of the mixed use development. This facility matures during August 2020 and contains one twelve month extension option. The credit facility bears interest at LIBOR plus 3.25%, with a step-down upon completion of construction. As of December 31, 2016, the interest rate on this facility was 3.80%, and \$5 million was drawn.

As of December 31, 2016, approximately \$618 million has been spent to-date on the baseball facility, of which approximately \$373 million of funding has been provided by the Authority, and \$309 million has been spent to date on the mixed-use development.

***Debt Covenants***

The SIRIUS XM Credit Facility contains certain financial covenants related to SIRIUS XM's leverage ratio. The Braves Term Loan contains certain financial covenants related to Braves Holdings' debt service coverage ratio and capital expenditures. Additionally, SIRIUS XM's Credit Facility and other borrowings contain certain non-financial covenants. As of December 31, 2016, the Company, SIRIUS XM and Braves Holdings were in compliance with all debt covenants.

***Fair Value of Debt***

The fair value, based on quoted market prices of the same instruments but not considered to be active markets (Level 2), of SIRIUS XM's publicly traded debt securities is as follows (amounts in millions):

	<b>December 31,</b>
	<b>2016</b>
SIRIUS XM 5.75% Senior Notes due 2021 . . . . .	\$ 627
SIRIUS XM 5.25% Senior Secured Notes due 2022 . . . . .	\$ 419
SIRIUS XM 4.25% Senior Notes due 2020 . . . . .	\$ 508
SIRIUS XM 4.625% Senior Notes due 2023 . . . . .	\$ 496
SIRIUS XM 6% Senior Notes due 2024 . . . . .	\$ 1,574
SIRIUS XM 5.375% Senior Notes due 2025 . . . . .	\$ 1,001
SIRIUS XM 5.375% Senior Notes due 2026 . . . . .	\$ 979

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Due to the variable rate nature of the Credit Facility, margin loans and other debt, the Company believes that the carrying amount approximates fair value at December 31, 2016.

***Five Year Maturities***

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

2017 .....	\$	7
2018 .....	\$	355
2019 .....	\$	40
2020 .....	\$	912
2121 .....	\$	607

**(11) Income Taxes**

Income tax benefit (expense) consists of:

	<u>Years ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
	amounts in millions		
Current:			
Federal .....	\$ (39)	(17)	18
State and local .....	(29)	(17)	7
Foreign .....	—	(1)	—
	<u>(68)</u>	<u>(35)</u>	<u>25</u>
Deferred:			
Federal .....	(388)	(145)	(103)
State and local .....	(39)	(30)	12
Foreign .....	—	—	—
	<u>(427)</u>	<u>(175)</u>	<u>(91)</u>
Income tax benefit (expense) .....	<u>\$ (495)</u>	<u>(210)</u>	<u>(66)</u>

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

	<u>Years ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
	amounts in millions		
Computed expected tax benefit (expense) .....	\$ (497)	(160)	(161)
Liquidation of consolidated subsidiaries .....	—	—	107
Dividends received deductions .....	11	2	99
Taxable dividends not recognized for book purposes .....	(11)	—	—
Sale of subsidiary shares to subsidiary treated as a dividend for tax .....	—	—	(123)
State and local income taxes, net of federal income taxes .....	(46)	(1)	(4)
Federal tax credits .....	67	—	—
Change in valuation allowance affecting tax expense .....	(1)	(44)	(2)
Recognition of tax benefits not previously recognized, net .....	—	—	11
Other, net .....	(18)	(7)	7
Income tax benefit (expense) .....	<u>\$ (495)</u>	<u>(210)</u>	<u>(66)</u>

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For the year ended December 31, 2016 the significant reconciling item, as noted in the table above, is state income taxes offset with federal income tax credits claimed by SIRIUS XM related to research and development activities.

For the year ended December 31, 2015 the significant reconciling item, as noted in the table above, is a \$44 million increase in the valuation allowance due to the effect of a tax law change in the District of Columbia (“D.C.”) which reduces the future allocation of SIRIUS XM’s taxable income in D.C. As a result, SIRIUS XM expects it will utilize less of its D.C. net operating losses in the future, resulting in a \$44 million increase in the valuation allowance offsetting the deferred tax asset for these net operating losses.

For the year ended December 31, 2014 the significant reconciling items, as noted in the table above, are the result of taxes attributable to our sale of SIRIUS XM shares to SIRIUS XM, which is treated as a taxable distribution, but is not recognized for financial statement purposes. In addition, we recognized a benefit on our liquidation of a consolidated partnership investment and the related reduction in the tax basis of the partnership’s assets, which was not recognized for financial statement purposes and a dividends received deduction, primarily attributable to the taxable SIRIUS XM distribution during the year.

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

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>amounts in millions</u>	
Deferred tax assets:		
Net operating and capital loss carryforwards and tax credits . . . . .	\$ 1,381	1,795
Accrued stock compensation . . . . .	136	140
Other accrued liabilities . . . . .	102	76
Deferred revenue . . . . .	761	729
Other future deductible amounts . . . . .	20	7
Deferred tax assets . . . . .	<u>2,400</u>	<u>2,747</u>
Valuation allowance . . . . .	<u>(50)</u>	<u>(49)</u>
Net deferred tax assets . . . . .	<u>2,350</u>	<u>2,698</u>
Deferred tax liabilities:		
Investments . . . . .	81	67
Fixed assets . . . . .	330	313
Intangible assets . . . . .	3,961	3,955
Discount on debt . . . . .	3	30
Deferred tax liabilities . . . . .	<u>4,375</u>	<u>4,365</u>
Net deferred tax liabilities . . . . .	<u>\$ 2,025</u>	<u>1,667</u>

SIRIUS XM’s deferred tax assets and liabilities are included in the amounts above although SIRIUS XM’s deferred tax assets and liabilities are not offset with Liberty’s deferred tax assets and liabilities as SIRIUS XM is not included in the consolidated group tax return of Liberty. Liberty’s acquisition of a controlling interest in SIRIUS XM’s outstanding common stock during January 2013 did not cause a change in control under Section 382 of the Code.

The Company’s net increase in the valuation allowance of \$1 million in 2016 was recorded entirely to income tax expense.

At December 31, 2016, the Company had federal and state net operating loss carryforwards for income tax purposes which, if not utilized to reduce taxable income in future periods, will expire on various dates through 2035. The Company’s

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federal net operating loss carryforwards are primarily attributable to those at the SIRIUS XM level (\$3.2 billion, \$1.3 billion tax effected).

A reconciliation of unrecognized tax benefits is as follows:

	December 31,		
	2016	2015	2014
	amounts in millions		
Balance at beginning of year . . . . .	\$ 254	2	30
Reductions for tax positions of prior years . . . . .	(1)	—	(11)
Lapse in the statute of limitations . . . . .	—	—	(17)
Increase in tax positions for current year . . . . .	51	—	—
Increase in tax positions from prior years . . . . .	—	252	—
Increase in tax positions from acquisition . . . . .	—	—	—
Balance at end of year . . . . .	\$ 304	254	2

As of December 31, 2016, the Company had recorded tax reserves of \$304 million related to unrecognized tax benefits for uncertain tax positions. If such tax benefits were to be recognized for financial statement purposes, less than \$199 million dollars would be reflected in the Company's tax expense and affect its effective tax rate. We do not currently anticipate that our existing reserves related to uncertain tax positions as of December 31, 2016 will significantly increase or decrease during the twelve-month period ending December 31, 2017; however, various events could cause our current expectations to change in the future. The Company's estimate of its unrecognized tax benefits related to uncertain tax positions requires a high degree of judgment.

As of December 31, 2016, the Company's tax years prior to 2012 are closed for federal income tax purposes, and the IRS has completed its examination of the Company's 2013 through 2015 tax years. The Company's tax loss carryforwards from its 2011 through 2015 tax years are still subject to adjustment. The Company's 2016 tax year is being examined currently as part of the IRS's Compliance Assurance Process program. Various states are currently examining the Company's prior years state income tax returns. Sirius XM, which does not consolidate with Liberty for income tax purposes, has certain state income tax audits pending. We do not expect the ultimate disposition of these audits to have a material adverse effect on our financial position or results of operations.

As of December 31, 2016, the Company had less than a million dollars in accrued interest and penalties recorded related to uncertain tax positions.

**(12) Stockholders' Equity**

***Preferred Stock***

Liberty's preferred stock is issuable, from time to time, with such designations, preferences and relative participating, optional or other rights, qualifications, limitations or restrictions thereof, as shall be stated and expressed in a resolution or resolutions providing for the issue of such preferred stock adopted by Liberty's board of directors. As of December 31, 2016, no shares of preferred stock were issued.

***Common Stock***

As discussed in note 2, on April 15, 2016, the Company completed a recapitalization of its common stock into three new tracking stock groups, one designated as the Liberty SiriusXM common stock, one designated as the Liberty Braves common stock and one designated as the Liberty Media common stock. As further discussed in note 2, the Liberty Media common stock was renamed Liberty Formula One common stock on January 24, 2017 shortly after the Second Closing.

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The operating results prior to the Recapitalization are attributed to Liberty stockholders in the aggregate, and the operating results subsequent to the Recapitalization are attributed to the respective tracking stock groups.

As discussed in note 1, on July 23, 2014, holders of Series A and Series B Liberty Media Corporation common stock received a dividend of two shares of Series C Liberty Media Corporation common stock for each share of Series A or Series B Liberty Media Corporation common stock held by them as of July 7, 2014.

Series A Liberty SiriusXM, Liberty Braves and Liberty Formula One common stock have one vote per share, Series B Liberty SiriusXM, Liberty Braves and Liberty Formula One common stock have ten votes per share and Series C Liberty SiriusXM, Liberty Braves and Liberty Formula One common stock have no votes per share. Each share of Series B common stock is exchangeable at the option of the holder for one share of Series A common stock of the same group. All series of our common stock participate on an equal basis with respect to dividends and distributions.

***Purchases of Common Stock***

During the year ended December 31, 2015, the Company repurchased 9.2 million shares of Series A and Series C Liberty Media Corporation common stock for aggregate cash consideration of \$350 million under the authorized repurchase program. All of the foregoing shares obtained have been retired and returned to the status of authorized and available for issuance.

There were no repurchases of Liberty common stock made pursuant to the Company's authorized repurchase program during the years ended December 31, 2014 and 2016.

***Dividends Declared by Subsidiary***

On October 26, 2016, SIRIUS XM'S board of directors declared the first quarterly dividend on SIRIUS XM common stock in the amount of \$0.01 per share of common stock to stockholders of record on November 9, 2016. The dividend was paid in cash on November 30, 2016 in the amount of \$48 million, of which Liberty received \$32 million. SIRIUS XM'S board of directors expects that this dividend will be the first of regular quarterly dividends, in an aggregate amount of \$0.04 per share of common stock per year. On January 24, 2017, SIRIUS XM's board of directors declared a quarterly dividend on its common stock in the amount of \$0.01 per share of common stock, payable on February 28, 2017 to stockholders of record at the close of business on February 7, 2017.

**(13) Related Party Transactions with Officers and Directors**

***Chief Executive Officer Compensation Arrangement***

In December 2014, the Compensation Committee (the "Committee") of Liberty approved a compensation arrangement, including term options as discussed in note 14, for its President and Chief Executive Officer (the "CEO"). The arrangement provides for a five year employment term which began on January 1, 2015 and ends December 31, 2019, with an annual base salary of \$960,750, increasing annually by 5% of the prior year's base salary, and an annual target cash bonus equal to 250% of the applicable year's annual base salary. The arrangement also provides that, in the event the CEO is terminated for "cause," 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 term options. If, however, the CEO is terminated by Liberty without cause or if he terminates his employment for "good reason," he will be entitled to his accrued base salary, his accrued but unpaid bonus and any amounts due under applicable law, a severance payment of 1.5 times his base salary during the year of his termination, a payment equal to \$11,750,000 pro rated based upon the elapsed number of days in the calendar year of termination, a payment equal to \$17.5 million, and his unvested term options will generally 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. If, however, the CEO terminates his employment without "good reason,"

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he will be entitled to his accrued base salary, his accrued but unpaid bonus and any amounts due under applicable law, a payment equal to \$11,750,000 pro rated based upon the elapsed number of days in the calendar year of termination, and for his unvested term options to generally vest pro rata based on the portion of the term elapsed through the termination date and 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, he is entitled to his accrued base salary, his accrued but unpaid bonus and any amounts due under applicable law, a payment of 1.5 times his base salary during the year of his termination, a payment equal to \$11,750,000 pro rated based upon the elapsed number of days in the calendar year of termination, a payment equal to \$17.5 million, and for his unvested term options to fully vest and for his vested and accelerated term options to remain exercisable until their respective expiration dates.

Beginning in 2015, the CEO receives annual performance-based options to purchase shares of Series C Liberty Formula One common stock with a term of 7 years (the "Performance Options") and performance-based restricted stock units with respect to Series C Liberty Formula One common stock (the "Performance RSUs" and together with the Performance Options, the "Performance Awards") during the employment term. Grants of Performance Awards will be allocated between Liberty and Liberty Interactive. The aggregate target amount to be allocated between Liberty and Liberty Interactive will be \$16 million with respect to calendar year 2015, \$17 million with respect to calendar year 2016, \$18 million with respect to calendar year 2017, \$19 million with respect to calendar year 2018 and \$20 million with respect to calendar year 2019. Vesting of the Performance Awards will be determined based on satisfaction of performance metrics that will be set by Liberty and Liberty Interactive's respective compensation committees in the first quarter of each applicable year, except that the CEO will forfeit his unvested Performance Awards if his employment is terminated for any reason before the end of the applicable year, except that the CEO will forfeit his unvested Performance Awards if his employment is terminated for any reason before the end of the applicable year. In addition, Liberty and Liberty Interactive's compensation committees may grant additional Performance Awards, with a value of up to 50% of the target amount allocated to Liberty for the relevant year (the "Above Target Awards"), and the compensation committees may determine to establish additional performance metrics with respect to such Above Target Awards.

Salary compensation related to services provided by the CEO is charged from Liberty to Liberty TripAdvisor and Liberty Broadband pursuant to the Services Agreements with each respective company. Any cash bonus attributable to the performance of Liberty or Liberty Interactive is paid directly by each respective company.

***Chairman's Employment Agreement***

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

The Committee determined to modify all three plans and began making payments to the Chairman in 2009, while he remains employed by the Company. By commencing payments under the salary continuation plan, interest ceased to accrue



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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.

**(14) Stock-Based Compensation**

***Liberty - Incentive Plans***

Pursuant to the Liberty Media Corporation 2013 Incentive Plan (amended and restated as of March 31, 2015) (the "2013 Plan"), the Company may grant Awards to purchase shares of Series A, Series B and Series C Liberty Media Corporation common stock. The 2013 Plan provides for Awards to be made in respect of a maximum of 98.7 million shares of Liberty Media Corporation 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. 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 ("GDFV") 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).

Pursuant to the Liberty Media Corporation 2013 Nonemployee Director Incentive Plan (Amended and Restated as of December 17, 2015) (the "2013 NDIP"), the Liberty board of directors has the full power and authority to grant eligible nonemployee directors stock options, stock appreciation rights ("SARs"), stock options with tandem SARs, and restricted stock.

In connection with the Recapitalization, all outstanding Awards with respect to Liberty Media Corporation common stock ("Liberty Awards") were adjusted pursuant to the anti-dilution provisions of the incentive plans under which the equity awards were granted, such that a holder of a Liberty Award received new corresponding equity awards relating to shares of one or more series of Liberty SiriusXM common stock, Liberty Braves common stock and Liberty Formula One common stock (collectively, the "Adjusted Liberty Awards").

The exercise prices and number of shares subject to the Adjusted Liberty Awards were determined based on 1) the exercise prices and number of shares subject to the Liberty Award, 2) the distribution ratios, 3) the pre-Recapitalization trading price of Liberty Media Corporation common stock and 4) the post-Recapitalization trading prices of Liberty SiriusXM common stock, Liberty Braves common stock and Liberty Formula One common stock, such that all of the pre-Recapitalization value of the Liberty Awards was allocated among the Adjusted Liberty Awards.

On July 23, 2014 a dividend of Series C Liberty Media Corporation common stock was distributed and adjustments to the Awards outstanding were required to reflect the changes to the capital structure of the Company. For every Series A Award held, two Series C Awards were issued with an exercise price equal to one third the exercise price of the outstanding Award. Additionally, the exercise price of the outstanding Series A Awards was adjusted to one third the exercise price associated with such Award. The change to outstanding Awards did not change the aggregate intrinsic value associated with the Awards outstanding just prior to the distribution and immediately following the distribution.

In connection with the Broadband Spin-Off during 2014, the holder of an outstanding Award to purchase shares of Series A, Series B, and Series C Liberty Media Corporation common stock (an "LMC Award") received an Award to purchase shares of the corresponding series of Liberty Broadband common stock and an adjustment to the exercise price and number of shares subject to the original LMC Award. Following the Broadband Spin-Off, employees of Liberty hold Awards in both Liberty common stock and Liberty Broadband common stock. The compensation expense relating to employees of Liberty is recorded at Liberty and included in the Company's consolidated financial statements.

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***Liberty - Grants of stock options***

Awards granted in 2016, 2015 and 2014 pursuant to the 2013 Plan and the 2013 NDIP discussed above are summarized as follows:

	Years ended December 31,					
	2016		2015		2014	
	Options granted (000's)	Weighted average grant-date fair value	Options granted (000's)	Weighted average grant-date fair value	Options granted (000's)	Weighted average grant-date fair value
Series A Liberty Media Corporation common stock . . . . .	—	\$ —	—	\$ —	1	\$ 38.86
Series C Liberty Media Corporation common stock . . . . .	785	\$ 8.90	2,476	\$ 13.37	3,359	\$ 11.09
Series C Liberty Formula One common stock . . . . .	101	\$ 4.89	NA	NA	NA	NA
Series C Liberty SiriusXM common stock . . . . .	415	\$ 7.50	NA	NA	NA	NA
Series C Liberty Braves common stock . . . . .	41	\$ 3.79	NA	NA	NA	NA

During the year ended December 31, 2016, in connection with our CEO's employment agreement, Liberty granted approximately 775 thousand options of Series C Liberty Media Corporation common stock and 39 thousand performance-based restricted stock units of Series C Liberty Media Corporation common stock. Such options and restricted stock units had a weighted average GDFV of \$8.91 per share and \$37.76 per share, respectively, at the time they were granted. The majority of these options vested on December 31, 2016, and the performance-based restricted stock units cliff vest in one year, subject to satisfaction of certain performance objectives. Performance objectives, which are subjective, are considered in determining the timing and amount of the compensation expense recognized. As the satisfaction of the performance objectives becomes probable, the Company records compensation expense. The value of the grant is remeasured at each reporting period.

Also during the year ended December 31, 2016, Liberty granted 10 thousand, 101 thousand, 415 thousand and 41 thousand options to purchase shares of Series C Liberty Media Corporation common stock, Liberty Formula One common stock, Liberty SiriusXM common stock and Liberty Braves common stock, respectively. Such options had a weighted average GDFV of \$8.33, \$4.89, \$7.50 and \$3.79 per share, respectively, and mainly vest 50% each on December 31, 2019 and 2020.

During the year ended December 31, 2015, the Company granted a total of approximately 2.5 million options to purchase shares of Series C Liberty Media Corporation common stock. A portion of the options granted was comprised of 676 thousand options with a weighted average GDFV of \$10.86 per share that vest annually over 3 years and 1.3 million options with a weighted average GDFV of \$15.52 per share that vest 50% each on December 31, 2019 and 2020.

In connection with our CEO's employment agreement, Liberty also granted 420 thousand performance-based options of Series C Liberty Media Corporation common stock and 34 thousand performance-based restricted stock units of Series C Liberty Media Corporation common stock during 2015. Such options and restricted stock units had a weighted average GDFV of \$12.15 per share and \$38.20 per share, respectively. The performance-based options and performance-based restricted stock units cliff vested in March 2016, upon satisfaction of certain performance objectives.

During the year ended December 31, 2014, Liberty granted 3.3 million options to purchase shares of Series C Liberty Media Corporation common stock to the CEO of Liberty in connection with his employment agreement (see note 13); of those options, one half vest on December 24, 2018 and the other half vest on December 24, 2019. The remainder of the options granted typically vest quarterly over a 4 year vesting period.

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The Company has calculated the GDFV for all of its equity classified awards using the Black-Scholes Model. The Company estimates the expected term of the Awards based on historical exercise and forfeiture data. For grants made in 2016, 2015 and 2014, the range of expected terms was 4.6 to 6.7 years. The volatility used in the calculation for Awards is based on the historical volatility of Liberty's stocks and the implied volatility of publicly traded Liberty options. The Company uses a zero dividend rate and the risk-free rate for Treasury Bonds with a term similar to that of the subject options.

The following table presents the volatilities used by the Company in the Black-Scholes Model for the 2016, 2015 and 2014 grants.

	<u>Volatility</u>
<i>2016 grants</i>	
Liberty options . . . . .	22.6 % - 26.8 %
<i>2015 grants</i>	
Liberty options . . . . .	24.7 % - 36.7 %
<i>2014 grants</i>	
Liberty options . . . . .	28.2 % - 31.3 %

***Liberty - Outstanding Awards***

The following table presents the number and weighted average exercise price ("WAEP") of Awards to purchase Liberty common stock granted to certain officers, employees and directors of the Company, as well as the weighted average remaining life and aggregate intrinsic value of the Awards.

*Liberty Media Corporation*

	<u>Series A</u>		<u>Weighted average remaining life</u>	<u>Aggregate intrinsic value (in millions)</u>
	<u>Liberty Awards (000's)</u>	<u>WAEP</u>		
Outstanding at January 1, 2016 . . . . .	2,360	\$ 23.36		
Granted . . . . .	—	\$ —		
Exercised . . . . .	(159)	\$ 22.73		
Forfeited/Cancelled . . . . .	—	\$ —		
Recapitalization adjustment . . . . .	(2,201)	\$ 23.41		
Outstanding at December 31, 2016 . . . . .	<u>—</u>	NA	NA	NA
Exercisable at December 31, 2016 . . . . .	<u>—</u>	NA	NA	NA

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	Series C		Weighted average remaining life	Aggregate intrinsic value  (in millions)
	Liberty Awards (000's)	WAEP		
Outstanding at January 1, 2016	10,613	\$ 30.09		
Granted	785	\$ 37.66		
Exercised	(371)	\$ 22.50		
Forfeited/Cancelled	(1)	\$ 36.95		
Recapitalization adjustment	<u>(11,026)</u>	\$ 30.88		
Outstanding at December 31, 2016	<u>—</u>	NA	NA	NA
Exercisable at December 31, 2016	<u>—</u>	NA	NA	NA

*Liberty SiriusXM*

	Series A		Weighted average remaining life	Aggregate intrinsic value  (in millions)
	Liberty Awards (000's)	WAEP		
Outstanding at January 1, 2016	—	\$ —		
Recapitalization adjustment	2,235	\$ 19.33		
Granted	—	\$ —		
Exercised	(217)	\$ 18.78		
Forfeited/Cancelled	<u>—</u>	\$ —		
Outstanding at December 31, 2016	<u>2,018</u>	\$ 19.39	2.9 years	\$ 31
Exercisable at December 31, 2016	<u>1,991</u>	\$ 19.30	2.9 years	\$ 30

	Series C		Weighted average remaining life	Aggregate intrinsic value  (in millions)
	Liberty Awards (000's)	WAEP		
Outstanding at January 1, 2016	—	\$ —		
Recapitalization adjustment	11,154	\$ 25.34		
Granted	415	\$ 31.97		
Exercised	(556)	\$ 18.98		
Forfeited/Cancelled	<u>(5)</u>	\$ 30.37		
Outstanding at December 31, 2016	<u>11,008</u>	\$ 25.91	4.7 years	\$ 88
Exercisable at December 31, 2016	<u>5,361</u>	\$ 22.23	3.7 years	\$ 63

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*Liberty Braves*

	Series A			
	Liberty		Weighted average remaining	Aggregate intrinsic value
	<u>Awards (000's)</u>	<u>WAEP</u>	<u>life</u>	<u>(in millions)</u>
Outstanding at January 1, 2016 .....	—	\$ —		
Recapitalization adjustment .....	207	\$ 11.30		
Granted .....	—	\$ —		
Exercised .....	(18)	\$ 11.34		
Forfeited/Cancelled .....	—	\$ —		
Outstanding at December 31, 2016 .....	<u>189</u>	\$ 11.30	3.0 years	\$ 2
Exercisable at December 31, 2016 .....	<u>186</u>	\$ 11.26	3.0 years	\$ 2

	Series C			
	Liberty		Weighted average remaining	Aggregate intrinsic value
	<u>Awards (000's)</u>	<u>WAEP</u>	<u>life</u>	<u>(in millions)</u>
Outstanding at January 1, 2016 .....	—	\$ —		
Recapitalization adjustment .....	1,071	\$ 14.74		
Granted .....	41	\$ 15.93		
Exercised .....	(39)	\$ 11.12		
Forfeited/Cancelled .....	—	\$ —		
Outstanding at December 31, 2016 .....	<u>1,073</u>	\$ 14.92	4.7 years	\$ 6
Exercisable at December 31, 2016 .....	<u>518</u>	\$ 12.94	3.8 years	\$ 4

*Liberty Formula One*

	Series A			
	Liberty		Weighted average remaining	Aggregate intrinsic value
	<u>Awards (000's)</u>	<u>WAEP</u>	<u>life</u>	<u>(in millions)</u>
Outstanding at January 1, 2016 .....	—	\$ —		
Recapitalization adjustment .....	519	\$ 11.56		
Granted .....	—	\$ —		
Exercised .....	(64)	\$ 11.63		
Forfeited/Cancelled .....	—	\$ —		
Outstanding at December 31, 2016 .....	<u>455</u>	\$ 11.55	3.0 years	\$ 9
Exercisable at December 31, 2016 .....	<u>449</u>	\$ 11.51	3.0 years	\$ 9

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	Liberty		Series C	
	Awards (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (in millions)
Outstanding at January 1, 2016 .....	—	\$ —		
Recapitalization adjustment .....	2,675	\$ 14.73		
Granted .....	101	\$ 20.45		
Exercised .....	(165)	\$ 11.14		
Forfeited/Cancelled .....	—	\$ —		
Outstanding at December 31, 2016 .....	2,611	\$ 15.18	4.7 years	\$ 42
Exercisable at December 31, 2016 .....	1,227	\$ 13.02	3.9 years	\$ 22

There were no outstanding Series B options to purchase shares of Series B Liberty SiriusXM common stock, Liberty Braves common stock or Liberty Formula One common stock during 2016.

As of December 31, 2016, the total unrecognized compensation cost related to unvested Liberty Awards was approximately \$42 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.1 years.

As of December 31, 2016, 3.1 million, 13.0 million and 1.3 million shares of Series A and Series C Liberty Formula One, Liberty SiriusXM and Liberty Braves common stock, respectively, were reserved for issuance under exercise privileges of outstanding stock Awards.

***Liberty - Exercises***

The aggregate intrinsic value of all options exercised during the years ended December 31, 2016, 2015 and 2014 was \$24 million, \$40 million and \$17 million, respectively.

***Liberty - Restricted Stock***

The Company had approximately 87 thousand, 282 thousand and 29 thousand unvested restricted shares of Liberty Formula One, Liberty SiriusXM and Liberty Braves common stock, respectively, held by certain directors, officers and employees of the Company as of December 31, 2016. These Series A and Series C unvested restricted shares of Liberty Formula One common stock, Liberty SiriusXM common stock and Liberty Braves common stock had a weighted average GDFV of \$19.04, \$21.83 and \$16.17 per share, respectively.

The aggregate fair value of all restricted shares of Liberty common stock that vested during the years ended December 31, 2016, 2015 and 2014 was \$7 million, \$2 million and \$1 million, respectively.

***SIRIUS XM - Stock-based Compensation***

During the year ended December 31, 2016, SIRIUS XM granted stock options and restricted stock units (“RSUs”) to its employees and members of its board of directors. During the year ended December 31, 2016, SIRIUS XM also granted performance-based restricted stock units (“PRSUs”) to certain employees, the vesting of which is subject to the employee's continuing employment and SIRIUS XM's achievement of certain performance goals. The PRSUs awards cliff vest on the three-year anniversary of the grant date. SIRIUS XM also calculates 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



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weighted average volatility applied to the fair value determination of SIRIUS XM's option grants during 2016, 2015 and 2014 was 22%, 29% and 33%, respectively. During the year ended December 31, 2016, SIRIUS XM granted approximately 55.2 million stock options with a weighted-average exercise price of \$4.14 per share and a grant date fair value of \$0.81 per share. As of December 31, 2016, SIRIUS XM has approximately 332.6 million options outstanding of which approximately 126.6 million are exercisable, each with a weighted-average exercise price per share of \$3.5 and \$2.82, respectively. The aggregate intrinsic value of these outstanding and exercisable options was \$316 million and \$210 million, respectively. During the year ended December 31, 2016, SIRIUS XM granted approximately 18.5 million RSUs and PRSUs with a grant date fair value of \$4.21 per share. The stock-based compensation related to SIRIUS XM stock options and restricted stock awards was \$109 million, \$157 million and \$148 million for the years ended December 31, 2016, 2015, and 2014, respectively. As of December 31, 2016, the total unrecognized compensation cost related to unvested SIRIUS XM stock options was \$266 million. The SIRIUS XM unrecognized compensation cost will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.5 years.

***Other***

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

**(15) Employee Benefit Plans**

Liberty is the sponsor of the Liberty Media 401(k) Savings Plan (the "Liberty 401(k) Plan"), which provides its employees and the employees of certain of its subsidiaries an opportunity for ownership in the Company and creates a retirement fund. The Liberty 401(k) Plan provides for employees to make contributions to a trust for investment in Liberty common stock, as well as several mutual funds. The Company and its subsidiaries make matching contributions to the Liberty 401(k) Plan based on a percentage of the amount contributed by employees. In addition, certain of the Company's subsidiaries have similar employee benefit plans. Employer cash contributions to all plans aggregated \$13 million, \$15 million and \$11 million for each of the years ended December 31, 2016, 2015 and 2014, respectively.

**(16) Other Comprehensive Earnings (Loss)**

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

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

	<b>Unrealized holding gains (losses) on securities</b>	<b>Foreign currency translation adjustment</b>	<b>Other</b>	<b>AOCI</b>
	<b>amounts in millions</b>			
Balance at January 1, 2014 . . . . .	\$ 5	—	(1)	4
Other comprehensive earnings (loss) attributable to Liberty stockholders . . . . .	(8)	—	(9)	(17)
Distribution to stockholders for Broadband Spin-Off . . . . .	(7)	—	(1)	(8)
Balance at December 31, 2014 . . . . .	(10)	—	(11)	(21)
Other comprehensive earnings (loss) attributable to Liberty stockholders . . . . .	—	(23)	(7)	(30)
Balance at December 31, 2015 . . . . .	(10)	(23)	(18)	(51)
Other comprehensive earnings (loss) attributable to Liberty stockholders . . . . .	1	1	(13)	(11)
Balance at December 31, 2016 . . . . .	<u>\$ (9)</u>	<u>(22)</u>	<u>(31)</u>	<u>(62)</u>

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

	<b>Before-tax amount</b>	<b>Tax (expense) benefit</b>	<b>Net-of-tax amount</b>
	<b>amounts in millions</b>		
<i>Year ended December 31, 2016:</i>			
Unrealized holding gains (losses) on securities arising during period . . . . .	\$ -	-	-
Foreign currency translation adjustments . . . . .	(16)	6	(10)
Other comprehensive earnings . . . . .	<u>\$ (16)</u>	<u>6</u>	<u>(10)</u>
<i>Year ended December 31, 2015:</i>			
Foreign currency translation adjustments . . . . .	\$ (77)	28	(49)
Other comprehensive earnings . . . . .	<u>\$ (77)</u>	<u>28</u>	<u>(49)</u>
<i>Year ended December 31, 2014:</i>			
Unrealized holding gains (losses) on securities arising during period . . . . .	\$ (13)	5	(8)
Foreign currency translation adjustments . . . . .	(14)	5	(9)
Other comprehensive earnings . . . . .	<u>\$ (27)</u>	<u>10</u>	<u>(17)</u>

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**(17) Commitments and Contingencies**

***Guarantees***

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

***Employment Contracts***

The Atlanta Braves and certain of their players and coaches have entered into long-term employment contracts whereby such individuals' compensation is guaranteed. Amounts due under guaranteed contracts as of December 31, 2016 aggregated \$278 million, which is payable as follows: \$100 million in 2017, \$78 million in 2018, \$40 million in 2019, \$29 million in 2020, \$31 million in 2021 and none thereafter. In addition to the foregoing amounts, certain players and coaches may earn incentive compensation under the terms of their employment contracts.

***Operating Leases***

The Company leases business offices, has entered into satellite transponder lease agreements and uses certain equipment under lease arrangements. These leases provide for minimum lease payments, additional operating expense charges, leasehold improvements and rent escalations, and certain leases have options to renew. The effect of the rent holidays and rent concessions are recognized on a straight-line basis over the lease term, including reasonably assured renewal periods.

Rental expense under such arrangements amounted to \$52 million, \$53 million and \$52 million for the years ended December 31, 2016, 2015 and 2014, respectively.

A summary of future minimum lease payments under cancelable and noncancelable operating leases as of December 31, 2016 follows (amounts in millions):

Years ending December 31:	
2017 .....	\$ 50
2018 .....	\$ 52
2019 .....	\$ 47
2020 .....	\$ 45
2021 .....	\$ 37
Thereafter .....	\$ 324

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 2016.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 31, 2016, 2015 and 2014**

***Programming and content***

SIRIUS XM has entered into various programming agreements under which SIRIUS XM's obligations include fixed payments, advertising commitments and revenue sharing arrangements. Amounts due under such agreements are payable as follows: \$312 million in 2017, \$285 million in 2018, \$262 million in 2019, \$223 million in 2020 and \$154 million in 2021. Future revenue sharing costs are dependent upon many factors and are difficult to estimate; therefore, they are not included in the amounts above.

***Litigation***

The Company has contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. We record a liability when we believe that it is both probable that a liability will be incurred and the amount of loss can be reasonably estimated. We evaluate developments in legal matters that could affect the amount of the liability accrual and make adjustments as appropriate. Significant judgment is required to determine both probability and the estimated amount of a loss or potential loss. We may be unable to reasonably estimate the reasonably possible loss or range of loss for a particular legal contingency for various reasons, including, among others, because: (i) the damages sought are indeterminate; (ii) the proceedings are in the relative early stages; (iii) there is uncertainty as to the outcome of pending proceedings (including motions and appeals); (iv) there is uncertainty as to the likelihood of settlement and the outcome of any negotiations with respect thereto; (v) there remain significant factual issues to be determined or resolved; (vi) the relevant law is unsettled; or (vii) the proceedings involve novel or untested legal theories. In such instances, there may be considerable uncertainty regarding the ultimate resolution of such matters, including a possible eventual loss, if any. 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.

In connection with a commercial transaction that closed during 2002 among Liberty, Vivendi Universal S.A. ("Vivendi") and the former USA Holdings, Inc., Liberty brought suit against Vivendi and Universal Studios, Inc. in the United States District Court for the Southern District of New York, alleging, among other things, breach of contract and fraud by Vivendi. On June 25, 2012, a jury awarded Liberty damages in the amount of €765 million, plus prejudgment interest, in connection with a finding of breach of contract and fraud by the defendants. On January 17, 2013, the court entered judgment in favor of Liberty in the amount of approximately €945 million, including prejudgment interest. The parties negotiated a stay of the execution of the judgment during the pendency of the appeal. Vivendi filed notice of its appeal of the judgment to the United States Court of Appeals for the Second Circuit. During the first quarter of 2016, Liberty entered into a settlement with Vivendi which resulted in a \$775 million payment to settle all claims related to the dispute described above. Following the payment of a contingency fee to our legal counsel, as well as amounts payable to Liberty Global plc, an additional plaintiff in the action, Liberty recognized a net pre-tax gain on the legal settlement of approximately \$511 million. This settlement resulted in a dismissal of all appeals and mutual releases of the parties.

SIRIUS XM was a defendant in several purported class action suits that alleged that SIRIUS XM, or call center vendors acting on its behalf, made numerous calls which violated provisions of the Telephone Consumer Protection Act of 1991 (the "TCPA"). The plaintiffs in these actions alleged, among other things, that SIRIUS XM called mobile phones using an automatic telephone dialing system without the consumer's prior consent or, alternatively, after the consumer revoked his or her prior consent. In one of the actions, the plaintiff alleged that SIRIUS XM violated the TCPA's call time restrictions, and in one of the other actions, the plaintiff also alleged that SIRIUS XM violated the TCPA's do not call restrictions. These purported class action cases were titled Erik Knutson v. Sirius XM Radio Inc., No. 12-cv-0418-AJB-NLS (S.D. Cal.), Francis W. Hooker v. Sirius XM Radio Inc., No. 4:13-cv-3 (E.D. Va.), Yefim Elikman v. Sirius XM Radio Inc. and Career Horizons, Inc., No. 1:15-cv-02093 (N.D. Ill.), and Anthony Parker v. Sirius XM Radio Inc., No. 8:15-cv-01710-JSM-EAJ (M.D. Fla).

SIRIUS XM has entered into an agreement to settle these purported class action suits. The settlement was approved by the United States District Court for the Eastern District of Virginia in December 2016. The settlement is expected to

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 31, 2016, 2015 and 2014**

resolve the claims of consumers beginning in February 2008 relating to telemarketing calls to their mobile telephones. Approximately 200 consumers, or less than 0.002% of the consumers who received notice of the settlement, opted-out of this class action settlement. As part of this settlement, SIRIUS XM made a \$35 million payment to a settlement fund during 2016 (from which notice, administration and other costs and attorneys' fees will be paid) and is offering participating class members the option of receiving three months of SIRIUS XM's Select service for no charge.

In August 2013, SoundExchange, Inc. ("SoundExchange") filed a complaint in the United States District Court for the District of Columbia alleging that SIRIUS XM underpaid royalties for statutory licenses during the 2007-2012 rate period in violation of the regulations established by the Copyright Royalty Board for that period. SoundExchange principally alleges that SIRIUS XM improperly reduced its calculation of gross revenue, on which the royalty payments are based, by deducting revenue attributable to pre-1972 recordings and Premier package revenue that is not "separately charged" as required by the regulations. SoundExchange is seeking compensatory damages of not less than \$50 million and up to \$100 million or more, payment of late fees and interest, and attorneys' fees and costs.

In August 2014, the United States District Court for the District of Columbia in response to SIRIUS XM's motion to dismiss the complaint, stayed the case on the grounds that the case properly should be pursued in the first instance before the Copyright Royalty Board rather than the district court. In its opinion, the District Court concluded that the gross revenue exclusions in the regulations established by the Copyright Royalty Board for the 2007-2012 period were ambiguous and did not, on their face, make clear whether our royalty calculation approaches were permissible under the regulations. In December 2014, SoundExchange filed a petition with the Copyright Royalty Board requesting an order interpreting the applicable regulations.

On January 10, 2017, the Copyright Royalty Board issued a ruling concluding that SIRIUS XM correctly interpreted the revenue exclusions applicable to pre-1972 recordings, but in certain cases did not apply those exclusions properly. The ruling further indicated that SIRIUS XM improperly claimed a revenue exclusion based on its Premier package upcharge, because, in the judges' view, the portion of the package that contained programming that did not include sound recordings was not offered for a "separate charge" in accordance with the regulations. The ruling is subject to legal review by the Register of Copyrights, and will be transmitted back to the district court for further proceedings, such as adjudication claims relating to damages and defenses. SIRIUS XM intends to exhaust all available options for review and/or appeal of adverse aspects of the Copyright Royalty Board's ruling, including portions of the ruling which SIRIUS XM believes are unclear or inconsistent with the governing law. In addition, SIRIUS XM believes it has substantial defenses to those SoundExchange claims that can be asserted before the district court, and will continue to defend this action vigorously.

This matter is titled SoundExchange, Inc. v. Sirius XM Radio, Inc., No.13-cv-1290-RJL (D.D.C.), and *Determination of Rates and Terms for Preexisting Subscription Services and Satellite Digital Audio Radio Services*, United States Copyright Royalty Board, No. 2006-1 CRB DSTR. Information concerning the action is publicly available in filings under the docket numbers. This matter is not related to certain claims under state law brought by owners of pre-1972 recording copyrights arising out of our use and performance of those recordings.

At December 31, 2016, SIRIUS XM concluded that a loss, in excess of our recorded liabilities, is reasonably possible in connection with the SoundExchange royalty claims. The estimable portion of such possible loss ranges from \$0 to \$70 million plus any related interest or late fees. Based on SIRIUS XM's defenses, such a loss is not considered probable at this time and no liability for such additional loss has been recorded at December 31, 2016. The matters underlying this estimated range and the estimable portion of reasonably possible losses may change from time to time and the actual possible loss may vary from this estimate.

In June 2015, SIRIUS XM settled (the "Capitol Settlement") a separate suit brought by Capitol Records LLC ("Capitol Records"), Sony Music Entertainment, UMG Recordings, Inc., Warner Music Group Corp. and ABKCO Music & Records, Inc. relating to SIRIUS XM's use and public performance of pre-1972 recordings for \$210 million, which was paid during July 2015. The settling record companies claim to own, control or otherwise have the right to settle with respect

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 31, 2016, 2015 and 2014**

to approximately 85% of the pre-1972 recordings SIRIUS XM has historically played. SIRIUS XM has also entered into certain direct licenses with other owners of pre-1972 recordings, which in many cases include releases of any claims associated with its use of pre-1972 recordings.

SIRIUS XM recognized \$108 million during June 2015 for the portion of the \$210 million Capitol Settlement related to SIRIUS XM's use of pre-1972 sound recordings for the periods prior to the Capitol Settlement during June 2015. The \$108 million expense is included in the Revenue share and royalties line item in the accompanying consolidated financial statements for the year ended December 31, 2015 but has been excluded from Adjusted OIBDA for the corresponding period as this expense was not incurred as a part of the Company's normal operations for the period, and this lump sum amount does not relate to the on-going performance of the business. SIRIUS XM recognized approximately \$40 million and \$19 million to Revenue share and royalties within the consolidated statement of operations with respect to the Capitol Settlement subsequent to the settlement date related to SIRIUS XM's use of pre-1972 sound recordings during the years ended December 31, 2016 and 2015, respectively, and is included as a component of Adjusted OIBDA. The remaining \$43 million of the settlement is recorded in Other current assets within the consolidated balance sheets as of December 31, 2016, which will be amortized to Revenue share and royalties within the consolidated statement of operations over the future service period through December 2017.

Additionally, during the fourth quarter of 2016, SIRIUS XM recorded \$46 million related to music royalty legal settlements and reserves. The \$46 million expense is included in the Revenue share and royalties line item in the accompanying consolidated financial statements for the year ended December 31, 2016 but has been excluded from Adjusted OIBDA for the corresponding period as this expense was not incurred as a part of the Company's normal operations for the period, and this lump sum amount does not relate to the on-going performance of the business.

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

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

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

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

The Company has identified SIRIUS XM as its reportable segment. SIRIUS XM is a consolidated subsidiary that provides a subscription based satellite radio service. SIRIUS XM transmits music, sports, entertainment, comedy, talk, news, traffic and weather channels, as well as infotainment services, in the United States on a subscription fee basis through



**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**  
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its two proprietary satellite radio systems - the Sirius system and the XM system. Subscribers can also receive music and other channels, plus features such as SiriusXM On Demand and MySXM, over the Internet, including through applications for mobile devices.

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

**Performance Measures**

	Years ended December 31,					
	2016		2015		2014	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in millions					
Liberty SiriusXM Group						
SIRIUS XM	\$ 5,014	1,853	4,552	1,660	4,141	1,466
Corporate and other	—	(15)	—	—	—	—
Total Liberty SiriusXM Group	<u>5,014</u>	<u>1,838</u>	<u>4,552</u>	<u>1,660</u>	<u>4,141</u>	<u>1,466</u>
Braves Group						
Corporate and other	262	(20)	243	3	250	(6)
Total Braves Group	<u>262</u>	<u>(20)</u>	<u>243</u>	<u>3</u>	<u>250</u>	<u>(6)</u>
Formula One Group						
Corporate and other	—	(45)	—	(35)	59	(43)
Total Formula One Group	<u>—</u>	<u>(45)</u>	<u>—</u>	<u>(35)</u>	<u>59</u>	<u>(43)</u>
Total	<u>\$ 5,276</u>	<u>1,773</u>	<u>4,795</u>	<u>1,628</u>	<u>4,450</u>	<u>1,417</u>

**Other Information**

	December 31, 2016			December 31, 2015		
	Total assets	Investments in affiliates	Capital expenditures	Total assets	Investments in affiliates	Capital expenditures
	amounts in millions					
Liberty SiriusXM Group						
SIRIUS XM	\$ 26,978	164	206	27,001	153	135
Corporate and other	73	—	—	—	—	—
Total Liberty SiriusXM Group	<u>27,051</u>	<u>164</u>	<u>206</u>	<u>27,001</u>	<u>153</u>	<u>135</u>
Braves Group						
Corporate and other	1,548	61	360	849	39	128
Total Braves Group	<u>1,548</u>	<u>61</u>	<u>360</u>	<u>849</u>	<u>39</u>	<u>128</u>
Formula One Group						
Corporate and other	2,995	892	2	1,952	923	33
Total Formula One Group	<u>2,995</u>	<u>892</u>	<u>2</u>	<u>1,952</u>	<u>923</u>	<u>33</u>
Elimination (1)	(217)	—	—	(4)	—	—
Consolidated Liberty	<u>\$ 31,377</u>	<u>1,117</u>	<u>568</u>	<u>29,798</u>	<u>1,115</u>	<u>296</u>

- (1) This is primarily the intergroup interest in the Braves Group held by the Formula One Group, as discussed in note 2. The intergroup interest attributable to the Formula One Group is presented as an asset and the intergroup interest

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
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attributable to the Braves Group is presented as a liability in the attributed financial statements and the offsetting amounts between tracking stock groups are eliminated in consolidation.

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

	<u>Years ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
	amounts in millions		
Consolidated segment Adjusted OIBDA . . . . .	\$ 1,773	1,628	1,417
Legal settlement (note 17) . . . . .	465	(108)	—
Stock-based compensation . . . . .	(150)	(204)	(217)
Depreciation and amortization . . . . .	(354)	(362)	(359)
Operating income (loss) . . . . .	<u>1,734</u>	<u>954</u>	<u>841</u>
Interest expense . . . . .	(362)	(328)	(255)
Share of earnings (losses) of affiliates, net . . . . .	14	(40)	(113)
Realized and unrealized gains (losses) on financial instruments, net . . . . .	37	(140)	38
Other, net . . . . .	(4)	12	(50)
Earnings (loss) from continuing operations before income taxes	<u>\$ 1,419</u>	<u>458</u>	<u>461</u>

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
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**(19) Quarterly Financial Information (Unaudited)**

As discussed in note 3, during the third quarter of 2016, the Company adopted new accounting guidance that requires the recognition of excess tax benefits and tax deficiencies as income tax benefit or expense rather than as additional paid-in capital. The Company has applied the new guidance prospectively from January 1, 2016. The unaudited quarterly information for the first and second quarters of 2016 has been retrospectively adjusted to reflect the impact of the adoption of this guidance.

	<u>1st</u> <u>Quarter</u>	<u>2nd</u> <u>Quarter</u>	<u>3rd</u> <u>Quarter</u>	<u>4th</u> <u>Quarter</u>
	amounts in millions, except per share amounts			
<i>2016:</i>				
Revenue .....	\$ 1,204	1,366	1,385	1,321
Operating income (loss) .....	\$ 781	328	352	273
Net earnings (loss) .....	\$ 427	142	169	186
Net earnings (loss) attributable to Liberty stockholders:				
Liberty Media Corporation common stock .....	\$ 364	13	NA	NA
Liberty SiriusXM common stock .....	\$ NA	82	96	119
Liberty Braves common stock .....	\$ NA	32	(22)	(40)
Liberty Formula One common stock .....	\$ NA	(45)	41	40
Basic net earnings (loss) attributable to Liberty stockholders per common share:				
Liberty Media Corporation common stock .....	\$ 1.09	0.04	NA	NA
Liberty SiriusXM common stock .....	\$ NA	0.24	0.29	0.36
Liberty Braves common stock .....	\$ NA	0.89	(0.45)	(0.82)
Liberty Formula One common stock .....	\$ NA	(0.54)	0.49	0.48
Diluted net earnings (loss) attributable to Liberty stockholders per common share:				
Liberty Media Corporation common stock .....	\$ 1.08	0.04	NA	NA
Liberty SiriusXM common stock .....	\$ NA	0.24	0.28	0.35
Liberty Braves common stock .....	\$ NA	0.11	(0.45)	(0.82)
Liberty Formula One common stock .....	\$ NA	(0.54)	0.48	0.47
	<u>1st</u> <u>Quarter</u>	<u>2nd</u> <u>Quarter</u>	<u>3rd</u> <u>Quarter</u>	<u>4th</u> <u>Quarter</u>
	amounts in millions, except per share amounts			
<i>2015:</i>				
Revenue .....	\$ 1,081	1,222	1,284	1,208
Operating income .....	\$ 245	171	321	217
Net earnings (loss) .....	\$ 19	99	41	89
Net earnings (loss) attributable to Liberty stockholders .....	\$ (19)	61	(22)	44
Basic net earnings (loss) attributable to Liberty stockholders per common share .....	\$ (0.06)	0.18	(0.07)	0.13
Diluted net earnings (loss) attributable to Liberty stockholders per common share .....	\$ (0.06)	0.18	(0.07)	0.13

## Unaudited Attributed Financial Information for Tracking Stock Groups

During November 2015, Liberty Media Corporation's ("Liberty") board of directors authorized management to pursue a reclassification of the Company's common stock into three new tracking stock groups, one to be designated as the Liberty Braves tracking stock, one to be designated as the Liberty Media tracking stock and one to be designated as the Liberty SiriusXM tracking stock (the "Recapitalization"), and to cause to be distributed subscription rights related to the Liberty Braves tracking stock following the creation of the new tracking stocks. The Recapitalization was completed on April 15, 2016 and the newly issued shares commenced trading or quotation in the regular way on the Nasdaq Global Select Market or the OTC Markets, as applicable, on Monday, April 18, 2016. Shortly following the completion of the second closing of the acquisition of Formula 1 on January 23, 2017, the Liberty Media Group was renamed the Liberty Formula One Group. Historical information of the Liberty Media Group and Liberty Media common stock is referred to herein as the Formula One Group and Liberty Formula One common stock, respectively.

The following tables present our assets and liabilities as of December 31, 2016 and December 31, 2015 and revenue, expenses and cash flows for the years ended December 31, 2016, 2015, and 2014. The tables further present our assets, liabilities, revenue, expenses and cash flows that are attributed to the Liberty SiriusXM Group, Braves Group and the Formula One Group, respectively. The financial information should be read in conjunction with our consolidated financial statements for the year ended December 31, 2016 included in this Annual Report on Form 10-K.

The attributed financial information presented herein has been prepared assuming this attribution had been completed as of January 1, 2014. However, this attribution of historical financial information does not purport to be what actual results and balances would have been if such attribution had actually occurred and been in place during these periods. Therefore, the attributed net earnings (losses) presented in the unaudited attributed financial information are not the same as the net earnings (losses) reflected in the Liberty consolidated financial statements included in this Annual Report on Form 10-K. The net earnings (losses) attributed to the Liberty SiriusXM common stock, Liberty Braves common stock and Liberty Formula One common stock for purposes of those financial statements only relates to the period after the Recapitalization.

Notwithstanding the following attribution of assets, liabilities, revenue, expenses and cash flows to the Liberty SiriusXM Group, Braves Group and the Formula One 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 are each responsible for our respective liabilities. Holders of Liberty SiriusXM common stock, Liberty Braves common stock and Liberty Formula One common stock are holders of our common stock and are subject to risks associated with an investment in our company and all of our businesses, assets and liabilities. The issuance of Liberty SiriusXM common stock, Liberty Braves common stock and Liberty Formula One common stock does not affect the rights of our creditors.

## SUMMARY ATTRIBUTED FINANCIAL DATA

### Liberty SiriusXM Group

#### Summary Balance Sheet Data:

	December 31, 2016	December 31, 2015
	amounts in millions	
Cash and cash equivalents	\$ 287	112
Investments in affiliates, accounted for using the equity method	\$ 164	153
Intangible assets not subject to amortization	\$ 23,695	23,695
Intangible assets subject to amortization, net	\$ 998	1,027
Total assets	\$ 27,051	27,001
Deferred revenue	\$ 1,833	1,769
Long-term debt, including current portion	\$ 6,107	5,709
Deferred tax liabilities	\$ 1,967	1,622
Attributed net assets	\$ 10,085	9,599
Noncontrolling interest	\$ 5,945	7,198

#### Summary Statement of Operations Data:

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Revenue	\$ 5,014	4,552	4,141
Cost of subscriber services (1)	\$ (1,994)	(1,823)	(1,580)
Subscriber acquisition costs	\$ (513)	(533)	(493)
Other operating expenses (1)	\$ (82)	(73)	(71)
Selling, general and administrative expense (1)	\$ (761)	(728)	(679)
Operating income (loss)	\$ 1,352	1,073	1,004
Interest expense	\$ (342)	(307)	(234)
Income tax (expense) benefit	\$ (341)	(322)	(327)
Net earnings (loss) attributable to noncontrolling interests	\$ 244	184	217
Earnings (loss) attributable to Liberty stockholders	\$ 413	259	231

(1) Includes stock-based compensation expense as follows:

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Cost of subscriber services	\$ 30	32	30
Other operating expenses	13	18	17
Selling, general and administrative expense	85	107	101
	\$ 128	157	148

## Braves Group

### Summary Balance Sheet Data:

	December 31, 2016	December 31, 2015
	<b>amounts in millions</b>	
Cash and cash equivalents . . . . .	\$ 107	13
Property and equipment, net . . . . .	\$ 930	362
Investments in affiliates, accounted for using the equity method . . .	\$ 61	39
Intangible assets not subject to amortization . . . . .	\$ 323	323
Intangible assets subject to amortization, net . . . . .	\$ 73	70
Total assets . . . . .	\$ 1,548	849
Deferred revenue . . . . .	\$ 44	28
Long-term debt, including current portion . . . . .	\$ 328	139
Deferred tax liabilities . . . . .	\$ 48	49
Attributed net assets . . . . .	\$ 385	351

### Summary Statement of Operations Data:

	Years ended December 31,		
	2016	2015	2014
	<b>amounts in millions</b>		
Revenue . . . . .	\$ 262	243	250
Selling, general and administrative expense (1) . . . . .	\$ (67)	(61)	(58)
Operating income (loss) . . . . .	\$ (61)	(38)	(47)
Share of earnings (losses) of affiliates, net . . . . .	\$ 9	9	10
Income tax (expense) benefit . . . . .	\$ 17	10	13
Earnings (loss) attributable to Liberty stockholders . . . . .	\$ (62)	(20)	(24)

(1) Includes stock-based compensation of \$9 million, \$10 million, and \$12 million for the years ended December 31, 2016, 2015 and 2014, respectively.



## Formula One Group

### Summary Balance Sheet Data:

	December 31, 2016	December 31, 2015
	amounts in millions	
Cash and cash equivalents .....	\$ 168	76
Investments in available for sale securities and other cost investments .....	\$ 1,301	525
Investments in affiliates, accounted for using the equity method .....	\$ 892	923
Total assets .....	\$ 2,995	1,952
Long-term debt, including current portion .....	\$ 1,583	1,033
Attributed net assets .....	\$ 1,286	983

### Summary Statement of Operations Data:

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Selling, general and administrative expense (1) .....	\$ (58)	(72)	(136)
Legal settlement .....	\$ 511	—	—
Operating income (loss) .....	\$ 443	(81)	(116)
Interest expense .....	\$ (19)	(20)	(21)
Share of earnings (losses) of affiliates, net .....	\$ (8)	(48)	(128)
Realized and unrealized gains (losses) on financial instruments, net .....	\$ 36	(140)	38
Income tax (expense) benefit .....	\$ (171)	102	248
Earnings (loss) attributable to Liberty stockholders .....	\$ 329	(175)	(29)

(1) Includes stock-based compensation of \$13 million, \$37 million, and \$57 million for the years ended December 31, 2016, 2015, and 2014, respectively.

**BALANCE SHEET INFORMATION**  
**December 31, 2016**  
**(unaudited)**

	Attributed (note 1)				Consolidated Liberty
	Liberty SiriusXM Group	Braves Group	Formula One Group	Inter-Group Eliminations	
	amounts in millions				
<i>Assets</i>					
Current assets:					
Cash and cash equivalents	\$ 287	107	168	—	562
Trade and other receivables, net	223	15	2	—	240
Other current assets	206	17	5	(1)	227
Total current assets	<u>716</u>	<u>139</u>	<u>175</u>	<u>(1)</u>	<u>1,029</u>
Intergroup interest in the Braves Group (note 1)	—	—	187	(187)	—
Investments in available-for-sale securities and other cost investments (note 2)	—	8	1,301	—	1,309
Investments in affiliates, accounted for using the equity method (note 3)	164	61	892	—	1,117
Property and equipment, at cost	2,079	943	160	—	3,182
Accumulated depreciation	(746)	(13)	(71)	—	(830)
	<u>1,333</u>	<u>930</u>	<u>89</u>	<u>—</u>	<u>2,352</u>
Intangible assets not subject to amortization					
Goodwill	14,165	180	—	—	14,345
FCC licenses	8,600	—	—	—	8,600
Other	930	143	—	—	1,073
	<u>23,695</u>	<u>323</u>	<u>—</u>	<u>—</u>	<u>24,018</u>
Intangible assets subject to amortization, net	998	73	1	—	1,072
Other assets	145	14	350	(29)	480
Total assets	<u>\$ 27,051</u>	<u>1,548</u>	<u>2,995</u>	<u>(217)</u>	<u>31,377</u>
<i>Liabilities and Equity</i>					
Current liabilities:					
Intergroup payable (receivable) (note 7)	\$ 5	(17)	12	—	—
Accounts payable and accrued liabilities	828	141	16	—	985
Current portion of debt (note 4)	5	—	—	—	5
Deferred revenue	1,833	44	—	—	1,877
Other current liabilities	3	—	3	(1)	5
Total current liabilities	<u>2,674</u>	<u>168</u>	<u>31</u>	<u>(1)</u>	<u>2,872</u>
Long-term debt (note 4)	6,102	328	1,583	—	8,013
Deferred income tax liabilities (note 6)	1,967	48	39	(29)	2,025
Redeemable intergroup interest (note 1)	—	187	—	(187)	—
Other liabilities	278	417	56	—	751
Total liabilities	<u>11,021</u>	<u>1,148</u>	<u>1,709</u>	<u>(217)</u>	<u>13,661</u>
Equity / Attributed net assets	10,085	385	1,286	—	11,756
Noncontrolling interests in equity of subsidiaries	5,945	15	—	—	5,960
Total liabilities and equity	<u>\$ 27,051</u>	<u>1,548</u>	<u>2,995</u>	<u>(217)</u>	<u>31,377</u>

## BALANCE SHEET INFORMATION

December 31, 2015

(unaudited)

	Attributed (note 1)				Consolidated Liberty
	Liberty SiriusXM Group	Braves Group	Formula One Group	Inter-Group Eliminations	
	amounts in millions				
<i>Assets</i>					
Current assets:					
Cash and cash equivalents . . . . .	\$ 112	13	76	—	201
Trade and other receivables, net . . . . .	235	9	3	—	247
Other current assets . . . . .	215	10	18	—	243
Total current assets . . . . .	562	32	97	—	691
Investments in available-for-sale securities and other cost investments (note 2) . . . . .	—	8	525	—	533
Investments in affiliates, accounted for using the equity method (note 3) . . . . .	153	39	923	—	1,115
Property and equipment, at cost . . . . .	1,984	406	197	—	2,587
Accumulated depreciation . . . . .	(571)	(44)	(93)	—	(708)
	1,413	362	104	—	1,879
Intangible assets not subject to amortization					
Goodwill . . . . .	14,165	180	—	—	14,345
FCC licenses . . . . .	8,600	—	—	—	8,600
Other . . . . .	930	143	—	—	1,073
	23,695	323	—	—	24,018
Intangible assets subject to amortization, net . .	1,027	70	—	—	1,097
Other assets . . . . .	151	15	303	(4)	465
Total assets . . . . .	\$ 27,001	849	1,952	(4)	29,798
<i>Liabilities and Equity</i>					
Current liabilities:					
Intergroup payable (receivable) (note 7) . . . . .	\$ 116	25	(141)	—	—
Accounts payable and accrued liabilities . . . .	717	24	17	—	758
Current portion of debt (note 4) . . . . .	255	—	—	—	255
Deferred revenue . . . . .	1,769	28	—	—	1,797
Other current liabilities . . . . .	3	—	—	—	3
Total current liabilities . . . . .	2,860	77	(124)	—	2,813
Long-term debt (note 4) . . . . .	5,454	139	1,033	—	6,626
Deferred income tax liabilities (note 6) . . . . .	1,622	49	—	(4)	1,667
Other liabilities . . . . .	268	233	60	—	561
Total liabilities . . . . .	10,204	498	969	(4)	11,667
Equity / Attributed net assets . . . . .	9,599	351	983	—	10,933
Noncontrolling interests in equity of subsidiaries . . . . .	7,198	—	—	—	7,198
Total liabilities and equity . . . . .	\$ 27,001	849	1,952	(4)	29,798

**STATEMENT OF OPERATIONS INFORMATION**

**December 31, 2016**

**(unaudited)**

	<u>Attributed (note 1)</u>			
	<u>Liberty SiriusXM Group</u>	<u>Braves Group</u>	<u>Formula One Group</u>	<u>Consolidated Liberty</u>
	amounts in millions			
Revenue:				
Subscriber revenue .....	\$ 4,194	—	—	4,194
Other revenue .....	820	262	—	1,082
Total revenue .....	<u>5,014</u>	<u>262</u>	<u>—</u>	<u>5,276</u>
Operating costs and expenses, including stock-based compensation (note 5):				
Cost of subscriber services (exclusive of depreciation shown separately below):				
Revenue share and royalties .....	1,109	—	—	1,109
Programming and content .....	354	—	—	354
Customer service and billing .....	387	—	—	387
Other .....	144	—	—	144
Subscriber acquisition costs .....	513	—	—	513
Other operating expenses .....	82	224	—	306
Selling, general and administrative .....	761	67	58	886
Legal settlement, net .....	—	—	(511)	(511)
Depreciation and amortization .....	312	32	10	354
	<u>3,662</u>	<u>323</u>	<u>(443)</u>	<u>3,542</u>
Operating income (loss) .....	1,352	(61)	443	1,734
Other income (expense):				
Interest expense .....	(342)	(1)	(19)	(362)
Share of earnings (losses) of affiliates, net .....	13	9	(8)	14
Unrealized gain/(loss) on inter-group interest .....	—	(27)	27	—
Realized and unrealized gains (losses) on financial instruments, net .....	—	1	36	37
Other, net .....	(25)	—	21	(4)
	<u>(354)</u>	<u>(18)</u>	<u>57</u>	<u>(315)</u>
Earnings (loss) before income taxes .....	998	(79)	500	1,419
Income tax (expense) benefit (note 6) .....	(341)	17	(171)	(495)
Net earnings (loss) .....	657	(62)	329	924
Less net earnings (loss) attributable to the noncontrolling interests .....	244	—	—	244
Net earnings (loss) attributable to Liberty stockholders .....	<u>\$ 413</u>	<u>(62)</u>	<u>329</u>	<u>680</u>

**STATEMENT OF OPERATIONS INFORMATION**

**December 31, 2015**

**(unaudited)**

	<u>Attributed (note 1)</u>			
	<u>Liberty SiriusXM Group</u>	<u>Braves Group</u>	<u>Formula One Group</u>	<u>Consolidated Liberty</u>
	amounts in millions			
Revenue:				
Subscriber revenue .....	\$ 3,807	—	—	3,807
Other revenue .....	745	243	—	988
Total revenue .....	<u>4,552</u>	<u>243</u>	<u>—</u>	<u>4,795</u>
Operating costs and expenses, including stock-based compensation (note 5):				
Cost of subscriber services (exclusive of depreciation shown separately below):				
Revenue share and royalties .....	1,035	—	—	1,035
Programming and content .....	267	—	—	267
Customer service and billing .....	380	—	—	380
Other .....	141	—	—	141
Subscriber acquisition costs .....	533	—	—	533
Other operating expenses .....	73	189	—	262
Selling, general and administrative .....	728	61	72	861
Depreciation and amortization .....	322	31	9	362
	<u>3,479</u>	<u>281</u>	<u>81</u>	<u>3,841</u>
Operating income (loss) .....	1,073	(38)	(81)	954
Other income (expense):				
Interest expense .....	(307)	(1)	(20)	(328)
Share of earnings (losses) of affiliates, net .....	(1)	9	(48)	(40)
Realized and unrealized gains (losses) on financial instruments, net .....	—	—	(140)	(140)
Other, net .....	—	—	12	12
	<u>(308)</u>	<u>8</u>	<u>(196)</u>	<u>(496)</u>
Earnings (loss) before income taxes .....	765	(30)	(277)	458
Income tax (expense) benefit (note 6) .....	(322)	10	102	(210)
Net earnings (loss) .....	443	(20)	(175)	248
Less net earnings (loss) attributable to the noncontrolling interests .....	184	—	—	184
Net earnings (loss) attributable to Liberty stockholders . . .	<u>\$ 259</u>	<u>(20)</u>	<u>(175)</u>	<u>64</u>

## STATEMENT OF OPERATIONS INFORMATION

December 31, 2014

(unaudited)

	Attributed (note 1)			Consolidated Liberty
	Liberty SiriusXM Group	Braves Group	Formula One Group	
	amounts in millions			
Revenue:				
Subscriber revenue .....	\$ 3,514	—	—	3,514
Other revenue .....	627	250	59	936
Total revenue .....	4,141	250	59	4,450
Operating costs and expenses, including stock-based compensation (note 5):				
Cost of subscriber services (exclusive of depreciation shown separately below):				
Revenue share and royalties .....	810	—	—	810
Programming and content .....	262	—	—	262
Customer service and billing .....	373	—	—	373
Other .....	135	—	—	135
Subscriber acquisition costs .....	493	—	—	493
Other operating expenses .....	71	210	23	304
Selling, general and administrative .....	679	58	136	873
Depreciation and amortization .....	314	29	16	359
	3,137	297	175	3,609
Operating income (loss) .....	1,004	(47)	(116)	841
Other income (expense):				
Interest expense .....	(234)	—	(21)	(255)
Share of earnings (losses) of affiliates, net .....	5	10	(128)	(113)
Realized and unrealized gains (losses) on financial instruments, net .....	—	—	38	38
Other, net .....	—	—	(50)	(50)
	(229)	10	(161)	(380)
Earnings (loss) before income taxes .....	775	(37)	(277)	461
Income tax (expense) benefit (note 6) .....	(327)	13	248	(66)
Net earnings (loss) .....	448	(24)	(29)	395
Less net earnings (loss) attributable to the noncontrolling interests .....	217	—	—	217
Net earnings (loss) attributable to Liberty stockholders . . .	\$ 231	(24)	(29)	178



## STATEMENT OF CASH FLOWS INFORMATION

December 31, 2016

(unaudited)

	Attributed (note 1)			Consolidated Liberty
	Liberty SiriusXM Group	Braves Group	Formula One Group	
	amounts in millions			
Cash flows from operating activities:				
Net earnings (loss) . . . . .	\$ 657	(62)	329	924
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization . . . . .	312	32	10	354
Stock-based compensation . . . . .	128	9	13	150
Share of (earnings) loss of affiliates, net . . . . .	(13)	(9)	8	(14)
Unrealized (gains) losses on intergroup interest, net . . . . .	—	27	(27)	—
Realized and unrealized (gains) losses on financial instruments, net . . . . .	—	(1)	(36)	(37)
Noncash interest expense . . . . .	6	5	—	11
Losses (gains) on dilution of investment in affiliate . . . . .	—	—	—	—
Loss on early extinguishment of debt . . . . .	24	—	—	24
Deferred income tax expense (benefit) . . . . .	332	1	94	427
Intergroup tax allocation . . . . .	(13)	(19)	32	—
Intergroup tax (payments) receipts . . . . .	7	7	(14)	—
Other charges (credits), net . . . . .	21	11	(2)	30
Changes in operating assets and liabilities				
Current and other assets . . . . .	59	(17)	(17)	25
Payables and other liabilities . . . . .	184	105	(12)	277
Net cash provided (used) by operating activities . . . . .	<u>1,704</u>	<u>89</u>	<u>378</u>	<u>2,171</u>
Cash flows from investing activities:				
Cash proceeds from dispositions of investments . . . . .	—	—	62	62
Proceeds (payments) from settlement of financial instruments, net . . . . .	—	—	(1)	(1)
Investments in and loans to cost and equity investees . . . . .	—	(20)	(764)	(784)
Repayment of loans and other cash receipts from cost and equity investees . . . . .	—	—	48	48
Capital expended for property and equipment . . . . .	(206)	(360)	(2)	(568)
Purchases of short term investments and other marketable securities . . . . .	—	—	(258)	(258)
Sales of short term investments and other marketable securities . . . . .	—	—	273	273
Other investing activities, net . . . . .	(4)	(33)	1	(36)
Net cash provided (used) by investing activities . . . . .	<u>(210)</u>	<u>(413)</u>	<u>(641)</u>	<u>(1,264)</u>
Cash flows from financing activities:				
Borrowings of debt . . . . .	1,847	460	438	2,745
Repayments of debt . . . . .	(1,471)	(276)	(2)	(1,749)
Intergroup (payments) receipts . . . . .	58	16	(74)	—
Shares repurchased by subsidiary . . . . .	(1,674)	—	—	(1,674)
Braves Rights Offering . . . . .	—	203	—	203
Taxes paid in lieu of shares issued for stock-based compensation . . . . .	(47)	—	(11)	(58)
Other financing activities, net . . . . .	(32)	15	4	(13)
Net cash provided (used) by financing activities . . . . .	<u>(1,319)</u>	<u>418</u>	<u>355</u>	<u>(546)</u>
Net increase (decrease) in cash and cash equivalents . . . . .	175	94	92	361
Cash and cash equivalents at beginning of period . . . . .	112	13	76	201
Cash and cash equivalents at end of period . . . . .	<u>\$ 287</u>	<u>107</u>	<u>168</u>	<u>562</u>

## STATEMENT OF CASH FLOWS INFORMATION

December 31, 2015

(unaudited)

	Attributed (note 1)			Consolidated Liberty
	Liberty SiriusXM Group	Braves Group	Formula One Group	
	amounts in millions			
Cash flows from operating activities:				
Net earnings (loss) . . . . .	\$ 443	(20)	(175)	248
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization . . . . .	322	31	9	362
Stock-based compensation . . . . .	157	10	37	204
Share of (earnings) loss of affiliates, net . . . . .	1	(9)	48	40
Realized and unrealized (gains) losses on financial instruments, net . . . . .	—	—	140	140
Noncash interest expense . . . . .	6	—	—	6
Losses (gains) on dilution of investments in affiliate . . . . .	—	—	1	1
Deferred income tax expense (benefit) . . . . .	290	(6)	(109)	175
Intergroup tax allocation . . . . .	(4)	(4)	8	—
Intergroup tax (payments) receipts . . . . .	—	1	(1)	—
Other charges (credits), net . . . . .	15	—	4	19
Changes in operating assets and liabilities				
Current and other assets . . . . .	(220)	9	3	(208)
Payables and other liabilities . . . . .	212	33	—	245
Net cash provided (used) by operating activities . . . . .	<u>1,222</u>	<u>45</u>	<u>(35)</u>	<u>1,232</u>
Cash flows from investing activities:				
Cash proceeds from dispositions of investments . . . . .	—	24	151	175
Proceeds (payments) from settlement of financial instruments, net . . . . .	—	—	(322)	(322)
Investments in and loans to cost and equity investments . . . . .	—	—	(19)	(19)
Capital expended for property and equipment . . . . .	(135)	(128)	(33)	(296)
Purchases of short term investments and other marketable securities . . . . .	—	—	(174)	(174)
Sales of short term investments and other marketable securities . . . . .	—	—	358	358
Other investing activities, net . . . . .	—	(9)	1	(8)
Net cash provided (used) by investing activities . . . . .	<u>(135)</u>	<u>(113)</u>	<u>(38)</u>	<u>(286)</u>
Cash flows from financing activities:				
Borrowings of debt . . . . .	1,978	197	38	2,213
Repayments of debt . . . . .	(1,038)	(158)	—	(1,196)
Intergroup (payments) receipts . . . . .	9	31	(40)	—
Repurchases of Liberty common stock . . . . .	—	—	(350)	(350)
Shares repurchased by subsidiary . . . . .	(2,018)	—	—	(2,018)
Taxes paid in lieu of shares issued for stock-based compensation . . . . .	(54)	—	(26)	(80)
Other financing activities, net . . . . .	—	—	5	5
Net cash provided (used) by financing activities . . . . .	<u>(1,123)</u>	<u>70</u>	<u>(373)</u>	<u>(1,426)</u>
Net increase (decrease) in cash and cash equivalents . . . . .	(36)	2	(446)	(480)
Cash and cash equivalents at beginning of period . . . . .	148	11	522	681
Cash and cash equivalents at end of period . . . . .	<u>\$ 112</u>	<u>13</u>	<u>76</u>	<u>201</u>

## STATEMENT OF CASH FLOWS INFORMATION

December 31, 2014

(unaudited)

	Attributed (note 1)			Consolidated Liberty
	Liberty SiriusXM Group	Braves Group	Formula One Group	
	amounts in millions			
Cash flows from operating activities:				
Net earnings (loss) . . . . .	\$ 448	(24)	(29)	395
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization . . . . .	314	29	16	359
Stock-based compensation . . . . .	148	12	57	217
Share of (earnings) loss of affiliates, net . . . . .	(5)	(10)	128	113
Realized and unrealized (gains) losses on financial instruments, net . . . . .	—	—	(38)	(38)
Noncash interest expense . . . . .	(35)	—	1	(34)
Losses (gains) on dilution of investment in affiliate . . . . .	2	—	76	78
Deferred income tax expense (benefit) . . . . .	284	(7)	(186)	91
Intergroup tax allocation . . . . .	30	(5)	(25)	—
Intergroup tax (payments) receipts . . . . .	—	(10)	10	—
Other charges (credits), net . . . . .	19	(27)	(4)	(12)
Changes in operating assets and liabilities				
Current and other assets . . . . .	(20)	(53)	(1)	(74)
Payables and other liabilities . . . . .	57	11	(35)	33
Net cash provided (used) by operating activities	<u>1,242</u>	<u>(84)</u>	<u>(30)</u>	<u>1,128</u>
Cash flows from investing activities:				
Cash (paid) for acquisitions, net of cash acquired . . . . .	2	—	(49)	(47)
Cash proceeds from dispositions of investments . . . . .	—	—	247	247
Proceeds (payments) from settlement of financial instruments, net . . . . .	—	—	(72)	(72)
Investments in and loans to cost and equity investees . . . . .	—	—	(183)	(183)
Repayment of loans and other cash receipts from cost and equity investees . . . . .	32	10	—	42
Capital expended for property and equipment . . . . .	(126)	(66)	(2)	(194)
Purchases of short term investments and other marketable securities . . . . .	—	—	(360)	(360)
Sales of short term investments and other marketable securities . . . . .	—	—	176	176
Other investing activities, net . . . . .	—	(6)	(14)	(20)
Net cash provided (used) by investing activities	<u>(92)</u>	<u>(62)</u>	<u>(257)</u>	<u>(411)</u>
Cash flows from financing activities:				
Borrowings of debt . . . . .	2,658	100	—	2,758
Repayments of debt . . . . .	(1,266)	—	(670)	(1,936)
Intergroup (payments) receipts . . . . .	(335)	—	335	—
Cash provided by the Broadband Spin-Off . . . . .	—	—	259	259
Shares repurchased by subsidiary . . . . .	(2,157)	—	—	(2,157)
Taxes paid in lieu of shares issued for stock-based compensation . . . . .	(37)	—	(11)	(48)
Net cash provided (used) by financing activities	<u>(1,137)</u>	<u>100</u>	<u>(87)</u>	<u>(1,124)</u>
Net increase (decrease) in cash and cash equivalents . . . . .				
	13	(46)	(374)	(407)
Cash and cash equivalents at beginning of period	135	57	896	1,088
Cash and cash equivalents at end of period . . . . .	<u>\$ 148</u>	<u>11</u>	<u>522</u>	<u>681</u>

**Notes to Attributed Financial Information**  
**(unaudited)**

- (1) As discussed above and in note 2 the accompanying consolidated financial statements, on April 15, 2016 Liberty completed a recapitalization of Liberty Media Corporation's ("Liberty" or the "Company") common stock into three new tracking stock groups, one designated as the Liberty Braves common stock, one designated as the Liberty Media common stock and one designated as the Liberty SiriusXM common stock (the "Recapitalization"). Upon completion of the Second Closing of the acquisition of Formula 1 on January 23, 2017, as discussed below, the Liberty Media Group was renamed the Liberty Formula One Group (the "Formula One Group").

A 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 Liberty SiriusXM Group, Braves Group and Formula One 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. Therefore, the Liberty SiriusXM Group, Braves Group and Formula One Group do not represent separate legal entities, but rather represent those businesses, assets and liabilities that have been attributed to each respective group. Holders of tracking stock have no direct claim to the group's stock or assets and therefore, do not own, by virtue of their ownership of a Liberty tracking stock, any equity or voting interest in a company, such as Sirius XM Holdings Inc. ("SIRIUS XM"), Formula 1 or Live Nation Entertainment, Inc. ("Live Nation"), in which Liberty holds an interest and that is attributed to a Liberty tracking stock group, such as the Liberty SiriusXM Group or the Formula One Group. Holders of tracking stock are also 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 Liberty SiriusXM Group is comprised of our consolidated subsidiary, SIRIUS XM, corporate cash and its margin loan obligation incurred by a wholly-owned special purpose subsidiary of Liberty. As of December 31, 2016, the Liberty SiriusXM Group has cash and cash equivalents of approximately \$287 million, which includes \$214 million of subsidiary cash.

The Braves Group is comprised of our consolidated subsidiary, Braves Holdings, LLC ("Braves Holdings"), which indirectly owns the Atlanta Braves Major League Baseball Club ("ANLBC") and certain assets and liabilities associated with ANLBC's stadium and mixed use development project (the "Development Project") and cash. Also upon the Recapitalization, Liberty had attributed to the Braves Group all liabilities arising under a note obligation from Braves Holdings to Liberty, with a total borrowing capacity of up to \$165 million by Braves Holdings (the "Intergroup Note") relating to funds borrowed and used for investment in the Development Project. As of December 31, 2015, Braves Holdings had drawn approximately \$31 million on the Intergroup Note, which is included in the Intergroup payable (receivable) line item in the consolidated attributed balance sheet. \$150 million was outstanding under the Intergroup Note which was repaid during June 2016 using proceeds from the subscription rights offering (as described in more detail below), and the Intergroup Note agreement was cancelled. The remaining proceeds from the rights offering were attributed to the Braves Group. As of December 31, 2016, the Braves Group has cash and cash equivalents of approximately \$107 million, which includes subsidiary cash.

The Formula One Group is comprised of all of the businesses, assets and liabilities of Liberty other than those specifically attributed to the Liberty SiriusXM Group or the Braves Group, including, as of December 31, 2016, Liberty's interests in Live Nation, minority equity investments in Time Warner Inc. ("Time Warner"), Viacom, Inc. ("Viacom") and Formula 1, the Intergroup Note, the recovery received in connection with the Vivendi lawsuit, cash, an intergroup interest in the Braves Group as well as Liberty's 1.375% Cash Convertible Notes due 2023 and related financial instruments and the 2.25% Exchangeable Senior Debentures due 2016. As discussed in more detail in note 2, on September 7, 2016 Liberty, through its indirect wholly owned subsidiary Liberty GR Cayman Acquisition Company, entered into two definitive stock purchase agreements relating to the acquisition of Delta Topco Limited ("Delta Topco"), the parent company of Formula 1, a global motorsports business. The transactions contemplated by the first purchase agreement were completed on September 7, 2016 and provided for the acquisition of slightly less than a 20% minority stake in Formula 1 on an undiluted basis. On October 27, 2016 under the terms of the first purchase agreement, Liberty acquired an additional incremental equity interest of Delta Topco, maintaining Liberty's investment in Delta Topco on an undiluted basis and increasing slightly to 19.1% on a fully diluted basis. Liberty's interest in Delta Topco and by extension Formula 1 is attributed to the Formula One Group. Liberty

**Notes to Attributed Financial Information (Continued)**  
**(unaudited)**

acquired 100% of the fully diluted equity interests of Delta Topco, other than a nominal number of shares held by certain Formula 1 teams, in a closing under the second purchase agreement (and following the unwind of the first purchase agreement) on January 23, 2017 (the "Second Closing"). Liberty's acquired interest in Formula 1, along with existing Formula 1 cash and debt (which is non-recourse to Liberty), was attributed to the Formula One Group upon completion of the Second Closing. As of December 31, 2016, the Formula One Group has cash and cash equivalents of approximately \$168 million.

Following the creation of the new tracking stocks, Liberty distributed to holders of its Liberty Braves common stock subscription rights to acquire shares of Series C Liberty Braves common stock to raise capital to repay the Intergroup Note and for working capital purposes. In the rights distribution, Liberty distributed 0.47 of a Series C Liberty Braves subscription right for each share of Series A, Series B or Series C Liberty Braves common stock held as of 5:00 p.m., New York City time, on May 16, 2016. Fractional Series C Liberty Braves subscription rights were rounded up to the nearest whole right. Each whole Series C Liberty Braves subscription right entitled the holder to purchase, pursuant to the basic subscription privilege, one share of Liberty's Series C Liberty Braves common stock at a subscription price of \$12.80, which was equal to an approximate 20% discount to the trading day volume weighted average trading price of Liberty's Series C Liberty Braves common stock for the 18-day trading period ending on May 11, 2016. Each Series C Liberty Braves subscription right also entitled the holder to subscribe for additional shares of Series C Liberty Braves common stock that were unsubscribed for in the rights offering pursuant to an oversubscription privilege. The rights offering commenced on May 18, 2016, which was also the ex-dividend date for the distribution of the Series C Liberty Braves subscription rights. The rights offering expired at 5:00 p.m. New York City time, on June 16, 2016 and was fully subscribed with 15,833,634 shares of Series C Liberty Braves common stock issued to those rightsholders exercising basic and, if applicable, oversubscription privileges. Approximately \$150 million of the proceeds from the rights offering were used to repay the amount outstanding on the Intergroup Note and accrued interest to Liberty. The remaining proceeds will be used for future development costs attributed to the Braves Group. In September 2016, the Internal Revenue Service completed its review of the distribution of the Series C Liberty Braves rights offering and notified Liberty that it agreed with the nontaxable characterization of the distribution.

As part of the Recapitalization, the Formula One Group initially held a 20% intergroup interest in the Braves Group. As a result of the rights offering, the number of notional shares underlying the intergroup interest was adjusted to 9,084,940, representing a 15.5% intergroup interest in the Braves Group as of December 31, 2016. The intergroup interest is a quasi-equity interest which is not represented by outstanding shares of common stock; rather, the Formula One Group has an attributed value in the Braves Group which is generally stated in terms of a number of shares of stock issuable to the Formula One Group with respect to its interest in the Braves Group. Each reporting period, the notional shares representing the intergroup interest are marked to fair value. The change in fair value is recorded in the Unrealized gain (loss) on intergroup interest line item in the unaudited attributed consolidated statements of operations. The Formula One Group's intergroup interest is reflected in the Investment in intergroup interest line item, and the Braves Group liability for the intergroup interest is reflected in the Redeemable intergroup interest line item in the unaudited attributed consolidated balance sheets. Both accounts are presented as noncurrent, as there are currently no plans for the settlement of the intergroup interest. Appropriate eliminating entries are recorded in the Company's consolidated financial statements.

As the notional shares underlying the intergroup interest are not represented by outstanding shares of common stock, such shares have not been officially designated Series A, B or C Liberty Braves common stock. However, Liberty has assumed that the notional shares (if and when issued) would be comprised of Series C Liberty Braves common stock in order to not dilute voting percentages. Therefore, the market price of Series C Liberty Braves common stock is used for the quarterly mark-to-market adjustment through the unaudited attributed consolidated statements of operations.

The intergroup interest will remain outstanding until the redemption of the outstanding interest, at the discretion of the Company's board of directors, through transfer of securities, cash and/or other assets from the Braves Group to the Formula One Group.

**Notes to Attributed Financial Information (Continued)**  
**(unaudited)**

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	amounts in millions	
Liberty SiriusXM Group		
Other AFS and cost investments . . . . .	\$ —	—
Total attributed Liberty SiriusXM Group . . . . .	—	—
Braves Group		
Other AFS and cost investments . . . . .	8	8
Total attributed Braves Group . . . . .	8	8
Formula One Group		
Fair Value Option Securities		
Time Warner (a) . . . . .	411	275
Viacom (b) . . . . .	65	76
Other equity securities . . . . .	13	74
Other debt securities . . . . .	—	25
Total Fair Value Option Securities . . . . .	489	450
AFS and cost investments		
Formula 1 (c) . . . . .	759	—
Live Nation debt securities (d) . . . . .	—	24
Other AFS and cost investments . . . . .	53	51
Total AFS and cost investments . . . . .	812	75
Total attributed Formula One Group . . . . .	1,301	525
Consolidated Liberty . . . . .	\$ 1,309	533

- (a) Shares of Time Warner, which are attributed to the Formula One Group, are pledged as collateral pursuant to the Braves Holdings mixed-use development facility, which is attributed to the Braves Group. See note 4 below for details regarding the number and fair value of shares pledged as collateral pursuant to the Braves Holdings mixed-use development facility as of December 31, 2016.
- (b) During the year ended December 31, 2015, Liberty sold 1.8 million shares of Viacom common stock for approximately \$122 million in proceeds.
- (c) On September 7, 2016 Liberty entered into two definitive stock purchase agreements relating to the acquisition of Delta Topco, the parent company of Formula 1, a global motorsports business, from a consortium of sellers led by CVC Capital Partners (“CVC”). The transactions contemplated by the first purchase agreement were completed on September 7, 2016 and provided for Liberty’s acquisition of slightly less than a 20% minority stake in Formula 1 on an undiluted basis for \$746 million, funded entirely in cash (which is equal to \$821 million in consideration less a \$75 million discount to be repaid by Liberty to selling stockholders upon completion of the acquisition). On October 27, 2016 under the terms of the first purchase agreement, Liberty acquired an additional incremental equity interest of Delta Topco, maintaining Liberty’s investment in Delta Topco on an undiluted basis and increasing slightly to 19.1% on a fully diluted basis. Liberty acquired 100% of the fully diluted equity interests of Delta Topco, other than a nominal number of shares held by certain Formula 1 teams, in the Second Closing. Prior to completion of the Second Closing, CVC continued to be the controlling shareholder of Formula 1, and



**Notes to Attributed Financial Information (Continued)**  
**(unaudited)**

Liberty did not have any voting interests or board representation in Formula 1. As a result, we concluded that we did not have significant influence over Formula 1, and therefore our initial investment in Formula 1 was accounted for as a cost investment until the completion of the Second Closing, at which time we began consolidating Formula 1. See details regarding the Second Closing in note 7 of the accompanying consolidated financial statements.

(d) Liberty redeemed the Live Nation debt securities at face value during October 2016.

(3) The following table presents information regarding certain equity method investments attributed to each of the Liberty SiriusXM Group, Braves Group and Formula One Group:

	Percentage ownership	December 31, 2016		December 31, 2015
		Market Value	Carrying amount	Carrying amount
dollar amounts in millions				
Liberty SiriusXM Group				
SIRIUS XM Canada .....	37 %	\$ 179	\$ 164	153
Total Liberty SiriusXM Group .....			164	153
Braves Group				
Other .....	NA	NA	61	39
Total Braves Group .....			61	39
Formula One Group				
Live Nation .....	34 %	\$ 1,853	731	764
Other .....	various	NA	161	159
Total Formula One Group .....			892	923
Consolidated Liberty .....			\$ 1,117	1,115

***SIRIUS XM Canada***

In the acquisition of a controlling interest in SIRIUS XM on January 18, 2013, Liberty acquired an interest in Sirius XM Canada Holdings, Inc. (“SIRIUS XM Canada”) which SIRIUS XM accounts for as an equity method affiliate. Liberty recognized the investment at fair value, based on the market price per share (Level 1), on the date of acquisition.

On May 12, 2016, a subsidiary of SIRIUS XM, Sirius XM Radio Inc. (“Sirius XM Radio”), entered into an arrangement agreement (the “Arrangement Agreement”) with SIRIUS XM Canada. Pursuant to the Arrangement Agreement, SIRIUS XM Radio and certain Canadian shareholders will form a new company to acquire shares of SIRIUS XM Canada not already owned by them pursuant to a plan of arrangement (the “Transaction”). In connection with the Transaction, SIRIUS XM Canada’s shareholders will be entitled to elect to receive, for each share of SIRIUS XM Canada held, C\$4.50 (U.S. \$3.50 as of May 12, 2016) in (i) cash, (ii) shares of SIRIUS XM’s common stock, (iii) a security exchangeable for shares of SIRIUS XM’s common stock, or (iv) a combination thereof; provided that no more than 50% of the total consideration in the Transaction (or up to 35 million shares) will be issued in SIRIUS XM common stock and exchangeable shares. All of the obligations of SIRIUS XM Radio under the Arrangement Agreement are guaranteed by SIRIUS XM.

Following the Transaction, SIRIUS XM Radio is expected to hold a 70% economic interest and 33% voting interest in SIRIUS XM Canada, with the remainder of the voting power and economic interest held by Slight Communications and Obelysk Media, two of SIRIUS XM Canada’s current Canadian shareholders. SIRIUS XM Radio expects to contribute to SIRIUS XM Canada approximately U.S. \$275 million in connection with the Transaction (assuming that all shareholders elect to receive cash in connection with the Transaction), which amount is expected to be used to pay the cash consideration to SIRIUS XM Canada’s shareholders and will be decreased

**Notes to Attributed Financial Information (Continued)**  
**(unaudited)**

proportionately if shareholders elect to receive consideration in shares of SIRIUS XM common stock or securities exchangeable for SIRIUS XM common stock.

The Transaction has been approved by the shareholders of SIRIUS XM Canada and has received the required court approval. The Transaction remains subject to receipt of Canadian Radio-Television and Telecommunications Commission approval. Pending receipt of all necessary approvals, the Transaction is expected to close early in the second quarter of 2017.

- (4) Debt attributed to the Liberty SiriusXM Group, Braves Group and Formula One Group is comprised of the following:

	<u>Outstanding Principal December 31, 2016</u>	<u>Carrying value</u>	
		<u>December 31, 2016</u>	<u>December 31, 2015</u>
	amounts in millions		
<b>Liberty SiriusXM Group</b>			
Corporate level notes and loans:			
Margin loans . . . . .	\$ 250	250	250
Subsidiary notes and loans:			
SIRIUS XM 5.875% Senior Notes due 2020 . . . . .	—	—	645
SIRIUS XM 5.75% Senior Notes due 2021 . . . . .	600	596	596
SIRIUS XM 5.25% Senior Secured Notes due 2022 . . . . .	400	405	406
SIRIUS XM 4.25% Senior Notes due 2020 . . . . .	500	497	496
SIRIUS XM 4.625% Senior Notes due 2023 . . . . .	500	496	496
SIRIUS XM 6% Senior Notes due 2024 . . . . .	1,500	1,487	1,485
SIRIUS XM 5.375% Senior Notes due 2025 . . . . .	1,000	990	989
SIRIUS XM 5.375% Senior Notes due 2026 . . . . .	1,000	989	—
SIRIUS XM Credit Facility . . . . .	390	390	340
SIRIUS XM leases . . . . .	14	14	13
Less deferred financing costs . . . . .	—	(7)	(7)
Total Liberty SiriusXM Group . . . . .	<u>6,154</u>	<u>6,107</u>	<u>5,709</u>
<b>Braves Group</b>			
Subsidiary notes and loans:			
Notes and loans . . . . .	338	338	147
Less deferred financing costs . . . . .	—	(10)	(8)
Total Braves Group . . . . .	<u>338</u>	<u>328</u>	<u>139</u>
<b>Formula One Group</b>			
Corporate level notes and loans:			
Liberty 1.375% Cash Convertible Notes due 2023 . . . . .	1,000	1,076	995
2.25% Exchangeable Senior Debentures due 2046 . . . . .	445	470	—
Notes and loans . . . . .	36	37	38
Total Formula One Group . . . . .	<u>1,481</u>	<u>1,583</u>	<u>1,033</u>
Total debt . . . . .	<u>\$ 7,973</u>	<u>8,018</u>	<u>6,881</u>
Less debt classified as current . . . . .		(5)	(255)
Total long-term debt . . . . .		<u>8,013</u>	<u>6,626</u>

**Notes to Attributed Financial Information (Continued)**  
**(unaudited)**

***Margin Loans***

During the year ended December 31, 2013, in connection with Liberty's acquisition of Charter Communications, Inc. common stock and warrants, Liberty, through certain of its wholly-owned subsidiaries, entered into three different margin loans with various financial institutions ("lender parties") in order to fund the purchase. One of these margin loans was fully repaid during 2013. Each agreement contains language that indicates that Liberty, as borrower and transferor of underlying shares as collateral, has the right to exercise all voting, consensual and other powers of ownership pertaining to the transferred shares for all purposes, provided that Liberty agrees that it will not vote the shares in any manner that would reasonably be expected to give rise to transfer or other certain restrictions. Similarly, the loan agreements indicate that no lender party shall have any voting rights with respect to the shares transferred, except to the extent that a lender party buys any shares in a sale or other disposition made pursuant to the terms of the loan agreements. The margin loans consist of the following:

*\$750 Million Margin Loan due 2018*

On April 30, 2013, Liberty Siri MarginCo, LLC, a wholly-owned subsidiary of Liberty, entered into a margin loan agreement whereby Liberty Siri MarginCo, LLC borrowed \$250 million pursuant to a term loan and \$450 million pursuant to a revolving credit facility with various lender parties. Shares of common stock of certain of the Company's equity affiliates and cost investments were pledged as collateral pursuant to this agreement. Borrowings under this agreement were due October 31, 2014 and bore interest equal to LIBOR plus 2%. Interest on the term loan was payable on the first business day of each calendar quarter, and interest was payable on the revolving line of credit on the last day of the interest period applicable to the borrowing of which such loan is a part. During 2013, Liberty Siri MarginCo, LLC repaid \$450 million outstanding under the revolving credit facility.

During October 2014, Liberty refinanced this margin loan arrangement for a similar financial instrument with a term loan of \$250 million and a \$750 million undrawn line of credit. The term loan and any drawn portion of the revolver bore interest at a rate of LIBOR plus an applicable spread between 1.75% and 2.50% (based on value of collateral) with the undrawn portion carrying a fee of 0.75%. Other terms of the loan were substantially similar to the previous arrangement.

During October 2015, Liberty refinanced this margin loan arrangement for a similar financial instrument with a term loan of \$250 million and a \$1 billion undrawn line of credit, which was scheduled to mature during October 2016. As of December 31, 2015, shares of SIRIUS XM and Live Nation were pledged as collateral pursuant to this agreement. The term loan and any drawn portion of the revolver carried an interest rate of LIBOR plus an applicable spread between 1.75% and 2.25% (based on the value of collateral) with the undrawn portion carrying a fee of 0.75%. Other terms of the agreement were substantially similar to the previous arrangement.

During October 2016, Liberty refinanced this margin loan arrangement for a similar financial instrument with a term loan of \$250 million and a \$500 million undrawn line of credit, which is scheduled to mature during October 2018. The new term loan and any drawn portion of the revolver carries an interest rate of LIBOR plus 1.75% with the undrawn portion carrying a fee of 0.75%. Other terms of the agreement were substantially similar to the previous arrangement. Borrowings outstanding under this margin loan bore interest at a rate of 2.59% per annum at December 31, 2016. As of December 31, 2016, availability under the revolving line of credit was \$500 million. 1,138.4 million shares of SIRIUS XM common stock held by Liberty with a value of \$5,066 million were pledged as collateral to the \$750 million margin loan due 2018 as of December 31, 2016, and shares of Live Nation common stock are no longer pledged as collateral under the new arrangement. The margin loan contains various affirmative and negative covenants that restrict the activities of the borrower. The loan agreement does not include any financial covenants.

Shares of Live Nation, which were previously pledged as collateral pursuant to the margin loan agreement, are held by the Formula One Group. Following the Recapitalization, the Company's Board of Directors approved an amount payable by the Liberty SiriusXM Group to the Formula One Group in order to reflect the credit support provided by the assets of the Formula One Group used as collateral for the margin loan obligation attributed to the Liberty SiriusXM Group. Prior to the margin loan refinancing in October 2016, the amount payable was determined and

**Notes to Attributed Financial Information (Continued)**  
**(unaudited)**

paid quarterly in arrears, based on the average share price of Live Nation common stock each period. This inter-group arrangement was recorded through the Intergroup payable (receivable) line item in the consolidated attributed balance sheets and through the Interest expense line item in the consolidated statements of operations and eliminated in consolidation. The total amount payable was less than \$1 million for the year ended December 31, 2016. This inter-group arrangement was extinguished during October 2016 in connection with the margin loan refinancing since shares of Live Nation are no longer pledged as collateral pursuant to the new margin loan arrangement.

***Braves Holdings Notes***

In 2014, Braves Holdings, through a wholly-owned subsidiary, purchased 82 acres of land for the purpose of constructing a Major League Baseball facility and development of a mixed-use complex adjacent to the ballpark. The new facility is expected to cost approximately \$672 million and Braves Holdings expects to spend approximately \$50 million in other costs and equipment related to the new ballpark. Funding for the ballpark will be split between Braves Holdings, Cobb County and Cobb-Marietta Coliseum and Exhibit Hall Authority. Cobb-Marietta Coliseum and Exhibit Hall Authority and Cobb County (collectively the “Authority”) will be responsible for funding \$392 million of ballpark related construction and Braves Holdings will be responsible for remainder of cost, including cost overruns. Cobb-Marietta Coliseum and Exhibit Hall Authority issued \$368 million in bonds during September 2015. Braves Holdings received \$103 million of the bond proceeds during September 2015 as reimbursement for project costs paid for by Braves Holdings prior to the funding of the bonds. Funding for ballpark initiatives by Braves Holdings has come from cash reserves and utilization of two credit facilities. Additionally, during September 2015, Braves Holdings entered into a \$345 million term loan (the “Braves Term Loan”). The Braves Term Loan initially bore interest at LIBOR plus an applicable spread between 1.50% and 1.75% (based on the debt service coverage ratio) per annum and an unused commitment fee of 0.35% per annum based on the average daily unused portion of the Braves Term Loan, payable quarterly in arrears. In connection with entering into the Braves Senior Secured Note during August 2016 (discussed below), Braves Holdings partially repaid and reduced the capacity on the Braves Term loan from \$345 million to \$130 million and amended the interest rate on the Braves Term Loan to LIBOR plus 1.75%. The interest rate on the Braves Term Loan was 2.37% as of December 31, 2016. The Braves Term Loan is scheduled to mature during August 2021. In connection with entering into the Braves Term Loan, Braves Holdings partially repaid and reduced the capacity on one of the credit facilities from \$250 million to \$85 million for a total capacity under the credit facilities of \$185 million. As of December 31, 2016, the weighted average interest rate on the credit facilities was 1.88%. As of December 31, 2016, Braves Holdings has borrowed approximately \$70 million under the Braves Term Loan and two facilities.

During August 2016, a subsidiary of Braves Holdings entered into a \$200 million senior secured note which was funded during October 2016 (the “Braves Senior Secured Note”). The Braves Senior Secured Note bears interest at 3.77% per annum, payable semi-annually in arrears. The Braves Senior Secured Note is scheduled to mature during September 2041. A portion of the proceeds from the Braves Senior Secured Note were used to partially repay the Braves Term Loan, and the remaining funds will be used to finance the stadium construction.

Due to Braves Holdings providing the initial funding of the project and its ownership of the land during the initial construction period, until the initial reimbursement by the Authority during September 2015 at which time the land was conveyed to the Authority, Braves Holdings has been deemed the owner (for accounting purposes) of the stadium during the construction period and costs have been classified as construction in progress (“CIP”), within the Property and equipment, net line item. Future costs of the project will continue to be captured in CIP along with a corresponding liability in other liabilities, for amounts funded by the Authority. At the end of construction an additional determination will be made to determine whether the transaction will qualify for sale-leaseback accounting treatment.

In addition, Braves Holdings through affiliated entities and outside development partners are in the process of developing land around the ballpark for a mixed-use complex that is expected to feature retail, residential, office, hotel and entertainment opportunities. The estimated cost for mixed-use development is \$558 million, of which Braves Holdings affiliated entities are expected to fund approximately \$490 million, which Braves Holdings intends to fund with a mix of approximately \$200 million in equity and \$290 million in new debt. In December 2015, certain

**Notes to Attributed Financial Information (Continued)**  
**(unaudited)**

subsidiaries of Braves Holdings entered into three separate credit facilities totaling \$207 million to fund a portion of the mixed use development costs. The maturity dates of the facilities range between December 2018 and December 2019, and all of the facilities contain two year extension options. Interest rates on the credit facilities bear interest at LIBOR plus an applicable spread between 2.0% and 2.6%, with certain step-downs upon lease of the mixed use facilities at the completion of construction. As of December 31, 2016, \$63 million was drawn on these facilities with a weighted average interest rate of 2.75%.

As discussed in note 2 above, 464 thousand Time Warner shares were pledged as collateral to the mixed use facilities. The fair value of the shares pledged as of December 31, 2016 was \$45 million. Shares of Time Warner are held by the Formula One Group. Following the Recapitalization, the Company's board of directors approved an amount payable by the Braves Group to pay the Formula One Group in order to reflect the credit support provided by the assets of the Formula One Group used as collateral for the credit facility obligations of the Braves Group. The amount of this obligation is determined and paid quarterly in arrears, based on the average share price of Time Warner common stock each period. This inter-group arrangement is recorded through the Intergroup payable (receivable) line item in the consolidated attributed balance sheets and through the Interest expense line item in the consolidated attributed statements of operations and eliminated in consolidation. The total amount payable is expected to be less than \$1 million each annual period.

In August 2016, a subsidiary of Braves Holdings entered into a credit facility with an availability of \$30 million to fund a portion of the entertainment venue as part of the mixed use development. This facility matures during August 2020 and contains one twelve month extension option. The credit facility bears interest at LIBOR plus 3.25%, with a step-down upon completion of construction. This facility was undrawn as of December 31, 2016.

As of December 31, 2016, approximately \$618 million has been spent to-date on the baseball facility, of which approximately \$373 million of funding has been provided by the Authority, and \$309 million has been spent to date on the mixed-use development.

***Liberty 1.375% Cash Convertible Senior Notes due 2023***

On October 17, 2013, Liberty issued \$1 billion aggregate principal amount of 1.375% Cash Convertible Senior Notes due 2023 ("Convertible Notes"). The Convertible Notes will mature on October 15, 2023 unless earlier repurchased by us or converted. Interest on the Convertible Notes is payable semi-annually in arrears on April 15 and October 15 of each year at a rate of 1.375% per annum. All conversion of the Convertible Notes will be settled solely in cash, and not through the delivery of any securities. During the year ended December 31, 2014, in connection with the issuance of Series C Liberty Media Corporation common stock and the Broadband Spin-Off, as discussed in note 1 to the accompanying consolidated financial statements, the conversion rate was adjusted to 21.0859 shares of Series A Liberty Media Corporation common stock per \$1,000 principal amount of Convertible Notes with an equivalent conversion price of \$47.43 per share of Series A Liberty Media Corporation common stock. Holders of the Convertible Notes may convert their notes at their option at any time prior to the close of business on the second business day immediately preceding the maturity date of the notes under certain circumstances. Liberty has elected to account for this instrument using the fair value option. Accordingly, changes in the fair value of this instrument are recognized as unrealized gains (losses) in the statement of operations. As of December 31, 2016, the Convertible Notes are classified as a long term liability in the consolidated balance sheet, as the conversion conditions have not been met.

As a result of the Recapitalization, as discussed in note 1, the Convertible Notes are convertible into cash based on the product of the conversion rate specified in the indenture and the basket of tracking stocks into which each outstanding share of Series A Liberty Media Corporation common stock has been reclassified (the "Securities Basket"). Holders of the Convertible Notes may convert their notes at their option at any time prior to the close of business on the second business day immediately preceding the maturity date of the notes under certain circumstances. The supplemental indenture entered into on April 15, 2016 in connection with the Recapitalization amends the conversion, adjustment and other provisions of the indenture to give effect to the Recapitalization and provides that the conversion consideration due upon conversion of any Convertible Note shall be determined as if



**Notes to Attributed Financial Information (Continued)**  
**(unaudited)**

references in the indenture to one share of Series A Liberty Media Corporation common stock were instead a reference to the Securities Basket, initially consisting of 0.10 of a share of Series A Liberty Braves common stock, 1.0 share of Series A Liberty SiriusXM common stock and 0.25 of a share of Series A Liberty Formula One common stock. The Series A Liberty Braves common stock component of the Securities Basket was adjusted to 0.1087 pursuant to anti-dilution adjustments arising out of the distribution of subscription rights to purchase shares of Series C Liberty Braves common stock made to all holders of Liberty Braves common stock.

Additionally, contemporaneously with the issuance of the Convertible Notes, Liberty entered into privately negotiated cash convertible note hedges and purchased call options (the “Bond Hedge Transaction”). The Bond Hedge Transaction is expected to offset potential cash payments Liberty would be required to make in excess of the principal amount of the Convertible Notes, upon conversion of the notes in the event that the volume-weighted average price per share of the Series A Liberty Media Corporation common stock, as measured under the cash convertible note hedge transactions on each trading day of the relevant cash settlement averaging period or other relevant valuation period, is greater than the strike price of Series A Liberty Media Corporation common stock, which corresponded to the initial conversion price of the Convertible Notes. During the year ended December 31, 2014, in connection with the issuance of Series C Liberty Media Corporation common stock and the Broadband Spin-Off, as discussed in note 1 to the accompanying consolidated financial statements, the number of shares covered by the Bond Hedge Transaction was adjusted to 21,085,900 shares of Series A Liberty Media Corporation common stock and the strike price was adjusted to \$47.43 per share of Series A Liberty Media Corporation common stock, which corresponds to the adjusted conversion price of the Convertible Notes. In connection with the Recapitalization and the entry into the supplemental indenture on April 15, 2016, Liberty entered into amendments to the Bond Hedge Transaction with each of the counterparties to reflect the adjustments resulting from the Recapitalization. As of the effective date of the Recapitalization, the Bond Hedge Transaction covered, in the aggregate, 5,271,475 shares of Series A Liberty Formula One common stock, 21,085,900 shares of Series A Liberty SiriusXM common stock and 2,108,590 shares of Series A Liberty Braves common stock, subject to anti-dilution adjustments pertaining to the Convertible Notes, which was equal to the aggregate number of shares comprising the Securities Basket underlying the Convertible Notes at that time. The aggregate number of shares of Series A Liberty Braves common stock relating to the Bond Hedge Transaction was increased to 2,292,037, pursuant to anti-dilution adjustments arising out of the rights distribution (note 1). The expiration of these instruments is October 15, 2023. The fair value of these instruments is included in Other assets, at cost, net of accumulated amortization as of December 31, 2016 and December 31, 2015 in the accompanying consolidated balance sheets, with changes in the fair value recorded as unrealized gains (losses) on financial instruments in the accompanying consolidated statements of operations.

Concurrently with the Convertible Notes and Bond Hedge Transaction, Liberty also entered into separate privately negotiated warrant transactions under which Liberty sold warrants relating to the same number of shares of common stock as underlie the Bond Hedge Transaction, subject to anti-dilution adjustments (“Warrant Transactions”). The first expiration date of the warrants is January 16, 2024 and expire over a period covering 81 days thereafter. Liberty may elect to settle its delivery obligation under the Warrant Transactions with cash. As of December 31, 2015, there were 21,085,900 warrants outstanding with a strike price of \$64.46 per share. In connection with the Recapitalization, Liberty entered into amendments to the warrant transactions with each of the option counterparties to reflect the adjustments to the Warrant Transactions resulting from the Recapitalization (“Amended Warrant Transactions”). As of the effective date of the Recapitalization, the Amended Warrant Transactions covered, in the aggregate, 5,271,475 shares of Series A Liberty Formula One common stock, 21,085,900 shares of Series A Liberty SiriusXM common stock and 2,108,590 shares of Series A Liberty Braves common stock, subject to anti-dilution adjustments. The aggregate number of shares of Series A Liberty Braves common stock relating to the Amended Warrant Transactions was increased to 2,292,037, pursuant to anti-dilution adjustments arising out of the rights distribution. The strike price of the warrants was adjusted, as a result of the Recapitalization, to \$61.16 per share. The Amended Warrant Transactions may have a dilutive effect with respect to the shares comprising the Securities Basket underlying the warrants to the extent that the settlement price exceeds the strike price of the warrants, and the warrants are settled in shares comprising such Securities Basket. The warrants were recorded in equity at the Formula One Group.



**Notes to Attributed Financial Information (Continued)**  
**(unaudited)**

***2.25% Exchangeable Senior Debentures due 2046***

On August 17, 2016, Liberty closed a private offering of approximately \$445 million aggregate principal amount of its 2.25% exchangeable senior debentures due 2046 (the “2.25% Exchangeable Senior Debentures due 2046”). Upon an exchange of debentures, Liberty, at its option, may deliver Time Warner common stock, cash or a combination of Time Warner common stock and cash. The number of shares of Time Warner common stock attributable to a debenture represents an initial exchange price of approximately \$104.55 per share. A total of approximately 4.25 million shares of Time Warner common stock are attributable to the debentures. Interest is payable quarterly on March 31, June 30, September 30 and December 31 of each year, commencing December 31, 2016. The debentures may be redeemed by Liberty, in whole or in part, on or after October 5, 2021. Holders of the debentures also have the right to require Liberty to purchase their debentures on October 5, 2021. The redemption and purchase price will generally equal 100% of the adjusted principal amount of the debentures plus accrued and unpaid interest.

The debentures, as well as the associated cash proceeds, were attributed to the Formula One Group. Liberty used the net proceeds of the offering for the acquisition of an investment in Formula 1 during September 2016, as further described in note 2. Liberty has elected to account for the debentures using the fair value option. Accordingly, changes in the fair value of these instruments are recognized as unrealized gains (losses) in the consolidated statements of operations.

On October 22, 2016, AT&T Inc. (“AT&T”) and Time Warner announced that they have entered into a definitive agreement under which AT&T will acquire Time Warner in a stock-and-cash transaction. The transaction is expected to close before year-end 2017, subject to approval by Time Warner shareholders and review by the U.S. Department of Justice, as well as potential review by the Federal Communications Commission. If the acquisition is consummated, in accordance with the terms of the indenture governing the 2.25% Exchangeable Senior Debentures due 2046, the cash portion of the acquisition consideration would be paid as an extraordinary additional distribution to holders of debentures and the stock portion of the acquisition consideration would become reference shares attributable to the debentures. Additionally, if the acquisition is consummated, any amount of excess regular quarterly cash dividends paid on the AT&T reference shares would be distributed by the Company to holders of the debentures as an additional distribution.

- (5) Cash compensation expense for our corporate employees is allocated among the Liberty SiriusXM Group, Braves Group and the Formula One Group based on the estimated percentage of time spent providing services for each group. On an annual basis estimated time spent will be determined through an interview process and a review of personnel duties unless transactions significantly change the composition of companies and investments in either respective group which would require a timelier reevaluation of estimated time spent. 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. Following the Recapitalization, stock compensation related to each tracking stock is calculated based on actual awards outstanding.

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.

**Notes to Attributed Financial Information (Continued)**  
**(unaudited)**

- (6) We have accounted for income taxes for the Liberty SiriusXM Group, the Braves Group and the Media 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 respective groups.

**Liberty SiriusXM Group**

Income tax benefit (expense) consists of:

	<b>Years ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<b>amounts in millions</b>		
Current:			
Federal . . . . .	\$ 12	(13)	(31)
State and local . . . . .	(21)	(18)	(12)
Foreign . . . . .	—	(1)	—
	<u>(9)</u>	<u>(32)</u>	<u>(43)</u>
Deferred:			
Federal . . . . .	(302)	(252)	(264)
State and local . . . . .	(30)	(38)	(20)
Foreign . . . . .	—	—	—
	<u>(332)</u>	<u>(290)</u>	<u>(284)</u>
Income tax benefit (expense) . . . . .	<u>\$ (341)</u>	<u>(322)</u>	<u>(327)</u>

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

	<b>Years ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<b>amounts in millions</b>		
Computed expected tax benefit (expense) . . . . .	\$ (349)	(268)	(271)
Dividends received deductions . . . . .	9	—	95
Taxable dividends not recognized for book purposes . . . . .	(11)	—	—
Sale of subsidiary shares to subsidiary treated as a dividend for tax . . . . .	—	—	(123)
State and local income taxes, net of federal income taxes . . .	(37)	(6)	(33)
Federal tax credits . . . . .	67	—	—
Change in valuation allowance affecting tax expense . . . . .	1	(44)	3
Other, net . . . . .	(21)	(4)	2
Income tax benefit (expense) . . . . .	<u>\$ (341)</u>	<u>(322)</u>	<u>(327)</u>

**Notes to Attributed Financial Information (Continued)**  
**(unaudited)**

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

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards and tax credits . . . .	\$ 1,379	1,759
Accrued stock compensation . . . . .	122	102
Other accrued liabilities . . . . .	72	45
Deferred revenue . . . . .	761	729
Other future deductible amounts . . . . .	13	—
Deferred tax assets . . . . .	<u>2,347</u>	<u>2,635</u>
Valuation allowance . . . . .	(48)	(49)
Net deferred tax assets . . . . .	<u>2,299</u>	<u>2,586</u>
Deferred tax liabilities:		
Investments . . . . .	15	11
Fixed assets . . . . .	319	307
Intangible assets . . . . .	3,893	3,880
Discount on debt . . . . .	10	9
Other . . . . .	—	1
Deferred tax liabilities . . . . .	<u>4,237</u>	<u>4,208</u>
Net deferred tax liabilities . . . . .	<u>\$ 1,938</u>	<u>1,622</u>

**Braves Group**

Income tax benefit (expense) consists of:

	<u>Years ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
	amounts in millions		
Current:			
Federal . . . . .	\$ 18	4	5
State and local . . . . .	—	—	1
Foreign . . . . .	—	—	—
	<u>18</u>	<u>4</u>	<u>6</u>
Deferred:			
Federal . . . . .	(1)	5	6
State and local . . . . .	—	1	1
Foreign . . . . .	—	—	—
	<u>(1)</u>	<u>6</u>	<u>7</u>
Income tax benefit (expense) . . . . .	<u>\$ 17</u>	<u>10</u>	<u>13</u>

**Notes to Attributed Financial Information (Continued)**  
**(unaudited)**

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,		
	2016	2015	2014
	amounts in millions		
Computed expected tax benefit (expense) . . . . .	\$ 27	11	13
State and local income taxes, net of federal income taxes . . . . .	2	1	1
Change in valuation allowance affecting tax expense . . . . .	(2)	—	—
Other, net . . . . .	(10)	(2)	(1)
Income tax benefit (expense) . . . . .	<u>\$ 17</u>	<u>10</u>	<u>13</u>

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,	
	2016	2015
	amounts in millions	
Deferred tax assets:		
Net operating loss carryforwards . . . . .	\$ 2	—
Accrued stock compensation . . . . .	2	—
Other accrued liabilities . . . . .	16	14
Other future deductible amounts . . . . .	8	15
Deferred tax assets . . . . .	<u>28</u>	<u>29</u>
Valuation allowance . . . . .	(2)	—
Net deferred tax assets . . . . .	<u>26</u>	<u>29</u>
Deferred tax liabilities:		
Investments . . . . .	1	1
Fixed assets . . . . .	2	—
Intangible assets . . . . .	71	77
Deferred tax liabilities . . . . .	<u>74</u>	<u>78</u>
Net deferred tax liabilities . . . . .	<u>\$ 48</u>	<u>49</u>

**Notes to Attributed Financial Information (Continued)**  
**(unaudited)**

**Liberty Formula One Group**

Income tax benefit (expense) consists of:

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Current:			
Federal .....	\$ (69)	(8)	44
State and local .....	(8)	1	18
Foreign .....	—	—	—
	<u>(77)</u>	<u>(7)</u>	<u>62</u>
Deferred:			
Federal .....	(85)	102	155
State and local .....	(9)	7	31
Foreign .....	—	—	—
	<u>(94)</u>	<u>109</u>	<u>186</u>
Income tax benefit (expense) .....	<u>\$ (171)</u>	<u>102</u>	<u>248</u>

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

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Computed expected tax benefit (expense) .....	\$ (175)	97	97
Liquidation of consolidated subsidiaries .....	—	—	107
Dividends received deductions .....	2	2	4
State and local income taxes, net of federal income taxes .....	(11)	4	28
Change in valuation allowance affecting tax expense .....	—	—	(5)
Recognition of tax benefits not previously recognized, net .....	—	—	11
Other, net .....	13	(1)	6
Income tax benefit (expense) .....	<u>\$ (171)</u>	<u>102</u>	<u>248</u>

**Notes to Attributed Financial Information (Continued)**  
**(unaudited)**

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,	
	2016	2015
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards .....	\$ —	36
Accrued stock compensation .....	12	38
Other accrued liabilities .....	14	17
Discount on debt .....	7	—
Other future deductible amounts .....	3	3
Deferred tax assets .....	36	94
Valuation allowance .....	—	—
Net deferred tax assets .....	36	94
Deferred tax liabilities:		
Investments .....	65	55
Fixed assets .....	9	14
Discount on debt .....	—	21
Other .....	1	—
Deferred tax liabilities .....	75	90
Net deferred tax (assets) liabilities .....	\$ 39	(4)

- (7) Except for the Intergroup Note between the Braves Group and the Formula One Group as discussed in note 1 and the intergroup arrangement regarding the securities held by the Formula One Group pledged as collateral pursuant to loan at the Braves Group as discussed in note 4, the intergroup balance at December 31, 2016 and December 31, 2015 is primarily a result of timing of tax benefits.

Per the tracking stock tax sharing policies, consolidated income taxes arising from the Liberty SiriusXM Group in periods prior to the Recapitalization were not subject to tax sharing and were allocated to the Formula One Group. As such, the balance of the Intergroup tax payable between the Liberty SiriusXM Group and the Formula One Group was zero at the effective date of the Recapitalization and is accounted for going forward beginning on such date.

- (8) The Liberty SiriusXM common stock, Liberty Braves common stock and Liberty Formula One common 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 will be entitled to one vote per share, and holders of Series B common stock of each group will be entitled to ten votes per share. Holders of Series C common stock of each group 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 will 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 SiriusXM common stock, Series A and Series B Liberty Braves common stock, or the approval of the holders of only Series A and Series B Liberty Formula One common stock.

At the option of the holder, each share of Series B common stock of each group 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 another other group.



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## BOARD OF DIRECTORS

### John C. Malone

Chairman of the Board  
Liberty Media Corporation

### Robert R. Bennett

Managing Director  
Hilltop Investments LLC

### Brian M. Deevy

Retired Head of Communications,  
Media & Entertainment Group  
RBC Capital Markets

### M. Ian G. Gilchrist

Retired Investment Banker

### Gregory B. Maffei

President and Chief Executive Officer  
Liberty Media Corporation

### Evan D. Malone, Ph.D.

President  
NextFab Studio, LLC

### David E. Rapley

Retired President and Chief Executive  
Officer  
Rapley Consulting, Inc.

### Larry E. Romrell

Retired Executive Vice President  
Tele-Communications, Inc.

### Andrea L. Wong

President, International Production  
Sony Pictures Television  
President, International  
Sony Pictures Entertainment

## EXECUTIVE COMMITTEE

### Robert R. Bennett

### Gregory B. Maffei

### John C. Malone

## COMPENSATION COMMITTEE

### M. Ian G. Gilchrist (Chairman)

### David E. Rapley

### Andrea L. Wong

## AUDIT COMMITTEE

### Brian M. Deevy (Chairman)

### M. Ian G. Gilchrist

### Larry E. Romrell

## NOMINATING & CORPORATE GOVERNANCE COMMITTEE

### David E. Rapley (Chairman)

### M. Ian G. Gilchrist

### Larry E. Romrell

### Andrea L. Wong

## SENIOR OFFICERS

### John C. Malone

Chairman of the Board

### Gregory B. Maffei

President and Chief Executive Officer

### Richard N. Baer

Chief Legal Officer

### Mark D. Carleton

Chief Financial Officer

### Albert E. Rosenthaler

Chief Corporate Development Officer

## CORPORATE SECRETARY

### Pamela L. Coe

## CORPORATE HEADQUARTERS

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

## STOCK INFORMATION

Series A and C Liberty Braves Common  
Stock (BATRA/K), Series A and C Liberty  
Formula One Common Stock (FWONA/K),  
and Series A, B and C Liberty SiriusXM  
Common Stock (LSXMA/B/K) trade on the  
NASDAQ Global Select Market.

Series B Liberty Braves Common Stock  
(BATR/B) and Series B Liberty Formula  
One Common Stock (FWONB) are quoted  
on the OTC Markets.

## CUSIP NUMBERS

BATRA – 531229 706

BATRB – 531229 805

BATRK – 531229 888

FWONA – 531229 870

FWONB – 531229 862

FWONK – 531229 854

LSXMA – 531229 409

LSXMB – 531229 508

LSXMK – 531229 607

## TRANSFER AGENT

Liberty Media Corporation  
Computershare Investor Services  
P.O. Box 30170  
College Station, TX 77842  
Phone: (781) 575-4593  
Toll free: (866) 367-6355  
[www.computershare.com](http://www.computershare.com)  
Telecommunication Device for the Deaf  
(TDD) (800) 952-9245

## INVESTOR RELATIONS

### Courtnee Chun

[investor@libertymedia.com](mailto:investor@libertymedia.com)  
(877) 772-1518

## ON THE INTERNET

Visit the Liberty Media Corporation  
website at [www.libertymedia.com](http://www.libertymedia.com).

## FINANCIAL STATEMENTS

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



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